



**USAID** | **IRAQ**  
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# USAID-TIJARA PROVINCIAL ECONOMIC GROWTH PROGRAM

## QUARTERLY PROGRESS REPORT

APRIL – JUNE 2012



July, 2012

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

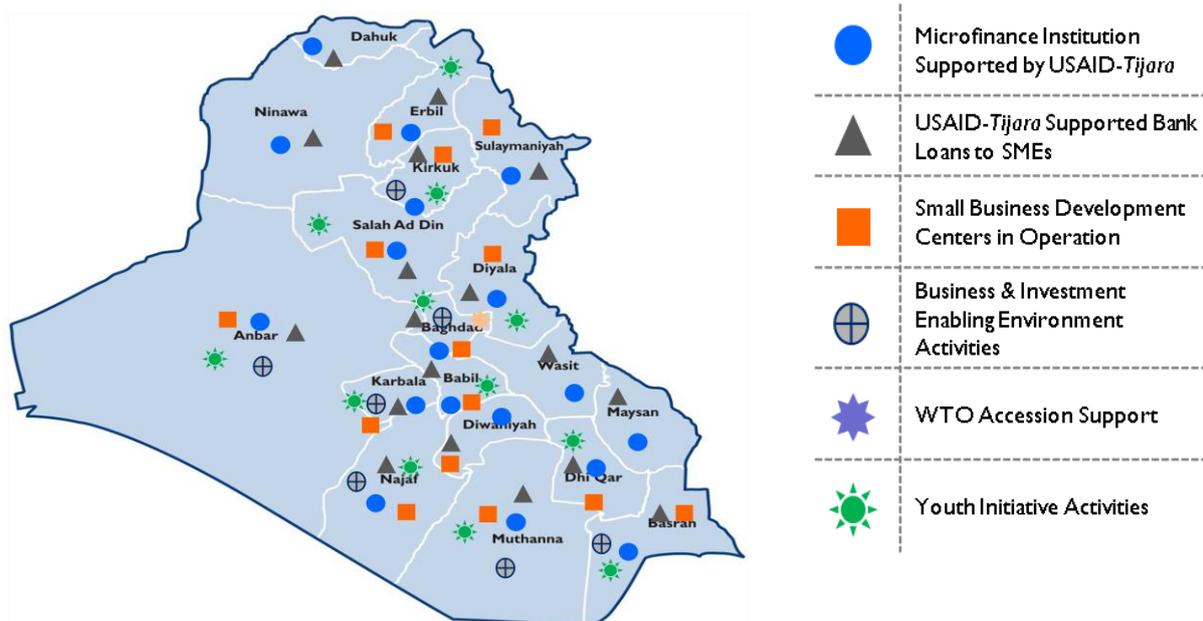
ACC	World Trade Organization Accession Document
ADS	Automated Directives System
BDS	Business Development Services
BIEE	Business & Investment Enabling Environment
BRP	Business Review Panel
CBI	Central Bank of Iraq
CGAP	Consultative Group Assisting the Poor
COMSEC	Council of Ministers Secretariat
COP	Chief of Party
COR	Council of Representatives
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 of January to March 2012 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 PMP was formally approved in December 2011.

During the January to March 2012 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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### Results Framework

USAID-*Tijara* is measuring and reporting results in line with the approved PMP 2011-13. Key accomplishments are highlighted below:

#### I. IRAQI VULNERABLE GROUP SUPPORT:

- USAID-*Tijara*'s assistance has brought a paradigm shift from an income approach to poverty to a human approach to poverty in the micro, small and medium enterprises (MSME) sector across the country. In the current paradigm of pro-vulnerability sensitive approach, there is more room than ever before for addressing the economic challenges facing socially-disadvantaged minorities, internally displaced people, youth and women-headed households.
- As a result of USAID-*Tijara*'s increased emphasis on serving the vulnerable segments of society, both partner MFIs and SME banks have realigned their credit policies and practices. The approved credit policies are now addressing the needs of the vulnerable in the Iraqi society and the loan applications also capture this key information. This landmark policy/practice transformation is likely to be sustained even after the completion of the IVGS program.
- The total loan disbursements reached \$9,852,583 to 1,939 economically active vulnerable borrowers (19% women) including 70% from religious minority groups in Baghdad, Erbil, Dahuk, Kirkuk, Ninawa, Salah ad Din and Sulaymaniyah provinces.
- The total microfinance loan disbursement reached US\$4,601,250 of which 54% (\$2,489,500) was disbursed from USAID-*Tijara* grant funds and the remaining from the MFI's own fund. This initiative has benefitted 1,438 vulnerable borrowers (17% women) including 70% from religious minority groups in Baghdad, Erbil, Dahuk, Kirkuk, Ninawa, Salah ad Din and Sulaymaniyah provinces. Partner banks supported by USAID-*Tijara*, including Mosul Bank, Ashur Bank, Iraqi Middle East Investment Bank and North Bank provided SME lending valued at \$5,251,333 to 501 borrowers (25% women), of whom 24% were Christians and the rest from other religions.

#### II. PROVISION OF BUSINESS DEVELOPMENT SERVICES

##### BUSINESS DEVELOPMENT SERVICES

- USAID-*Tijara*'s partner SBDCs elected five members as Board of Directors (BOD) of the Iraqi SBDC Network, which is now officially named as "Roa'a Foundation for Economic Development." The BOD decided that the member SBDCs would provide start-up funding and monthly dues for the Network.
- USAID-*Tijara* approved performance grants worth \$86,000 for five SBDCs in Basrah, Dhi Qar, Muthanna, Salah ad Din and Karbala provinces. These grants will help the SBDCs in providing marketing services to run their operations in a sustainable manner.
- USAID-*Tijara* conducted maturity assessments for eight partner SBDCs to enable them to improve their performance, especially in the diversification of their revenue sources. The USAID monitoring officer and USAID-*Tijara* staff jointly conducted an operational assessment of the partner SBDC in Muthanna. The maturity assessments indicated that seven SBDCs retained their maturity level.
- USAID-*Tijara*'s continued efforts to support partner SBDCs to attain financial and operational sustainability have resulted in tangible outcomes with at least three partner SBDCs enhancing their business portfolio. During the quarter, the SBDCs in Basrah, Muthanna and Najaf signed agreements with national and international organizations to provide business services such as training, marketing and employment assistance.

- The project drafted a marketing strategy to assist partner SBDCs in enhancing their marketing skills to attain operational and financial sustainability for their organizations. The strategy outlines guidelines for marketing services to different client segments, including international companies, donor organizations, NGOs, GOI ministries, and local businesses.

#### **INTERNATIONAL TRADE AND WTO ACCESSION:**

- The major focus of activities during the quarter was implementation of a comprehensive public awareness strategy and education of the private sector and the media regarding the benefits of WTO membership. To this end, USAID-*Tijara* collaborated with the Ministry of Trade in jointly organizing an awareness workshop for educating the public about Iraq's accession to the WTO. This workshop offered the Iraqi media and the private sector an opportunity to learn the benefits of supporting Iraq's Accession to the WTO.
- A series of meetings took place this quarter to discuss the necessity of moving forward with an Initial Goods Offer to be submitted to the WTO Working Party. Discussions were held with the Foreign Economic Relations Department of the Ministry of Trade, the Chairman of Prime Minister Advisory Council (PMAC) and with representatives from the Iraqi media to confirm Iraq's commitment to WTO Accession.
- USAID-*Tijara* attended a meeting of EU Trade Counsellors and delivered a presentation on the status of WTO Accession and challenges faced. The participants offered to support USAID-*Tijara* in order to avoid duplication of efforts and to encourage the GoI to submit the Initial Goods and Services Offers in an expeditious manner.
- The program finalized promotional materials for the WTO-compliant Services Offer during meetings with the WTO unit of the Ministry of Trade.

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

- USAID-*Tijara* finalized four reports documenting the status of the economic development of Iraq, namely, assessment of the Iraqi economy; analysis of official economic priorities; and diagnostics of key Iraqi sectors and recommendations for USAID programming in Iraq. These reports provide thorough analyses of the dynamics of the Iraqi economy and help identify strategies for future investment in Iraq. Both the Arabic and English versions of the reports were submitted to the Government of Iraq and USAID.
- The Legislation Committee convened by the Prime Minister's Advisory Council for the new draft Company Law adopted the following key recommendations proposed by USAID-*Tijara*: a) eliminating the minimum capital requirement for registration of a company; and b) removing the requirement of approval by the Company Registrar for adjustment of capital and for company borrowing. These reforms will raise Iraq's score in the World Bank's "Doing Business Report" and enhance the growth of Iraqi businesses.
- Developed a white paper on "Industrial Licensing in Iraq" as part of USAID-*Tijara*'s efforts to improve Iraq's ranking on the World Bank's "Doing Business Report." The paper recommends the harmonization of the processes of the Law of Industrial Investment No. 20 of 1998 with those of Investment Law 13 of 2006.
- Drafted amendments to the "Private and Mixed Sectors Industrial Investment Law." Major components included the development of an investment commission; establishment and expansion of an enterprise; exemptions and privileges; and legal ways of objection by the entrepreneur.
- In a bid to commercialize state-owned enterprises (SOEs), this quarter USAID-*Tijara* facilitated arrangements for two SOEs to sign partnership agreements with international companies. The General Systems Company (GSC) partnered with Conzulenza Industriale, an Italian research

and consultancy firm in the field of applied sciences. The partnership with GSC will help the SOE to diversify its market for distributed control systems. Two agreements were signed by the State Industrial Design and Consultation Company (SIDCCO), one with ThyssenKrupp, a German multinational conglomerate, and the other with Endress+Hauser, one of the world's leading suppliers of process instruments and automation solutions. The former partnership will enable SIDCCO to rehabilitate its engineering center while the latter will enable the SOE to implement control system projects in Iraq.

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

### SUSTAINABLE MICROFINANCE:

- Improving the governance of partner MFIs is a strategic priority for USAID-*Tijara* and a key pillar of building a sustainable microfinance industry in Iraq.
  - To this end, USAID-*Tijara* conducted a training workshop for the Board of Directors of six partner MFIs. The workshop was aimed at strengthening the governance framework of the MFIs, with a focus on establishing effective relationships between the senior management and the boards;
  - During the quarter, USAID-*Tijara* supported six partner MFIs to hold their board meetings. The boards made significant decisions and approvals during the meetings and held discussions on the MFIs' financial and operational self-sufficiency;
  - The project also reviewed the governance procedures of partner MFIs Al-Thiqa and Al-Takadum; and
  - USAID-*Tijara* provided technical assistance to partner microfinance institutions Al-Bashaer, Al-Tadhamun and Al-Mosaned to finalize their strategic business plans.
- With the support of USAID-*Tijara*, the Iraqi Microfinance Network (IMFN) was formally registered as a legal entity and received its registration certificate from the NGO Directorate. The Network held its first General Assembly meeting to recognize the concerted efforts made by all stakeholders towards its formalization. The Network also convened its first board meeting, during which its members discussed the essential features of an effective network, such as the establishment of an executive committee.
- MFIs' clientele grew by 8% and outstanding portfolio by 7%.
- Since 2003, Iraq's microfinance industry has disbursed more than 403,765 microloans (18% women) valued at \$959 million. Iraq's microfinance industry currently has 93,627 clients, over 18,960 of whom are women, with an outstanding loan portfolio of \$143 million. The loans have facilitated the creation of 216,838 direct jobs and 108,419 indirect jobs.
- During the quarter, micro loans worth more than \$2.261 million were disbursed to over 2,143 poor clients, 18% of whom were women.
- USAID-*Tijara*, the United Nations Development Program (UNDP) and the Consultative Group to Assist the Poor (CGAP) jointly organized the Iraqi Microfinance Policy Forum in Erbil to enable the Iraqi microfinance sector to collectively develop policy goals. Participants discussed the priorities for the development of the Iraqi microfinance sector, agreed on key issues to be included in the Iraqi Microfinance Policy and drafted recommendations for a Microfinance Act that would promote and regulate the sector.
- A total of 91% of partner MFIs have attained operational self sufficiency (OSS) while 66% have attained financial self sufficiency (FSS).

**SME DEVELOPMENT AND BANK LENDING:**

- During the reporting period, USAID- *Tijara* supported lending led to the creation of around 2,205 new direct jobs and the generation of \$34.46 million in local investment by 1,852 SMEs, most of which had never received bank credit before. The project has cumulatively supported the creation of over 22,698 new jobs and generation of more than \$176 million in local investment by 9,761 small and medium enterprises.
- The activities under Phase II of the SME Incubation Program gained momentum as the program continued to expand access to financing for SMEs. Following the restructuring of the credit department at the Iraqi Middle East Investment Bank, introduction of new SME products and enhancement of limits per loan officer at North Bank, the overall productivity of SME lending increased at these two banks. In addition, the project supported the development of tactical business plans for United Bank, based on a detailed portfolio assessment and gap analysis.
- Under the Phase II of the SME Incubation Program, USAID- *Tijara* introduced various new credit tools and mechanisms that have cumulatively resulted in 538 SMEs receiving loans valued at \$13.195 million.
- ICF-SME showed an 8% improvement in its sustainability index, while ICBG recorded a 6% improvement in its sustainability index.

**III. YOUTH INITIATIVE****IRAQI YOUTH INITIATIVE:**

- Around 890 youths between the ages of 18 and 35 benefited from the program, which enabled the creation of 738 full-time jobs. More than \$1.432 million was disbursed to 438 youth who needed financial assistance to start a business.
- A total of 281 youth participated in employability skills training and 114 (30% women) of them secured apprenticeships.
- During the quarter, USAID- *Tijara* and the Ministry of Youth and Sports (MOYS) showcased the achievements of the Iraqi Youth Initiative (IYI) at a ceremony that included a colorful exhibition (*souk*) by young Iraqis who have found employment or started their own businesses. The event had more than 250 participants and featured keynote speeches by USAID/Iraq Mission Director Mr. Alex Dickie and Mr. Adnan Al Sarraj, the general manager of planning in the Ministry of Youth and Sports. Significant Iraqi entrepreneurs, trainers, apprentices and business sponsors received awards for their accomplishments.
- USAID- *Tijara* commissioned a quarterly impact assessment of the IYI, which compared entrepreneurship promoted and jobs created through the program's initial grants and recycled grants. The assessment revealed that the program was on track toward accomplishing its contractual commitment of promoting 1,800 entrepreneurs by the end of the next quarter. The study brought forward that 295 (37% of the total apprentices) previously unemployed young Iraqis today have permanent jobs because of the program and more jobs are expected in the coming months.

## Section III: Quarterly Progress

### A. IRAQI VULNERABLE GROUP SUPPORT

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

- IVGS disbursements totaled \$9,852,583 to 1,939 target vulnerable borrowers including 19% women from the vulnerable minority groups in Baghdad, Erbil, Dahuk, Kirkuk, Ninawa, Salah ad Din and Sulaymaniyah provinces. The overall average loan size of SME loans was US\$10,482 and that of microfinance was US\$3,200.



*Mr. Hoger Shalli, BFF Chairman, front left, exchanges copies of the IVGS grant agreement with Mr. Donal Cotter, COP USAID-*Tijara*, during the signing ceremony*

- USAID-*Tijara* assisted partner banks including Mosul Bank, Ashur Bank, Iraqi Middle East Investment Bank and North Bank provided SME lending valued at \$5,251,333 of which 86% (\$4,528,933) was disbursed from the USAID-*Tijara* grant funds. The initiative has benefitted 501 SME borrowers (25% women) including 79% internally displaced persons in Ninawa, Dahuk, Erbil, Sulaymaniyah, Salah ad Din and Baghdad provinces.

- The total microfinance loan disbursement reached to \$4,601,250 of which 54% (\$2,489,500) was disbursed from the USAID-*Tijara* grant funds and the remaining from the MFI's own fund. This initiative has benefitted a total of 1,438 vulnerable borrowers including 70% from the religious minority groups in Baghdad, Erbil, Dahuk, Kirkuk, Ninawa, and Sulaymaniyah provinces.
- A delegation of USAID Mission, Baghdad and US Consulate in Erbil met with the management of Bright Future Foundation, one of USAID-*Tijara*'s partner microfinance institutions operating in the region and Mosul Bank which is implementing the IVGS initiative. The six-member delegation headed by Sheila Young, Director, Program Office, USAID/Iraq and Paul Richardson, Deputy Director, Office of Economic Growth and Agriculture also met with the IVGS beneficiaries to get first-hand knowledge on the implementation and were pleased with the positive feedback on the initiative.
- USAID-*Tijara* partner microfinance institution Bright Future Foundation hosted a launching ceremony of the Iraqi Vulnerable Group Support in Erbil on May 09 which was attended by senior representative from USAID/Iraq. BFF is the third partner MFI working on the IVGS program in the Kurdistan Region. The MFI has signed a grant agreement to disburse a total of \$750,000 to reach out over 300 vulnerable clients in the northern part of Iraq.
- USAID-*Tijara* and the Iraqi Company for Financing SMEs (ICF-SME) jointly conducted a compliance audit of Ashur Bank on the IVGS activities in Baghdad, Erbil, Sulaymaniyah, and Salah ad Din. Minor qualifications related to borrower vulnerability classifications were noted and are being resolved with the bank.

- The IVGS team visited Iraqi Middle East Investment Bank and Gulf Bank to enhance their outreach to the vulnerable groups based in Ninawa, Dahuk, Erbil, Sulaymaniyah and Baghdad.

### **TRAINING**

- USAID-*Tijara* facilitated IVGS lending process orientation sessions for five partner banks – Sumer Bank, North Bank, Iraqi Middle East Investment Bank, Ashur Bank and Mosul Bank – cooperating to implement the initiative. This quarter 34 loan officers (24 men, 10 women) were familiarized with the IVGS operating procedures and mechanisms.
- USAID-*Tijara* supported partner microfinance institution Bright Future Foundation (BFF) to conduct a training workshop in IVGS reporting methodology for its loan officers on May 19 in Erbil. BFF is the one of the three partner MFIs that is implementing the IVGS initiative in the Kurdistan Region.

## B. BUSINESS DEVELOPMENT SERVICES

### ONGOING TASK AREAS / ACTIVITIES

The BDS team is currently focusing on the following activities:

- Strengthening and capacity building of eight SBDCs.
- Providing technical assistance and support to eight of SBDCs participating in the Iraqi Youth Initiative.
- Providing technical support to the IVGS program.
- 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.
- Providing the SBDCs with the technical guidance needed to update and implement their work plans.
- 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.
- Working with the 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.
- Updating the SBDC 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.

### DELIVERABLES / MILESTONES / EVENTS / QUANTIFIABLE OUTPUT

- The Iraqi SBDC Network, officially named as “Roaa’ Foundation for Economic Development”, is on its way to be formally registered following a meeting of the SBDC Directors on June 7 in Baghdad. During the meeting the participants elected five members as Board of Directors including the Chairman and the Deputy Chairman and decided that the member SBDCs will provide a start-up funding and monthly dues for the Network.
- USAID- *Tijara* provided assistance to Muthanna, Dhi Qar and Basrah for the establishment of an employment services network and livelihoods program, following approval of performance grants for these SBDCs. Through this service the SBDCs aim to enhance employment opportunities especially for the financially marginalized communities.



*Directors of partner SBDCs at the Iraqi SBDC Network quarterly meeting on June 7 in Baghdad.*

- USAID-*Tijara*'s continuous facilitation to help partner SBDCs to attain financial and operational sustainability have resulted in tangible outcomes with at least three partner SBDCs enhancing their business portfolio. During the quarter, SBDCs in Basrah, Muthanna and Najaf signed agreements with national and international organizations to provide business services such as training, marketing and employment assistance. The Samawa Chamber of Commerce in Muthanna also won a contract from three municipalities to provide printing services for an agricultural exhibition based on its successful operations of a documentation translation and internet café.
- Two SBDCs in Najaf and Dhi Qar were facilitated in establishing contacts with IntEnt Foundation (a Dutch NGO funded by the Royal Netherlands Ministry of Foreign Affairs) and Suggest Aid (an Italian organization) respectively. The Najaf Chamber of Commerce has agreed to provide business consultation to returning Iraqi immigrants from Netherlands while the Al-Zaqora Business Development Centre will help in implementation of an employment services program.
- USAID-*Tijara* facilitated Women Empowerment Organization (WEO), a partner SBDC in Erbil to submit a proposal to the UNDP for launching a women's business incubator project. This project would assist WEO to support women-owned SMEs in the KRG resulting in a significant impact in the economy of the region.
- USAID-*Tijara* supported SBDC in Najaf sponsored the Amman Booksellers Trade Fair held from April 15 to 17. The event provided an opportunity for the SBDC to explore business prospects and discuss trade relations with international firms.
- Partner SBDCs in Dhi Qar, Muthanna and Basrah actively participated in the Woman's Livelihood Steering Committee Meeting hosted by the US Consulate in Basrah. The meeting was also attended by representatives from International Organization for Migration, ExxonMobil, Danish Refugee Council and CHF International who agreed to coordinate efforts for awareness raising and funding for women's livelihood programs.
- The SBDC-Iraq website continues to be a reference site for reaching individual SBDCs to obtain profiles and contact details, news articles and success stories. SBDC Twitter account continues to attract followers (<https://twitter.com/#!/SBDCIraq>) and the most recent tweets are now carried on the SBDC website ([www.sbdc-iraq.com](http://www.sbdc-iraq.com)). The current SBDC website subscribers exceeded 550 individuals and companies.
- The USAID monitoring officer and USAID-*Tijara* staff jointly conducted an operational assessment of partner SBDC in Muthanna. The team also made a spot visit to the grant funded projects including the printing and marketing center, employment services and the business newsletter and advertising services. The overall assessment has been quite positive as the SBDC endeavors to attain financial sustainability while delivering business development services in the province.
- Conducted maturity assessments for eight partner SBDCs to enable them to improve their performance, especially in the diversification of their revenue sources. The assessments indicated that three SBDCs retained their maturity level and one moved down on their maturity level owing to some staff turnover and management issues.
- Drafted a marketing strategy to assist partner SBDCs in enhancing their marketing skills to attain operational and financial sustainability for their organizations. The strategy outlines guidelines to market services to different client segments, including international companies, donor organizations, NGOs, GOI ministries, and local businesses.
- USAID-*Tijara* supported partner Iraqi Association of Security Dealers (IASD), partner SBDC in Baghdad to conduct seven country-wide informational seminars to promote electronic trading in various provinces of Iraq. The seminars are aimed at enhancing

awareness of the Iraqi Stock Market along with helping the partner SBDC to attain financial sustainability. Additionally, the project facilitated partner SBDCs in Dhi Qar and Baghdad to collaboratively organize a seminar to enhance awareness on the Iraqi Stock Market in Dhi Qar province. The seminar was attended by local businessmen and representatives of civil society organizations.

- Women Empowerment Organization (WEO), in support with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), organized a conference on economic development in Iraq. The conference was attended by a number of businessmen, investor, GOI officials and representatives of other USAID-*Tijara* supported SBDCs. USAID-*Tijara* is facilitating dialogues between GIZ and various SBDCs regarding potential collaboration.

## TRAINING

- The Iraqi Ministry of Youth and Sports (MOYS) while recognizing the entrepreneurial training programs being implemented by the USAID-*Tijara* supported SBDCs engaged with the SBDC in Dhi Qar province for provision of Training of Trainers (TOT) courses for the Ministry. Following the finalization of training agenda and logistic plans for the TOT program the SBDC trained 15 trainers (seven men, eight women) from the Youth and Sport Directorate. The training was designed to equip the trainers with knowledge and skills to deliver sessions to students from the rural areas of Dhi Qar. USAID-*Tijara* is also pursuing a memorandum of understanding between the Ministry and the Iraqi SBDC Network for immediate and long-term service contract funding.

## C. INTERNATIONAL TRADE AND WTO ACCESSION

### DELIVERABLES / MILESTONES / EVENTS / QUANTIFIABLE OUTPUT

A series of meetings took place this quarter to discuss the necessity in moving forward with an Initial Goods Offer to be submitted to the WTO Working Party. Activities during the quarter also focused on tasks related to commencing a comprehensive public awareness strategy and to educate the private sector and the media regarding the benefits of membership in the WTO.

#### Customs Reforms:

- Discussed collaboration and next steps on supporting customs and trade related reforms with key representatives of the World Bank in Baghdad. Key challenges in the implementation of modern customs practices were discussed along with identification of areas where the World Bank can assist the Government of Iraq. The World Bank also emphasized its interest in implementing a nationwide IT system using a Single Administrative Document (SAD).

#### Activities Related to the Goods Offer:



*Participants discussing the benefits and obligations of Iraq's accession to WTO during awareness raising workshop on June 23-25 in Erbil.*

- USAID-*Tijara* collaborated with the Ministry of Trade in jointly organizing an awareness raising workshop on June 23-25 in Erbil for educating the public about Iraq's accession to the WTO. This workshop offered a paradigm shift on the WTO Accession to the Iraqi media and the private sector represented by the Iraqi Chambers of Commerce and business associations from northern, central and southern Iraq.

- A series of meetings took place this quarter to discuss the necessity in moving forward with an Initial Goods Offer to be submitted to the WTO Working Party. Discussions were held with the Foreign Economic Relations Department of the Ministry of Trade, the Chairman of Prime Minister Advisory Council (PMAC) and with the media representatives.
- The USAID/Iraq-EGA Director and COR held a meeting with the director general of the Ministry of Trade that provided an opportunity for the two governments to confirm on-going commitment to WTO Accession for Iraq. The Ministry of Trade has been requested to participate in the drafting of a WTO Accession timeline and the correlating need for ongoing technical assistance provided by USAID.
- USAID-*Tijara* attended a meeting of the EU Trade Counselors on May 31 at the European Commission Delegation in Iraq and delivered a presentation on the history of Iraq's WTO Accession, current status, and the challenges faced in providing technical assistance to Iraq on trade related matters. The participants offered support to develop further communication with USAID-*Tijara* in order to avoid duplication of efforts and to encourage the GoI to submit their Initial Goods and Services Offers in an expeditious manner.

- USAID-*Tijara* met with representatives of the United States Department of Agriculture, Foreign Agricultural Services (USDA-FAS) to discuss issues related to the new Iraqi tariff schedule to be implemented from June 01 2012. The team reviewed the agricultural tariff schedule in detail and explained all the technical details therein.
- Worked with officials of the WTO services tourism committee and WTO services insurance committee to review and align their commitments in view of the existing global trends of tourism and financial insurance.

**Activities Related to the Services Offer:**

- Finalized promotional materials for the WTO-compliant Services Offer during meetings with the WTO unit of the Ministry of Trade.

## D. SUSTAINABLE MICROFINANCE

### ONGOING TASK AREAS /ACTIVITIES

- The outstanding portfolio of micro-loans for the Iraqi microfinance industry as of the end of June 2012 was \$143,932,639 to 93,627 clients. Overall, microfinance loans disbursed by partner MFIs have facilitated the creation of 216,838 direct and 108,419 indirect jobs.

### DELIVERABLES / MILESTONES / EVENTS / QUANTIFIABLE OUTPUT

- With support of USAID- *Tijara*, the Iraqi Microfinance Network (IMFN) was formally registered as a legal entity after receiving its registration certificate by the NGO Directorate. This is a major landmark in the microfinance industry in Iraq as the Network will serve as an apex body for coordinating microfinance initiatives in Iraq through its network of member organizations operating in all provinces of Iraq. To recognize the concerted efforts made by all stakeholders for formalizing the network the IMFN held its first General Assembly Meeting. The event brought together over 50 delegates including key representatives from the NGOs Directorate, USAID/Iraq and twelve member MFIs to mark a renewed commitment to strengthening the microfinance industry in Iraq. The first board meeting of the IMFN was also held during which the members discussed the essential features of an effective network while taking into account the establishment for an executive committee and budgetary support from USAID- *Tijara*. During the meeting, the strategic business plan and grant proposal for the IMFN were also reviewed.
- 
- Chairman of Iraqi Microfinance Network (IMFN), Mr. Hussien Ibrahim (second left) display the IMFN Registration Certificate after formal registration of the Network by the NGO Directorate*
- USAID- *Tijara* collaborated with the United Nations Development Program (UNDP) and the Consultative Group to Assist the Poor (CGAP) in jointly organizing the Iraqi Microfinance Policy Forum on April 11th and 12th in Erbil for setting up policy goals for the Iraqi microfinance sector. The Conference was attended by all partner MFIs, high government officials from GOI, including representatives from MOLSA, NGO Directorate and Central Bank as well as delegates from the USAID. The forum helped in looking at the challenges and priorities for the development of the Iraqi microfinance sector in order to agree on key issues to be included in the Iraqi Microfinance Policy and to outline recommendations for a Microfinance Act that would promote and regulate the sector.
  - USAID- *Tijara* featured prominently in May 2012 CGAP-MENA (Consultative Group to Assist the Poor – Middle East and North Africa) microfinance update. The report highlighted the work done by USAID- *Tijara* in helping build the technical and industry infrastructure to create an enabling environment for a sustainable microfinance sector in Iraq.
  - A recent report of the MIX Market and Sanabel highlighted the significant contribution of the USAID- *Tijara* and its implementing partners towards the burgeoning Iraqi microfinance industry. The report outlines an in-depth analysis of Iraqi industry within the Middle East and North Africa (MENA) region and acknowledges the effective outreach mechanisms, especially to the women and the poor who had been historically marginalized from access to finance in Iraq.

- Improving governance at its partner microfinance institutions is a strategic priority for USAID-*Tijara* in order to build sustainable microfinance industry in Iraq. As a part of the overall “governance strengthening strategy”, USAID-*Tijara* has assured its continuing support to the board through trainings, facilitation and participation in Board meetings. During the quarter, USAID-*Tijara* supported six partner microfinance institutions –Al-Takadum, Al-Tadhamun (TDMN), Al-Thiqa, Talafar Economic Development Centre (TEDC), Al-Aman, Izdiharona – to hold their Board meetings. Significant decisions and approvals were accorded in these meetings along with discussions on the MFIs’ financial and operational self sufficiency. The project also reviewed the governance procedures of partner microfinance institutions Al-Thiqa and Al-Takadum.
- Provided technical assistance to partner microfinance institutions, Al-Mosaned and Al-Bashaer to finalize their strategic business plan. With strategic business plans developed for five partner MFIs, USAID-*Tijara* continue to strengthen the corporate governance process among its partner MFIs.
- Provided technical assistance to conduct external audit for partner microfinance institution, Al-Bashaer as part of its ongoing efforts to improve corporate governance among partner MFIs.
- Partner microfinance institutions, Al-Takadum and Al-Tadhamun received NGO re-registration certificate as per the requirements of the new NGO law. So far, ten partner MFIs have secured their re-registration to become active founder members of the Iraqi Microfinance Network.
- Partner microfinance institution, Al-Mosaned met with the Chairman of the Salah ad Din Provincial Council, Mr. Ammar Yousef and presented an overview of the MFI’s activities in the province. The Chairman, while appreciating Al-Mosaned’s contribution in addressing the economic needs of the Salah ad Din province, assured his cooperation and support to the MFI in furthering their good work.
- In accordance with its strategic business plan partner microfinance institution, Al Tadhamun (TDMN) prepares to open a new branch in the Ninawa province. As groundwork for the opening, USAID-*Tijara* supported the MFI to organize a marketing seminar in collaboration with the Working Women Centre (WWC) on May 26. The seminar was attended by over 300 participants, majority of which comprised of women and youth owners of micro-enterprise projects belonging to minority communities. The event featured success stories of TDMN with special emphasis on pro-poor and women-inclusive financial schemes.

#### *Empowering Women through Microfinance*



The mantra of women empowerment resonates well with USAID-*Tijara*’s partner microfinance institutions (MFIs). The MFIs take great pride in supporting women entrepreneurs through their pro-poor financial schemes.

One case in point is Izdiharona which has extended its outreach through its branch office in the Wasit province and is effectively serving the female clients in that area. The case of Eman Abeed reflects aptly of the MFI’s endeavors in successfully fulfilling gender-inclusive micro-financing. A single mother of three, Eman has significantly changed her socio-economic status after receiving a loan worth \$1000. She expanded her tailoring business by purchasing a sewing machine, fabric and other tailoring related materials.

Now, with a flourishing business due to an increased clientele, Eman finds herself in a more empowering position with a promising future for herself and her children.

- USAID-*Tijara* visited partner microfinance institutions, TEDC and Al-Mosaned to provide technical assistance in modifying and re-classifying the social indicators data in the Loan Performer Software (LPF). The LPF system ensures implementation of transparent and internationally accepted standards for financial analysis and reporting.
- USAID-*Tijara* supported partner microfinance institution Al-Takadum to successfully complete a market study for the expansion of client outreach to the poor and women in Anbar province. These findings of the study will help the MFI to develop pro-poor loan products to achieve the goal of financial inclusion.
- In order to promote poverty lending among the most deserving, partner microfinance institution Al-Mosaned met with the local leadership of the Baiji district in Salah ad Din and solicited their contribution in the marketing outreach campaign. So far, Al-Mosaned has disbursed poverty loans amounting to \$70,500 among 109 group members from 35 groups.
- Senior management of partner microfinance institution, Bright Future Foundation (BFF) met with representatives from United Nations Development Program (UNDP) and UN-Habitat to discuss collaboration on a housing project in Erbil.

## TRAINING

- USAID-*Tijara* conducted a two-day training workshop for 12 (11 men, one woman) Board of Directors of partner microfinance institutions. The workshop aimed at strengthening the governance framework of the MFIs with specific focus on establishing effective relationship between the senior management and the boards. The event was a realization of USAID-*Tijara*'s commitment to improving the governance and management status of the Iraqi microfinance industry.



*USAID- Tijara's Financial Advisor Mahmoud Aburadaha presenting the principles of Good Governance framework to the Board members of MFIs in Erbil on 16-17 June.*

- Conducted an Accounting and Financial Analysis Training for sixteen participants (14 men, two women) from seven partner microfinance institutions. The training provided the participants an opportunity to sharpen their financial knowledge in order to make informed decisions for their MFI.
- Representatives of the Iraqi Microfinance Network (IMFN) participated in the 2012 MENA (Middle East and Northern Africa) Regional Network Summit organized by the Small Enterprise Education and Promotion (SEEP) Network and Sanabel on June 2-3 in Jordan. The team used this event as an opportunity to highlight USAID-*Tijara*'s support in significantly improving the Iraqi microfinance sector through adoption of internationally accepted standards and practices.
- Two members of the Iraqi Microfinance Network learned the concepts, tools and techniques of Social Performance Management (SPM) during a workshop arranged by the SEEP Network and Sanabel from 4 to 9 June in Jordan. The SPM is an institutionalized process of translating the MFI's mission into practice and hence will be integrated in the on-going operations of the MFIs.
- Partner microfinance institution Al-Takadum participated in the product development session organized by the Microfinance Network of Arab Countries in Beirut from April 23 to 27. The participation helped to establish networking with other microfinance organizations working in the region.

## New Microfinance Loans Disbursed Per Month, By Province, All Grantees (2012)

As of June, 2012

#	GOVERNORATE		1st Qtr 2012	1st Qtr Monthly Avg	June	2nd Qtr 2012	2nd Qtr Monthly Avg	YTD '12	Monthly Average
1.	Anbar	\$ value	\$4,789,650	\$1,596,550	\$1,929,150	\$5,319,900	\$1,773,300	\$10,109,550	\$1,684,925
		# loans	3,205	\$1,068	918	3,708	\$1,236	6,913	\$1,152
2.	Babil	\$ value	\$4,263,374	\$1,421,125	\$1,277,420	\$4,174,500	\$1,391,500	\$8,437,874	\$1,406,312
		# loans	1,944	\$648	574	1,831	\$610	3,775	\$629
3.	Baghdad	\$ value	\$8,980,910	\$2,993,637	\$3,387,300	\$10,286,625	\$3,428,875	\$19,267,535	\$3,211,256
		# loans	2,874	\$958	1,105	3,258	\$1,086	6,132	\$1,022
4.	Basra	\$ value	\$4,203,935	\$1,401,312	\$1,303,040	\$4,225,280	\$1,408,427	\$8,429,215	\$1,404,869
		# loans	1,077	\$359	339	1,056	\$352	2,133	\$356
5.	Dhi-Qar	\$ value	\$1,768,700	\$589,567	\$575,100	\$1,828,800	\$609,600	\$3,597,500	\$599,583
		# loans	449	\$150	160	495	\$165	944	\$157
6.	Diyala	\$ value	\$3,147,468	\$1,049,156	\$1,319,200	\$3,735,300	\$1,245,100	\$6,882,768	\$1,147,128
		# loans	1,018	\$339	424	1,250	\$417	2,268	\$378
7.	Dohuk	\$ value	\$2,164,944	\$721,648	\$1,055,460	\$2,508,390	\$836,130	\$4,673,334	\$778,889
		# loans	632	\$211	313	764	\$255	1,396	\$233
8.	Erbil	\$ value	\$2,949,095	\$983,032	\$1,367,672	\$4,322,748	\$1,440,916	\$7,271,843	\$1,211,974
		# loans	838	\$279	313	948	\$316	1,786	\$298
9.	Karbala	\$ value	\$3,564,130	\$1,188,043	\$1,182,100	\$3,781,560	\$1,260,520	\$7,345,690	\$1,224,282
		# loans	1,670	\$557	596	1,863	\$621	3,533	\$589
10.	Kirkuk	\$ value	\$5,346,208	\$1,782,069	\$1,784,178	\$5,973,872	\$1,991,291	\$11,320,080	\$1,886,680
		# loans	1,978	\$659	790	2,584	\$861	4,562	\$760
11.	Missan	\$ value	\$421,600	\$140,533	\$20,900	\$132,500	\$44,167	\$554,100	\$92,350
		# loans	256	\$85	12	75	\$25	331	\$55
12.	Muthana	\$ value	\$1,378,550	\$459,517	\$487,500	\$1,467,650	\$489,217	\$2,846,200	\$474,367
		# loans	402	\$134	158	445	\$148	847	\$141
13.	Najaf	\$ value	\$3,744,920	\$1,248,307	\$1,310,440	\$4,229,630	\$1,409,877	\$7,974,550	\$1,329,092
		# loans	1,704	\$568	638	2,003	\$668	3,707	\$618
14.	Ninewah	\$ value	\$4,639,700	\$1,546,567	\$1,788,300	\$4,886,600	\$1,628,867	\$9,526,300	\$1,587,717
		# loans	1,931	\$644	799	2,186	\$729	4,117	\$686
15.	Qadisiya	\$ value	\$1,879,400	\$626,467	\$653,400	\$1,968,400	\$656,133	\$3,847,800	\$641,300
		# loans	841	\$280	295	843	\$281	1,684	\$281
16.	Salah Ad Din	\$ value	\$1,301,200	\$433,733	\$411,400	\$1,325,900	\$441,967	\$2,627,100	\$437,850
		# loans	651	\$217	313	926	\$309	1,577	\$263
17.	Suleimaniy	\$ value	\$6,620,021	\$2,206,674	\$3,192,204	\$7,966,818	\$2,655,606	\$14,586,839	\$2,431,140
		# loans	2,170	\$723	865	2,308	\$769	4,478	\$746
18.	Wasit	\$ value	\$2,549,050	\$849,683	\$879,500	\$2,531,250	\$843,750	\$5,080,300	\$846,717
		# loans	1,506	\$502	451	1,352	\$451	2,858	\$476
GRAND TOTAL		\$ value	\$63,712,855	\$21,237,618	\$23,924,264	\$70,665,723	\$23,555,241	\$134,378,578	\$22,396,430
		# loans	25,146	\$8,382	9,063	27,895	\$9,298	53,041	\$8,840

## E. 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	June 2012 Only***		June 2012, Outstanding		June 2012, Cumulative	
	Loans	Loan Value	Loans	Outst. Balances	Loans	Loan Value
ICBG Guaranteed Loans *	261	\$3,340,848	2432	\$20,924,014	4943	\$67,119,720
Loans Funded by ICF-SME*	263	\$4,073,486	1282	\$14,800,257	2068	\$36,565,671
SME-LU - other*	448	\$7,300,718	2650	\$51,484,262	3199	\$80,932,438
Overlapping programs*	-56	-\$396,624	-263	-\$2,910,491	-449	-\$8,478,305
<b>SME Lending Overall**</b>	<b>916</b>	<b>\$14,318,428</b>	<b>6101</b>	<b>\$84,298,042</b>	<b>9761</b>	<b>\$176,139,524</b>

\*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

\*\*\*Calculated as a plug against the report from the previous month

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.

### SME Lending Unit Development

- Under the phase II of the SME Incubation Program, USAID-*Tijara* introduced a variety of new credit tools and mechanisms that have cumulatively resulted in 538 SMEs receiving loans valued at \$13.195 million.
- The activities under phase II of the SME Incubation Program gained momentum as the program was ensued by an increase in SME access to financing. As a consequence of the restructuring of credit department in Iraqi Middle East Investment Bank, approval of the credit risk management policy and procedures and introduction of new SME products and enhancement in loan limits per loan officer in North Bank, the overall SME lending unit productivity increased in these two banks.
- A detailed portfolio assessment was conducted for Baghdad Bank and United Bank. Key recommendations resulting from the assessment included having a credit risk manual in place for the bank to seek guidance on credit risks and how to prevent their occurrence. Strengthening reporting to reflect timely portfolio performance and loan tracking was also one of the critical recommendations. A gap analysis was conducted for Gulf Bank and United Bank which identifies organization, product, service and skill level deficiencies and recommendations to overcome them. Based on these analyses, tactical business plans were developed for the United Bank.

- Assisted North Bank to develop a new loan product for the members of the Physician's Union with a loan ceiling of \$20,000. This special product was launched by financing two physicians for procurement of clinical equipments.
- Facilitated Iraqi Middle East Investment Bank and North Bank to automate their reporting system by establishing a uniform format for electronic data transfer from their database. North Bank consolidated its first loan aging report using the ORION core banking system

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

- The Iraqi Company for Financing Small and Medium Enterprises (ICF-SME) developed its Annual Report for 2011.
  - As part of improving the governance of structure of the ICF-SME, USAID-*Tijara* facilitated in development of HR and revenue collection policies and the Code of Ethics for the Company. These policies were reviewed during the ICF-SME Advisory Committee Meeting on April 30 in Baghdad.
- 
- Participants reviewing ICF-SME policies during the Advisory Committee meeting held on 30 April in Baghdad*
- ICF-SME has established contacts to cooperate with SANAD, a new fund sponsored by the German government, on organizing training workshops related to SME lending.
  - The ICF-SME signed operating agreements with North Bank and Sumer Bank to roll out the IVGS initiative. ICF-SME is already partnering with three banks to implement this initiative.
  - ICF-SME participated in a conference sponsored by the World Bank/IFC in Erbil. The workshop helped in developing better understanding of SME related business opportunities in Iraq that could be further probed by engagement of private commercial banks with IFC.
  - ICF-SME received the International Financial Reporting Standards (IFRS) audit report for the year 2011.
  - The managing director of the ICF-SME participated in a six-day training workshop on "risk management for financial institutions" organized by Swedish International Development Agency.
  - ICF-SME procured a high capacity server that has not only increased data storage capacity but has also improved network connection of the company with the shareholder banks.

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

- The outstanding guaranteed loans under the Iraqi Company for Bank Guarantees (ICBG) exceeded over \$20 million. As of now, project supported lending led to the creation of over 22,600 new jobs and generation of more than \$176 million in local investment by 9,761 small and medium enterprises.

- The ICBG conducted its board meeting at its new office in Baghdad focusing on portfolio quality management, business planning, fundraising, product diversification and resource mobilization.
- Developed a new Portfolio Guarantee Program for the Iraqi Company for Bank Guarantees (ICBG). This program aims at guaranteeing 'blanket loans' based on sectors and is expected to increase operational efficiency of the ICBG and the banks.
- Presented a new strategic approach to marketing as part of the Iraqi Company for Bank Guarantees 2012-2014 strategic plan to the ICBG Board of Directors. The plan will be reviewed and approved next month.
- National Bank reactivated its participation in the Iraqi Company for Bank Guarantees (ICBG) loan guarantee program.

### **SME BANKING CAPACITY BUILDING**

- Fifteen (nine men, six women) staff members from Baghdad Bank were oriented as part of the SME Incubator program in Erbil on June 2.
- Eighteen loan officers (14 men, four women) from United Bank, Baghdad Bank and IMEIB were trained on Loan Officer Tasks and Basic Credit Financial Analysis in Erbil from June 3-7.
- Conducted training on SME Credit Risk Management for seven SME bankers (three men, four women) from three private banks in Baghdad from May 20 to 22.
- Conducted an IT training workshop for nine SME bankers (six men, three women) from four private banks on April 12 in Baghdad. The training focused on improving skills for accessing and configuring core bank data essential for portfolio management.

## F. BUSINESS AND INVESTMENT ENABLING ENVIRONMENT

### ONGOING TASK AREAS / ACTIVITIES

- Conducting discussions with senior officials of the Ministry of Trade and the PMAC for legal and regulatory reforms.
- Assisting select SOEs to develop revised business plans and seek commercialization opportunities.

### DELIVERABLES / MILESTONES / EVENTS/ QUANTIFIABLE OUTPUT

- USAID-*Tijara* finalized four reports documenting the status of the economic development of Iraq, namely, assessment of Iraqi economy; analysis of official economic priorities; and diagnostics of key Iraqi sectors and recommendations for USAID programming in Iraq. These reports portray the Iraqi economic trends and performance and analyze the economic priorities of the Government of Iraq. They also provide a thorough understanding of the dynamics of Iraqi economy and help identify future investment strategies in Iraq. The final report provides key recommendations for USAID for future development initiatives under the US-Iraq Development Partnership. Both the Arabic and English versions of the report were submitted to the Government of Iraq and USAID.
- The Legislation Committee convened by the Prime Minister's Advisory Council for the new draft Company Law adopted the following key recommendations proposed by USAID-*Tijara*. These include a) eliminating the minimum capital requirement for registration of a company; and b) removing the requirement of approval by the Company Registrar for adjustment of capital and for company borrowing. These reforms will raise Iraq's score in the World Bank's *Doing Business* report and allow more flexible responses and growth of Iraqi businesses. USAID-*Tijara* is continuing to work with the Legislation Committee on further reforms in the Company Law in the areas of investor protection and business registration.
- In a bid to commercialize state-owned enterprises (SOEs), this quarter USAID-*Tijara* facilitated two SOEs to sign partnership agreements with international companies. The General Systems Company (GSC) partnered with Conzulenza Industriale, an Italian research and consultancy firm in the field of applied sciences making this the second successful partnership between GSC and an international company. The State Industrial Design and Consultation Company (SIDCCO) signed agreements with ThyssenKrupp, a German multinational conglomerate, and Endress+Hauser, one of the world's leading suppliers of process instruments and automation solutions. These partnerships are seen as significant milestones in the commercialization efforts of the SOEs as they help the enterprises amplify their business portfolios. A few other partnerships are in the offing next quarter as USAID-*Tijara* continues to facilitate meetings between the SOEs and potential partners.
- Developed a white paper on "Industrial Licensing" as part of USAID-*Tijara*'s efforts to address improve Iraq's ranking on the World Bank "Ease of Doing Business" report. The paper contains an analysis of the current law and outlines specific recommendations for legal reforms in Iraq.
- Drafted laws for Investor Protection (Securities) and Industrial Licensing and shared with the Ministry of Industries and Minerals (MIM).

- The Industrial Investor Guide and the Company Registration Guide were approved for publication by the Ministry of Industry and Minerals (MIM) and Ministry of Trade (MOT) respectively.



- USAID-*Tijara* along with representatives of US Department of Commerce Commercial Law Development Program (CLDP) attorney Kevin Reichert and the U.S. Embassy Economic Counselor Gabrielle Mosley held discussions with the Iraqi Deputy Minister of Trade to share CLDP's plans for training of their staff on modern company registration systems, new Company Law, and WTO's accession.

*USAID-Tijara staff with Gabrielle Mosley, U.S. Embassy Economic Counselor and Kevin Reichert, Attorney, US Department of Commerce Commercial Law Development Program (CLDP) during a meeting with the Iraqi Deputy Minister of Trade, Walid Al Mousawi (second on the right hand side) on June 24 in Baghdad.*

- The Iraqi Minister of Trade, Khair Alla Babaker, directed his staff to implement Article 208 of the Company Law during a meeting with USAID-*Tijara* on June 27. This article allows for a "one stop shop" for trade name registration by the Chamber of Commerce and company registration with the MOT's Company Registry. This will raise Iraq's score in the "Starting a Business" category in the World Bank's *Doing Business* report.
- USAID-*Tijara* assisted the Baghdad Investment Commission to launch a well-structured website <http://baghdadic.gov.iq>. The website will help the PIC to increase its visibility in the market and to respond and manage requests for information from potential entrepreneurs and investors.
- Assisted the Ministry of Industry and Minerals (MIM) in preparing Request for Proposals (RFPs) for select SOEs that will be funded by the Government Investment Budget.
- Held discussions with the director general of the Foreign Company and Commercial Agency Directorate and the legal advisor to the Ministry of Trade on the newly drafted amendments to the foreign company branch registration regulation No. 5 of 1989. A follow-up meeting would be held with these stakeholders to fine-tune the foreign company branch regulation and presented to the Minister for approval.
- The public-private partnership (PPP) advisor of USAID-*Tijara* held a meeting with a member of the Prime Minister's Advisory Council to discuss a set of guidelines that Ministry of Industries and Minerals is developing in relation to PPP investment within the scope of Law No. 22 of 1997 on State Companies.
- Discussed measures required to streamline business registration, liberalization of import and export licensing requirements and other proposed regulatory and legislative changes during a meeting with a member of Iraqi Parliament. The latter will assist USAID-*Tijara* in sharing and discussing reform proposals among other members of the parliament.

## G. 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 (YEOF) 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.

### DELIVERABLES / MILESTONES / EVENTS/ QUANTIFIABLE OUTPUT

- USAID-*Tijara* with the Ministry of Youth and Sports (MOYS) showcased the achievements of the Iraqi Youth Initiative (IYI) on 31 May in Baghdad. The 'Showcase and Awards Ceremony' included a colorful souk of young Iraqis who have found employment or started their own businesses, thanks to the Iraqi Youth Initiative and was attended by more than 250 participants. The event featured keynote speeches by Mr. Adnan Al Sarraj, General Manager of Planning, Ministry of Youth and Sports and Mr. Alex Dickie, Mission Director, USAID/Iraq and Mr. Adnan Al included presentation of awards to significant Iraqi



*COR Ali Al-Hussainy, Ministry of Youth General Manager Dr. Adnan Al Sarraj, and USAID/Iraq Mission Director Alex Dickie review projects presented by Iraqi entrepreneurs and apprentices*

entrepreneurs, trainers, apprentices and business sponsors.

- USAID-*Tijara* completed an impact assessment of the IYI beneficiaries which compares entrepreneurship promoted and jobs created through initial grants and the recycled grants. The assessment reveals that the program is well on target for promotion of 1800 entrepreneurs by the end of September this year. Trends also show that the program will exceed original targets of job creation with close to 3,500 jobs created by the end of next quarter.
- Under the YEOF activity, 219 youth entrepreneurs (192 men, 27 men) in nine provinces received loans valued at \$729,200 to start new businesses, thus creating 441 jobs (394 for men, 47 for women) in manufacturing, services and trade sectors.
- Under the YEP activity, four youth got apprentice positions among local businesses in Najaf province while 28 (23 men, five women) were able to sustain their jobs.

- During the quarter, the number of employers who have pledged apprenticeship positions rose from 845 to 939, while the positions increased from 2,861 to 3,010.

### Iraqi Youth Initiative – nipping unemployment in the bud!



**CHALLENGE:** At the start of 2010 Iraq had the highest rates of unemployment in the Middle East. Thirty percent of its adults lacked jobs. More than half of the country's young urban males were unemployed. At 19%, female participation in the workforce was even lower, according to World Bank estimates at the time. Restless youths desperate for something to do often joined terrorist militias, perpetuating the cycle of violence.

**INITIATIVE:** With funding from the U.S. Ambassador's Targeted Development Program, the USAID-*Tijara* Provincial Economic Growth Program designed the Iraqi Youth Initiative. The goal was to create 2,500 full-time jobs for Iraqis between the ages of 18 to 35. Selected youths received training at one of 11 Small Business Development Centers around the country. Those wanting to start their own business were referred to the Youth Entrepreneurship Access to Finance (YEAF) Program. There aspiring entrepreneurs received help writing a business plan and were introduced to microfinance institutions working with USAID-*Tijara* that could provide startup financing.

Young people with no interest in running a business were sent to the Youth Employment Promotion (YEP) program where training consisted of language and computer skills plus information on resume writing and office etiquette. USAID-*Tijara* located Iraqi companies willing to provide apprenticeships to worthy young Iraqis and then matched prospective employees with appropriate employers.

**RESULTS:** Since the start of the Iraqi Youth Initiative (IYI) two years ago, 3,873 youth have been trained to be independent entrepreneurs under the YEAF program. Some 1,522, 13% of them women have started businesses with micro-financing worth \$5,229,200.

Of the 1,736 people trained by YEP, 911 received apprenticeships with Iraqi companies. Thirty-four percent were women. More than 930 Iraqi companies have pledged an additional 2,990 apprenticeships that could evolve into permanent jobs. Thanks in part to IYI and other USAID development efforts, Iraq's unemployment now hovers slightly above 15% and the United Nations estimates youth unemployment has fallen to 23%.

## Section IV: Performance Against Target

### Project Indicator Results and Targeting

A complete table of performance data (baselines, targets, and actual) for all results-level indicators have been portrayed in this section. The report measures the progress made during the second quarter of 2012 (April-June 2012).

#### **Result 8.1:** Improved enabling environment to foster trade and facilitate WTO accession.

##### **Custom Indicator:** %age improvement in Legal and Regulatory Environment Index (IR 8.1.a)

<b>Objective:</b>	Economic Growth	<b>Program Area:</b>	Trade and Investment		
<b>Program Element:</b>	Trade and Investment Enabling Environment				
<b>Custom Indicator</b>		<b>Qtr Target</b>	<b>Qtr Results</b>	<b>Cumulative Targets</b>	<b>Cumulative Results</b>
%age improvement in Legal and Regulatory Environment Index		20%	0%	100%	76%
<b>Deviation Type:</b>	Target Met ( $\pm 10\%$ ): Target Met (0%)		<b>Date of Last DQA (MM/YYYY)</b>	TBD	
<b>Comments:</b>	The work plan for trade component was not approved during the quarter and most of the activities were on halt. USAID- <i>Tijara</i> seeks to show progress in the ensuing quarter.				

##### **Custom Indicator:** %age improvement in WTO Accession Index (Sub-IR 8.1.1.1)

<b>Objective:</b>	Economic Growth	<b>Program Area:</b>	Trade and Investment		
<b>Program Element:</b>	Trade and Investment Enabling Environment				
<b>Custom Indicator</b>		<b>Qtr Target</b>	<b>Qtr Results</b>	<b>Cumulative Targets</b>	<b>Cumulative Results</b>
%age improvement in WTO Accession Index		5%	0%	100%	80%
<b>Deviation Type:</b>	Target Met ( $\pm 10\%$ ): Target Met (0%)		<b>Date of Last DQA (MM/YYYY)</b>	TBD	
<b>Comments:</b>	The work plan for trade component was not approved during the quarter and most of the activities were on halt. USAID- <i>Tijara</i> seeks to show progress in the ensuing quarter.				