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# USAID-TIJARA PROVINCIAL ECONOMIC GROWTH PROGRAM

## QUARTERLY PROGRESS REPORT

October – December 2012



January, 2013

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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## ACRONYMS

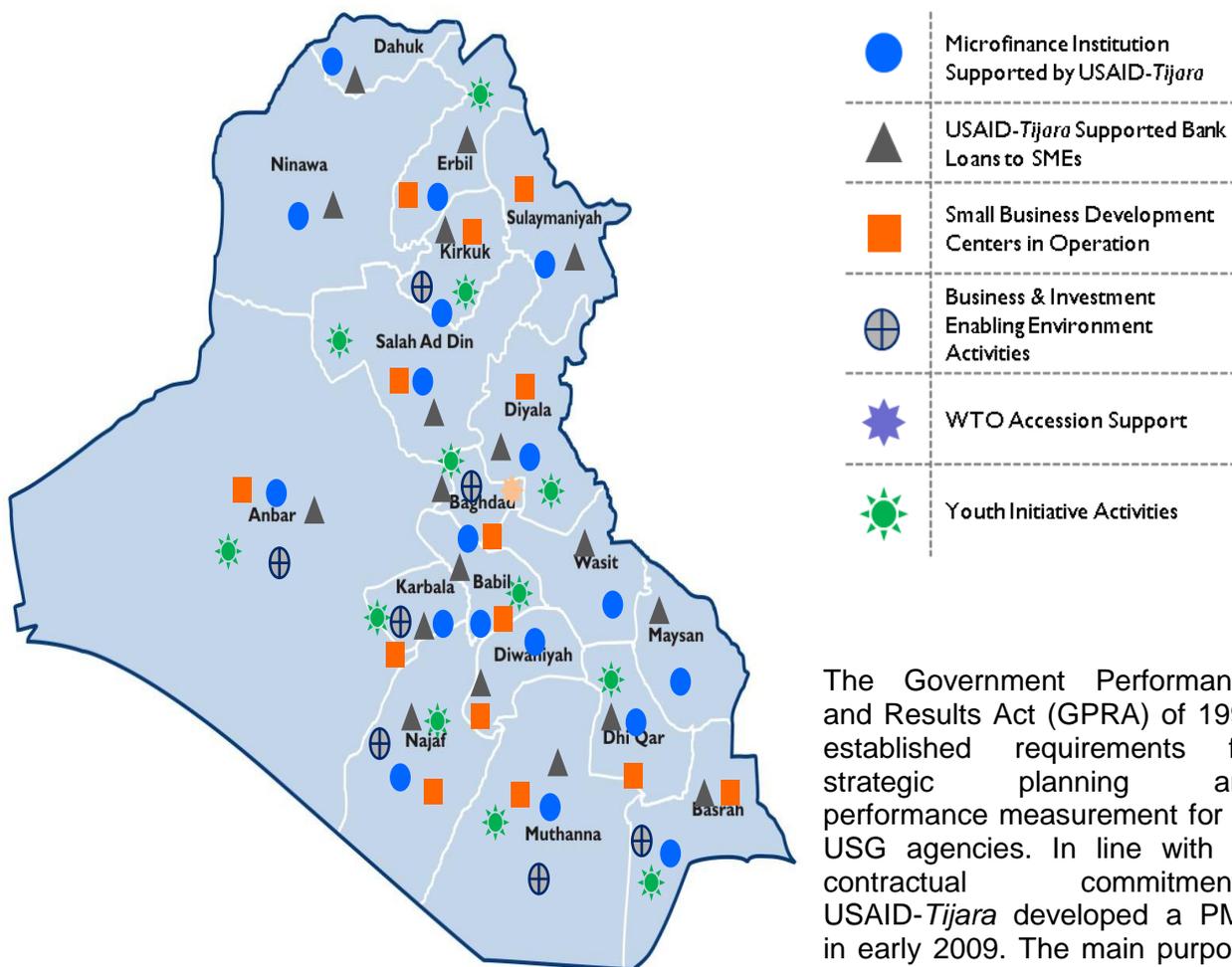
ACC	World Trade Organization Accession Document
ADS	Automated Directives System
BDS	Business Development Services
BIEE	Business & Investment Enabling Environment
BRP	Business Review Panel
CBI	Central Bank of Iraq
CGAP	Consultative Group Assisting the Poor
COMSEC	Council of Ministers Secretariat
COP	Chief 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 October to December 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 October to December 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 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:

- The total loan disbursements reached \$21,065,467 to 4,223 economically active vulnerable borrowers (26% women) including 55% from religious minority groups in Baghdad, Dahuk, Erbil, Kirkuk, Ninawa, Salah ad Din and Sulaymaniyah provinces. The Iraqi Vulnerable Group Support Initiative has now fully disbursed 100% of both the Microfinance and SME grant funds provided under this initiative for on-lending.
- The total microfinance loan disbursement registered a 31% increase from the previous quarter and reached \$9,756,300, of which 38% (\$3,750,000) was disbursed from USAID-*Tijara* grant funds and the remaining from the MFIs' own funds and recycled payments. This initiative has benefitted 3,118 vulnerable borrowers (24% women) including 56% from religious minority groups in Baghdad, Dahuk, Erbil, Kirkuk, Ninawa, and Sulaymaniyah provinces. Partner banks supported by USAID-*Tijara*, including Mosul Bank, Ashur Bank, Iraqi Middle East Investment Bank, Sumer Bank and North Bank provided SME lending valued at \$11,309,167 to 1,105 borrowers (29% women), of whom 33% were internally displaced persons.

#### II. PROVISION OF BUSINESS DEVELOPMENT SERVICES

##### BUSINESS DEVELOPMENT SERVICES

- USAID-*Tijara* organized its final SBDC leadership conference, "The Private Sector Job Creation Workshop – SBDC Partnerships" in Erbil with participation of representatives of the Government of Iraq (GoI) including the Kurdistan Regional Government (KRG) and USAID/Iraq. Officials from various Iraqi ministries deliberated on partnerships for future support to the SBDCs. This conference marked the conclusion of USAID-*Tijara*'s support to partner SBDCs. As part of the smooth transitioning of the component, the program handed over key material including reports, training manuals, assessments, etc. to the Roa'a Foundation for Economic Development at the leadership conference. Roa'a Foundation is the network established by the SBDCs to coordinate business development services throughout Iraq.
- USAID-*Tijara* conducted the final beneficiary impact survey for 2012, which revealed that 95% of SBDC clients experienced improved cash flow and that for 92.3% profits had risen since receiving support from a SBDC. Of the 24,029 clients of SBDCs, 5,046 initiated businesses after receiving training.
- A final appraisal of partner Small Business Development Centers in Muthana and DhiQar revealed that both SBDCs have achieved significant results in supporting economic growth in their provinces while generating revenues to sustain their operations. Over time, these SBDCs have progressed from start-up organizations to financially sustainable entities that are capable of continuing their roles contributing to sustainable economic growth in Iraq.

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

- The Ministry of Foreign Affairs submitted the Initial Goods Offer documents to the WTO Secretariat. This is a major step towards accession to the WTO, to be followed by the third working party meeting after deliberations by the members of the Secretariat.
- USAID-*Tijara* co-sponsored the US Livestock Genetics Workshop in Erbil. The event brought together US Business, Iraqi private sector and government officials from the Ministry of Agriculture to discuss live animal imports from the USA to Iraq operating under new regulations developed by USAID-*Tijara*. The event was well attended and allowed for US and Iraqi livestock businesses to engage each other for the first time, with a goal of developing new mutually beneficial bilateral trade. FAS and USAID-*Tijara* are continuing to work with the Ministry of Agriculture and the Ministry of Finance to confirm that the animal health protocol is in place. Pending the clarification of this issue, private sector transactions will result from this workshop.
- Completed the report on “*Sanitary & Phytosanitary (SPS) Technical Transfer: Reference Laboratory Assessment and Accreditation Consistent with ISO 17025*”. With the completion of this report, the International Trade and WTO Accession component delivered all of its contractual deliverables.
- Conducted a TOT for the officials of the WTO unit of the Ministry of Trade on a Public Awareness Strategy and Plan. This training helped in establishing a core of trained staff with the ability to deliver quality training and public speaking events in support of the Iraqi WTO accession mandate.

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

- USAID-*Tijara* in collaboration with the Prime Minister’s Advisory Council (PMAC) presented an assessment of the Iraqi economy to the top-ranking government officials, media, academics, private sector and civil society representatives during a high-level conference held in Baghdad. The conference titled “Revision of the Iraqi Economic Priorities” was attended by more than 125 participants and endeavoured to create greater awareness of the economic situation in Iraq in order to assist the Government of Iraq in bringing reforms designed to increase the prosperity of the Iraqi people.
- Made substantial changes to the draft 4th Amendment of Law No. 20 Industrial Investment Law for Mixed and Private Sectors and provided it to the Legal Advisor to the Minister of Industry and Minerals for final review.
- USAID-*Tijara* conducted a three day workshop on “Doing Business and Promoting Investment in Iraq” to discuss the findings of the World Bank’s Doing Business Report for 2012. The participants highlighted the impediments facing investors and entrepreneurs with recommendations to overcome them in order to improve Iraq’s ranking in the Doing Business index.

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

### **SUSTAINABLE MICROFINANCE:**

- USAID-*Tijara* and the Izdiharona microfinance partner completed disbursement of the \$750,000 provided under the Women Lending Program. Through this initiative, USAID-*Tijara* contributed towards empowering more than 800 female entrepreneurs and enhancing economic growth in Hilla, Karbala, Missan, Najaf and Wassit.
- USAID-*Tijara* hosted the seventh annual conference of the microfinance industry in Erbil on October 23-24 which was attended by more than 200 participants. The main theme of

the conference was “Iraqi Microfinance – The Path to Economic and Social Advancement”. The event was attended by dignitaries from the Government of Iraq, the Kurdistan Regional Government, including the Deputy Governor of Erbil and representatives of the Iraqi Prime Minister’s Office, NGO Directorate and USAID/Iraq who shared lessons learned and opportunities for collaborating in creating a more sustainable, profitable and inclusive financial sector.

USAID- *Tijara* recognized the efforts of partner MFIs by presenting them with awards under various categories of performance. Izdiharona received the social performance management award, Tallafer Economic Development Centre and Al-Aman shared the financial performance award, Al-Thiqa received the transparency and disclosure award, Al-Tadhamum the good governance award and Amalkom received the funding diversification award. A special award was also presented to Mr. Ali Make, Director General of the NGO Directorate for his long-standing support and commitment to the Iraqi Microfinance Sector.

- Since 2003, Iraq’s microfinance industry has disbursed more than 457,000 microloans (17% women) valued at \$1.085 billion. Iraq’s microfinance industry currently has 101,093 clients, over 21,100 of whom are women, with an outstanding loan portfolio of \$150.29 million. The loans have facilitated the creation of 252,176 direct jobs and 126,088 indirect jobs.
- A total of 91% of partner MFIs have attained operational self-sufficiency (OSS) while 75% have attained financial self-sufficiency (FSS).

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

- The project has cumulatively supported the creation of over 31,212 direct and indirect jobs and generation of more than \$227 million in local investment by 12,905 small and medium enterprises.
- The outstanding balance of loans guaranteed by the Iraqi Company for Bank Guarantees (ICBG) has far exceeded the planned amount of \$28 million for 2012. The ICBG has cumulatively guaranteed 6,400 SME loans valued at \$88.061 million.
- Efforts under the SME Incubation Program progressed significantly this quarter with USAID- *Tijara* assisting Iraqi Middle East Investment Bank to develop its Strategic plan and United Bank to revise develop its credit risk policies. Shorebank International which provided technical support for the Incubation Program, concluded its fieldwork and the final report is expected in January.
- USAID- *Tijara* in collaboration with the Financial Development Program hosted the SME Business Finance for Job Creation Forum in Baghdad. The purpose of the forum was to initiate further discussions between private banks and the Government of Iraq bodies on how to contribute to job creation in the Iraqi economy. This collaborative initiative between two USAID projects was well supported by representatives from the banking and financial sector, the Government of Iraq and other relevant regulatory agencies.
- ICF-SME showed a 3.86% improvement in its sustainability index, while ICBG recorded a 17.65% improvement in its sustainability index.

#### **IV. YOUTH INITIATIVE**

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

- Since inception more than 5,600 young Iraqis have received training under the Iraqi Youth Initiative. \$5,769,200 was disbursed to 1,695 youth who needed financial assistance to start a business.
- A total of 990 youth (34% women) participated in the USAID-*Tijara* apprenticeship program.
- USAID-*Tijara* concluded the final impact survey for the program. A random representative sample, (20% of program participants) was surveyed regarding the impact of the program on their lives. A key finding was that:

More than 75% of the Youth Entrepreneurship Access to Finance program reported having an active business at the time of the impact assessment.

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## Section III: Quarterly Progress

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### A. IRAQI VULNERABLE GROUP SUPPORT

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

- The total loan disbursements reached \$21,065,467 to 4,223 economically active vulnerable borrowers (26% women) including 55% from religious minority groups in Baghdad, Erbil, Dahuk, Kirkuk, Ninawa, Salah ad Din and Sulaymaniyah provinces. The Iraqi Vulnerable Group Support Initiative has now fully disbursed 100% of both the Microfinance and SME grant funds provided under this initiative for on-lending.
- The total microfinance loan disbursement registered a 31% increase from the previous quarter and reached \$9,756,300, of which 38% (\$3,750,000) was disbursed from USAID-*Tijara* grant funds and the remaining from the MFIs' own funds and recycled payments. This initiative has benefitted 3,118 vulnerable borrowers (24% women) including 56% from religious minority groups in Baghdad, Dahuk, Erbil, Kirkuk, Ninawa, and Sulaymaniyah provinces.
- Assisted partner banks supported by USAID-*Tijara*, including Mosul Bank, Ashur Bank, Iraqi Middle East Investment Bank, Sumer Bank and North Bank in providing SME lending valued at \$11,309,167 to 1105 borrowers (29% women), of whom 33% were internally displaced persons. Of the \$11,309,167 disbursed, 79% (\$8,950,000) was disbursed from the USAID-*Tijara* grant funds and the remainder from repayments or the banks' own funds. The initiative has benefitted 1,105 SME borrowers (29% women) including 33% internally displaced persons in Baghdad, Dahuk, Erbil, Ninawa, Salah ad Din and Sulaymaniyah, provinces.
- USAID-*Tijara* conducted a representative survey of Iraqi Vulnerable Group Support beneficiaries with 93% of respondents reporting that the loan was either highly or moderately useful and 62% indicated that the loan was very important in establishing or sustaining their business. 88% of respondents also reported that their general family condition improved.

### 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.
- 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

- USAID-*Tijara* organized its final SBDC leadership conference, “The Private Sector Job Creation Workshop – SBDC Partnerships” in Erbil with participation of representatives of the Government of Iraq (GoI) including the Kurdistan Regional Government (KRG) and USAID/Iraq. Officials from various Iraqi ministries deliberated on partnerships for future support to the SBDCs. This conference marked the conclusion of USAID-*Tijara*’s support to partner SBDCs.



*Representatives of partner SBDCs at the final SBDC leadership conference, “The Private Sector Job Creation Workshop – SBDC Partnerships” held on 18-19 November in Erbil*

As part of the smooth transitioning of the component, the program handed over key material including reports, training manuals, assessments, etc. to the Roa’a Foundation for Economic Development at the leadership conference. Roa’a Foundation is the network established by the SBDCs to coordinate business development services throughout Iraq.

- USAID-*Tijara* conducted the final beneficiary impact survey for 2012, which revealed that 95% of SBDC clients experienced improved cash flow and that for 92.3%, profits had risen since receiving support from a SBDC. Of the 24,029 clients of SBDCs, 5,046 initiated businesses after receiving training.
- A final appraisal of partner Small Business Development Centers in Muthana and DhiQar revealed that both SBDCs have achieved significant results in supporting economic growth in their provinces while generating revenues to sustain their operations. Over time, these SBDCs have progressed from start-up organizations to financially sustainable entities that are capable of continuing their roles contributing to sustainable economic growth in Iraq.

- USAID-*Tijara* provided documentation with the Grant Completion Certificates to clarify the SBDC's financial and operational management roles related to the use of assets provided to the SBDCs by USAID-*Tijara* and PRTs.
- The SBDC Employment Services programs in Dhi Qar, Muthana and Erbil completed all of their deliverables under USAID-*Tijara* Performance Grants. With the completion of these grant activities, these three SBDCs have developed procedures and systems to provide employee recruitment and job placement services on a sustainable basis and thereby play an important role in addressing the needs of the private employment sector.
- Supported partner SBDCs in Najaf, Baghdad and Salah ad Din who are completing the designs of their websites.

## TRAINING

- To improve SBDC marketing capacity, USAID-*Tijara* conducted a workshop a Media Relations Workshop from 30 September to 01 October. The participants in the workshop reviewed the use of paper and electronic media to assist them in increasing their visibility and meeting their marketing objectives.
- IT staff of the Roa'a Foundation completed a webmaster course. With the transfer of the management of the SBDC website, the network (Roa'a Foundation) will be responsible for maintaining and updating the website.

## C. INTERNATIONAL TRADE AND WTO ACCESSION

### DELIVERABLES / MILESTONES / EVENTS / QUANTIFIABLE OUTPUT

This quarter largely focused on activities related to working closely with the Higher National Committee for Iraq's Accession to WTO to finalize the packaging of the Initial Goods Offer.

#### Activities Related to the Goods Offer:

- The Ministry of Foreign Affairs submitted the Initial Goods Offer documents to the WTO Secretariat. This is a major step towards accession to the WTO, to be followed by the third working party meeting after deliberations by the members of the Secretariat.
- USAID-*Tijara* co-sponsored the US Livestock Genetics Workshop in Erbil. The event brought together US Business, Iraqi private sector and government officials from the Ministry of Agriculture to discuss live animal imports from the USA to Iraq operating under new regulations developed by USAID-*Tijara*. The event was well attended and allowed for US and Iraqi livestock businesses to engage each other for the first time, with a goal of developing new mutually beneficial bilateral trade. The USDA Foreign Agriculture Service and USAID-*Tijara* are continuing to work with the Ministry of Agriculture and the Ministry of Finance to confirm that the animal health protocol is in place. Pending the clarification of this issue, private sector transactions will result from this workshop.
- USAID-*Tijara* conducted two public awareness seminars to illustrate the economic benefits of Iraq's accession to the WTO, each in Baghdad and Basrah. A number of distinguished guests representing the Iraqi Minister of Trade, Prime Minister's Advisory Commission (PMAC), provincial government and the private sector attended the event.
- USAID-*Tijara* assisted the Ministry of Trade and the Sulaymaniah Chamber of Commerce in conducting a public awareness event on Iraq's WTO Accession. The event was attended by provincial leaders, representatives of the Iraqi Businessmen's Association and others from the private sector. The event offered participants an understanding of the importance of having Iraq accede to the WTO.
- Completed the report on "*Sanitary & Phytosanitary (SPS) Technical Transfer: Reference Laboratory Assessment and Accreditation Consistent with ISO 17025*". With the completion of this report, the International Trade and WTO Accession component delivered all of its contractual deliverables.

#### Activities Related to the Services Offer:

- Finalized a Legislative Action Plan (LAP) in line with the services sub-sectors.
- Preparatory work was completed in order to convene the National WTO Services committee to complete the Initial Services Offer for submission to the WTO.
- Finalized a report on Iraqi Food Safety Regulations including mechanism to enforce the regulations.

### TRAINING

- Conducted a TOT for the officials of the WTO unit of the Ministry of Trade on a Public Awareness Strategy and Plan. This training helped in establishing a core of trained staff with the ability to deliver quality training and public speaking events in support of the Iraqi WTO accession.

- USAID- *Tijara* jointly conducted two advanced trainings on Hazard Analysis and Critical Control Points (HACCP) with USAID- *INMA* for representatives of the Ministry of Agriculture and Health in Baghdad and Erbil. These trainings helped participants get an in-depth knowledge on prevention of microbial risks in food items.
- Laboratory management and technical officials of the Ministries of Agriculture and Health in Baghdad and the Kurdistan Regional Government completed an introductory course on International Organization for Standardization (ISO) 17025 training for laboratory accreditation. This training, conducted by USAID- *Tijara* in collaboration with USAID- *INMA*, helped participants understand the importance of achieving ISO standards.



*Officials from the Ministry of Agriculture during an advanced training on Hazard Analysis Critical Control Points (HACCP) conducted by USAID-*Tijara* in collaboration with USAID-*Inma* on October 14-18 in Baghdad.*

## D. SUSTAINABLE MICROFINANCE

### ONGOING TASK AREAS /ACTIVITIES

- Since 2003, Iraq's microfinance industry has disbursed more than 457,000 microloans (17% women) valued at \$1.085 billion. Iraq's microfinance industry currently has 101,093 clients (over 21,100 of whom are women), with an outstanding loan portfolio of \$150.29 million. The loans have facilitated the creation of 252,176 direct jobs and 126,088 indirect jobs.

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- USAID- *Tijara* hosted the seventh annual conference of the microfinance industry in Erbil from October 23-24 which was attended by more than 200 participants. The main theme of the conference was "Iraqi Microfinance – The Path to Economic and Social Advancement. The event was attended by dignitaries from the Government of Iraq, the Kurdistan Regional Government, including the Deputy Governor of Erbil and representatives of the Iraqi Prime Minister's Office, NGO Directorate and USAID/Iraq who shared lessons learned and opportunities for collaborating in growing a more sustainable, profitable and inclusive financial sector.

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Izdihurona received the social performance management award, Tallafer Economic Development Centre and Al-Aman shared the financial performance award, Al-Thiqa received the transparency and disclosure award, Al-Tadhamum the good governance award and Amalkon received the funding diversification award. A special award was also presented to Mr. Ali Make, Director General of the NGO Directorate for his long-standing support and commitment to the Iraqi Microfinance Sector.



*Mr. Scott Kleinberg, Deputy Mission Director USAID/Iraq meeting with the participating microfinance representatives during a tour of the MFI market place arranged at the sixth Microfinance Inclusive Financial Services Stakeholders Conference 2012.*

- USAID- *Tijara* held a strategic meeting with the representatives of the Consultative Group to Assist the Poor (CGAP) and the International Finance Corporation (IFC) during which the team highlighted issues which require stakeholder's intervention in provision of technical assistance and strengthening of the Iraqi Microfinance Network (IMFN). The representatives of CGAP and the IFC expressed their willingness to support the IMFN and expressed the need for concerted efforts of the key Iraqi stakeholders.
- A total of 91% of partner MFIs have attained operational self-sufficiency (OSS) while 75% have attained financial self-sufficiency (FSS).

**TRAINING**

- Facilitated a training workshop on Social Performance Management (SPM) in collaboration with the Iraqi Microfinance Network and the Sanabel Microfinance Network of Arab countries from 1 October to 4 October in Erbil. The event provided the partner MFIs an understanding on the concept, tools and techniques of SPM and the process to integrate it with the ongoing microfinance operations.
- The Iraqi Microfinance Network delivered its third training on Delinquency Management with 32 participants from 8 MFIs. This training was supported by a grant from USAID-*Tijara*.

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

### As of December, 2012

#	GOVERNORATE		1st Qtr 2012	1st Qtr Monthly Avg	2nd Qtr 2012	2nd Qtr Monthly Avg	3rd Qtr 2012	3rd Qtr Monthly Avg	December	4th Qtr 2012	4th Qtr Monthly Avg	YTD '12	Monthly Average
1.	Anbar	\$ value	\$4,789,650	\$1,596,550	\$5,319,900	\$1,773,300	\$5,083,900	\$1,694,633	\$1,804,150	\$4,898,150	\$1,632,717	\$20,091,600	\$1,674,300
		# loans	3,205	1,068	3,708	1,236	2,582	861	797	2,484	828	11,979	998
2.	Babil	\$ value	\$4,263,374	\$1,421,125	\$4,174,500	\$1,391,500	\$4,159,300	\$1,386,433	\$1,033,000	\$3,704,390	\$1,234,797	\$16,301,564	\$1,358,464
		# loans	1,944	648	1,831	610	1,917	639	332	1,576	525	7,268	606
3.	Baghdad	\$ value	\$8,980,910	\$2,993,637	\$10,286,625	\$3,428,875	\$9,797,950	\$3,265,983	\$2,551,400	\$8,912,320	\$2,970,773	\$37,977,805	\$3,164,817
		# loans	2,874	958	3,258	1,086	3,077	1,026	846	2,825	942	12,034	1,003
4.	Basra	\$ value	\$4,203,935	\$1,401,312	\$4,225,280	\$1,408,427	\$3,976,685	\$1,325,562	\$1,472,500	\$3,908,820	\$1,302,940	\$16,314,720	\$1,359,560
		# loans	1,077	359	1,056	352	972	324	326	967	322	4,072	339
5.	Dhi-Qar	\$ value	\$1,768,700	\$589,567	\$1,828,800	\$609,600	\$1,617,840	\$539,280	\$540,100	\$1,791,160	\$597,053	\$7,006,500	\$583,875
		# loans	449	150	495	165	470	157	151	502	167	1,916	160
6.	Diyala	\$ value	\$3,147,468	\$1,049,156	\$3,735,300	\$1,245,100	\$3,174,700	\$1,058,233	\$963,700	\$2,997,500	\$999,167	\$13,054,968	\$1,087,914
		# loans	1,018	339	1,250	417	958	319	290	873	291	4,099	342
7.	Dohuk	\$ value	\$2,164,944	\$721,648	\$2,508,390	\$836,130	\$2,498,306	\$832,769	\$638,100	\$2,036,332	\$678,777	\$9,207,972	\$767,331
		# loans	632	211	764	255	788	263	192	625	208	2,809	234
8.	Erbil	\$ value	\$2,949,095	\$983,032	\$4,322,748	\$1,440,916	\$3,487,695	\$1,162,565	\$1,036,623	\$3,084,911	\$1,028,304	\$13,844,449	\$1,153,704
		# loans	838	279	948	316	879	293	250	756	252	3,421	285
9.	Karbala	\$ value	\$3,564,130	\$1,188,043	\$3,781,560	\$1,260,520	\$3,599,700	\$1,199,900	\$1,210,000	\$4,096,100	\$1,365,367	\$15,041,490	\$1,253,458
		# loans	1,670	557	1,863	621	1,900	633	625	1,971	657	7,404	617
10.	Kirkuk	\$ value	\$5,346,208	\$1,782,069	\$5,973,872	\$1,991,291	\$5,056,854	\$1,685,618	\$1,330,626	\$3,963,209	\$1,321,070	\$20,340,143	\$1,695,012
		# loans	1,978	659	2,584	861	2,096	699	435	1,272	424	7,930	661
11.	Missan	\$ value	\$421,600	\$140,533	\$132,500	\$44,167	\$520,950	\$173,650	\$189,900	\$567,807	\$189,269	\$1,642,857	\$136,905
		# loans	256	85	75	25	330	110	116	347	116	1,008	84
12.	Muthana	\$ value	\$1,378,550	\$459,517	\$1,467,650	\$489,217	\$1,411,900	\$470,633	\$301,600	\$1,130,700	\$376,900	\$5,388,800	\$449,067
		# loans	402	134	445	148	421	140	90	349	116	1,617	135
13.	Najaf	\$ value	\$3,744,920	\$1,248,307	\$4,229,630	\$1,409,877	\$3,424,790	\$1,141,597	\$1,596,950	\$4,441,620	\$1,480,540	\$15,840,960	\$1,320,080
		# loans	1,704	568	2,003	668	1,799	600	739	2,105	702	7,611	634
14.	Ninewah	\$ value	\$4,639,700	\$1,546,567	\$4,886,600	\$1,628,867	\$5,235,000	\$1,745,000	\$1,660,150	\$5,322,400	\$1,774,133	\$20,083,700	\$1,673,642
		# loans	1,931	644	2,186	729	2,192	731	688	2,121	707	8,430	703
15.	Qadisiya	\$ value	\$1,879,400	\$626,467	\$1,968,400	\$656,133	\$1,783,050	\$594,350	\$759,100	\$2,237,750	\$745,917	\$7,868,600	\$655,717
		# loans	841	280	843	281	742	247	317	955	318	3,381	282
16.	Salah Ad Din	\$ value	\$1,301,200	\$433,733	\$1,325,900	\$441,967	\$1,247,600	\$415,867	\$489,700	\$1,761,500	\$587,167	\$5,636,200	\$469,683
		# loans	651	217	926	309	762	254	225	843	281	3,182	265
17.	uleimaniy	\$ value	\$6,620,021	\$2,206,674	\$7,966,818	\$2,655,606	\$9,639,654	\$3,213,218	\$3,279,432	\$9,709,056	\$3,236,352	\$33,935,549	\$2,827,962
		# loans	2,170	723	2,308	769	2,719	906	655	1,937	646	9,134	761
18.	Wasit	\$ value	\$2,549,050	\$849,683	\$2,531,250	\$843,750	\$2,288,200	\$762,733	\$1,046,700	\$3,242,160	\$1,080,720	\$10,610,660	\$884,222
		# loans	1,506	502	1,352	451	1,178	393	417	1,317	439	5,353	446
GRAND TOTAL		\$ value	\$63,712,855	\$21,237,618	\$70,665,723	\$23,555,241	\$68,004,074	\$22,668,025	\$21,903,731	\$67,805,885	\$22,601,962	\$270,188,537	\$22,515,711.42
		# loans	25,146	8,382	27,895	9,298	25,782	8,594	7,491	23,825	7,942	102,648	8,554

## 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 Lending Activity Supported by USAID- *Tijara*

Disbursed Volumes	Outstanding SME Loans 12/31/2012	Outstanding Loan Value 12/31/12	Cumulative SME Loans 12/31/2012	Cumulative Loans 12/31/2012
ICBG Guaranteed Loans	3,017	\$35,950,557	6,400	\$88,601,858
Loans Funded by ICF-SME	1,802	\$21,067,223	2,898	\$48,032,516
SME-LU	3,110	\$65,483,214	4,360	\$103,503,673
SME Totals*	7,429	\$117,213,047	12,905	\$227,762,566

\*Totals are minus overlapping program loans

#### SME Bank Lending

- Efforts under the SME Incubation Program progressed significantly this quarter with USAID- *Tijara* assisting Iraqi Middle East Investment Bank to develop its Strategic plan and United Bank to revise develop its credit risk policies. Shorebank International which provided technical support for the Incubation Program, concluded its fieldwork and the final report is expected in January.
- USAID- *Tijara* in collaboration with the Financial Development Program hosted the SME Business Finance for Job Creation Forum in Baghdad.

The purpose of the forum was to initiate further discussions between private banks and the Government of Iraq bodies on how to contribute to job creation in the Iraqi economy. This collaborative initiative between two USAID projects was well supported by representatives from the banking and financial sector, the Government of Iraq and other relevant regulatory agencies.

- The project has cumulatively supported the creation of over 31,284 direct and indirect jobs and generation of more than \$227 million in local investment by 12,905 small and medium enterprises.

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

- Efforts under the SME Incubation Program progressed significantly this quarter with USAID-*Tijara* assisting Iraqi Middle East Investment Bank to develop its Strategic plan and United Bank to revise develop its credit risk policies. Shorebank International which provided technical support for the Incubation Program, concluded its fieldwork and the final report is expected in January.
- The Iraqi Company for Financing Small and Medium Enterprises (ICF-SME) completed an addendum to the private bank agreement specifying the timing and sequence for raising share capital. This addendum will ensure that funds continue to be used by its shareholder banks as originally intended e.g. for vulnerable groups for funds received under IVGSI. It is anticipated that share capital will rise to \$27.5 million no later than 2020.
- ICF-SME has achieved a rating of 84.62% of its Sustainability Index or completed 22 of 26 indicators.
- Plans are in place for the ICF-SME to move into new premises at Mosul Bank upon conclusion of the USAID-*Tijara* program.

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

- The outstanding balance of loans guaranteed by the Iraqi Company for Bank Guarantees (ICBG) has far exceeded the planned amount of \$28 million for 2012. The ICBG has cumulatively guaranteed 6,400 SME loans valued at \$88.06 million.
- The Iraqi Company for Bank Guarantees (ICBG) finalized its 2013 financial forecasts and approved two new loan products, a portfolio (versus individual loan) guarantee and a Complementary Guarantee for loans up to \$500,000 and/or longer than 3 years. These new products will decrease administrative overhead and further expand access to SME financing.
- ICBG has achieved a rating of 85.29% of its Sustainability Index or 30 of 34 indicators.

**SME BANKING CAPACITY BUILDING**

- USAID-*Tijara* conducted a five-day workshop on Marketing Channels and Product Development in Erbil for 25 loan officers and branch managers (19 men and 6 women) from four incubation banks. During this workshop the trainees gained a broad outlook into the basics of marketing concepts and core strategies for developing new products and services.
- USAID-*Tijara* conducted an awareness orientation entitled "High Level Strategic Roadmap for Banks" for North Bank and Iraqi Middle East Investment Bank. The training helped the top management of these banks to develop insight into strategic planning and the business planning process.

## 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* in collaboration with the Prime Minister's Advisory Council (PMAC) presented an assessment of the Iraqi economy to the top-ranking government officials, media, academicians, private sector and civil society representatives during a high-level conference



*Mr. Thamer Al-Ghadban, Chairman of the Prime Minister Advisory Council presenting at the conference on "Revision of the Iraqi Economic Priorities" conducted by USAID-Tijara in collaboration with Prime Minister Advisory Council (PMAC) on October 4 in Baghdad.*

held in Baghdad on October 4. The conference titled "Revision of the Iraqi Economic Priorities" was attended by more than 125 participants and endeavored to create greater awareness of the economic status of Iraq in order to assist the Government of Iraq (GOI) in bringing reforms for greater prosperity of the Iraqi people. USAID-*Tijara* presented its report "Assessment of Current and Anticipated Economic Priorities". Information from the report has been used in preparing the economic plan for Iraq for the coming five years and the Prime Minister has requested a detailed report about the work of USAID-*Tijara*.

Industry and Minerals for final review.

- USAID-*Tijara* made substantial changes to the 4th Amendment of Law No. 20 Industrial Investment Law for Mixed and Private Sectors and provided it to the Legal Advisor to the Minister of
- USAID-*Tijara* conducted a three day workshop on "Doing Business and Promoting Investment in Iraq" to discuss the findings of the World Bank's Doing Business Report for 2012. The participants highlighted the impediments facing investors and entrepreneurs with recommendations to overcome them in order to improve Iraq's ranking in the Doing Business index.
- The Iraqi Ministry of Culture has approved the cataloguing and circulating of the Assessment of Current and Anticipated Economic Priorities in Iraq within the Iraqi government libraries and institutions.
- USAID-*Tijara* met with staff members of the Council of Representative's Economic and Investment committee to discuss the draft Company Law and commercial code reforms.

- Participated in a forum hosted by a local NGO on Law of Regulation of Trade No. 20 of 1970. The legal reform forum was attended by members of parliament, Council of Ministers and the State Shura Council. The consensus of the group was to repeal the Baathist-era law which strictly controls trade and prices. In response to the meeting, USAID-*Tijara* has drafted and circulated a law to repeal Law 20 of 1970.

## 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 (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.

### DELIVERABLES / MILESTONES / EVENTS/ QUANTIFIABLE OUTPUT

- Since inception more than 5,600 young Iraqis have received training under the Iraqi Youth Initiative. \$5,769,200 was disbursed to 1,695 youth who needed financial assistance to start a business.
- Under the Youth Employment Program 990 youth (649 men and 341 women) received apprentice positions among local businesses during the life of the program.
- USAID-*Tijara* concluded the final impact survey for the program. A representative sample (20% of program participants), randomly selected were surveyed regarding the impact of the program on their lives. Key findings include:
  - 49% of the participants in the Youth Employment Promotion program had sustained their jobs, with 75% still employed by their original sponsor.
  - More than 75% of the Youth Entrepreneurship Access to Finance program reported having an active business at the time of the impact assessment.