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# USAID-TIJARA PROVINCIAL ECONOMIC GROWTH PROGRAM

## QUARTERLY PROGRESS REPORT

JULY 2011 – SEPTEMBER 2011



October, 2011

This report was produced for review by the U.S. Agency for International Development (USAID). It was prepared by The Louis Berger Group, Inc.

Contract No. 267-C-00-08-0050-00

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### **DISCLAIMER**

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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## I. ACRONYMS

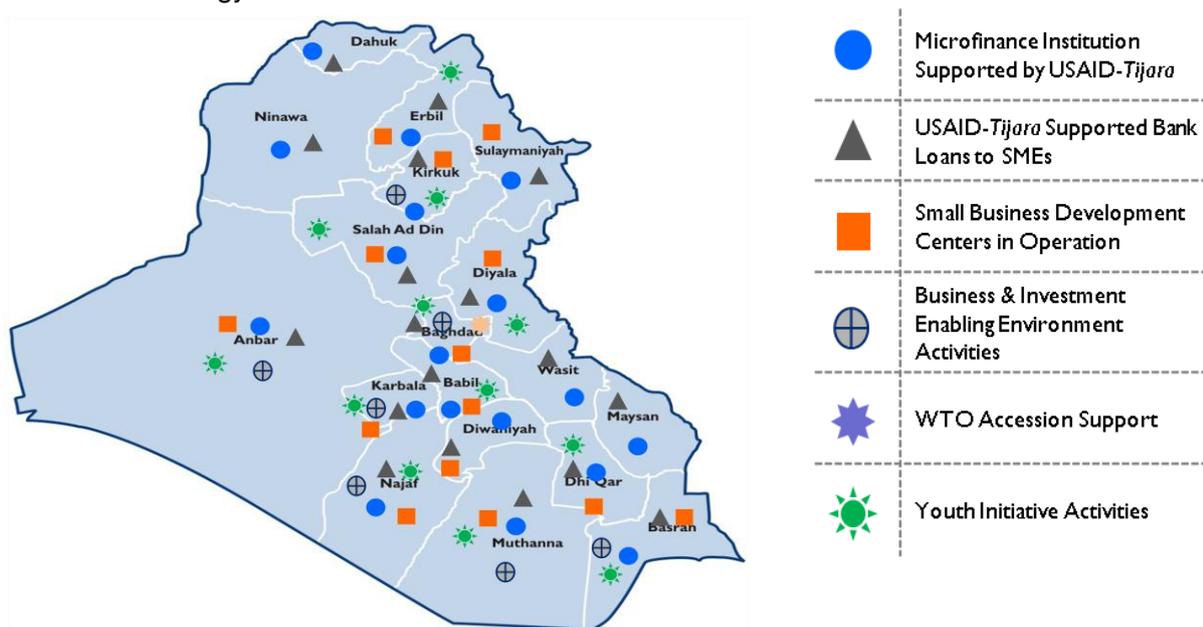
ACC	World Trade Organization Accession Document
ADS	Automated Directives System
BDS	Business Development Services
BIEE	Business & Investment Enabling Environment
BRP	Business Review Panel
CBI	Central Bank of Iraq
CGAP	Consultative Group Assisting the Poor
COMSEC	Council of Ministers Secretariat
COP	Chief of Party
COTR	Cognizant Officer Technical Representative
DCOP	Deputy Chief of Party
DQA	Data Quality Assessment
ePRT	Embedded Provincial Reconstruction Team
EU	European Union
FAF	Foreign Assistance Framework
FOB	Forward Operating Base
FSS	Financial Self Sufficiency
GATS	General Agreement on Trade in Services
GATT	General Agreement on Trade and Tariffs
GCC	General Commission for Customs
GOI	Government of Iraq
ICBG	Iraq Company for Bank Guarantees
ICF-SME	Iraqi Company for Financing Small and Medium Enterprises
ICT	Information and Communications Technology
IDA	Industrial Development Authority
ILO	International Labor Organization
IMFI	Indigenous Microfinance Institution
IMFN	Iraqi Microfinance Network
INMA	USAID- <i>Inma</i> Agribusiness Program
IPR	Intellectual Property Rights
IR	Intermediate Result
IVGS	Iraqi Vulnerable Group Support
IYI	Iraqi Youth Initiative
LBG	Louis Berger Group
LPF	Loan Production Office
MA	Market Assessment
M&E	Monitoring and Evaluation
M&IM	Management and Information Management
MF	Microfinance
MFI	Microfinance Institution
MIS	Management Information System
MIM	Ministry of Minerals and Industry
MOT	Ministry of Trade
MOU	Memorandum of Understanding
MS	Micro Soft
MSME	Micro, Small, and Medium Enterprise
NA	Not Applicable
NBFI	Non-Bank Financial Institution

NIC	National Investment Commission
NGO	Non-Governmental Organization
OSS	Operational Self Sufficiency
PAT	Poverty Assessment Tool
PEG	Provincial Economic Growth
PCMS	Performance Classification and Monitoring System
PIC	Provincial Investment Commission
PDT	Performance Data Table
PIRS	Performance Indicator Reference Sheet
PMAC	Prime Ministers Advisory Commission
PMP	Performance Monitoring Plan
PMS	Performance Monitoring System
PMT	Performance Management Tool
PMTS	Performance Management Task Schedule
PPP	Public Private Partnership
PRT	Provincial Reconstruction Team
RF	Results Framework
RRI	Regulatory Reform Initiative
RRU	Regulatory Reform Unit
SBDC	Small Business Development Center
SO	Strategic Objective
SIGR	Special Inspector General for Iraq Reconstruction
SME	Small and Medium Enterprise
SMFC	Sustainable Microfinance Component
SPS	Sanitary and Phytosanitary
Sub-IR	Sub Intermediate Result
TA	Technical Assistance
TCN	Third Country National
TERF	Training Events Request Form
TRIPS	Trade Related Aspects of Intellectual Property Rights
UNDP	United Nations Development Program
UNOPS	United Nations Office for Project Services
USAID	United States Agency for International Development
USG	United States Government
USTR	United States Trade Representative
WB	World Bank
WTO	World Trade Organization
YEAF	Youth Entrepreneur Access to Finance
YEP	Youth Employment Promotion

# Section I: Introduction

## 1. Background

This document presents the Quarterly Progress Report (QPR) for the period July to September 2011 for the USAID- *Tijara*-Provincial Economic Growth Project (USAID Contract No. 267-C-00-08-00500-00). USAID- *Tijara* is a five-year project (with a base period of performance of three years with two extended years) funded by USAID and implemented by the Louis Berger Group. The program is intended to promote economic diversification, private sector development and job generation at provincial level and work with the Government of Iraq to help promote a market-based economy. The performance management framework as outlined in the PMP 2011-13 is based on LBG’s contract with USAID/Iraq, which contributes to the Strategic Objective 8 “Private Sector Economic Opportunity Expanded” within USAID’s Foreign Assistance Strategy.



The Government Performance and Results Act (GPRA) of 1993 established requirements for strategic planning and performance measurement for all USG agencies. In line with its contractual commitments, USAID- *Tijara* developed a PMP in early 2009. The main purpose of this exercise was to develop a framework for measuring progress towards the results identified during the base period (2008 to 2011) to achieve foreign assistance objectives. This PMP was revisited in April 2011 and following subsequent revisions, the final copy of the PMP was sent to the COTR for his approval in October 2011.

During the July to September 2011 period, USAID- *Tijara* continued to implement its project activities as outlined in the Annual Work Plan 2011 (Extended Year 1) and PMP 2011-2013. The purpose of this report is to inform personnel at all levels of the project on the key results and deliverables accomplished during the quarter.

This quarterly progress report is organized in the following manner:

- Section I portrays the general description of the report.
- Section II highlights the executive summary of the key results and impacts made during the reporting period.
- Section III describes the key outputs and activities carried out during the quarter.
- Section IV presents the progress made during the quarter in line with the PMP targets. USAID- *Tijara* is tracking progress using the quarterly and yearly Performance Data Table (PDT).

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## Section II: Executive Summary

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USAID-*Tijara* established its Results Framework to identify the four Intermediate Results (IRs) that the project seeks to achieve over the long term. Based on the Results Framework, a Performance Data Table was developed to monitor, evaluate and report progress towards these results. USAID-*Tijara* is measuring these results on the basis of both F-indicators and customized indicators. During the quarter, the project successfully met its targets for 27 performance indicators (73%) out of a total of 37. Key accomplishments are highlighted below:

### I. PROVISION OF BUSINESS DEVELOPMENT SERVICES

#### BUSINESS DEVELOPMENT SERVICES

- USAID-*Tijara* provided the SBDCs in Erbil, Najaf, Dhi Qar and Muthanna provinces with performance-based grants valued at \$102,300 to enable them to diversify their income sources and improve their sustainability. These grants were aimed at producing business newsletters; deliver advertising and sales promotion to their SME clients; enhancing public awareness in Iraq on promoting investment in stock exchange; and launching of recruitment and job placement services.
- The project supported SBDCs in Anbar, Karbala, Muthanna, Najaf and Basrah provinces to organize seven roundtable business forums, where local businessmen and officials from the Provincial Investment Commission, private banks and NGOs discussed constraints to private sector economic growth at the provincial level and made recommendations on how to address the constraints.
- USAID-*Tijara* reviewed and revised a proposal to be submitted by the National Investment Commission (NIC) requesting the Government of Iraq (GOI) to invest \$16.8 million over five years to establish the Iraqi Small Business Development Corporation, an apex body expected to help create more than 3,500 businesses, more than 10,000 job opportunities and provide business management training and consultancy services to more than 23,000 Iraqis. This apex body, once established will also market the services of Iraq's SBDCs to GOI and international donor community.
- The component conducted eight maturity assessments for partner SBDCs to enable them to improve their performance, especially in the diversification of their revenue sources. The assessments indicated that one SBDC moved to a higher stage of maturity owing to its diversified funding sources, three SBDCs retained their maturity level and four moved down on their maturity level owing to some staff turnover and management issues.
- Project SBDCs conducted business and entrepreneurship courses for 114 participants, of whom 21 percent were women. These courses offer a base for potential entrepreneurs to begin doing business and for existing business-people to improve their operational skills.
- The SBDC in Baghdad signed a contract with the Ministry of Youth and Sports to conduct a Training of Trainers program for its staff, a development that exhibits the value of BDS services rendered by the SBDC.

#### INTERNATIONAL TRADE AND WTO ACCESSION:

- USAID-*Tijara* finalized WTO position papers on business services sector, distribution sector and recreation sector as part of the Services Market Access Offer required for Iraq's WTO accession.
- The project conducted an assessment of Ministry of Agriculture (MOA), Ministry of Health (MOH) and Central Organization for Standardization and Quality Control (COSQC) reference laboratories to determine a Sanitary/Phytosanitary (SPS) border inspection and governance system consistent with WTO guidelines. As a result of this assessment, the Iraqi Ministry of Health has been

legislatively authorized to establish an Iraqi Food and Drug Administration Authority to administer and enforce food safety requirements for domestically produced and imported products. This is a breakthrough in inter-ministerial relations as it brought together the MOA, MOH and COSQC.

- The component conducted nine rounds of training on WTO Classification and Valuation for a total of 117 Kurdistan region customs officials, bringing the total number of trained customs personnel to 158. The training improved their knowledge of the rules of WTO-compliant classification of imports and capacity to properly assess the value of goods being imported to Iraq. A training evaluation revealed a 21 percent increase in knowledge among the beneficiaries.

#### **BUSINESS AND INVESTMENT ENABLING ENVIRONMENT:**

- USAID-*Tijara* finalized a white paper on improving investor protection in Iraqi Joint Stock Companies, as part of project's efforts to address constraints to business and improve Iraq's ranking on the World Bank "Ease of Doing Business" report. USAID-*Tijara* has made recommendations for specific changes in Iraq's company laws and modifications in stock exchange rules.
- The project reviewed legal and regulatory reform issues, in particular company registration reforms, during a special meeting with the Legal Advisor to the Prime Minister's Advisory Commission (PMAC), who expressed his commitment to marshalling support for regulatory reform in Iraq.
- The project developed business action plans and company profiles for the State Company for Leather Industries, the State Company for Information Systems and the State Industrial Design and Consultation Company to support commercialization of their activities and foster operational and strategic partnership with major global and regional companies. At a wider level, this assistance will help move these SOEs to commercial viability and transition to a market environment under the terms of the UN Private Sector Development Program Roadmap for SOEs.
- The component drafted the Investor Guide for Baghdad and Najaf Provinces. The project also submitted the final Industrial Investor Guide for Iraq (Arabic and English versions) to the Ministry of Industry and Minerals for feedback and approval. These guides provide the domestic and international investor community with a comprehensive understanding on doing business in Iraq.
- The project assisted Provincial Investment Commissions in improving their websites and provided content for the websites based on the Investor Guides. This assistance helped the investment commissions and the IDA to better inform and serve potential investors in Iraq under the provisions of existing investment law.

## **II. EXPANSION OF COMMERCIAL LENDING THROUGH MICROFINANCE INSTITUTIONS AND BANKS**

#### **SUSTAINABLE MICROFINANCE:**

- The outstanding portfolio of micro-loans for the entire Iraqi microfinance industry as of the end of the quarter was more than \$126 million to 86,000 clients. The 25% increase in the number of clients among MFIs supported by USAID-*Tijara* strongly indicates a rapidly flourishing and mature MFI industry in Iraq.
- Microfinance loans facilitated the creation of 19,059 direct jobs and 9,530 indirect jobs.
- USAID-*Tijara* co-hosted the 6th annual conference of the microfinance industry with Bright Future Foundation in Erbil from October 3 to 4 which was attended by more than 180 participants. The main theme of the conference was "Transforming Inclusive Financial Services for Increasing Outreach".

- The project supported microfinance institution Relief International in Kirkuk Province to develop a new demand-driven loan product, the Islamic finance (Murabaha) loan, targeting the internally displaced persons (IDPs).
- Twenty board members from five MFIs supported by USAID- *Tijara* attended training in corporate governance to enable them to become fully responsible and accountable for the effective and efficient operations of their institutions.
- USAID- *Tijara* supported partner microfinance institutions Al Aman, Al-Mosaned and Tallafar Economic Development Center to finalize their five-year strategic business plans, which include a clear roadmap for institutional growth and expansion of outreach to women, the poor and other vulnerable groups in the province.
- A total of 88% of partner MFIs have attained operational self sufficiency (OSS) while 75% have attained financial self sufficiency (FSS).
- The project facilitated the completion of external audits of Al Bashaer, Al Aman, Amalkom and Al Thiqa MFIs.

#### **SME DEVELOPMENT AND BANK LENDING:**

- USAID- *Tijara* and Iraqi Company for Financing Small and Medium Enterprises (ICF-SME) participated in a follow-up meeting with Deputy Prime Minister Dr. Saleh Mutlak on the \$140 million proposal on possible collaboration between the Government of Iraq and USAID- *Tijara* / ICF-SME to finance SMEs and create jobs through a national economic revitalization and job creation program.
- During the quarter, 963 enterprises obtained \$18.6 million in bank financing, resulting in the creation of 850 direct and 1,419 indirect jobs.
- The ability of the banks to originate loans without relying on NBFIs support increased from 42% to 58% during the quarter. This encouraging trend portrays sustainability in SME financing.
- The component conducted introductory and intermediate training workshops on SME lending for 55 SME bankers from various private banks, ICF-SME and Iraqi Company for Bank Guarantees (ICBG). The improved skills of the USAID- *Tijara* certified SME bankers in financial analysis and loan management will sharpen bank appetite for SME risk and create first cadre of skilled SME lenders in Iraq.
- ICBG showed a 12% improvement in its sustainability index, while a 15% improvement was recorded on ICF-SME sustainability index.

### **III. YOUTH INITIATIVE**

#### **IRAQI YOUTH INITIATIVE:**

- The Iraqi Youth Initiative's performance improved significantly during the quarter, building on the program foundation laid in the first and second quarters. As of September 2011, the Iraqi Youth Initiative had provided more than 2,500 youth with better access to employment and entrepreneurship opportunities.
- During the reporting period, 313 youth entrepreneurs (253 men, 60 women) in 10 provinces received loans valued at \$731,700 to start new businesses, thus creating 670 jobs (558 for men, 112 for women) in agriculture, manufacturing, services and trade sectors.
- A total of 431 youth participated in employability skills training and 185 (32% women) of them secured apprenticeships. Thirty five percent of the youth who completed their apprenticeships during the quarter secured long-term employment.

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## Section III: Quarterly Progress

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### A. BUSINESS DEVELOPMENT SERVICES

#### ONGOING TASK AREAS / ACTIVITIES

The BDS team is currently focusing on the following activities:

- Strengthening and capacity building of 14 SBDCs and 5 associated offices.
- Following up with all the SBDCs to help them develop MOUs with MFIs located in their areas.
- Working with SBDC executive directors to help them use self-assessment diagnostic tools as management aids to improve their internal operations in areas such as reporting on revenue generating activities, institutional capacity building, financial budgeting, outreach and communication.
- Following up with participants enrolled in all SBDC training courses and collecting data on program results and impacts on a regular basis. The impact beneficiary report is prepared on a quarterly basis.
- Updating the SBDCs website, designed to be a platform for promoting the SBDCs in Iraq, showcasing their activities, as well as adding valuable material that is relevant to the SBDC network.
- Helping SBDCs formulate ideas for fee-generating services and strategies for achieving financial sustainability.
- Advising SBDC directors on grant proposal requirements for applying for funding support under the USAID-*Tijara* Small Grants Program.

#### DELIVERABLES / MILESTONES / EVENTS / QUANTIFIABLE OUTPUT

- USAID-*Tijara* reviewed and revised a proposal to be submitted by the National Investment Commission (NIC) requesting the Government of Iraq (GOI) to invest \$16.8 million over five years to establish the Iraqi Small Business Development Corporation, an apex body expected to help create more than 3,500 businesses, more than 10,000 job opportunities and provide business management training and consultancy services to more than 23,000 Iraqis. This apex body, once established will also market the services of Iraq's SBDCs to GOI and international donor community.
- The project supported SBDCs in Anbar, Karbala, Muthanna, Najaf and Basrah provinces to organize seven roundtable business forums, where local businessmen and officials from the Provincial Investment Commission, private banks and NGOs

discussed constraints to private sector economic growth at the provincial level and made recommendations on how to address the constraints.

- USAID-*Tijara* provided the SBDCs in Erbil, Najaf, Dhi Qar and Muthanna provinces with performance-based grants valued at \$102,300 to enable them to diversify their income sources and improve their sustainability. These grants were aimed at producing business newsletters; deliver advertising and sales promotion to their SME clients; enhancing public awareness in Iraq on promoting investment in stock exchange; and launching of recruitment and job placement services.
- The component conducted eight maturity assessments for partner SBDCs to enable them to improve their performance, especially in the diversification of their revenue sources. The assessments indicated that one SBDC moved to a higher stage of maturity owing to its diversified funding sources, three SBDCs retained their maturity level and four moved down on their maturity level owing to some staff turnover and management issues.
- Supported the Small Business Development Center (SBDC) in Samawa, Muthanna Province, to develop marketing strategies for its printing and marketing center funded by USAID-*Tijara* and also reviewed its plans to develop a business newsletter that will provide advertising and sales promotion services to enhance the SBDC's sustainability.
- Developed a concept paper on new grant-funded advertising and sales promotion services that SBDCs could provide to small and medium enterprises in their respective provinces in order to diversify their funding sources and enhance their sustainability.
- Diwaniyah Chamber of Commerce, a partner SBDC in Diwaniyah, elaborated the work done by the SBDC during an interview with the Provincial Council Newspaper and accentuated their vision to work closely with the private sector entrepreneurs to enhance the investment opportunities in the governorate.
- Provided technical assistance on cash flow improvement, report writing, website management and enhancement of income generation activities to the Erbil SBDC.
- Provided capacity building training to SBDCs implementing the Iraqi Youth Initiative program during a workshop conducted in Baghdad. The training equipped the SBDCs with skills in writing employee contracts, marketing methodologies, building demand for SBDC services, financial statements and budgeting, and outreach and networking, all of which are essential functions for SBDC sustainability and growth.
- Discussed with Foreign Agriculture Service (FAS) and US Commercial Service (USCS) staff various ways in which the proposed SBDC Network can leverage FAS and USCS programs to facilitate Iraqi business representatives' participation in international trade fairs and business delegations.
- The SBDC in Baghdad signed a contract with the Ministry of Youth and Sports to conduct a Training of Trainers program for its staff, a development that exhibits the value of BDS services rendered by the SBDC.

## **TRAINING**

- The training curriculum offered by SBDCs focused on establishing and improving small businesses. These courses offer a base for potential entrepreneurs to begin doing business and for existing business people to improve their operational skills.
- During the quarter, project SBDCs conducted USG-supported business and entrepreneurship courses for 114 participants, of whom 21 percent were women. A total of 562 people have been trained since February 2011.
- Conducted a two-day workshop on the principles and processes of grant reporting for nine employees of the partner Small Business Development Center (SBDC) in Erbil to enable them to improve their reporting and management of grant activities.

## B. INTERNATIONAL TRADE AND WTO ACCESSION

### ONGOING TASK AREAS / ACTIVITIES

#### Activities Related to the Goods Offer:

- Finalized an assessment report on key indicators and comparisons to educate the GOI and private sector on the economic benefits of WTO membership for Iraq.
- Discussed legislative changes affecting WTO Accession with a select committee of Ministry of Agriculture and Ministry of Health officials in Erbil.
- Conducted an assessment of Ministry of Agriculture regional laboratories to determine their capabilities to accurately evaluate products for animal and plant pests and diseases and food safety conditions at entry points in line with WTO guidelines.
- USAID-*Tijara* met with Dr. Ahmed Al-Alwani, Parliamentary Chairman of Economic Committee to discuss various aspects of Iraq's WTO Accession process. The Committee showed keen interest in the achievements made by the project and requested for a follow-up meeting to discuss the impacts of Iraq's WTO Accession.
- Mr. Michael Delaney, Assistant to United States Trade Representative (AUSTR) for Central Asia/Middle East, in a meeting arranged by the project with Dr. Ahmed Al-Alwani, Parliamentary Chairman of Economic Committee, extended full US support to the GOI in organizing the next WTO ministerial meeting in Geneva in December. He also stressed the meeting as an ideal opportunity for Iraq to submit an Initial Goods and Services Offers.
- The project conducted an assessment of Ministry of Agriculture (MOA), Ministry of Health (MOH) and Central Organization for Standardization and Quality Control (COSQC) reference laboratories to determine a Sanitary/Phytosanitary (SPS) border inspection and governance system consistent with WTO guidelines. As a result of this assessment, the Iraqi Ministry of Health has been legislatively authorized to establish an Iraqi Food and Drug Administration Authority to administer and enforce food safety requirements for domestically produced and imported products. This is a breakthrough in inter-ministerial relations as it brought together the MOA, MOH and COSQC.
- Discussed collaboration and next steps on the expansion of customs reforms with the newly appointed director general of the General Commission of Customs, Mr. Munther Abdul Ameer.

#### Activities Related to the Services Offer:

- USAID-*Tijara* finalized WTO position papers on business services sector, distribution sector and recreation sector as part of the Services Market Access Offer required for Iraq's WTO accession.

- Prepared material to be used to train Ministry of Health officials on Hazard Analysis and Critical Control Point (HACCP), internationally recognized standards of managing food safety and protecting consumers, which are required for Iraq's WTO accession.

**Intellectual Property Rights:**

- Discussed drafts of Intellectual Property Rights legislation with ministries of Culture, Planning, and Industry and Minerals.
- USAID-*Tijara* component staff attended a Foreign Agricultural Services (FAS) meeting held on September 2 to discuss activities of mutual interest and share the work done so far by the project. The French Embassy shared their interest of providing technical assistance for the drafting of custom law and IPR legislation.

**Customs:**

- USAID-*Tijara* conducted nine rounds of training on WTO Classification and Valuation for a total of 117 Kurdistan region customs officials, bringing the total number of trained customs personnel to 158. The training improved their knowledge of the rules of WTO-compliant classification of imports and capacity to properly assess the value of goods being imported to Iraq. A training evaluation revealed a 21 percent increase in knowledge among the beneficiaries
- Future capacity building efforts will focus on Training of Trainers (TOT) events and change management training for senior customs managers.

## C. SUSTAINABLE MICROFINANCE

### ONGOING TASK AREAS /ACTIVITIES

- USAID-*Tijara* continues to strengthen its partnership with the NGO Directorate to create an enabling environment for an inclusive microfinance sector in Iraq.
- The outstanding portfolio of micro-loans for the entire Iraqi microfinance industry as of the end of September was \$126,338,773 to 86,461 clients. During the quarter, microfinance loans facilitated the creation of 19,059 direct jobs and 9,530 indirect jobs. Microfinance loans disbursed by partner microfinance institutions have thus far facilitated the creation of 199,258 direct jobs and 99,629 indirect jobs.
- The 25% increase in the number of clients among MFIs supported by USAID-*Tijara* strongly indicates a rapidly flourishing and mature MFI industry in Iraq.

### DELIVERABLES / MILESTONES / EVENTS / QUANTIFIABLE OUTPUT

- USAID-*Tijara* co-hosted the 6th annual conference of the microfinance industry with Bright Future Foundation in Erbil from October 3 to 4 which was attended by more than 180 participants. The main theme of the conference was “Transforming Inclusive Financial Services for Increasing Outreach”. The participants included the Deputy Director of the USAID-Iraq Mission, Governor of Erbil province, senior Iraqi government officials from the CBI and NGO Directorate, senior management and staff of the USAID/Iraq Mission; USAID-*Tijara* management and staff, international rating institutions; MFI board members, management and staff and several clients of microfinance institutions.
- Finalized a technical paper on existing collateral mechanisms for microfinance institutions in Iraq, with recommendations on alternative ways of collateralization of loans within Iraq’s legal and regulatory framework.
- The project supported microfinance institution Relief International in Kirkuk Province to develop a new demand-driven loan product, the Islamic finance (Murabaha) loan, targeting the internally displaced persons (IDPs).
- Completed the operational assessment of Al Thiqa MFI, the second largest partner MFI with over 13,179 active clients and \$25.75 million in outstanding loan portfolio. USAID-*Tijara* made recommendations to guide Al Thiqa in its efforts to improve its operational and financial performance in delivery of its services to the poor and women.
- Partner microfinance institutions Al Tadamun and Tallafar Economic Development Centre held board meetings and resolved to strengthen their corporate governance and institutional performance as they expand market to new market segments and service centers.

- USAID-*Tijara* supported partner microfinance institutions Al Aman, Al-Mosaned and Tallafar Economic Development Center to finalize their five-year strategic business plans, which include a clear roadmap for institutional growth and expansion of outreach to women, the poor and other vulnerable groups in the province.
- USAID-*Tijara* partner MFI Tallafar Economic Development Centre (TEDC) received its NGO re-registration certificate as per the requirements of a new law on non-governmental organizations (Law 12 of 2010), which went into effect in April last year. The promulgation of the new law and subsequent re-registration of partner MFIs as per the new law are significant milestones in an effort to create a favorable legal and regulatory environment for the microfinance industry to thrive in Iraq.
- Conducted a training workshop on corporate governance from July 22 to 26 in Erbil for 15 field staff from four partner microfinance institutions. The workshop covered loan products, lending methodologies, managing microfinance operations in the field, and maintaining loan portfolio quality.
- Conducted corporate governance training for 18 board members from five partner microfinance institutions – Al-Takadum, Al-Mosaned, Al-Tadhamun, Izdiharouna and Tallafar Economic Development Centre – from July 22 to 26 in Erbil. The training enhanced accountability, transparency and effective management at the institutions.
- Conducted Delinquency Management and Interest Rate Setting training for 12 participants from the Al Tadhamun, a partner MFI based in Ninawa. This training equipped the MFI's officers with the skills required to maintain good portfolio quality and set interest rates that enable MFIs to remain operationally and financially self-sufficient.
- The "State of the Iraqi Microfinance Industry Report 2011" published by USAID-*Tijara* was prominently featured on the USAID Knowledge-Driven International Development Portal, thus creating global awareness about the Iraqi microfinance industry.
- Developed an action plan for the transformation of partner microfinance institutions from non-governmental organizations to non-bank financial institutions, a move that will enable them to mobilize more resources to meet the massive demand for financial services in Iraq.
- USAID-*Tijara* and partner microfinance institution Al-Bashaer completed a pilot project on mobile banking (m-banking) in Iraq. The pilot project highlighted key cost drivers, structural and regulatory constraints involved in delivering financial services to the poor through m-banking. The project revealed that the current technological, regulatory and financial infrastructure in Iraq does not fully support m-banking for the microfinance industry.
- Worked with partner microfinance institution Relief International to increase its outreach to poor and vulnerable ethnic minority groups through its new branch in Kirkuk Province, which has disbursed loans valued at \$214,457 to 105 minorities, 23 percent of them women.

- Partner microfinance institution Al-Thiqa received \$300,000 from the United Nations Development Program to finance the expansion of its outreach of financial services to at least 60 additional clients.
- Supported partner microfinance institution Al-Tadhamun in Ninawa Province to resolve critical technical challenges in its Management Information System in order to mitigate operational risks and increase efficiency.
- Supported partner microfinance institution Amalkom to conduct an outreach campaign in Karbala Province, which resulted in an increase of its female loan clients from 1,587 to 1,627 or 34 percent of its total portfolio, the highest among partner MFIs.
- Partner microfinance institution Al-Takadum and the local leadership in Fallujah District, Anbar Province, forged a partnership and developed an action plan for the expansion of client outreach to rural and underserved geographical areas in the district.
- Partner microfinance institution Al-Aman launched an incentive-driven loan product with more flexible terms such as an interest-free grace period for the month of Ramadan and a relatively higher loan amount averaging \$5,000. This new product is an outcome of regular trainings on product development provided by USAID-*Tijara*.
- Supported partner microfinance institution Tallafar Economic Development Centre (TEDC) to develop new operational policies that helped to expand its outreach to minorities in northern Iraq and other market segments. An estimated 4,000 of USAID-*Tijara*'s beneficiaries in the region are drawn from minority groups.
- Partner microfinance institution Al-Takadum received a certificate of recognition from the Anbar Provincial Reconstruction Team for its contribution to reconstruction efforts in Iraq.
- A total of 88% of partner MFIs have attained operational self sufficiency (OSS) while 75% have attained financial self sufficiency (FSS).
- The project facilitated the completion of external audits of Al Bashaer, Al Aman, Amalkom and Al Thiqa MFIs.
- Compiled and submitted the second Quarterly Microfinance Industry Report to the NGO Directorate.
- Supported partner microfinance institution Al Bashaer in training its loans officers on the management of non-performing loans.

## New Microfinance Loans Disbursed Per Month, By Governorate, All Grantees (2011)

As of September 30, 2011

#	GOVERNORATE		1st Qtr	2nd Qtr	3rd Qtr	YTD '11	Monthly Average
			1st Qtr 2011	2nd Qtr 2011	3rd Qtr 2011		
			Monthly Avg	Monthly Avg	Monthly Avg		
1.	Anbar	\$ value	\$3,930,150	\$4,092,815	\$4,322,825	\$12,345,790	\$1,371,754
		# loans	2,021	2,070	2,037	6,128	681
2.	Babil	\$ value	\$4,038,410	\$4,653,675	\$4,471,208	\$13,163,293	\$1,462,588
		# loans	1,907	2,213	2,135	6,255	695
3.	Baghdad	\$ value	\$7,027,015	\$8,620,190	\$8,648,240	\$24,295,445	\$2,699,494
		# loans	2,481	3,004	2,969	8,454	939
4.	Basra	\$ value	\$3,987,750	\$4,269,600	\$4,246,490	\$12,503,840	\$1,389,316
		# loans	1,177	1,213	1,176	3,566	396
5.	Dhi-Qar	\$ value	\$1,496,000	\$1,734,900	\$1,675,900	\$4,906,800	\$545,200
		# loans	409	452	488	1,349	150
6.	Diyala	\$ value	\$2,357,300	\$2,958,300	\$2,918,600	\$8,234,200	\$914,911
		# loans	825	1,048	1,003	2,876	320
7.	Dohuk	\$ value	\$1,725,250	\$2,093,400	\$1,935,202	\$5,753,852	\$639,317
		# loans	612	660	598	1,870	208
8.	Erbil	\$ value	\$2,430,674	\$3,258,321	\$2,969,545	\$8,658,540	\$962,060
		# loans	821	1,047	964	2,832	315
9.	Karbala	\$ value	\$3,437,635	\$3,960,463	\$3,806,720	\$11,204,818	\$1,244,980
		# loans	1,753	2,001	1,853	5,607	623
10.	Kirkuk	\$ value	\$3,332,741	\$3,950,794	\$4,147,979	\$11,431,514	\$1,270,168
		# loans	1,564	1,714	1,763	5,041	560
11.	Missan	\$ value	\$457,500	\$524,400	\$436,400	\$1,418,300	\$157,589
		# loans	324	393	296	1,013	113
12.	Muthana	\$ value	\$1,304,100	\$1,532,500	\$1,423,000	\$4,259,600	\$473,289
		# loans	423	510	462	1,395	155
13.	Najaf	\$ value	\$3,459,375	\$4,042,340	\$3,484,125	\$10,985,840	\$1,220,649
		# loans	1,710	1,775	1,561	5,046	561
14.	Ninewah	\$ value	\$3,786,150	\$3,992,925	\$3,962,650	\$11,741,725	\$1,304,636
		# loans	1,621	1,734	1,748	5,103	567
15.	Qadisiya	\$ value	\$2,072,000	\$2,091,490	\$2,022,360	\$6,185,850	\$687,317
		# loans	731	892	728	2,351	261
16.	Salah Ad Din	\$ value	\$1,280,100	\$1,118,500	\$1,210,200	\$3,608,800	\$400,978
		# loans	661	635	598	1,894	210
17.	Suleimaniy	\$ value	\$5,349,000	\$7,189,000	\$6,621,589	\$19,159,589	\$2,128,843
		# loans	2,144	2,549	2,353	7,046	783
18.	Wasit	\$ value	\$2,071,100	\$2,601,600	\$2,379,700	\$7,052,400	\$783,600
		# loans	1,217	1,457	1,395	4,069	452
GRAND TOTAL		\$ value	\$53,542,250	\$62,685,213	\$60,682,733	\$176,910,196	\$19,656,688
		# loans	22,401	25,367	24,127	71,895	7,988

## D. SME DEVELOPMENT & BANK LENDING

### ONGOING TASK AREAS / ACTIVITIES

The component continued to provide:

- SME Banking: Training and technical assistance to partner banks to increase the quality and variety of their lending and service delivery to SMEs nationwide throughout their branch network, while increasing profits and lowering risks.
- Support to ICBG: Training and technical assistance to improve ICBG operational and risk management controls, and profitability, in offering loan guarantees to banks to cover up to 75% of risk on loans to SMEs.
- Support to ICF-SME: Technical assistance to ICF-SME to maintain its unique loan capital management and loan monitoring function and to raise its loan capital resources to fund new SME loan programs throughout Iraq.

### DELIVERABLES / MILESTONES / EVENTS/ QUANTIFIABLE OUTPUT

SME Banking Highlights	Sept 2011 Only		Sept 2011, Outstanding***		Sept 2011, Cumulative***	
	Loans	Loan Value	Loans	Outst. Balances	Loans	Loan Value
ICBG Guaranteed Loans*	104	\$2,672,729	1,929	\$13,760,047	3,651	\$47,714,342
Loans Funded by ICF-SME*	66	\$1,279,974	798	\$ 8,484,874	1,146	\$21,408,939
All other SME loans	183	\$4,200,494	1,403	\$25,016,911	1,745	\$45,457,619
SME-Lending Units Total**	353	\$8,143,795	4,039	\$46,246,496	6,354	\$111,054,155

\*Source: SME-LU data as reported by banks (reports done in banks manually - the data is not fully accurate)

\*\*Includes ICF, ICBG and other SME Loans

Cumulative volumes are here calculated beginning February 2008 (start up of *Tijara* activities)

Exchange rate: ID 1,170 / \$

ICBG is using different terms of recognition of guaranteed loans, therefore their internal data are different.

Compiled by SME Banking team from reports produced by banks manually.

### Iraqi Company for Financing SMEs (ICF-SME)

- USAID- *Tijara* and Iraqi Company for Financing Small and Medium Enterprises (ICF-SME) participated in a follow-up meeting with Deputy Prime Minister Dr. Saleh Mutlak on the \$140 million proposal on possible collaboration between the Government of Iraq and USAID- *Tijara* / ICF-SME to finance SMEs and create jobs through a national economic revitalization and job creation program.
- ICF-SME received the English and Arabic Financial Audits from the External Auditor regarding Inma Grant Program.
- The General Assembly meeting for ICF-SME was held on September 14. During the meeting, the new management was confirmed.

- Provided technical support to staff at the headquarters of Baghdad Bank, Basrah Bank, Gulf Bank and North Bank on the reporting of outstanding balances of SME loans.
- The Iraqi Company for Financing Small and Medium Enterprises (ICF-SME) held its advisory shareholders meeting on April 14, during which it addressed the liquidity problems experienced by Basrah Bank, among other management issues.
- USAID-*Tijara* supported ICF-SME to strengthen its governance, management and compliance capacity in order to increase its access to finance for SME development in Iraq.
- USAID-*Tijara* and ICF-SME designed a system for improving private partner banks' reporting of their SME loan disbursements.
- Finalized the 2010 ICF-SME Annual Report.
- The advisory board of the ICF-SME discussed portfolio quality management, fundraising, capital formation, 2010 annual report, among other key issues during its meeting held in Baghdad on July 27.
- Baghdad Bank, the Iraqi Company for Bank Guarantees (ICBG), the Iraqi Company for Financing Small and Medium Enterprises (ICF-SME) and Venus non-governmental organization formed a partnership to enhance SME lending to small businesses.

### **Iraqi Company for Bank Guarantees (ICBG)**

- Held discussions with the French Development Agency, German-owned KfW banking group, Swedish International Development Cooperation Agency, and the Italian Development Agency to find potential new sources of capital for the Iraqi Company for Bank Guarantees.
- USAID-*Tijara* supported ICBG to develop potential guarantee products such as housing and trade loans and explore strategic partnerships international organizations and potential donors.
- Finalized the 2010 ICBG Annual Report.
- The Iraqi Company for Bank Guarantees (ICBG) prepared a handbook for the use of participant banks on ICBG guarantees guidelines, reporting and documentation.
- ICBG showed a 12% improvement in its sustainability index, while a 15% improvement was recorded on ICF-SME sustainability index.

### **SME BANKING CAPACITY BUILDING**

- Continued to roll-out an SME loan incubation program at North Bank in Erbil and Iraqi Middle East Bank in Baghdad. The program allows for on-site transfer of practical skills from the project's consultants to the bank's loan officers and back-office staff to enable them to increase the number of loans to small- and medium-sized businesses.

- Conducted two training on Advanced SME Credit Analysis and Loan Management for 25 SME bankers from eight private banks. The training focused on strengthening practical skills for financial analysis and loan management.
- Conducted training on basic and intermediary SME lending skills for 17 bankers (11 women, six men) from four partner private banks from July 24 to 27. The training focused on strengthening practical skills for financial analysis and loan management
- Equipped eight bankers from six partner private banks with skills on how to streamline their reporting of SME loans and how to use relevant reporting software.
- Conducted a training workshop on basic concepts of SME lending, best practices, accounting, financial analysis and handling of risk management issues in Erbil from July 10 to 13 for 12 bankers from the branches of Gulf Commercial Bank, North Bank and Baghdad Bank in Basrah, Dhi Qar, Maysan and Muthanna provinces.
- Provided IT equipment to North Bank in Erbil and supported it to establish the structures, systems and capacity required for an SME loan production incubation unit aimed at increasing lending to small and medium businesses. The project is working toward the establishment of similar incubation units at Gulf Commercial Bank and Iraqi Middle East Bank in Erbil and Baghdad.
- Provided the senior management of Gulf Commercial Bank with key recommendations on structural and operational changes required to increase the bank's disbursement of loans to small and medium enterprises, under USAID- *Tijara*'s SME loan production incubation project.

## E. BUSINESS AND INVESTMENT ENABLING ENVIRONMENT

### ONGOING TASK AREAS / ACTIVITIES

- Researching and writing on regulatory reform issues and restructuring of state-owned enterprises (SOEs).
- Collaborating with the Business Development Services component in the planning of a conference for stakeholders to discuss how to improve the business and investment enabling environment and findings of the Baghdad local economy market assessment in September in Baghdad.
- Conducting biweekly consultative meetings with Ministry of Industry and Minerals (MIM) staff on the restructuring and commercialization of SOEs.
- Assisting select SOEs to develop revised business plans and seek commercialization opportunities.

### DELIVERABLES / MILESTONES / EVENTS/ QUANTIFIABLE OUTPUT

- USAID-*Tijara* finalized a white paper on improving investor protection in Iraqi Joint Stock Companies, as part of project's efforts to address constraints to business and improve Iraq's ranking on the World Bank "Ease of Doing Business" report.
- Facilitated roundtable discussions on recommendations contained in USAID-*Tijara*'s white paper on improvement of business registration in Iraq to ease the business and investment environment. Attendees were drawn from the Ministry of Trade, Baghdad University Law School, Iraq Bar Association, Iraq Jurists' Union, Private Sector Development Council and Iraqi Institute for Economic Reform.
- The component drafted the Investor Guide for Baghdad and Najaf Provinces. The project also submitted the final Industrial Investor Guide for Iraq (Arabic and English versions) to the Ministry of Industry and Minerals for feedback and approval. These guides provide the domestic and international investor community with a comprehensive understanding on doing business in Iraq.
- The project developed business action plans and company profiles for the State Company for Leather Industries, the State Company for Information Systems and the State Industrial Design and Consultation Company to support commercialization of their activities and foster operational and strategic partnership with major global and regional companies. At a wider level, this assistance will help move these SOEs to commercial viability and transition to a market environment under the terms of the UN Private Sector Development Program Roadmap for SOEs.
- Discussed potential areas of collaboration with the International Finance Corporation in structuring finance arrangements for private sector companies interested in investing in select State Owned Enterprises (SOEs) at the Ministry of Industry and Minerals as part of the commercialization of the SOEs' activities.

- Discussed measures required to streamline business registration with a delegation of Baghdad Investment Commission. The Commission has issued its first quarterly economic magazine highlighting the recommendations of the white paper on “improving business registration in Iraq” produced by USAID-*Tijara*.
- Reviewed legal and regulatory reform issues, in particular company registration reforms, during a special meeting with the Legal Advisor to the Prime Minister's Advisory Commission (PMAC), who expressed his commitment to marshalling support for regulatory reform in Iraq.
- Conducted a workshop on website development for 10 representatives from the Provincial Investment Commissions (PICs) in Anbar, Basrah, Karbala, Kirkuk and Najaf. USAID-*Tijara* is supporting the PICs to develop their websites in order to provide investors with comprehensive information on the business environment in their respective province.
- Discussed potential areas of collaboration with the World Bank on the reform program for select State Owned Enterprises (SOEs) at the Ministry of Industry and Minerals in order to commercialize their activities. It was decided that World Bank and USAID-*Tijara* will work together on a joint plan to improve company registration and support assessment and reform of select SOEs.
- Discussed measures required to streamline business registration, liberalization of import and export licensing requirements and other proposed regulatory and legislative changes with a delegation of Ministry of Trade lawyers.
- Worked with select Ministry of Industry and Minerals' state-owned enterprises to review their business plans and explore commercialization opportunities for these enterprises.
- Discussed areas of cooperation with six Provincial Investment Councils (PICs) in developing investor guides, restructuring PIC websites and streamlining investment processes through provincial one-stop shops during a roundtable meeting with key GOI officials.
- Discussed measures required to streamline business registration, liberalization of import and export licensing requirements and other proposed regulatory and legislative changes with a delegation of Ministry of Trade lawyers.
- Conducted research on import and export licensing laws in Iraq as part of the development of a white paper on recommended reforms to the Ministry of Trade's law and regulations, to ease the business and investment environment.
- Discussed proposed amendments to the Law of Industrial Development with legal advisors to the Ministry of Industry and Minerals.

## F. IRAQI YOUTH INITIATIVE

### ONGOING TASK AREAS / ACTIVITIES

- Microfinance institutions throughout Iraq are disbursing loan capital to prospective young entrepreneurs who have been trained on how to start and run businesses, under the Youth Entrepreneurship Access to Finance (YEAF) activity.
- Local businesses across Iraq are pledging and offering apprenticeship positions to youth who have been equipped with employability skills, under the Youth Employment Promotion (YEP) activity.
- Small Business Development Centers are offering employment and entrepreneurship training to youth across Iraq.
- Small Business Development Centers and microfinance institutions throughout Iraq are conducting Business Review Panels to allocate loan capital to prospective young entrepreneurs.



**Photo A:** Sabreen Khalil, 22, from Basrah province, got an apprenticeship position as an accountant at Cyrus Group after receiving employability

### DELIVERABLES / MILESTONES / EVENTS/ QUANTIFIABLE OUTPUT

- Under the YEAF activity, 313 youth entrepreneurs (253 men, 60 women) in ten provinces received loans valued at \$731,700 to start new businesses, thus creating 670 jobs (558 for men, 112 for women) in agriculture, manufacturing, services and trade sectors.
- Under the YEP activity, 250 youth (171 men, 79 women) got apprentice positions among local businesses in ten provinces, while 36% (26 men, nine women) were able to sustain their jobs.
- A total of 500 youth (452 men, 48 women) in twelve provinces received training on “How to Start a Business,” under the YEAF activity.
- A total of 431 youth (282 men, 149 women) were equipped with employability skills under the YEP activity in seven provinces.
- During the quarter, the number of employers who have pledged apprenticeship positions rose from 307 to 515, while the positions increased from 1,454 to 1,929.