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TIJARA PROVINCIAL ECONOMIC GROWTH PROGRAM MIDTERM EVALUATION

Final Report

July 2011

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Disclaimer

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government. Due to security concerns, the names and identities of individuals have been removed from this report. Although Tijara collects specific governorate, district, and village names with GPS coordinates for its activities, these details have been generalized in this report to protect the communities served.

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ACRONYMS

BDS	Business Development Services
BIEE	Business & Investment Enabling Environment
CBI	Central Bank of Iraq
COC	Chamber of Commerce
EPRT	Embedded Provincial Reconstruction Team
GATS	General Agreement on Trade in Services
GATT	General Agreement on Trade and Tariffs
GOI	Government of Iraq
IASD	Iraqi Association of Securities Dealers
ICBG	Iraqi Company for Bank Guarantees
ICF-SME	Iraqi Company for Financing Small and Medium Enterprises
IMFN	Iraqi Microfinance Network
IPR	Intellectual Property Rights
IYI	Iraqi Youth Initiative
MFI	Microfinance Institution
MIM	Ministry of Minerals and Industry
MOA	Ministry of Agriculture
MOC	Ministry of Culture
MOF	Ministry of Finance
MOT	Ministry of Trade
MOU	Memorandum of Understanding
MSME	Micro, Small, and Medium Enterprise
NBFI	Non-Bank Financial Institution
NIC	National Investment Commission
PEG	Provincial Economic Growth
PCMS	Performance Classification and Monitoring System
PIC	Provincial Investment Commission
PMP	Performance Management Plan
PPP	Public Private Partnership
PRT	Provincial Reconstruction Team
RRI	Regulatory Reform Initiative
RRU	Regulatory Reform Unit
SBDC	Small Business Development Center
SIDA	Swedish International Development Agency
SME	Small and Medium Enterprise
SOP	Standard Operating Procedure
SOW	Scope of Work
TRIPS	Trade Related Aspects of Intellectual Property Rights
TOT	Trainer of Trainers
UNOPS	United Nations Office for Project Services
WEO	Women Empowerment Organization
WTO	World Trade Organization
YERC	Youth Entrepreneurship Resource Center
YEAF	Youth Entrepreneurship Access to Finance
YEP	Youth Employment Promotion

EXECUTIVE SUMMARY

The USAID Provincial Economic Growth program, “Tijara,” began in January 2008 and will end in January 2013, with current life-of-project funding of more than \$174 million. Tijara supports the setup of Small Business Development Centers and assists the Iraqi Ministry of Trade’s accession to the World Trade Organization. It focuses on expansion of commercial lending through microfinance institutions and small and medium enterprise lending with private banks. It also implements the Iraqi Youth Initiative program, focused on employment opportunities for the youth of Iraq.

EVALUATION QUESTIONS

This midterm evaluation answers three broad questions:

1. How and why have project objectives changed since their inception?
2. What progress is the project making toward the project objectives as they are currently defined?
3. What changes to the currently defined objectives or to project implementation are suggested to achieve USAID/Iraq’s higher level programmatic goals?

The evaluation is summarized here so that questions one and two are answered as “findings and conclusions” and question three as “recommendations,” for each of Tijara’s objectives.

METHODS

Field work was conducted through a mixed-method methodology. Findings were developed through: (1) key informant interviews; (2) focus group discussions with Tijara beneficiaries; (3) Government of Iraq and Tijara documentation and database research; and (4) distance questionnaires. The research was carried out in Baghdad, Basrah, Babil, Erbil and Anbar.

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Overall Objective: Tijara achieved major results in all four Intermediate Results (IRs) of Strategic Objective 8. Despite the significant challenges of working with a changing government, Tijara satisfied the needs of beneficiaries through the use of competent experts, excellent support staff and appropriate programs. Tijara produced its most important results in the Microfinance and Youth programs.

Tijara’s success in meeting the various objectives of USAID Iraq varies depending on the objective defined. When measured against the highest level objective in the program PMP - “Private Sector Economic Opportunities Expanded” – Tijara has been highly effective, especially with respect to access to finance and the youth program. Using the objective language from the Country Strategy – “Integrated into the Global Economy” – the picture is more complicated.

OBJECTIVE I: BUSINESS ENABLING ENVIRONMENT

WTO ACCESSION

Findings and Conclusions: The Tijara program is working in the following four areas; assisting in World Trade Organization (WTO) procedural submissions, reforming intellectual property laws, developing a WTO-compliant customs regime, and making non-tariff barriers WTO compliant. Tijara's implementation strategy has been consistent and appropriate for reaching the long-term goal of Iraq's WTO membership. The Government of Iraq has had difficulty getting the Initial Goods Offer submitted to the WTO due to changes at the Ministry of Trade (MOT). However, the evaluation team believes the MOT is now committed to WTO accession in an expeditious manner.

Recommendations: Tijara should continue working on WTO activities, focusing on intermediate results. The finalizing of the Protocols of Accession to the WTO and obtaining full membership for Iraq within the next two years is unrealistic given the political complexities of Iraq. However, Tijara should continue to assist the GOI in the submission of milestones in the WTO accession process – the Initial Goods Offer, Initial Services Offer, and draft legislation. Tijara can also help with enactment of agriculture-related WTO legislation, training for customs valuation, classification, and the convening of a Third Working Party meeting. The staffing requirements at Tijara should be reevaluated to reflect that they have finished the bulk of the WTO work.

The “selling” of the WTO to the Iraq political and business community should be considered by Tijara and USAID. This activity may be outside the scope of the capabilities of Tijara at this time. The evaluation team recommends that Tijara only undertake this WTO promotion activity with an appropriate, separate work plan developed with and approved by USAID. If Tijara undertakes additional WTO promotional activities, greater emphasis should be put on developing promotional material based on the direct economic impact that membership to the WTO will have on the Iraqi economy. The current promotional information focuses only on the general benefits of being a WTO member.

BUSINESS AND INVESTMENT ENABLING ENVIRONMENT

Findings and Conclusions: The Business and Investment Enabling Environment (BIEE) component was added to the project with Modification 11 in January 2010. Tijara originally focused support on the National Investment Commission (NIC). Tijara has worked closely with the NIC in developing the NIC website, drafting the Investor Guide to Iraq, updating the Investor Roadmap for Iraq, and developing the One Stop Investment Shop. The NIC is currently focusing on promoting “strategic investment projects” designated by the government, which does not work well with Tijara's focus on general private sector investment promotion. Tijara has since started to work more closely with the Provincial Investment Commissions (PIC) and Ministry of Minerals and Industry (MIM) and other organizations to promote the enhancement of the business-enabling environment.

Recommendations: Because of the differences in strategies with the NIC, Tijara's focus has been rightfully changed to working with the PICs. The PICs are highly professional and well organized, but have indicated little understanding of how they could work with Tijara in the future on anything other than web development. BIEE needs to define their work clearly with the PICs with specific strategic goals.

It is recommended that Tijara reconsider the benefits of working on the World Bank Doing Business Index. Key informant interviews with representatives of the Chamber of Commerce, PIC and Government officials indicated little benefit to activities focused on the WB Doing Business Index, Investor Roadmap for Iraq, or the Iraq Commercial Law and Institutional Assessment.

The work with developing the regulatory reform unit (RRU) or a similar organization should be reevaluated. It is unlikely that a true functioning RRU will be developed in the near future, since the concept does not have buy-in from the government. The work with the MIM “commercializing” the State Owned Enterprises (SOEs) looks very promising and should be continued. The activity should be continually assessed for actual results. Positive results would entail some level of “commercializing” of an SOE.

OBJECTIVE 2: BUSINESS DEVELOPMENT SERVICES

SMALL BUSINESS DEVELOPMENT CENTERS

Findings and Conclusions: Business development services were expanded from five to 14 small business development centers (SBDCs). Tijara improved the institutional capacity of these SBDCs by providing training for their staff, supporting training courses on beginning and developing businesses, and attending conferences and trade fairs.

Recommendations: Maintain Tijara’s support for the SBDCs by providing assistance through the Performance-Based Grant Program. The additional support will help the SBDCs to gain more experience, build credibility, and improve their reputation. The SBDCs are invaluable to the local business community and should be provided with training in advanced management and financial methods.

OBJECTIVE 3: ACCESS TO FINANCE

SUSTAINABLE MICROFINANCE

Findings and Conclusions: Microfinance is a new industry, created in Iraq in 2003. Currently, there are 12 microfinance institutions that are viable and sustainable. They have a portfolio of \$110 million and 80,000 clients in urban and rural areas, including micro-businesses, the very poor, women and youth. It is estimated that microfinance institutions cover less than six percent of the feasible microfinance market.

Recommendations: Tijara should focus on helping these institutions move from being *micro-credit* institutions to being full-fledged *micro-finance* institutions that offer savings and other financial services. Tijara should also provide them with additional grant money so they can expand their services to the poor and the youth.

SME DEVELOPMENT AND BANK LENDING

Findings and Conclusions: Private Banks in Iraq have sufficient financial resources to do small and medium enterprise (SME) lending. Bank representatives indicate they want more training on the mechanics of successful SME lending. Tijara did a very good job of providing training to the SME Loan Officers. The banks all reported they had increased their SME lending because of the training that Tijara conducted. The creation and support of the Iraqi Company for Bank Guarantees (ICBG) and the Iraqi Company for Financing Small and Medium Enterprises (ICF-SME) have been positive in creating some additional SME lending. It is unclear, however, whether these institutions are sustainable.¹

¹ A review of financial records reviewed that revenues did not cover the costs of operations

Recommendations: Tijara should expand its successful training to new banks and provide more advanced training to the banks that have already received the training. Training can also be expanded into other offices in the same bank where some officers might not have received training the first time.

Efforts regarding ICBG and ICF-SME should focus on making these two institutions competitive and sustainable financial institutions.

OBJECTIVE 4: YOUTH ENTREPRENEURSHIP

IRAQ YOUTH INITIATIVE

Findings and Conclusions: Tijara assistance has been critical for developing the capacity of the SBDCs to address youth unemployment in Iraq. The SBDCs, with Tijara support, are providing relevant training for the youth in developing business proposals, obtaining financing and developing employment marketability.

Recommendations: No changes are being recommended to the program. It is recommended that additional funding be provided to allow for implementation of the program through the life of the project. Tijara should consider adding additional programs or courses to address other training concerns identified by the youth, such as computers, finance and English.

GRANT PROGRAM

Findings and Conclusions: Grants were included in Component 2 of Tijara to be spent in the first two years of the contract for microfinance and lending institutions. An additional \$20 million was added in 2008 to assist the agribusiness sector. Agribusiness was eliminated and replaced with an activity for strengthening the SBDCs.

Recommendations: Tijara has submitted a proposal to decrease the grant budget by \$12 million and shift this grant money to other line items.² The evaluators believe that the grant budget should not be changed. This money should be used to continue the support of the SBDCs and the microfinance institutions as proposed and agreed upon in the USAID-Tijara contract. Grant money should be used to increase the funding of the IYI program implemented through the SBDCs.

While \$30 million was provided to microfinance Institutions, it appears no grants were made available for SBDCs for training. The SBDCs were used as the vehicles to implement the IYI program. February 2011 was the first time SBDCs received grants, but only for the IYI and not for any other program as directed in the SOWs. No grants were provided to any SBDC for the purpose specified in the original Scope of Work or subsequent modifications.

² According to Tijara, when the IYI and BIEE components were added to the project, new resources were not made available for the additional work, requiring a budget reappportionment. Additional information on Tijara's perspective on the grants program is available in Annex 3.

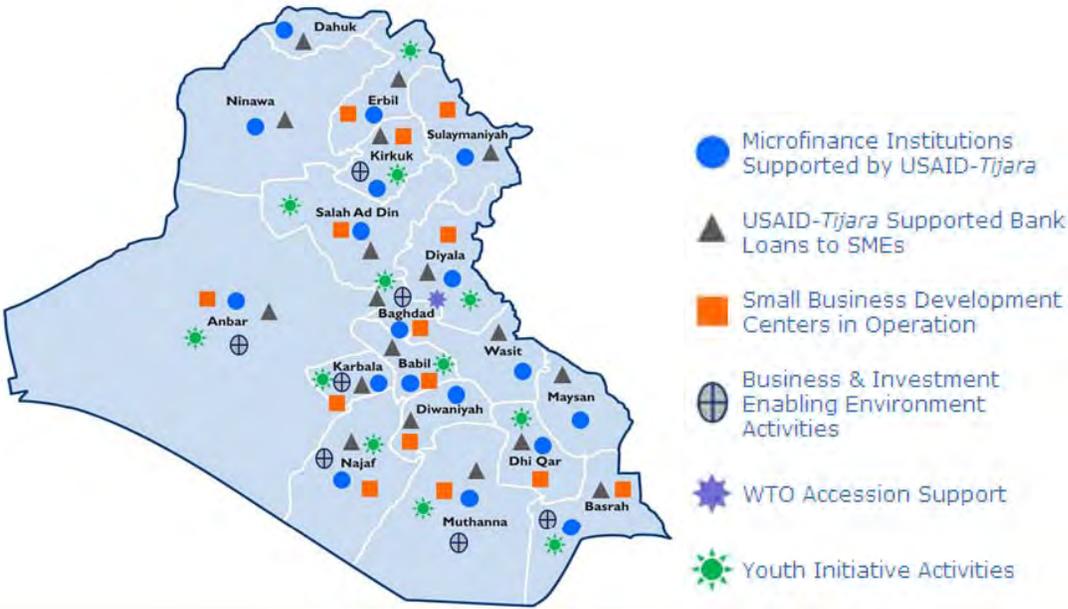
INTRODUCTION

HISTORY AND OBJECTIVE OF THE PROJECT

The USAID Provincial Economic Growth program, known primarily as “Tijara,” which means “trade” in Arabic, started on January 8, 2008 and will end on January 31, 2013 with a current life-of-project funding of just over \$174 million.

The problem Tijara is trying to address is shifting. When the project was designed in 2007 and 2008, the economic situation in Iraq reflected that of a country in the midst of conflict, and instruments were needed to create jobs and to help people keep the jobs they already had. As security improves and the USG’s engagement with Iraq has changed, the original problem remains to a significant degree, but has been augmented by an emerging opportunity to consolidate long-term, Iraqi-led development, especially at the provincial level.

Map of Tijara Activities



Tijara was designed to provide business development and financial services throughout Iraq. The “theory of change” behind the project was that economic opportunities in Iraq would be expanded if employment within the private sector increased, especially by increasing access to financing. Eligibility for financing would be enhanced by business development services that would help firms increase their management capacity. Capital pumped into finance institutions with appropriate training would assure that financing was available to qualified borrowers. Organizationally, Tijara provides services in support of USAID/Iraq’s Strategic Objective 8, “Private Sector Economic Opportunities Expanded.” As such, Tijara is a multi-faceted program that promotes economic diversification, private sector development and job generation at the provincial level.

Tijara's contract was designed in part to carry on the work of a previous USAID-funded project, Izdihar, which ended in 2007. Tijara continued Izdihar's work in private-sector lending, in particular the support of microfinance institutions. It also continued Izdihar's support for business development services (BDS). However, the initial Tijara design did not continue Izdihar support of commercializing for state-owned enterprises, or development of capital markets.³ Tijara was designed during a period of insecurity and violence that was countered by a corresponding increase in U.S. military operations in Iraq. This changing environment is reflected in the many substantive modifications to the Tijara contract.⁴

The current Tijara Statement of Work defines three components. Under Component 1, the program was to setup and support a network of 22 Small Business Development Centers (SBDCs), now reduced to 14. In addition, Component 1 now includes a program to assist the Ministry of Trade in Iraq's accession to the World Trade Organization (WTO).⁵ Under Component 2, the program focuses on expansion of commercial lending through microfinance institutions and small and medium enterprise (SME) lending with private banks. Under Component 3, (included in contract modification number 14, on April 27, 2010) the program implements the Iraqi Youth Initiative (IYI) program. The Youth Initiative is funded by the U.S. Ambassador's Targeted Development Fund and implemented by Tijara. The IYI program focuses on creating both self-employment and employment opportunities for the youth of Iraq.

CONTRACT MODIFICATIONS

The Tijara contract was awarded in January 2008 for a total project cost of \$120+ million that included two option years. In June 2008, the first major modification occurred, without a change in budget, to address the revised role of the SBDCs. References to specific industries named in the original contract were eliminated. This modification also created the Business Enabling Environment objective, with a focus on WTO accession and the National Investment Council (NIC), a government body focused on attracting investment in Iraq. The next modification, in September of 2008, increased the budget by \$41,427,637 (to a total of \$162 million) for the length of the project (same budget for the option years) and modified the SOW to include a focus on the agriculture sector's access to financing.

The next substantial modification was in January 2010, beginning the second phase of Tijara. The budget remained the same but the SOW was expanded to include three key intermediate results: "Public Sector Becomes an Enabler of Private Growth"; "Increased Capacity of the Private Sector"; and "Infrastructure for Modern Economy Strengthened." In addition, specific targets were set for several indicators. The last major modifications were in March and April 2010 (modifications 13 and 14), adding funding for the Youth Component to address high unemployment among the Iraqi youth. The budget was increased by \$12 million for the base period and first option year for a total budget of \$174+ million. The most recent modification (16) merged the budgets for the base period and the two option years into one, with no change in the end date of January 2013.⁶

³ Tijara initially did not continue Izdihar's work on WTO accession either, although this work was subsequently added to the Tijara program in a later contract modification.

⁴ The modifications were not just security-related. USAID-Tijara was also seen as a flexible tool for addressing evolving priorities of GOI as well as USG's emphasis on WTO Accession, among other economic issues.

⁵ Under Modification 11

⁶ For additional information regarding contract modifications, see Tijara comments in the Annexes.

CHANGE IN PROJECT OBJECTIVES AND PROGRAMMATIC GOALS

The original Tijara SOW was written in 2007 with a focus on community and economic stabilization. According to USAID, the Departments of Defense and State put heavy demands on the economic projects of the USAID-EGA office. The multiple contract modifications reflected changing circumstances in Iraq. Modification 11 was a result of the increased focus from the Economic Section at the U.S. Embassy on improving the business policy and regulatory environment, centering on the Strategic Framework Agreement with the GOI. The Business and Investment Enabling Component was started to, among other things, support the Ministry of Industry and Minerals in line with Prime Minister Nuri al-Maliki's initiative. Modification 14 established the Youth Initiative in response to available funding from the US Ambassador's Targeted Development Fund.

The change from Phase 1 (2008-2009) to Phase 2 (2010 on) was significant. Phase 1, building on Izdihar, involved the provision of business development services and increased access to finance for micro, small and medium enterprises in Iraq. It established a network of up to 22 small business development centers, 12 microfinance institutions, and two non-bank financial institutions to catalyze SME lending through banks and build the capacity for SME lending capability within a partner network of 13 private banks.

According to documents provided by Tijara, Phase 2 focuses on strengthening four areas of the existing program: impact, sustainability, consolidation and innovation. First, Tijara is pursuing interventions that promise to have the greatest possible positive impact on the Iraqi economy. For instance, financial products have been tailored to specific segments of the Iraqi economy that will have the greatest benefit to the SME market. Second, Tijara is taking steps to ensure that any entity established with USG funding will be sustainable. For instance, the BDS component has developed individualized development plans for each of the SBDCs that will lead them from being the recipients of direct funding from Tijara and USAID to marketing their own products to their communities and other potential buyers. Third, Tijara began focusing on consolidating the growth of the supported organizations.⁷ Fourth, Tijara has encouraged innovation by expanding the array of products and services offered by Tijara's beneficiaries.

PURPOSE OF EVALUATION

This midterm evaluation was requested by USAID to take stock of Tijara in the context of the new economic landscape that is impacting activities for both the newly formed Government of Iraq and the USG. The results will be used to inform USAID on the current status of Tijara and suggest directions to follow in the remaining life of the project. The evaluators have endeavored to provide USAID with a product that can assist the agency as it engages with key GOI ministries and economic institutions to determine how best to restructure economic assistance to Iraq. The evaluation assesses the results of Tijara at each phase given the objectives of that phase of assistance and recommends changes for the continued relevance of the project.

⁷ Tijara's phrase, "consolidation", refers to the reduction in the number of SBDCs supported from 14 to 12 and the decision to support the growth of existing MFIs rather than starting new ones.

Evaluation Questions

USAID directed the evaluation team to answer three questions that provide the organizational structure of this report:

1. How and why have project objectives changed since their inception?
2. What progress is the project making toward the project objectives as they are currently defined?
3. What changes to the currently defined objectives or to project implementation are suggested to achieve USAID/Iraq's higher level programmatic goals?

What are the project objectives?

Central to the purpose of this evaluation is assessment of Tijara given the *objectives* of the project, both at Phase I of the contract (2008-2009) and Phase 2 (2010 onward). The evaluators found fixing the definitions of the objectives challenging since they were rarely consistent across documents reviewed. Project documents defining the objectives are: the results frameworks contained in the Tijara PMPs in 2008 and 2011, and the original 2008 project contract, along with contract modifications added in 2010. These are summarized in Table I below.

Original Contract Phase I: The original contract, signed January 23, 2008, is the first document to outline project "objectives." However, the objectives are not laid out in an easily understandable manner.

Results Framework Phase I: Tijara's Performance Monitoring Plan for April 2008-March 2011 is dated January 29, 2009 (See third column in Table I). Although it covers only the contract base period (which has since expired), at the time of this writing no replacement PMP has been approved.

Contract Modifications 11 and 13 Phase 2: Contract modification 11, issued in January 2010, (See fourth column in Table I) addressed the poor business environment in Iraq by directing Tijara to work with key ministries to improve the business enabling environment through reduced administrative inefficiencies. It changed the wording of the original contract objectives and added a new requirement to address Iraq's poor showing in the World Bank's "Doing Business" rankings. Modification 13, implemented in March 2010, added the youth component to accommodate additional funding at the urging of the U.S. Ambassador to Iraq.

Results Framework Phase II: Tijara's Performance Monitoring Plan for February 2011 through January 2013 was submitted on April 20, 2011, but has to date not been approved by USAID. (See fifth column in Table I). As in the previous PMP, it does not refer to program objectives, but contains Intermediate Results that come close to defining the objectives in clearer terms than contained in the contract and its various modifications. Of the four categories of objective definitions, the new proposed results framework comes closest to defining the project objectives in a clear, abbreviated, yet substantive manner.

Given the complexity and inconsistency of Tijara's definitions, this evaluation will use a shortened definition of the objectives in its analysis. Objective 1 will be called *Business Enabling Environment*, and will incorporate WTO Accession, Iraq's "Doing Business" ratings and work with the National Investment Council (Phase I only). Objective 2 will be called *Business Development Services*. Objective 3 will be called *Access to Finance*, and will incorporate Microfinance Institutions, Banks, and Non-Bank Financial

Institutions. Objective 4 will be called *Youth Entrepreneurship*, and will incorporate youth employment and youth access to finance activities. The changing wording of Tijara’s objectives ultimately had little detrimental effect on Tijara’s activities, which have generally been seen in terms of the four larger categories by both USAID and implementer staff.

Table 1: Tijara Objectives Compared

Framework embodying programmatic goal and contract objectives – Phases 1 and 2

Objective Category	From Original Contract 2008 (Phase 1)	From Results Framework 2009 (Phase 1)	From Modification No. 11, and 13 (for Youth) (Phase 2)	From Results Framework 2011 (Phase 2) (Not yet approved)
Overall Objective	Grow the Iraqi economy in selected manufacturing and services sectors and promote private sector development by increasing access to finance.	SO 8 Private Sector Economic Opportunities Established	Grow the Iraqi economy by developing local institutions which offer services that stimulate business activities, promote greater access to financial services, and promote private sector development.	SO 8 Private Sector Economic Opportunities Expanded
1. Trade enabling environment	C2 Under Component 1: Creating an enabling environment which reduces current constraints to business operations, developing market information systems, and establishing public and private partnerships.	IR 8.1 Public Sector Becomes an Enabler of Private Growth	Component 1: Improve the underlying Business Enabling Environment...and to improve standing in Doing Business Indicators Component 1: Provide assistance towards the reform of Iraq’s international trade regime and in improving such trade prospects, with specific emphasis on joining the WTO.	IR 8.1 Improved enabling environment to foster trade and facilitate WTO Accession
2. Business Development Services	C2 Under Component 1: Provide business development services with a focus on sector competitiveness by training businesses in selected industries, supporting effective business associations, and promoting association advocacy.	IR 8.2 Increased Capacity of the Private Sector	Component 1: Improve the productivity and ability of local businesses to compete in local, provincial, or national markets.	IR 8.2 Improved Capacity of the Private Sector to promote Business Development

Objective Category	From Original Contract 2008 (Phase 1)	From Results Framework 2009 (Phase 1)	From Modification No. 11, and 13 (for Youth) (Phase 2)	From Results Framework 2011 (Phase 2) (Not yet approved)
3. Access to Finance	Under Component 2: Focus on expansion of commercial lending through microfinance institutions and banks by identifying and reducing market lending risks; providing training and technical assistance; disseminating information, education, knowledge management, and research; and operating a grant facility.	IR 8.3: Infrastructure for Modern Economy Strengthened	Component 2: Focus on expansion of commercial lending through MFIs and banks.	IR 8.3: Increased access to essential financial services from diverse providers to low income Iraqi families and micro- and small-scale enterprises
4. Youth Entrepreneurship	N/A	N/A	Component 3: Activity 1 Youth Entrepreneurship Activity Component 3: Activity 2: Young entrepreneurs access to finance.	IR 8.4 Enhanced Employment and Business Opportunities Created among Youth

Higher Level Programmatic Goals and Objectives

The top row in Table I shows the definitions for the top-level objective listed in Tijara’s PMP and Contracts. This objective in turn contributes to a higher-level objective and overall programmatic goal. According to the USAID Iraq Country Strategy for 2010-2012, there are three primary objectives for the Mission: (1) Just, Representative, and Accountable Governance; (2) Integration into the Global Economy (to which Tijara contributes); and (3) Contributing to Regional Peace and Security. In turn, these three high level objectives contribute to the U.S. Government goal of “A Sovereign, Stable, and Self-Reliant Iraq.”⁸ As the evaluation will show, Tijara has in many ways been a successful project when measured against the program-level objectives. Tijara has directly and indirectly facilitated the creation of jobs by diversifying the private sector through business development services and financing mechanisms. It is also providing technical assistance to the GOI to improve the business enabling environment for private sector expansion through policy, legal and regulatory reforms. However, it is difficult to say at this point that Iraq has been “integrated into the global economy,” (Objective B) let alone whether Iraq can be considered more “sovereign, stable, and self-reliant” (programmatic goal).

⁸ USAID/Iraq Strategic Direction: 2010-2012, July 2009; <http://iraq.usaidallnet.gov/node/3>

EVALUATION METHODOLOGY

The evaluators developed a mixed-method methodology for this performance evaluation, focusing on descriptive and normative evaluation questions. Findings were developed through: (1) key informant interviews with GOI entities and Tijara Team Leads; (2) focus group discussions with Tijara beneficiaries; (3) GOI and Tijara documentation and database research; and (4) distance questionnaires. In addition to the Baghdad interviews, team members visited Basrah, Babil, Erbil and Anbar to meet with Tijara beneficiaries in those regions.

While the evaluation team benefited from Tijara's assistance in the conduct of this report, it took the necessary steps to avoid any conflicts of interest. Tijara was helpful in facilitating meetings and interviews, but the evaluation team determined with whom it wanted to meet with and when, and the methodology for collecting data.⁹

The evaluation process flow steps were:

- Development of evaluation criteria and questionnaires from the SOW;
- Structured interviews with GOI entities and Tijara team leaders;
- Preparation of standard "interview summary" reports following each interview;
- Analysis of each interview summary for evaluation criteria, capturing findings in each report;
- Uploading of interview summaries to a shared documents site for review and revision (if applicable) by all team members;
- Compilation of all the distance surveys received into a statistical analysis; and
- Application of all findings to Tijara final evaluation (Findings section and Analysis and Conclusions section) upon completion of field interviews.

Data Collection Tools

The core of the methodology was in the evaluation questions. Simplified, they require analysis of how and why the program objectives changed, what progress is being made toward the objectives and suggestions as to the defined programmatic objectives and implementation. All three questions were imbedded into most evaluation tools as appropriate, essentially focusing on the past, present and future of the project objectives. Interviews, surveys and other instruments were administered (1) according to project component and activities; and by (2) stakeholder population.

⁹ The focus of the evaluation was on participants rather than non-participants of the program. Given time limitations, the evaluation team did not talk to MFIs not participating in the Tijara program, choosing instead to focus on the effectiveness of the assistance to participating MFIs. Also, the team did not interview youths who were not part of the program. However, the evaluators found that very few interested youth were excluded from the program. With regard to microfinance, less than 10% of applications were rejected when funds were available.

The data collection tools for this mixed method evaluation were as follows:

Key Informant Interviews: Key informants were well-regarded experts or knowledgeable persons who could assist in answering some of the evaluation questions. Given the unique roles of these persons, the interviews were usually unique and exploratory to allow more than yes or no answers. The question format was mostly open ended, but guided by a structured questionnaire. Evaluation team members listened for and captured important quotes and, when needed, asked for supporting documentation. Interview notes were transcribed daily. Key informant interviews were used for questions focused on project history (question 1), project objective accomplishment (question 2) and recommendations on future changes to the objective (question 3). These were questions that required input of information directly from knowledgeable people. The population of the key informant interviews is substantial given the multiple entities with which Tijara is working. The team interviewed a representative sample of the key informants it believed, given time and security constraints, would provide a complete picture of the work the Tijara had accomplished.

Focus Group Interviews: These were limited to people who fit a similar position, i.e. a homogeneous group of Tijara beneficiaries. Questions were developed to determine if there was a consensus on a particular issue, and whether focus group members had common views or common reactions. Team members focused on asking fewer questions and encouraging a full discussion to provide better answers. Focus groups were particularly useful in developing conclusions and recommendations – a critical part of Question 2. Examples included beneficiaries of the SBDC programs in Baghdad, Babil, Anbar, Basrah, and Erbil. The team conducted focus groups in each geographic area it visited for the microfinance, youth and SBDC components. A focus group was conducted in Babel on the WTO component.

Direct Observation: The evaluation team frequently observed what was actually happening at assistance activity sites. This allowed processes to be observed in their natural setting, thereby providing a richer understanding of the subject. Direct observation helped identify whether tasks were properly implemented and whether required inputs were present or absent. Examples included were the direct observation at the Market Assessment Conference in Babil and youth program business trainings at numerous locations.

Mini Surveys: These informal surveys involved interviews with a small number of individuals, selected on the basis of availability and non-probability sampling. Given the resource limitations of this survey, large-sample probability sampling was infeasible. These structured questionnaires focused on a limited number of closed-ended questions and generated quantitative data. Some surveys were filled out by beneficiaries at a particular Tijara site, such as a business center, while others were submitted by email and returned electronically. This was the primary tool for collecting quantitative data under this evaluation. Surveys were distributed at each site visit wherever beneficiaries were encountered. Often surveys were distributed to focus groups prior to the session and collected afterwards. Survey results and focus group results from one location were compared with results in other areas to determine patterns. Distance (e-mail) survey respondents were chosen after consultation with Tijara staff.

Sampling Areas and Populations: The evaluation team focused its analysis on five of 14 business development centers, with a focus on covering areas representative of all the regions of the country. This included: Baghdad (center), Ramadi (west), Erbil (north), Hillah (south central), and Basrah (south), providing a degree of geographic and religious/ethnic diversity.

Data Limitations: This performance evaluation lacks a rigorously defined counterfactual, meaning that impact (or lack thereof) is difficult to prove conclusively. A random assignment methodology, in

which results among beneficiaries are compared to results in a population of non-beneficiaries, was not part of the scope of work and would have been infeasible.

Despite good access to Tijara and its stakeholders, evaluator travel to project sites in Iraq was constrained by security concerns. Because of the costly security precautions necessary for every site visit, interactions with beneficiaries and other stakeholders were limited compared to what might have been possible in a more stable country. Therefore, despite the six weeks of Iraq-based field work, sample sizes for surveys, focus groups and key informant interviews were often small compared to the population being sampled. The relatively small sample sizes were further complicated by the complexity of the multi-faceted Tijara program, in which data on every component could not be collected with equally rigorous methods. Given the multiple areas in which Tijara is working, it was sometimes challenging to identify the entire population likely to be impacted.

Evaluation Team: The evaluators and primary authors of this report are: Peter Dickrell, Team Leader – WTO and Business Services Specialist; Alberto Abadia, Business Strategy Consultant and Private Sector Development Adviser; Lynda Boswell, Community Development and M&E Specialist; and Haydar Mohammad, Database and Business Services Advisor. QED Senior Monitoring and Evaluation Associate Jeffrey Swedberg provided technical advice on the methodology and report structure and content. Additional assistance was provided by Janet Orr, Education and Youth Opportunities Expert and Andrew Cunningham, editor.

ANALYSIS AND FINDINGS

The following analysis follows the sequence of the evaluation scope of work. Using the structure of the four objectives identified in the introduction, each objective is viewed through the filter of the three evaluation questions. If a larger objective has more than one activity (e.g. Business Enabling Environment incorporates WTO Accession and Business and Investment Enabling Environment) the three evaluation questions are applied to each activity. When the data are available, each objective section begins with an analysis of the indicators used to measure activities under the objective. The indicators were taken from the 2008-2011 PMP and contain actual data totals (2008-2010) measured against the original targets.

OBJECTIVE 1: BUSINESS ENABLING ENVIRONMENT

WTO ACCESSION

QUESTION 1: ADJUSTMENTS IN PROJECT OBJECTIVES AND PROGRAM GOALS

The original Tijara work plan states that accession to the WTO is the critical element in achieving Strategic Objective 8. While the process of obtaining WTO membership will improve the business and investment climate in Iraq, it does not immediately or directly “expand the private sector opportunities” at the provincial level. The original planned activities will not lead to the achievement of the objective. However, this is less a result of poor Tijara performance than a fault of results framework planning.

The Tijara program is working in the following four areas: assisting in WTO procedural submissions, reforming the intellectual property laws, developing WTO-compliant customs regime and making non-tariff barriers WTO compliant. Tijara’s work in these four areas has continued into the fourth year work plan. Little has changed in Tijara’s implementation strategy, which has been consistent and appropriate for reaching the long-term goal of Iraq’s WTO membership.

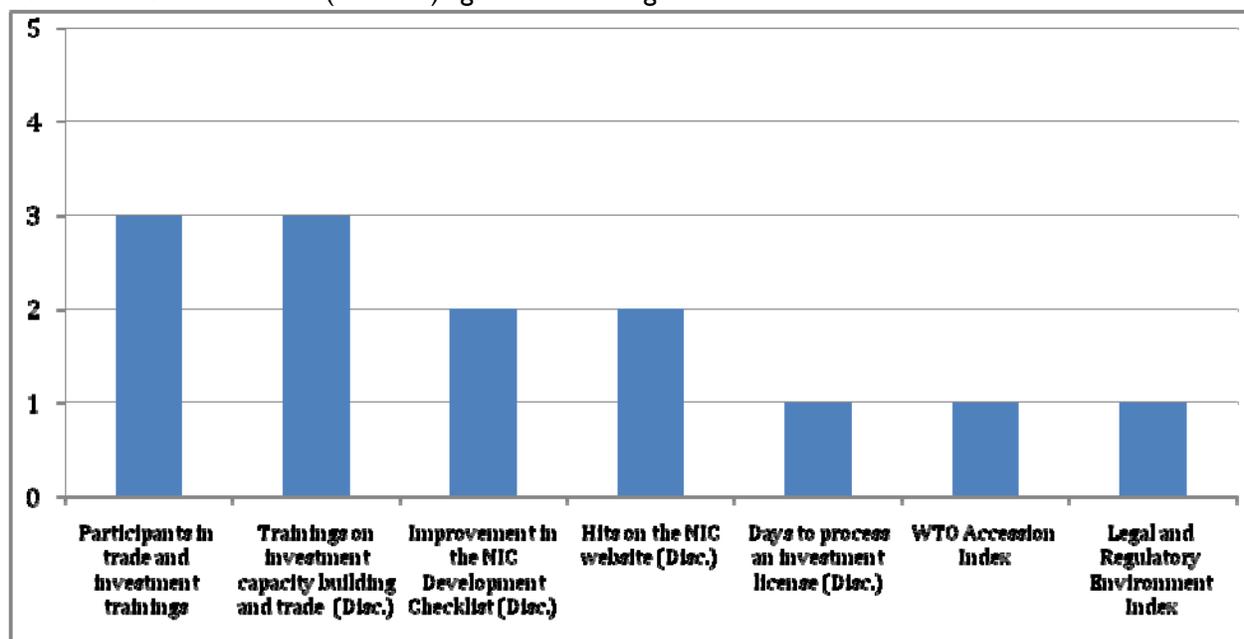
Accession is a lengthy process that requires host country political will. The WTO indicates the average time for the accession is between five to 10 years. Relevant GOI officials are appreciative of Tijara’s assistance. The interviews and data collected by the evaluation team indicate that Tijara has made appropriate changes in the program to take into account the delays in getting the Goods Offer submitted, a critical step in the long accession process and one that signifies a certain level of host country political will.

QUESTION 2: PROGRESS IN MEETING THE PROJECT OBJECTIVES

PMP Indicators: Performance against PMP targets was relatively poor in the trade-enabling environment objective. Tijara did not reach its objectives in this area due to a lack of political will on the part of the GOI to push WTO accession and reform investment laws through the political process. As Figure 1 indicates, only two indicators reached or came close to reaching targets. Both are output indicators measuring “number of trainings,” and “number of participants in trade and investment trainings.” Several indicators have been discontinued due to programmatic changes, in particular the dropping of the National Investment Council (NIC) as a partner. Performance in two major indicators – WTO Accession Index and Legal and Regulatory Environment Index – illustrates the difficulties in working with the Iraqi government where the absence of political will is prevalent.

Figure 1: Trade Enabling Environment

Performance of Indicators (2008-10) against 2008 Targets



Y Axis Key: 5=Over 50% above target; 4= 10% to 50% above target; 3= 10% below to 10% above target; 2= 10% to 50% below target; 1=over 50% below target

Field Observations, Data Analysis and Survey Results

WTO Successes: The USAID-Tijara Program has worked with the Government of Iraq, the private sector, and NGOs to promote accession to the WTO. Interviews with GOI officials in six locations revealed satisfaction and indicated that Tijara, among other things:

- Prepared and completed the Second WTO Working Party Meeting on Iraq's Accession.
- Assisted the Government of Iraq in preparing Iraq's Initial Goods Offer.
- Assisted preparation of 10 out of 12 sector positions for the Initial Services Offer.
- Assisted Ministry of Trade in establishing an Inter-ministerial Sanitary and Phytosanitary (SPS) legislative drafting committee.

Reforming the Customs Agency practices and procedures is a major activity. Tijara is committing the appropriate amount of resources to customs training and the customs officials are satisfied with the results. Tijara has also gained traction with the GOI in understanding the benefits of using the Automated System for Customs Data (ASYCUDA) database system.

Tijara's work plan identifies activities to promote WTO accession to the appropriate government officials and the public. The evaluation team reviewed the documents produced by Tijara to promote the benefits of joining the WTO. This information provides an excellent general overview of the benefits of WTO membership. However, none of the documents provided to the evaluation team provided specific discussion and analysis of actual economic effects of joining the WTO. Development and

promotion of these specific economic benefits by Tijara would be helpful in more effectively promoting the WTO.

Delays: The major constraint currently facing Tijara in moving the WTO process forward is the delay in submitting a Goods Offer to the WTO, which was originally drafted and submitted to the Iraqi Minister of Trade in 2009 but met with resistance. While the Minister was subsequently removed from office, the “caretaker” replacement minister refused to submit the Goods Offer while awaiting a permanent Minister, who was finally appointed in March 2011. The professional staff of the MOT indicates that WTO accession is now a priority and that the Goods Offer will be submitted by the end of 2011. While the professional MOT staff was personally committed to submitting the Goods Offer as soon as possible, they indicated that there were many (primarily political) constraints outside of their control.

The current delay in obtaining WTO membership is substantially outside of Tijara’s control. In the past three years, the GOI has not shown a commitment to the WTO accession process. If Iraq is to accede to the WTO, Iraqi governmental, business and societal leaders will need to demonstrate the political will to overcome many of the problems associated with the accession process. MOT staff particularly wants additional technical training in customs, intellectual property rights and services because they do not receive this support from any other organizations. MOT staff also indicates they want more assistance from Tijara in “selling” the WTO to the GOI, parliament and the general public.

Individuals interviewed at the US State Department and USDA-Foreign Agricultural Service were pessimistic that the GOI had the commitment necessary to pursue WTO membership. They indicated that there is little incentive for Iraq to join the WTO because Iraq exports only oil, which is exempt from the WTO. They believed that there will be little or no progress on the WTO accession process in the near future. However, these officials encouraged Tijara to continue appropriate work in this area. Currently, Tijara is requesting the USG (Embassy ECON) to undertake a political intervention with the GOI to restart the WTO Accession program. The evaluation team’s interview with the MOT indicated that this would be helpful in getting the process moving again.

QUESTION 3: SUGGESTED CHANGES TO IMPLEMENTATION TO ACHIEVE USAID/IIRAQ PROGRAM OBJECTIVES

Continue work with customs: Tijara should continue supporting the WTO areas. Customs is one area in which the project can have the most immediate impact. Tijara should be able to assist the GOI in the submission of several products considered milestones in the accession process: Initial Goods Offer; Initial Services Offer; and draft SPS and TBT legislation. Tijara can also help with enactment of agriculture-related legislation, training for customs valuation, classification, origin, risk management and cargo inspection, and the convening of a Third Working Party meeting.

Focus on intermediate activities: Finalizing the Protocols of Accession to the WTO and obtaining full membership for Iraq within the next two years is unrealistic given the political complexities of Iraq. If the MOT does not fully commit to WTO accession, Tijara should still continue beneficial activities that can implement to accomplish the USAID objective. The true benefits of WTO membership for Iraq come from the impact of the legislative, policy, and institutional changes that Iraq must make to join the WTO. Individual steps in making those reforms will assist Iraq to become integrated into the global economic system. While WTO membership is the ultimate goal, any steps taken towards WTO membership will be beneficial to Iraq’s economic growth.

These steps include:

- Conduct operational assessments of general customs commission facilities;
- Support the laboratories at the Ministry of Agriculture, Ministry of Health and the Central Organization for Standardization and Quality Control (COSQC);
- Promote transparency and accountability through trade chain engagement with the Ministry of Trade;
- Assist in adopting Automation as a service provider (ASYCUDA) and support the implementation of a pilot project concept for customs/trade data systems evaluation; and
- Support the adoption of the Single Administrative Document (SAD) program to facilitate trade, reduce the burden of compliance on traders, and as a pre-cursor to the introduction of Customs Data Automation.

The WTO has more technical requirements for membership regarding agriculture than other sectors and help in this area would be especially appreciated by the GOI.

BUSINESS INVESTMENT ENABLING ENVIRONMENT

QUESTION 1: ADJUSTMENTS IN PROJECT OBJECTIVES AND PROGRAMMATIC GOALS

The BIEE component was added to the project with Modification II in January 2010. Tijara originally focused support on the National Investment Commission (NIC) as created by the Investment Law of 2006. Tijara has worked closely with the NIC Management to help stand-up the newly formed entity. Among other things, the Tijara component helped the NIC in developing the NIC website (www.investpromo.gov.iq), drafting the Investor Guide to Iraq, updating the Investor Roadmap for Iraq, and preparing a concept paper for the One Stop Shop.

Working with the NIC: The strategy of the NIC has been to focus on various investor conferences and to assist on developing and promoting “strategic projects” - investment opportunities such as hospitals, cement, and pharmaceuticals. While Tijara’s focus has been on promoting all types of private investment, they feel that legislative, regulatory and organizational reforms should be a priority to encourage private investment to flow into Iraq, which is not the NIC’s most pressing priority at this time. NIC management stated that the principal impediment to investment is security rather than the legal and regulatory business environment. They dismissed Iraq’s poor rating in the “Doing Business Index” as unimportant and misleading. Because of the differences in strategies with the NIC, the Tijara focus has switched to working with the Ministry of Industry and Minerals (MIM) and the Provincial Investment Commissions (PICs).

Working with MIM: The Advisor to the Minister of Industry and Minerals heads the Strategic Framework Agreement (SFA) working group on Industry and Private Sector Development. He specifically asked the USAID Mission Director for assistance in “commercialization” of the Iraqi State Owned Enterprises. In phase two, the MIM and Tijara signed a memorandum of understanding (MOU) on May 6, 2010 in which Tijara would focus on technical assistance in formulating and implementing a regulatory reform agenda to facilitate SME development.

QUESTION 2: PROGRESS IN MEETING THE PROJECT OBJECTIVES

Problems with “Doing Business” and RRU: The BIEE component is working with the Council of Ministers Secretariat (COMSEC), Prime Minister’s Advisory Commission (PMAC), the Ministry of Trade, and the National Investment Commission to make the necessary regulatory and administrative reforms to improve Iraq’s ranking in the World Bank Doing Business Index. The project developed the Regulatory Reform Initiative plan and Investor Roadmap for Iraq and contributed to the World Bank Doing Business report and the UNIDO Legislative Assessment for Iraq. The evaluators found that Tijara has drafted on-point recommendations for legal reform and legislation to support reform objectives such as the Investor Roadmap.

BIEE has worked with the World Bank Doing Business team to review its present scoring of Iraq. Tijara is focusing on three areas in order to improve the Doing Business ranking: Starting a Business, Closing a Business and Protecting Investors. However, the NIC and MIM officials interviewed put little emphasis on regulatory reform issues and actually discounted the importance of World Bank Doing Business Index. Tijara approached World Bank experts about what it believed were incorrect calculations in a number of the factors in calculating the “Protecting Investors” index of the Doing Business in Iraq Report. Tijara requested that the World Bank review the process of calculating the Doing Business Index. This work was not appreciated by one World Bank local official who indicated that Tijara should be working on “substantive issues rather than wasting their time on questioning the World Bank’s methodology.”¹⁰

PICs: The BIEE component is providing support and technical assistance to seven selected Provincial Investment Commissions (PICs) across Iraq. The PIC officials interviewed were all competent and professional individuals. Many had attended a PIC workshop. While they thought working with Tijara on website development would be beneficial, they could not suggest any additional areas of intervention for Tijara.¹¹

MIM: A promising public private partnership (PPP) project was recently initiated with the MIM and the work plan appears appropriate and feasible. The project will focus on improving the performance of the SOEs in order to attract private investors and will focus on management contracts, leasing agreements, joint ventures, strategic partnerships, and industrial development centers.

QUESTION 3: SUGGESTED CHANGES TO PROJECT IMPLEMENTATION TO ACHIEVE PROGRAM OBJECTIVES

The BIEE activities, like the WTO accession activities, do not have a direct and immediate impact on the provincial economies. The activities, however, should be supported because they will have an impact on the objective of “private sector and economic opportunities expanded” within the life of the Tijara project. It is recommended that Tijara reconsider the benefits of working on the WB Doing Business Index. Key informant interviews indicated little benefit to activities focused on the WB Doing Business Index, Investor Roadmap for Iraq or the Iraq Commercial Law and Institutional Assessment. If this work is continued, BIEE should discontinue efforts focused on getting the World Bank to recalculate the scoring on the World Bank Doing Business Index, focusing instead on making real changes in the legal and institutional structure to improve the Iraqi score.

¹⁰ Tijara disputes this finding, citing the 2010 development of an influential research paper on improving Iraq’s ranking on the WB *Doing Business* Report.

¹¹ This conclusion was reached after interviews with a PIC Director, a PIC board member, as well as more junior PIC employees who had attended a Tijara conference.

The work with developing the RRU or a similar organization should be reevaluated. It is doubtful that a true functioning RRU will be developed in the near future, since there is insufficient evidence at this point that the concept has buy-in from the government.¹²

BIEE should limit their work with the NIC and PICs to webpage development. The PICs indicated little interest in working with Tijara and could not envision how Tijara could help them in the future.

The work with the MIM looks very promising and should be continued for one year and then assessed for actual results. The specific SOEs to be commercialized and the “commercialization plan” must be identified as soon as possible. Success in this area would entail some level of “commercializing” of an SOE with a private investor.

OBJECTIVE 2: BUSINESS DEVELOPMENT SERVICES

SMALL BUSINESS DEVELOPMENT CENTERS

QUESTION 1: ADJUSTMENTS IN PROJECT OBJECTIVES AND PROGRAMMATIC GOALS

The purpose of the Tijara Business Development Services component is the establishment, support and strengthening of the Small Business Development Centers (SBDCs). The Business Development Services started with Izdihar, Tijara’s predecessor project, by creating five SBDCs. UNOPs also created three SBDCs called Business Information Centers. In the early years of the SBDCs, the Provincial Reconstruction Team (PRT) was the major source of funding for SBDC operating expenses. The SBDCs are now all being operated with the support of Tijara grant funding.

Currently, 14 SBDCs are participating in the Iraqi SBDC network. These centers provide business development resources to the local business community. A number of the SBDCs are embedded in the Chamber of Commerce (COC), while others are being supported by NGOs. COCs stated that they will attempt to continue the SBDCs when Tijara funding ends. However, it is unlikely that the training activities will continue.

The services offered by the SBDCs have included training, conferences, trade fairs and consulting and business facilitation services. The SBDCs also link the small business sector with microfinance institutions and banks. The main activity in Phase I was to create new SBDCs and strengthen their capacity to operate efficiently and deliver SME cost-effective development programs. Tijara also conducted an assessment of the training needs of the SBDCs in areas such as accounting, HR management, proposal writing and etc. Follow-on training programs were carried out by a local subcontractor which provided training to SBDCs in the areas where deficiencies were identified. During Phase I, the BDS also conducted a major market assessment to determine the priority SME needs for additional training and business development services.

During Phase 2, the focus shifted to strengthening the capacity of the SBDCs and training them to improve their management, service delivery and performance reporting capabilities. The BDS team is

¹² At the time of this evaluation, only one meeting of an RRU had been held, apparently without attendance from any Iraqi government official. It remains to be seen if this will be a significant development.

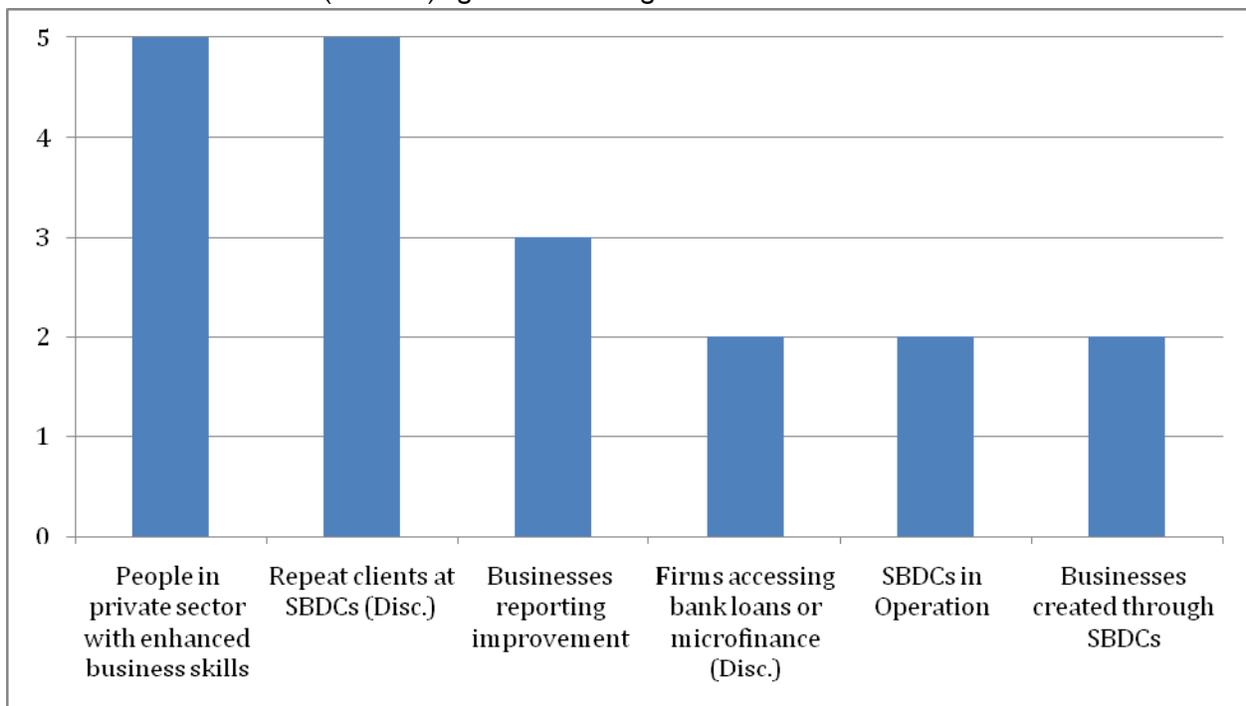
currently undertaking efforts to strengthen the SBDCs capacity to deliver more specialized training programs and other services for various types of clients. Tijara is currently helping the SBDCs implement new fee-generating services. The SBDCs submitted proposals for funding through the Performance-Based Grant program that offers realistic opportunities for generating client revenues on a continuing basis. However, these proposals have yet to be funded. ¹³

QUESTION 2: PROGRESS IN MEETING THE PROJECT OBJECTIVES

PMP Indicators: Performance against targets was mixed in the business development services objective (See Figure 2). For two indicators, “people in private sector with enhanced business skills” and “repeat clients at SBDCs,” actual numbers far exceeded targets. Seventy-one businesses reported improvement, coming close to a target of 75.

Figure 2: Business Development Services

Performance of Indicators (2008-10) against 2008 Targets



Y Axis Key: 5=Over 50% above target; 4= 10% to 50% above target; 3= 10% below to 10% above target; 2= 10% to 50% below target; 1=over 50% below target

¹³ At the time of the fieldwork, the evaluators were told by senior Tijara management that none of the current grant proposals met its performance grant standards, that none of the proposals were being considered and that none could be brought up to standard.

Field Observations, Data Analysis and Survey Results

Survey Responds Indicate Satisfaction: In its study of the BDS objective, the evaluation team conducted 12 key informant interviews, three focus groups and five direct observations. The evaluators collected 44 distance questionnaires from 10 SBDCs. Forty-nine percent of the distance questionnaire interviewees were female and 51 percent were male. The distance questionnaire respondents were asked about their satisfaction with Tijara training. The results were favorable, with 73 percent saying the training was very good, 20 percent good, six percent fair and two percent not good. When asked to describe the impact of training on their business, 70 percent said it was very good, 23 percent good and eight percent fair. The focus groups indicated that the participants were extremely satisfied with the training. Those participants not satisfied with the training desired more specific and higher level training, specifically in computers, English and accounting.

Direct Observations of Trainings: The current training is focused on businesses trying to obtain microfinance loans. The evaluators directly observed three SBDCs' trainings in "How to Start a Business" and found the trainings and material to be excellent. The end result of this training is an application for a microfinance loan. The local staff stated that there were no other types of trainings currently being offered.

The SBDC trainers were successful in strengthening the training capabilities of the SBDCs, especially in providing the core courses of "How to Start a Business" and "How to Improve Your Business". The evaluators observed a training course in an SBDC, noting the high quality of training material and trainer performance and the positive responses from participants.

The two core training courses on "How to Start Your Business" and "How to Develop Your Business" in each SBDC were professionally delivered. During visits to several SBDC located across Iraq, the trainees praised the quality and applicability of the courses. They also requested new and longer training courses.

Coordination with Government: In general, the SBDCs embedded in the COC had an excellent relationship with the local government and the local business community. The COC is a semi-governmental organization with an established working relationship with the local business community, and its reputation gives credibility to the SBDCs.

The evaluation team attended a Small Business Development Conference and was impressed with the number of official attendees, including a city council representative, a provincial council representative and four Parliament members. One SBDC Director stated that coordination with the local government is only fair, a characterization repeated by another SBDC Director. However, a third SBDC Director indicated they had a cooperative relationship with the local government and GOI, as evidenced by their work with the Youth Ministry.

Funding Issues: While the SBDCs benefited from PRT funding to pay salaries and administrative costs such as office rent, this funding source has ended. Tijara's program is currently sustaining the SBDCs through the microfinance and youth program activities. The Performance-Based Grants program will be necessary for the SBDCs to continue their existence. As a requirement for its Performance-Based Grants program, Tijara requires written annual work plans, budgets, etc. in its applications. While Tijara initially allocated \$1.3 million for SBDC activities, the pool of available grants was reduced to \$300,000 due to "budget constraints and the failure of the SBDCs to submit worthwhile grant proposals."

Sustainability: Tijara did an excellent job of helping SBDCs understand the need to be sustainable. All seven SBDCs interviewed exhibited a clear concept of how to secure funding by providing valuable services for which donors or private individuals would pay. One success story is an SBDC that is providing fee-based training courses to an international company's local staff. Tijara believes that this type of program can be replicated in other SBDCs. However, the evaluators did not witness any fee-based services being provided aside from the example cited. The team believes SBDCs should be further encouraged through the grant program to provide these services.

Most SBDC directors were optimistic about their chances for sustainability. One SBDC director, however, was not as positive about sustainability as the others. He mentioned other competitors, mostly NGOs, providing free specialized training including transportation fees, limiting the ability of SBDCs to generate fees from client services for new trainings.

A few of the SBDCs have successfully secured funding from different donors. One SBDC has agreements with IOM, EU and the French and Dutch development agencies. Another SBDC is implementing a business development program funded by UNOPS, indicating that SBDCs can secure funding through grants. However, the less-developed SBDCs may have trouble surviving until they are able to implement other programs.

The SBDCs embedded in COC seemed the most sustainable. However, an SBDC Director told the evaluators he would have a difficult time generating fee-based services, since they have few other activities to support their organization.¹⁴ Despite the existence of a strategic business plan, he did not express a clear vision for future sustainability.

QUESTION 3: SUGGESTED CHANGES TO IMPLEMENTATION TO ACHIEVE PROGRAM OBJECTIVES

Tijara has successfully utilized the SBDC network to implement the youth program and provide training on How to Start a Business and How to Develop a Business. Tijara has developed the capacity of SBDC staff to effectively run the SBDC. Some of the SBDCs are potentially sustainable. Other SBDCs do not have a clear vision on how to provide more services to generate income.

Budget allocated to the SBDC network under the Performance-Based Grant program was \$1.3 million, or approximately \$93,000 per SBDC. This budget was reduced to less than \$21,000 per SBDC, an insufficient amount to get an organization to the next level of development. The SBDCs were disappointed with the shortage of funding from the grant program. It is recommended that this grant program be more utilized as SBDCs provide an excellent avenue for local businesses to get training in advanced business techniques. At present, only SBDCs can address these short- and mid-term needs. SBDC also provide an opportunity for micro and small business to learn how to obtain credit effectively.

The evaluators recommend that Tijara should:

- I. Increase utilization of the Grant Program for the SBDCs, which is critical to the SBDCs' ability to provide more services and activities.

¹⁴ Tijara emphasizes that each SBDC has a strategic and business plan that outlines a vision for sustainability. As part of a long-term BDS strategy for the sustainability of the SBDCs, plans are underway to establish an SBDC network that will seek longer-term funding contributions, which will be channeled through individual SBDCs across the network.

2. Provide more capacity building for SBDC staff in advanced business activities such as computer training, finance and market development.

OBJECTIVE 3: ACCESS TO FINANCE

SUSTAINABLE MICROFINANCE

QUESTION 1: ADJUSTMENTS IN PROJECT OBJECTIVES AND PROGRAMMATIC GOAL

The microfinance component has been instrumental to the overall strategic objectives of Tijara. The most significant changes in the microfinance activity have been the new focus on youth and the group lending product. The focus for the Microfinance Institutions (MFIs) has evolved from financing to training and capacity building.

Tijara used USAID Izdihar's earlier efforts in launching MFIs as its starting point. At that time, most of the MFIs in Iraq were in an embryonic stage, reliant on support from the Coalition Provisional Authority (CPA) and the US Army (CERP). In 2003, a number of large MFIs were started: CHF International for the center and south, ACDI/VOCA for the north, and Relief International in the center.¹⁵ These large MFIs are now two-thirds of the Iraqi MF market.¹⁶ Later, other smaller MFIs were created in order to fill either geographical or market segment gaps in microcredit. Iraqi law limits MFIs to qualifying as "microcredit" but not "microfinance institutions." This constrains how MFIs can secure new funding for future loans and excludes them taking in "micro-savings." The GOI, especially the NGO Directorate, seems to have no knowledge of the current constraints on the microfinance industry.

From the start, Tijara has focused on training and technical assistance. Further, it has provided overall "industry building," which covered industry-as-a-whole activities. Some additional funding through grants was added between March 2009 and January 2010 (\$28.6 million¹⁷), an important piece of assistance, which was initially approved in 2008.¹⁸ The introduction of the group lending concept was introduced in the 2009 Work Plan. Also introduced was the SBDC microfinance business training process and agriculture lending.¹⁹ By 2010, much of the focus was on creating and improving the legal and regulatory framework for microfinance.²⁰ Subsequent efforts have been framed accordingly:

- Macro Level: Environment Enabling. The legal framework on getting MFIs recognized by the CBI and licensed as non-bank financial intermediaries.
- Meso Level: Cluster and Industry Efforts. Tijara and, in particular, the Sustainable Microfinance Component continued to provide support of standardized industry practices and collaboration.
- Micro Level: Strengthen the management of the MFIs individually.

¹⁵ Relief International's microfinance program started in 2006

¹⁶ Tijara's Monthly Reports

¹⁷ "Tijara Sub grant Data", document provided by Tijara.

¹⁸ Tijara's Work Plan documents for 2008, 2009 and 2010.

¹⁹ Tijara's Work Plan documents for 2008, 2009 and 2010.

²⁰ Tijara's Work Plan documents for 2008, 2009 and 2010.

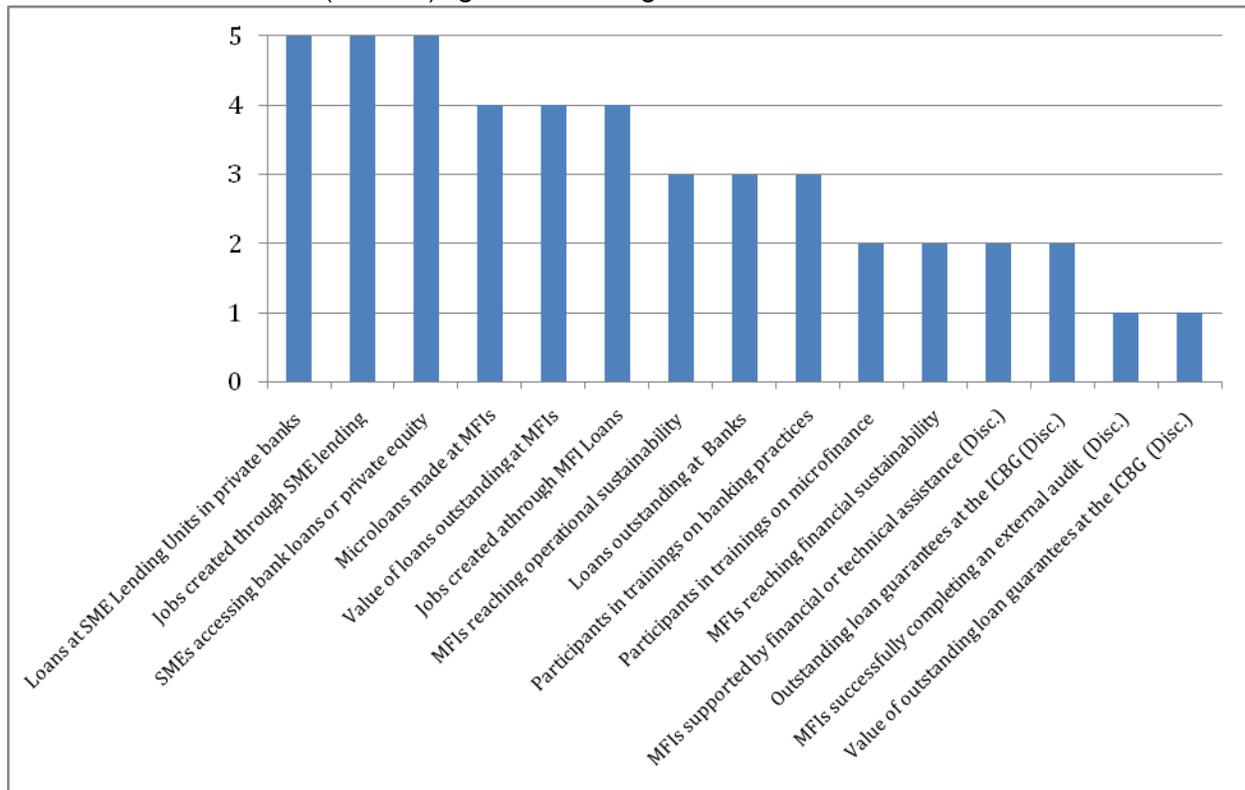
QUESTION 2: PROGRESS IN MEETING THE PROJECT OBJECTIVES

PMP Indicators: Performance (2008-2010) exceeded 2008 targets on most (nine out of 15) indicators under the Access to Finance objectives (See Figure 3). This includes indicators in both the microfinance and SME sectors. Of the six indicators that fell below targets, four are not included in the new draft PMP. These include the two indicators related to the Iraq Company for Bank Guarantees (ICBG).

Performance was particularly impressive on the indicator measuring: “the number and value of loans outstanding at MFIs and Banks” (number target 70,458 loans; number achieved 79,242; value target \$142.41 million; value achieved \$143.33 million). Good performance can also be seen on the indicators “value of outstanding loans” (not in arrears) at SME lending units in private banks receiving USG Assistance” (2010 target \$12.55 million; achieved \$35.18 million), and the “number of new jobs created through USG support” (target 119,148; achieved 157,031). Only four out of 12 MFIs have successfully completed an external audit, due to a lack of qualified auditors. All 12 MFIs had a successful internal audit due to the re-registration for the NGO Directorate. The MFIs report an outstanding delinquency rate of less than one percent. The MFIs currently cover all of their operating costs through the proceeds from loan repayments. All 12 institutions cover their operational and financial costs (OSS and FSS higher than 100 percent) and have an extremely low delinquency score by any standard (the largest seven have PAR<1 percent).²¹

Figure 3: Access to Finance

Performance of Indicators (2008-10) against 2008 Targets



²¹ Tijara Year 3 Work Plan

Y Axis Key: 5=Over 50% above target; 4= 10% to 50% above target; 3= 10% below to 10% above target; 2= 10% to 50% below target; 1=over 50% below target

Field Observations, Data Analysis and Survey Results: The surveys (32 for loan officers and 44 for clients), key informant interviews (nine), focus group interview with clients and loan officers (seven), and direct observation reports (two); show the quantitative as well as the qualitative success of the microfinance component. Reports also show that eight out of the 14 Iraqi MFIs, which had 80 percent in volume of the outstanding portfolio, are already in the “Commercial Viability Stage.”²² The rest are in the “Consolidation Stage.” Banks are operating efficiently, with almost 90 percent of the loans currently granted in less than two weeks. The application approval rate averages 75 percent. More than 90 percent of clients recommended MFI loans to other people who also received them, and more than 70 percent of the MFI clients consider the interest they pay to be “fair” or “better than expected.” More than 50 percent of the loans were for trade activities, with “services” being the next most popular category with 20 percent. The average loan size was around \$2,500 and the payback period was 12 months. A large majority of clients recommended the MFI to friends and family.

Currently, efforts in microfinance focus on the macro and meso levels. This provides the right environment for the industry’s growth, and helps it mature through the development of solid governance bodies and links to international organizations and databases. At the meso level, Tijara is supporting the establishment of the Network of MFIs. The network is not yet registered, but all MFIs are aware of this effort and see future lobbying efforts consolidated through them. Most of the MFIs are already reporting to MIX Market and Sanabel Microfinance Network.

QUESTION 3: SUGGESTED CHANGES TO IMPLEMENTATION TO ACHIEVE PROGRAM OBJECTIVES

The main challenge for Iraqi MFIs will be to secure more funding. It is estimated that the industry serves at most six percent of the potential demand of clientele and their families and underserves the poor and women.²³ Iraqi MFIs need to mobilize at least \$1 billion to meet the estimated demand for capital by MSMEs and poor households.²⁴

The industry needs to transform from microcredit institutions into microfinance institutions. Currently, MFIs cannot capture capital in the money markets because they are not legal banking institutions. MFIs can only grow by turning over short loans and then re-investing profits, resulting in short payback periods and higher interest rates. In the long term, the solution to their capital needs is to become real banking institutions. If MFIs were able to secure funding, they could better serve the smaller segment of SME lending and continue to serve the very poor. The transition of MFIs from NGOs to limited liability companies using the non-bank financial institution model will not solve this problem. They need a legal framework allowing MFIs to function as banking entities. It is critical to resolve this matter quickly and to enact an overall micro-banking law. The evaluators recommend focusing on the meso level, building industry awareness of options for the banking sector. The end target should be the approval of banking

²² State of Iraq’s Microfinance Industry. USAID-Tijara. July 2010

²³ A May 2009 article from IRIN News (a project of the U.N. Office for the Coordination of Humanitarian Affairs; www.irinnews.org/Report.aspx?ReportId=84526) cites Iraqi Government statistics which report that 20 to 25 percent of the 27 million national populations live below the poverty line of \$2.20/day. From 5.4 million to 6.75 million Iraqis live below the poverty line.

²⁴ There is an overlap between MF and SME lending. MFIs sometimes lend to smaller SMEs as well.

legislation allowing for optimal growth of the MFI sector. At that point, all interested parties including the GOI should be proactive in encouraging the industry to secure more financing and increase lending.²⁵

The evaluation team recommends that the microfinance activity focus on meso/industry-building efforts and create awareness on the micro bank legislative issue. Tijara should promote workshops that educate industry leaders. Tijara should promote the idea of approving a “microfinance institutions law” and other legislative changes that create the proper operating environment for microfinance institutions. A proper microfinance law will promote: (1) new microbanking services, (2) encourage investment in the sector, (3) increase lending to the poor and disadvantaged and (4) focus new grant money from USAID Tijara into the microfinance area to encourage lending to the poor, women and youth. The microfinance component’s objectives have been aligned with enterprise and job creation, two indicators that USAID considers critical in measuring success. Additionally, it has contributed to secondary indicators such as poverty alleviation and women’s integration in the economy.

SMALL AND MEDIUM ENTERPRISE DEVELOPMENT AND BANK LENDING

QUESTION 1: ADJUSTMENTS IN PROJECT OBJECTIVES AND PROGRAMMATIC GOALS

From the beginning of Tijara, the SME Banking Lending component has been critical to achieving its overall strategic objectives. Like microfinance, the SME Banking Lending component has not experienced much change in its scope of work. The SME Banking Lending component has evolved, but the overall focus has remained the same.

The aim of this component is to streamline access to capital provided by private banks to SMEs. The approach for the SME Banking component is threefold, consisting of developing an advocacy program for the SME sector to lobby for policy reforms, continuing support for the ICBG, and the creation of SME lending units at banks to provide financing services to small and medium businesses.²⁶

In 2009, the objective was modified to match the new framework:

- Creation of SME lending units at banks to provide financing services to small and medium businesses
- Continuing support for the ICBG
- Development of a non-bank financial institution to provide funding at attractive rates to banks with SME units for lending to SME borrowers
- Serving as an apex facility to work with donors
- Advocacy program for the SME sector to lobby for policy reforms and a more SME friendly enabling environment.²⁷

²⁵ Creation of non-bank financial institutions (NBFIs) is not a sufficient substitute. Tijara decided to create an NBFi as an LLC to prevent the blocking of bank accounts as had been done to NGOs before. However, NBFIs are trying to solve the problem of legal insecurity rather than securing more funding.

²⁶ Tijara’s Work Plan documents for 2008, 2009 and 2010.

²⁷ Tijara’s Work Plan documents for 2008, 2009 and 2010.

One recent activity is the creation of the Iraqi Company for Financing Small and Medium Enterprises (ICF-SME), which adopted the legal form of a NBFI and was funded with a grant of \$6 million in May of 2009.²⁸ In 2010 SME banking efforts basically remained the same.²⁹

QUESTION 2: PROGRESS IN MEETING THE PROJECT OBJECTIVES

PMP Indicators: The SME banking activity matches or outperforms most of the PMP Indicators (see table in previous section). Some achievements were impressive, like the “number and value of loans outstanding at MFIs and banks” (number target 70,458 loans; achieved 79,242; value target \$142.41 million; achieved \$143.33 million). Performance was also positive on “the number and value of outstanding loans at SME lending units in private banks receiving USG assistance” (target \$12.55 million; achieved \$35.18 million), and the “number of new jobs created through USG-supported” (2010 target 119,148; achieved 157,031).

For the SME lending component, there is concern about the value of outstanding loan guarantees at the ICBG, which dropped from \$13.90 million in 2009 to \$10.29 million in 2010, when the target in the 2010 PMP was \$25.68 million. While one can argue over whether that target was appropriate, loan guarantees should not have shrunk when overall SME lending was expanding.

Field Observations, Data Analysis and Survey Results: The surveys of 14 loan officers, 32 clients, nine key informant interviews, three focus group interviews with clients and loan officers, and three direct observation reports show the quantitative and qualitative success of the SME lending component for four of the nine private banks. It is remarkable that 58 percent of surveyed clients say they would not be in business if not for Tijara-initiated loans. More than 80 percent consider the interest they pay is “fair” or “better than expected.” Seventy-seven percent of the loan officers believe Tijara’s efforts have been helpful in promoting their SME lending efforts and helped them attract clients.

The SME component seems to have been performing well, particularly the training and capacity building efforts. Key informant and focus group interviews indicated that this was the most beneficial part of the program. The courses provided to the loan officers encouraged them to develop larger portfolios of SME lending clients. This may be the most cost-effective activity of the entire Tijara program. An example: the training provided to one loan officer changed his lending from four SME loans per month to 60-70 SME loans per month. He now has an outstanding portfolio of \$17 million for SME loans.³⁰

The NFIB lending institutions, ICBG and the ICF-SME, were conceived as a response to private bank management’s skepticism with SME lending. Training of the banks in SME lending was more effective in overcoming this skepticism than was the establishment of the lending institutions. In one example, a single loan officer was able to secure, from his own bank (not Tijara’s funding) \$17 million for SME lending. By contrast, an IFC-SME grant is \$6 million. This loan officer says he used ICBG once but found it too bureaucratic. Data show that SME lending has resulted in low delinquency rates and good profit margins. All the private banks are totally self-sustainable in terms of operational and financial costs.

Tijara succeeded in establishing the ICBG and ICF-SME, although these two organizations still need to become self-sustaining businesses. Both organizations seem to have excessive operational costs (above two percent of the loan gross they manage). Also, loan officers interviewed complained about the

²⁸ “Tijara Sub grant Data”, document provided by Tijara.

²⁹ Tijara’s Work Plan documents for 2008, 2009 and 2010.

³⁰ It should be noted that he said that applying for an ICBG guarantee was a waste of time. He tried it once but the process took too long.

bureaucracy and procedures to get their support. It is not clear if management of either of these organizations is capable of taking the institutions to the level of profitability.

QUESTION 3: SUGGESTED CHANGES TO IMPLEMENTATION TO ACHIEVE PROGRAM OBJECTIVES

High-quality training was the most important factor identified by SME loan officers as helping increase their lending to SMEs. New and innovative training should be continued and expanded. Private banks have enough capital and resources to invest in SME lending if they so desire. Thus, there is no need for additional grants to encourage SME lending. However, if bank employees (loan officers) are trained and see the benefit of increased SME lending, they become more willing to put their own funds at risk. Tijara encourages banks to engage in SME lending by creating guarantee or funding mechanisms like the ICBG and ICF-SME. However, it probably would have been more efficient to promote trainings and education to encourage banks to lend their own money.

It is unclear whether organizations like ICBG or ICF-SME will be sustainable in the long-term. The long processing period for applications and the high operational costs are not encouraging signs for the survival of either. The ICBG has the greater chance for long-term success if they reduce their operating costs and introduce a market-based mind set. As for ICF-SME, it may even produce the opposite of the intended outcome. ICF-SME could become a vehicle for some faction of the GOI to extend the state-oriented economic model, providing SME loans from itself or donors at below market interest. If this were to happen, there would be no sustainable market from the private banks for SME lending in Iraq.

The evaluation team recommends training for SME loan officers in other branches of private banks that are already buying into SME lending (Baghdad Bank, Gulf Commercial Bank, Iraqi Middle-East Investment Bank and North Bank), and all the branches for the five remaining banks. For ICBG, efforts should focus on making it accountable for its own results and the value that banks perceive in it.

ICF-SME should limit the scope of its activities to channeling money from donors to their shareholder banks. ICF-SME should not become a SME bank and compete with private banks. If this is proposed, a third party should analyze the business structure and potential effects on the SME lending market. The SME component is aligned with USAID's programmatic goals in terms of private sector development. SME lending is contributing to job and enterprise creation.

OBJECTIVE 4: YOUTH ENTREPRENEURSHIP - IRAQ YOUTH INITIATIVE

QUESTION 1: ADJUSTMENTS IN PROJECT OBJECTIVES AND PROGRAMMATIC GOALS

The Iraq Youth Initiative (IYI) component was created in Phase 2 of the contract in 2010. Modification 13 (February 2010) funded the program and Modification 14 (March 2010) provided a fully-defined scope of work. The purpose of the IYI was to create businesses and job opportunities for Iraqi youth. The youth of Iraq between 18 and 35 have a high unemployment rate. The funding came from the US Ambassador's Targeted Development Program. The initial launching events occurred within a span of one month, covering eight provinces and reaching over 1,000 youths.

The Small Business Development Centers (in 12 provinces) were the natural choice to provide a network for the youth training. The initial training started in May of 2010 with eight SBDCs. However,

due to the lack of contractually obligated grant funding caused by Louis Berger's legal problems, the training was suspended in August of 2010.

While the training stopped between August 2010 and January 2011, the IYI component took the opportunity to revamp and strengthen its training courses. It established strict guidelines, checklists and other criteria in order to provide more tangible results and stronger business plans for youth. The SBDC and the MFIs improved their communication and coordination for this program. In addition, a systematic overhaul was completed and trainings were resumed with a new plan in February of 2011, including a more strenuous vetting process for applicants to the program. The vetting processes helped select students for the entrepreneur program or employment placement program, i.e. internship. Because of the lapse in funding, the completion of the youth objective has been pushed back to January 2013.

Per request by USAID and the US Embassy, women and youth below the age of 30 have been given priority in the program. Those between ages 31 and 35 can apply but approval is on a case-by-case basis because they may have other opportunities for employment.

The grant allocations were performance-driven and the trainers had to complete a rigorous Train-the-Trainers program before a class could begin. In this way, the SBDC became more motivated to ensure the quality and success rate of the youth they were training. Payments were contingent on trainings, youth counseling sessions, and success rate of youths in obtaining loans. One hundred percent of the recipients either paid their loans back in full or were timely on all payments to the micro loan program.

The IYI has a strong monitoring and evaluation emphasis, ensuring that potential donors, businesses, and government officials have tangible results to motivate them to work with the SBDC IYI program in the future. The Prime Minister's Office, Ministry of Youth and Sport, the Ministry of Women's Affairs and the Ministry of Labor all have expressed interest in implementing the IYI.

IYI is meeting its objective of 1,000 potential business employment opportunities and a high loan rate. The emphasis is not simply on the training but on its actual outcome. Therefore, a strong database is needed to track involvement, successes, placements, new businesses and the growth of the program.

QUESTION 2: PROGRESS IN MEETING THE PROJECT OBJECTIVES

PMP Indicators: An analysis of the scope of work, the recently approved Annual Work Plan 4, and the unapproved performance monitoring plan show that objectives will be met if the program continues.³¹ Despite the unforeseen setbacks in funding that occurred in 2010, the IYI is showing a strong foundation that could lead to sustainability in the future.

The IYI project objectives include a focus on "outcomes" rather than just counting the number trained. Instead of making front-end payments for the number of trainings, this outcome-oriented program focuses on trainee success. The consistency of procedures, flexibility of modifications or monthly reviews of the SOPs, and a built-in mechanism for follow-up, provides the foundation for a very successful program.

Field Observations, Data Analysis and Survey Results: Analysis conducted by the evaluators on IYI included 84 distance questionnaires. The respondents were 75 percent male and 25

³¹ Since IYI is a new program, there is no actual performance data available at the time of this evaluation.

percent female; 87 percent were between the ages of 18 and 29. Seventy-two percent had either finished school or had a two-year degree, and 27 percent were college graduates. The respondents reported a high level of satisfaction. Only one respondent of the 84 may not have been satisfied nor learned anything from the training. In the field, personal and group interviews of clients showed high levels of satisfaction with the training, and what they had learned. Clients commented that they felt confident in their abilities as well as hope for success in their businesses. There was a high level of effort by the field coordinators responsible for follow up with participants in the program. The participants felt the coordinators cared about ensuring the success of the businesses the participants were starting, or interviews and apprenticeships in which they were involved. Direct observation by the evaluators indicated the instructors were well-prepared and knowledgeable.

Clients were enthusiastic about the program and seemed active in the community. Motivation may also stem from the SOP, in which payment is included for success. The evaluators observed a high level of professionalism in the trainers, judging from the way they dressed, how they spoke to the students, their presentation of information, and what appeared to be an earnest intent to impart knowledge on various topics.

As long as the consistency and the quality of the training continue for the 12 SBDCs, the viability and success of the program will likely meet the objectives set in the SOW. The youth gained skills in interviews, business plans, accounting, writing a curriculum vitae (CV), computer use and English. In addition to the entrepreneurship courses, those in the employment placement gained experience in their field of interest. The matching of skill sets and employers who need skilled employees has built a good reputation around what the IYI can achieve in employing youth. The business plans have helped the youth consider the factors necessary in potentially obtaining future loans building their own businesses.

Louis Berger's funds were suspended because of legal problems with USAID. During that time, the microfinance institutions (MFI) had to find other sources of funding. Because of this, the initial approval for over 300 business plans for trade (such as car accessories and electronics), services (mobile phone retail, markets, sewing and salons), manufacturing (blacksmith and metal design) and agriculture (seeds, tools) by the youth applicants was reduced to 100.

QUESTION 3: SUGGESTED CHANGES TO PROJECT IMPLEMENTATION TO ACHIEVE USAID/IIRAQ PROGRAM

The IYI has been working with the relevant GOI Ministries to provide information and materials on the IYI program. Recent concern about youth unemployment has opened an opportunity for the SBDCs to work with the GOI to be more proactive in offering training opportunities for youth. Tijara and the SBDCs should work with the following ministries: Ministry of Youth and Sports, Ministry of Labor and Social Services, Ministry of Women Affairs and the Ministry of Trade.

Regardless of how successful a program may be in meeting its objectives, limitations do exist. The higher programmatic objectives can be achieved through the services that the SBDCs could provide (rather than the IYI). The SBDCs are designed to assist those with some training but with needs to continue or enhance their existing skills. Every member of the SBDC requested additional computer courses, advanced business English courses, and business training. The youth, defined as young adults between 18 and 35, can plug into these courses along with their adult business counterparts.

USAID is concerned with assisting the poorest people in Iraq. The IYI program is predominantly designed to help unemployed youth rather than specifically the poor. In Iraq many of the poor do not have access to the facilities due to a lack of transportation funds, security when driving long distances (rural areas to the YERC location), cultural limitations (tribal communities), child care and the lack of a

remedial program if the applicant is unable to read or write. In the long run these issues should be addressed.

Currently, the IYI program is geared toward the 'cream of the crop,' those who have the most potential to succeed after the training is completed. This is one reason that IYI has been very successful in meeting its goals. However, in the long run other factors may need to be taken into consideration to ensure the maximum impact of the program. Addressing any modification to the programmatic goals at this time would be premature and jeopardize the success of the program. It is recommended that the IYI continue as it is being implemented for the next two years and that additional training is considered in the future. The work plan and PMP should be harmonized in order to track the success of the program in an accurate and reportable manner.

One limitation to the program is safety and security in some provinces and cities. Another limitation is the inability to provide remedial training for those who were unable to make it through the vetting process because of low reading/writing skills in Arabic or insufficient knowledge of computers. The IYI only accepts 40 percent to 65 percent of all applicants. The scope of work does not address how to deal with those who are not accepted into the program.

GRANTS PROGRAM

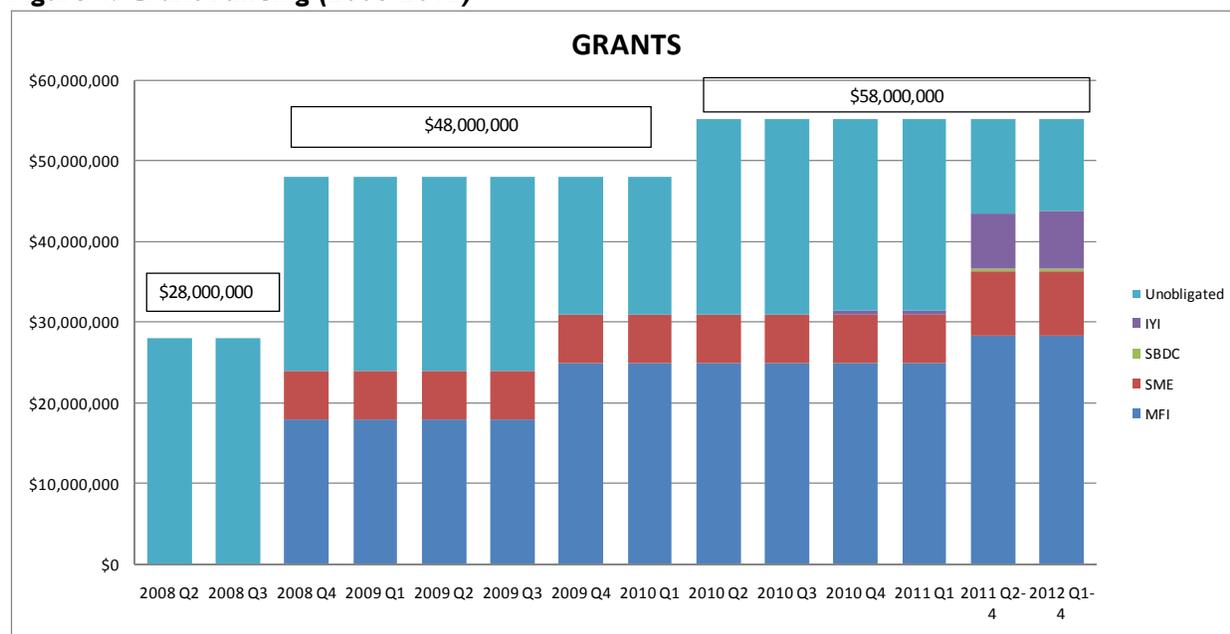
The grants program is embedded in most of the other program objectives and is important to Tijara's success. Therefore, the underutilization of the grants program is a concern. At \$20 million, operating capital grants and project grants have made up more than a quarter of the budget from the outset of the original scope of work in January 2008. However, no disbursements were made until spring of 2009, despite the doubling of the budget in September 2008 to \$40 million. The additional funding was intended to revise and strengthen the microfinance institutions, SME lending and SBDCs. The SOW was then revised to give the contractor an additional six months to begin grants disbursements.

Disbursements did begin until March of 2009, and they all went to microfinance institutions. There is no evidence that any of the grant funding went to SBDCs according to the latest grants tracking sheet.

While \$30 million was provided to microfinance institutions, it appears no grants were made available for SBDCs for training. The addition of the Iraqi Youth Initiative, created in March 2010, added nearly \$7 million to the grants budget, for a total of \$55+ million. The SBDCs were used as the vehicles to implement the IYI program. February 2011 marked the first time SBDCs received grants. However, the grants were only for the IYI and not for any other program as directed in the SOWs. No grants were provided to any SBDC for the purpose specified in the original scope of work or subsequent modifications.

With \$16 million left in its budget until 2013, and \$8 million designated for 2011 and 2012, there is no reason why the grants budget should not assist the 14 SBDCs in Iraq and help them become sustainable. The IYI, with no budgeted funding for 2012, should also be able to use some of the extra grant funding that has not been expended.³²

Figure 4: Grant Funding (2008-2012)



³² See Annex 3 for Tijara's perspective.

CONCLUSIONS

Tijara's success on meeting the various objectives of USAID Iraq varies depending on the objective defined. When measured against the highest level objective in the PMP, "Private Sector Economic Opportunities Expanded," Tijara has been highly effective, especially in providing access to finance and the youth program. Using the objective language from the Country Strategy, "Integrated into the Global Economy," the picture is less positive. If "integration into the global economy" is necessary for achievement of the USG goal, "a sovereign, stable, and self-reliant Iraq," success may remain elusive for some time.

The Tijara project has two primary focuses. One is on national economic policy issues, such as the work with WTO, BIEE and World Bank indicators. The other area is on provincial activities, such as microfinance and SBDC development. There is limited synergy between the two different areas of the project. The activities at the national level do not support the implementation of the activities at the provincial level. There is, however, a strong synergy between the provincial activities, such as the SBDC training and microfinance. These activities also have the most immediate impact on business development. The national economic policy activities, while critical for overall business development in Iraq, lack government buy-in and have limited impact at the provincial level. In making changes to the program, the project enhanced the successful provisional activities such as microfinance and the SBDC development. The changes in objectives resulted in Tijara taking the existing provisional activities to a higher level to achieve the evolving programmatic objectives while adding the national focused activities.

QUESTION 1: ADJUSTMENTS IN PROJECT OBJECTIVES AND PROGRAMMATIC GOALS

Tijara's original contract was designed in part to continue Izdihar's work in strengthening private-sector development. The changing security environment in Iraq is reflected in the substantive modifications to the Tijara contract. Phase 1 involved the provision of business development services, building the SME and microfinance institutions and legal reformation of the private sector. Phase 2 has focused on sustaining the work accomplished in Phase 1 and expanding activities into the youth sector.

The SME banking lending component remained relatively the same with the continued support of ICBG and creation of the ICF-SME. The most significant change in the microfinance activity was the new focus on youth, group lending and the poor. Tijara shifted its work during the project to focus on training and capacity building with the MFIs. These were well-thought-out and well-implemented changes.

From the beginning, the WTO Accession component established a good relationship with the government and conducted appropriate activities. Substantial activities have started and need to be completed. The BIEE has worked on numerous activities that may have been ahead of their time. The government has shown limited interest in these activities. The recently signed MOU with the MIM represents a beneficial change in that it establishes a concrete working relationship with the government. This activity will be beneficial if fully executed.

The objectives of the Business Development Services (BDS) have remained much the same. They originally focused on increasing the number of SBDCs. The SBDC network expanded from five to 14 SBDC's. In year four, USAID and Tijara wisely decided to change from expanding the network to improving the SBDC capacities and promoting new types of services for the SBDCs.

The introduction of the Iraqi Youth program complemented the strengths of the Tijara-BDS program. The IYI program has strengthened Tijara's working relationship with the SBDCs and the MFIs and is a noteworthy improvement to the entire Tijara program.

QUESTION 2: PROGRESS IN MEETING THE PROJECT OBJECTIVES

The WTO and BIEE programs are not reaching their objectives, largely due to circumstances outside of their control. The MOT has indicated a renewed vigor to obtain WTO membership. The WTO has many concrete activities in place to appropriately support the MOT. The MOT and Customs Agency are fully engaged in the activities. Further, they are requesting additional support. The BIEE activities with the MIM are in their infancy. Other activities that the BIEE is working on, such as the Doing Business Index and the RRI, may have marginal impact if the government does not become more involved.

Tijara met most of the BDS objectives in the first three years. The SBDCs are well-received in the COC. The NGOs that are implementing SBDC activities are doing an excellent job. However, there is no evidence at this time that the SBDCs will be sustainable after Tijara support ends. It is unfortunate that the SBDCs were not capable of receiving additional funding through the grants program. The additional funding could have been the catalyst for them to reach the next plateau of sustainability while providing much-needed business services to the community.

The IYI program was halted at the end of August 2010, but since January of 2011 the program is back on track. The most recently approved contract modification now extends the IYI program to January 2012, but the funding currently allocated will not be enough to sustain the program through 2012. Additional grant funding should be considered to fully fund this program.³³

The microfinance program is being implemented as stated in the work plan and is performing above world standards for microfinance institutions. They will surpass all of the Tijara objectives. The SME lending training is the most beneficial part of the SME program. The activities with the ICBG and ICF-SME are being properly implemented. They should reach all their objectives. However, there are concerns about the future sustainability of these organizations.

RECOMMENDATIONS

QUESTION 3: SUGGESTED CHANGES TO PROJECT IMPLEMENTATION TO ACHIEVE PROGRAM OBJECTIVES

The recommendations of this evaluation focus on actions to be taken by Tijara, rather than the Government of Iraq, recognizing that full buy-in by the GOI will be essential and is, by no means, ensured. Despite lack consistent GOI support, Tijara's WTO work should continue since the changes that Iraq must make to join the WTO will help build a more diversified economy, even if required papers from the GOI are not yet submitted. Likewise, the BIEE activities should be continued where they will have an impact on the objective of "private sector and economic opportunities expanded." However, to assure full achievement of Tijara's WTO and BIEE objectives, Tijara must develop a

³³ *Tijara* has submitted a contract modification that requests extension of IYI through January 2013. More funding using existing resources has been proposed for this program.

focused “top-level support and engagement” action plan with each GOI entity. They must prepare a one-page brief for each entity that describes the program, the outcomes and benefits proposed for each entity, and specific commitments required by the entity. Tijara needs to consider seriously the execution of a Memorandum of Cooperation before initiating any more technical assistance and/or training with GOI entities. The objective should be to ensure the direct engagement of top GOI entity management in the technical assistance. Tijara should consider expanding technical assistance in the customs area and limiting assistance in other areas. Customs sets the foundation for all future WTO compliant activities dealing with the importation of goods.

The SBDCs are a valuable service to the business community, providing training in advanced business techniques and helping micro and small businesses learn to obtain credit. They could benefit greatly from the Tijara grants program and it is recommended that this grant program be more utilized for SBDCs. Tijara should also provide more capacity building for SBDC staff in advanced business activities.

MFIs and SMEs are vital institutions for creating jobs in Iraq and should continue to be supported. To strengthen the sector accordingly, microfinance efforts should focus on creating a network of Iraqi microfinance institutions. This network can support lobbying efforts for implementation of appropriate microfinance legislation. It is recommended that additional grant money be put into the microfinance institutions to support their expansion. This funding should be targeted towards youth and the poor, populations suffering disproportionately from unemployment and underemployment. The SME lending component should expand efforts to build awareness of the opportunities in the SME lending market and provide training to bank loan officers to fill these opportunities. The ICBG and ICF-SME should be supported to become self-sufficient financial organizations. ICF-SME should focus on channeling donor money to private banks for SME lending rather than on becoming a direct lending provider.

Given its preliminary success rate, IYI has the potential to help build a new generation of Iraqi entrepreneurs. It should build on this success and not change its program implementation. IYI is meeting its objective of 1,000 potential business employment opportunities and a high loan rate, notably by working with high-caliber beneficiaries with an emphasis on business outcome. Tijara should be encouraged to support the program with additional grant funding. IYI can later impress upon GOI Ministries the benefits of the program and hopefully obtain funding directly from the government.

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CONTRACT AMENDMENTS

Tijara Provincial Economic Growth Program. Contract No. 267-C-00-08-00500-00 USAID January 2008
Tijara Provincial Economic Growth Program. Modification 01. March 2008
Tijara Provincial Economic Growth Program. Modification 02. June 2008
Tijara Provincial Economic Growth Program. Modification 03. July 2008
Tijara Provincial Economic Growth Program. Modification 04. September 2008
Tijara Provincial Economic Growth Program. Modification 05. September 2008
Tijara Provincial Economic Growth Program. Modification 06. February 2009
Tijara Provincial Economic Growth Program. Modification 07. March 2009
Tijara Provincial Economic Growth Program. Modification 08. April 2009
Tijara Provincial Economic Growth Program. Modification 09. May 2009
Tijara Provincial Economic Growth Program. Modification 10. September 2009
Tijara Provincial Economic Growth Program. Modification 11. January 2010
Tijara Provincial Economic Growth Program. Modification 12. March 2010
Tijara Provincial Economic Growth Program. Modification 13. March 2010
Tijara Provincial Economic Growth Program. Modification 14. April 2010
Tijara Provincial Economic Growth Program. Modification 15. July 2010
Tijara Provincial Economic Growth Program. Modification 16. November 2010

RESOURCES

Tijara Provincial Economic Growth Program. *Performance Monitoring Plan*, April 2008 – January 2011
(Submitted October 31, 2010)
Tijara Provincial Economic Growth Program. *Year 2 Work Plan and Budget*, April 2009 – March 2010
Tijara Provincial Economic Growth Program. *Year 3 Annual Work Plan*, February 2010 – January 2011
Tijara Provincial Economic Growth Program. *Year 4 Annual Work Plan*, February 2011 – January 2012
Tijara Provincial Economic Growth Program. *Performance Monitoring Plan*, February 2011 – January 2013
(DRAFT)

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ANNEX 2: SCOPE OF WORK

Scope of Work
“Tijara Midterm Evaluation”
USAID/Iraq Office of Economic Growth and Agriculture
Tijara Provincial Economic Growth Program
Contract #267-C-00-08-00500

I. Project Description

An evaluation is requested of the USAID-Tijara program, which started on January 8, 2008 and will end on January 31, 2013 with a current life-of-project funding of just over \$174 million.

The USAID Provincial Economic Growth program, known commonly as “USAID-Tijara,” which means “trade” in Arabic, was designed to provide business development and financial services throughout Iraq. The ostensive aim was to expand economic opportunities and employment within the private sector, especially by increasing access to finance. Business development services would help firms organize their affairs and write business plans making them eligible for finance. Capital pumped into microfinance institutions would assure that finance was available to qualified borrowers. Assistance through Provincial Reconstruction Teams (PRTs), typically situated on U.S. military bases, was identified as a priority. A full set of result project’s package will be made available during the desk review stage of the evaluation. Additional information can be found here: www.tijara-iraq.com.

II. Background:

The Tijara contract was designed to a large extent to carry forward key aspects of the work under a previous USAID-funded project which ended in 2007 - the Izdihar program. The second component of the Izdihar program focused on private sector lending. Of particular import, Izdihar created a number of microfinance institutions in Iraq. The Tijara program continued and advanced the support offered to these institutions, and also continued Izdihar support for business development services. At inception, the Tijara program did not continue Izdihar support for privatization for state-owned enterprises, development of capital markets, or Iraq’s accession to membership to the World Trade Organization, though support for WTO-related activities was added into the Tijara program after a later contract modification, as noted below.

The Tijara project was initiated around the midpoint of the substantial build up of U.S. military operations in Iraq, known popularly as “the surge.” The prior Izdihar program had been initiated in 2004 when expectations were that Iraq would quickly recover from the war and proceed on a quick path toward prosperity. Instead, within three months of the award of the Izdihar contract, violence escalated quickly. The U.S. surge began in earnest in 2007, toward the end of Izdihar. That context is important for understanding some of the peculiarities of the Tijara contract as it unfolded. In particular, there were many substantive modifications to the Tijara contract as the results of the surge were made manifest.

Tijara Evolution

The first substantive modification was in June 2008. The initial idea of working through business associations to provide services to their members was quickly abandoned. Instead, it was decided that the contractor itself would have to create institutions from scratch, known as Small Business

Development Centers (SBDCs), to deliver training and mentoring to small businesses. The notion of establishing public-private partnerships was dropped. Also at this time, the Izdihar activity related to WTO-accession was resurrected and incorporated within Tijara, reportedly on request from the U.S. Embassy.

The second substantive modification was in September 2008. This modification added required indicators focusing the contractor's attention on loans for agribusinesses. USAID had a major program in support of agribusinesses at that time, known as "Inma," and it had been determined that access to finance was a critical constraint to agribusiness growth, but it was presumably felt better to incorporate finance for agribusinesses under the Tijara program, as part of Tijara's broader finance agenda.

The third substantive modification, 11th overall, was issued in January 2010. This modification changed the wording of the objectives. Instead of simply promoting access to finance, the objective now, in the third year of the three-year contract, was to develop "local institutions which offer services that stimulate business activities, promote greater access to finance services, and promote private sector development." This seemed to be codifying the process that was begun with the June 2008 modification, emphasizing the SBDCs. This modification also added a new requirement to address Iraq's poor showing in the World Bank's "Doing Business" rankings.

Also in this third substantive modification (number 11), specific targets were noted for indicators, e.g. 3000 people and businesses receiving assistance to improve their management practices. Prior modifications simply stated the indicator, without setting a target. Setting targets directly in the contract is a bit unusual for USAID, and is otherwise normally handled by the Contracting Officer's Technical Representative (COTR) in the process of establishing a performance-monitoring plan.

The fourth substantive modification, the 14th in all, was implemented in March 2010, and added a significant component related to youth unemployment. This was done to accommodate additional funding at the urging of the U.S. Ambassador to Iraq. While it was consistent with the broader program of SBDCs, and was indeed implemented through the SBDCs, this did entail new staff specifically dedicated to addressing the particular requirements of youth entrepreneurs, who typically do not have the same access to collateral or personal guarantors as older borrowers.

Overall, two main phases in the life of the Tijara program can be defined. The first was from January 2008 to December 2009, during which time the method of working through SBDCs rather than through business associations was established, an emphasis on agribusiness lending was incorporated, and a WTO accession component was added. The second phase was from January 2010 to December 2010, in which USAID sought to make objectives substantially more concrete, contractually specifying indicator targets, and adding a youth component.

Tijara Prospects

Now in late 2010, the U.S. overall strategy in Iraq is changing in quite fundamental ways. USAID/Iraq's approach to business development and jobs is also evolving. USAID wishes to explore how Tijara can support the new overall strategy.

Simply put, USAID economic projects of the past were implemented to compliment and strengthen USG and Iraqi security and stabilization objectives by increasing income and employment. At the outset, the Tijara contract was designed to help businesses directly. Funds were pumped directly into the financial sector. Services were provided directly to business owners. During the surge years, instruments like Tijara were regarded as a means to stabilize the economy, helping create jobs but probably more

importantly helping people to maintain a tenuous grip on the jobs they already had, assuming they were not already displaced by armed conflict.

However, the USG's engagement with Iraq and foreign assistance objectives are changing. The US Military drawdown will be complete in 2011. The United States of America and the Republic of Iraq are entering a new phase of relations, moving beyond a focus on security cooperation to one of strengthened diplomatic relations and bilateral ties in commerce, culture, science and education. As this normalization occurs, USG development assistance is transitioning from being military to civilian led and from providing short-term assistance for essential services, to long-term, integrated, and Iraqi-led development. Emphasis on brick-and-mortar projects complimenting stabilization strategies is ending as the Government of Iraq (GOI) becomes more self-reliant, security improves, and the US Military departs.

Moreover the private sector is also noting this change. Investors think of security more as a "cost" than as a potentially catastrophic threat. Ordinary Iraqis now rank basic infrastructure services (e.g. electricity, water), rather than security, as the primary problem in the economy.

USAID/Iraq is now addressing problems with business growth and job creation in ways that, for the Agency, are more conventional, and arguably more cost effective. Predominant thinking in USAID, for a "normal" developing economy (i.e. one that is not engaged in armed conflict), is that market fundamentals must be addressed. In the financial sector, this often involves working with ministries of finance or central banks, reforming rules and improving performance of the government itself, so that private investment can be "unleashed." USAID generally does not itself engage in providing investment capital, preferring to set the stage for the private sector to do so.

Lastly, USAID seeks to change the engagement of USAID projects with the Government of Iraq. In December 2010, a new and democratically elected Iraqi government was formed, placing new leadership at the helm of key economic ministries, including Agriculture, Water Resources, Trade, and Industry and Minerals. While the GOI has demonstrated interest in undertaking significant economic reforms, significant questions remain as to the strategy for accomplishing those reforms. The corporatization of State Owned Enterprises is a significant example. The GOI's National Development Plan contains numerous goals that lie in direct conflict with what economist believe to be more appropriate initiatives to incite growth, increase productivity and support the private sector.

As the newly formed GOI and the USG take stock of the changing economic landscape, this evaluation will provide USAID an important opportunity to engage directly with key GOI ministries and economic institutions to discern how economic development assistance may best be directed as the USG renews its commitment to assist in the development of the nation. For this reason, USAID has now engaged a separate contract to work directly with the Central Bank of Iraq. This contract addresses fundamental problems in the Iraqi economy, including the lack of skilled accountants, the dominance of an inefficient state-owned banking sector afforded statutory advantages over private banks, and inadequate systems for banking supervision, the monitoring of credit histories for individual borrowers, and basic consumer services like automated tellers and point-of-sale terminals with interbank funds transfer capabilities.

III. Purpose:

The purposes of the evaluation is to assess the results of Tijara at each phase given the objectives of that phase of assistance; assess and recommend changes for the continued relevancy of the Tijara project.

The results of this midterm evaluation will be used to inform USAID the current status and direction to follow in the remaining project life period.

IV. Research Questions:

1. How and why did the project objectives change over the time period since inception to the present day?
2. What progress is the project currently making toward the project objectives as they are currently defined?
3. What changes to the currently defined objectives or to project implementation are suggested to achieve the higher-level programmatic goal USAID/Iraq seeks to achieve?

V. Methodology:

The evaluation contractor shall develop an appropriate methodology to answer the research questions and prepare an implementation plan for this evaluation. The implementation plan will specify the manner in which research is to be undertaken, the personnel the contractor proposes to conduct the evaluation, the logistical coordination that will be required of USAID and others to facilitate that research, and a corresponding budget for any costs that would be paid by the evaluation contractor. This implementation plan will be reviewed and approved by USAID before the research commences.

The evaluation contractor will have access to copies of the original contract scope of work as well as to substantive contract modifications to that scope. The Tijara contractor will be instructed to provide electronic copies of work plans, progress reports, and published analyses, which may also be obtained from USAID/Iraq staff or the Development Experience Clearinghouse, if that is more convenient for the evaluation contractor. The Tijara contractor will also be instructed to make its component leads and chief of party available for interviews.

In addressing the research questions, the evaluation contractor must reflect the approaches below:

1. How and why did the project objectives and programmatic goals change over the time period since inception to the present day?

Consider “phase 1” of the contract to be from inception through calendar year 2009. Consider “phase 2” of the contract to be 2010 onward. Describe changes and rationale in terms of these two phases.

The following definitions shall be used:

- A “project objective” is one that is substantially within the manageable control of the contractor.
- A “programmatic goal” is what USAID/Iraq seeks to facilitate through its contract, recognizing that the actions of the contract alone may not be sufficient.

The evaluation contractor may find that the objectives and goals stated in the contract documentation are poorly worded, contain contradictions, or are otherwise confusing. This should be documented in the report. Additionally, in consultation with leadership of Tijara and USAID/Iraq, the evaluation contractor shall endeavor to define what were the understood, operational objectives and goals used by project staff during each contract phase. This should be presented as a clear results framework for the programmatic goal of the contract, and a logical framework embodying the contract objectives, for each contract phase. The answer to the research question shall be presented with reference to these frameworks.

2. What progress is the project currently making toward the project objectives as they are currently defined?

The overall analysis should consider all aspects of the project – management, administration, and implementation – and determine if the project will achieve the current objectives by the end of the contract period. Some areas that may be explored include: What is the quality of program inputs? Is there adequate technical leadership? Have the project’s collaborations and partnerships been effective? Does the project anticipate and adjust according to changes in the environment and project assumptions in a manner that facilitates ultimate achievement of project goals?

3. What changes to the currently defined objectives or to project implementation are suggested to achieve the higher-level programmatic goal USAID/Iraq seeks to achieve?

Here the evaluation contractor must make the distinction between the success of the contract and the relevancy of the contract to the programmatic goal. A contract may be fully successful, yet may not contribute significantly to the achievement of a programmatic goal. Similarly, a contract may fail completely, yet the programmatic goal is still achieved. In both examples, the contract objectives are apparently irrelevant to the programmatic goal.

The contractor is to take into consideration two explicit changes in approach to the achievement of USAID programmatic goals:

- to work more closely with and through the GOI
- to affect longer-term institutional change

Recommendations for contract objectives and project implementation should be made to increase engagement with and through the GOI and to affect longer-term institutional change in the Iraqi economy. To note, programmatic goals may remain the same but the manner to achieve those goals is changing with the changing Iraqi context and relationships between the GOI and USG and within the USG between agencies.

VI. Team Composition

1. Principal Evaluator: One full time person, deployed to Iraq, contractor to provide a bio data sheet, resume, proposed level of effort and proposed daily rate. This person must have extensive experience in leading evaluations of large economic growth development projects and preferably some familiarity or expertise of Iraq.
2. Editor: One part time person, not deployed to Iraq, contractor to provide a bio data sheet, and propose level of effort and daily rate.
3. Research Assistants: These shall be full time. They may be resident Iraqis. They may also be non-resident Iraqis or others. For proposed non-resident research assistants, costs to deploy and life support will be proposed, and justification provided as to why resident Iraqis are not suitable. USAID anticipates 5 will be required. Research Assistants must have a minimum of 5 years work experience in the technical area they will bring to the evaluation.
4. Research Advisors: These paid consultants may be resident in or outside Iraq, with the contractor to propose an initial list of specific consultant names, rates, and levels of effort. Advisors are not expected to travel, but shall instead be consulted for their particular knowledge of issues or events, or their ability to analyze information. The contractor shall also propose a total budget for additional consultants that might be required as the research unfolds, though each additional consultant will require contracting officer approval before employment. Research Advisors must have at least 10 years work experience in the technical area they will bring to the evaluation.

Among the members of the evaluation team, expertise in the following sectors must be demonstrated: monitoring and evaluation, micro-finance, small and medium business development, financial services, and youth issues. At least one member of the evaluation team must have familiarity with international trade and WTO accession.

VII. Schedule

The contractor should propose a schedule with their implementation plan. USAID suggests the following approximate timeline:

1. February 15 – March 15 – finalization of Implementation Plan and selection of team members
2. March 15 – March 25, 2011: Desk research
3. May 15, 2011 In-brief Meeting with USAID Team
4. April 1 – May 15, 2011: Field research
5. May 17: Findings presentation/workshop
6. June 7, 2011: First draft
7. June 20, 2011: Final report

VIII. Deliverables:

1. Proposed evaluation Methodology and Implementation Plan
2. Narrative summaries of each interview and inspection, including a cover list of all sites visited and people interviewed with dates
3. De-briefing of Findings
4. Draft report
 - a. Length: approximately 25 pages, not including any annexes.
 - b. Format: Single-spaced with a blank line between paragraphs, standard 1-inch margins, 12-point font, and Times Roman typeface, must include page numbers and date.
 - c. Content: the report must include an Executive Summary no more than two pages in length.
 - d. Sensitive content: All sensitive content shall be included in annexes only, and not in the main body of the report.
 - e. Illustrative charts and graphs: These will not be included in the page count, and are either to be incorporated within the main text or attached as annexes, whichever is most appropriate for clarity of presentation.
 - f. Style: Clearly written in a logical and concise manner suitable for executive audiences.
 - g. Quality: Minor issues with grammar, spelling, etc. will be tolerated. Technical issues will be clearly explained. Statements of fact will be clearly attributed to source. Conclusions will be clearly supported by presented facts and recommendation shall be specific, practical and action oriented.
5. Final report, same requirements as the draft, except that the final report shall contain no grammar, spelling, or other errors.

The intended audience is the USAID/Iraq Office of Economic Growth and Agriculture, as well as senior management and other interested offices of USAID/Iraq. The evaluation may be shared internally within USAID in Washington. The evaluation may also be made public, and thus any information obtained from sources wishing to maintain confidentiality should be referenced only tangentially in the main report, and included only in an annex appropriately marked.

ANNEX 3: REBUTTAL DOCUMENT

USAID-TIJARA MIDTERM EVALUATION REPORT REBUTTAL DOCUMENT

Prepared by The Louis Berger Group, Inc.

Introduction

In keeping with the new USAID Evaluation Policy, this USAID-Tijara rebuttal document underscores the project's commitment to accountability and enhancing institutional learning through the adoption of results of performance evaluations.

USAID-Tijara has reviewed the final report of the Midterm Evaluation (MTE) of the project conducted by USAID/Iraq PERFORM, which is implemented by The QED Group, LLC. This rebuttal document is a response to the MTE report.

Structure of the Document

This rebuttal document seeks to address the following components:

1. Achievement of Overall Objective
2. History and Objective of the Project
3. Contract Background and Modification
4. Grants Program
5. Objective 1: Business Enabling Environment
6. Objective 2: Business Development Services
7. Objective 3: Access to Finance
8. Objective 4: Youth Entrepreneurship
9. Evaluation Design

Factual inaccuracies, unfounded statements, overgeneralizations and misinterpretations contained in the Midterm Evaluation report are italicized under each component of this document. USAID-Tijara's rebuttals, clarifications and explanations have been included under each italicized statement.

I. Achievement of Overall Objective

- *Using the objective language from the Country Strategy – “Integrated into the Global Economy” – the picture is more complicated. (Page iii)*
- *As the evaluation will show, Tijara has in many ways been a successful project when measured against the program-level objectives. Tijara has directly and indirectly facilitated the creation of jobs by diversifying the private sector through business development services and financing mechanisms. It is also providing technical assistance to the GOI to improve the business enabling environment for private sector expansion through policy, legal and regulatory reforms. However, it is difficult to say at this point that Iraq has been “integrated into the global economy,” (Objective B) let alone whether Iraq can be considered more “sovereign, stable, and self-reliant” (programmatic goal). (Page 6)*

The abovementioned statements are contradictory and the first bullet point is potentially misleading because it seems to downplay the fact that USAID-Tijara is contributing toward the two indicators outlined in the overall country strategic document. Based on its approved “theory of change”, USAID-

Tijara has facilitated the creation of direct and indirect jobs by diversifying the private sector through business development services and financing mechanisms. USAID-Tijara exceeded its targets for job creation during the base period. Likewise, USAID-Tijara is also providing technical assistance to the GOI to improve the business enabling environment for private sector expansion through policy, legal and regulatory reforms.

2. HISTORY AND OBJECTIVE OF THE PROJECT

- *Tijara's contract was designed in part to carry on the work of a previous USAID-funded project, Izdihar, which ended in 2007. Tijara continued Izdihar's work in private-sector lending, in particular the support of microfinance institutions. It also continued Izdihar's support for business development services (BDS). However, the initial Tijara design did not continue Izdihar support of commercializing for state-owned enterprises, or development of capital markets.³⁴ Tijara was designed during a period of insecurity and violence that was countered by a corresponding increase in U.S. military operations in Iraq. This changing environment is reflected in the many substantive modifications to the Tijara contract.³⁵ (Page 2).*

The underlined statement and the footnote attached to the paragraph contradicts information on the evolution of the project. USAID-Tijara has always been responsive to the emerging socio-political situation in Iraq and all these changes have been reflected in the contractual modifications of the project.

3. CONTRACT BACKGROUND AND MODIFICATIONS

- *The Tijara contract was awarded in January 2008 for a total project cost of \$120+ million that included two option years. In June 2008, the first major modification occurred, without a change in budget, to address the revised role of the SBDCs. References to specific industries named in the original contract were eliminated. This modification also created the Business Enabling Environment objective, with a focus on WTO accession and the National Investment Council (NIC), a government body focused on attracting investment in Iraq. The next modification, in September of 2008, increased the budget by \$41,427,637 (to a total of \$162 million) for the length of the project (same budget for the option years) and modified the SOW to include a focus on the agriculture sector's access to financing... The most recent modification (16) merged the budgets for the base period and the two option years into one, with no change in the end date of January 2013.³⁶ (Page 2)*

The information on contract modifications and change in programmatic goals/objectives has not been correctly captured in the main body of the report. The footnote referred to at the end of this section provides more in-depth details on the USAID-Tijara contract, related modifications and the evolution of the project's programmatic focus. It's important to note that the additional information provided in Annex-3 challenges some key facts and figures given in the main report.

Paradigm Shift in Approach:

³⁴ Tijara initially did not continue Izdihar's work on WTO accession either, although this work was subsequently added to the USAID-Tijara program in a later contract modification.

³⁵ The modifications were not just security-related. USAID-Tijara was also seen as a flexible tool for addressing evolving priorities of GOI as well as USG's emphasis on WTO Accession, among other economic issues.

³⁶ For additional information regarding contract modifications, see USAID-Tijara comments in the Annexes.

The initial focus envisaged in the USAID-*Tijara* contract was sector-led, and focused on a value chain-driven approach to addressing the business enabling environment and firm-level constraints and developing strategic interventions in key sectors to address these constraints. The provision of business development services and expansion of access to finance for MSMEs in Iraq was to complement the interventions in the key sectors with a view towards providing embedded BDS and more tailored access to finance. In the latter part of 2008 (modification 5), with the arrival of new leadership at the mission, it was determined that the prevailing environment in Iraq did not lend itself to the introduction of the conventional sector development approach, and there was no buy-in for the same from Iraqi counterparts. The project modeled its focus more on a “thematic approach” across Component 1 and 2 activities, as well as on strategic interventions where there was expressed interest from counterparts. USAID wanted to see flexibility within USAID-*Tijara*’s scope to allow for the above. The WTO component (that had just supported Iraq’s Second Working Party Meeting with the WTO on accession in March/April 2008) was added back.

Efforts were made to articulate the objectives in concrete terms, specifying indicator targets. Two new concrete initiatives testify to this paradigm shift in approach. One is the Business Enabling Environment for Doing Business and the other is the Iraqi Youth Initiative.

As a result of deliberations of the Industry and Private Sector Development Working Group and the Trade and Investment Working Group of the Joint Coordinating Committees established under the Strategic Framework Agreement (in 2009), which placed a high priority on an “improved private sector investment climate” and “developing the range of policies, regulations and institutions that will encourage private sector investment” in state-owned enterprises (SOEs) and small and medium enterprises (SMEs). In May 2009, USAID reviews reported that Prime Minister Nuri al Maliki’s remarks addressing impediments to investment in Iraq, and his call for legislative and regulatory reforms to key areas such as land ownership and investor protection signaled a nascent but important shift in the Gol’s approach to attracting investment. In his May 2009 speech to a joint National Investment Commission (NIC) and Council of Representatives (CoR) conference on the legislative requirements to promote investment in Iraq, the Prime Minister zeroed in on the requirement for legislation that removes investor fear of “impediments, harm, confiscation, or red tape.” To respond to this agenda, USAID decided to support technical assistance and training to achieve targeted high-priority policy, legal, regulatory and administrative reforms that would improve the competitiveness of the policy, legal and regulatory environment for business and investment. This new activity would focus on implementing the recommendations in the Investor Roadmap to improve the business and investment environment, reduce red tape and improve Iraq’s standing in the World Bank’s “Doing Business” rankings. The new activity would fill a critical gap in assistance by providing a systematic, pragmatic and action-oriented approach to policy, legal and regulatory reform and administrative simplification.

Internal reviews undertaken by USAID concluded that work in the above-mentioned area fitted in well with the mandate and overall goals of USAID-*Tijara*’s Component 1: Activity 2 - An Improved Business Enabling Environment (BEE) for Increased Trade and Investment in the Private Sector. The Scope of USAID-*Tijara* was accordingly expanded to include activities under the business-enabling environment to facilitate services to private enterprise, streamline administrative processes and open opportunities previously reserved for state-owned enterprises. Contract modification 2 issued in March 2008 reflects the above.

Since the project was flexibly geared to adapt to the changing priorities of the United States Government’s assistance, in early 2010 it took on another initiative (the Iraqi Youth Initiative) that was a priority of the US Ambassador. The Iraqi Youth Initiative program was funded through the US Ambassador’s Targeted Development Fund, with resultant changes to the work plans of the Business

Development Services and Microfinance components. Contract modifications 13 and 14 issued in March and April 2010 reflect the above.

Financial Modifications and Implications:

The USAID-*Tijara* project is a follow-up to the USAID-*Izdihar* project. The project's initial contract budget was \$120,668,490 for a four-year period (two base years and two option years). The USAID-*Tijara* contract was signed in January 2008 but the project's implementation only began in April 2008, as the previous project (USAID-*Izdihar*) was extended through March 31, 2008 in order to utilize all funds available under the USAID-*Izdihar* contract.

Since the inception of USAID-*Tijara*, the contract has been modified 16 times. Contract modifications 2, 5, 11 and 13 are the major modifications that affected the Statement of Work, deliverables and the contract budget. The details of these four modifications are given below:

Modification 2, executed in June 2008, was the first substantive contract modification. In the latter part of 2008 (modification 5), with the arrival of new leadership at the mission, it was determined that the prevailing environment in Iraq did not lend itself to the introduction of the conventional sector development approach, and there was no buy-in for the same from Iraqi counterparts. Rather, the focus would be to consolidate the earlier successes of the mission's private-sector development strategy realized through the predecessor project and provide continued support in areas where there was considerable buy-in. The project modeled its focus more on a "thematic approach" across Component 1 and 2 activities as well as focus on strategic interventions where there was expressed interest from counterparts. The concept of establishing public-private partnerships was dropped. Also, under this modification, the WTO Accession activity from the predecessor project was incorporated in the project at the request of the US Embassy.

Modification 5 executed in September 2008 was the second substantive modification to the contract. The modification extended the project's base period of performance from two to three years and expanded the scope of the project under Components 1 and 2 as follows:

- Component 1 - Expansion of the breadth and scope of the BDS provision to existing and potentially new SBDCs that will continue to be created under the auspices of the project as identified in consultation with USAID and the PRTs, as well as in strategic cities identified in the SOW. Also, the project was required to continue to provide technical assistance to the GOI to reach additional milestones in the WTO accession process and further strengthen the NIC. Provision of skilled expertise to the PRTs in the two component areas would also continue in the extended period.
- Component 2 - Expansion of commercial lending through MF institutions and banks would continue under the extension period. USAID added indicators focusing the contractor's attention on loans for agribusinesses.

USAID allocated additional days in LOE, continuing the above-mentioned activities in the extension period and a major budgetary realignment was made as the contractor was awarded an additional \$41,521,638, thus increasing the project's total estimated budget to \$162,190,128.

Modification 11, the third substantive modification, was issued in January 2010. This modification changed the wording of the project's objectives from simply "promote access to finance" to "develop local institutions which offer services that stimulate business activities, promote greater access to finance services, and promote private sector development." A new statement of work titled "Improved Environment for Doing Business" was added under Component 1 of the project to reflect the

deliberations and outcomes of the SFA working group jointly chaired by the Minister of MIM and the USAID Mission Director.

This modification also added a new requirement to the project: addressing Iraq's poor showing in the World Bank's "Doing Business" rankings, providing technical assistance and training to achieve targeted high-priority policy, legal, regulatory and administrative reforms that would improve the competitiveness of the policy, legal and regulatory environment for business and investment in Iraq. However, no additional funding was provided for this initiative.

Additionally, in order to maintain financial support to the SBDCs upon the anticipated reduction or unavailability of PRT funding, a performance-based small grants program was included without modifying the Scope of Work of Component 2. No additional funds were added to the contract budget for these new initiatives. Through this modification, specific targets were noted for the project's indicators, e.g., 3,000 people and businesses receiving assistance to improve their management practices.

Modification 13, the fourth substantive modification, was implemented in March 2010, and added a significant component related to youth unemployment. This was done to accommodate additional funding at the instructions of the U.S. Ambassador to Iraq. This new initiative was mandated to address high unemployment among Iraqi youth and an additional \$11,999,057 was added to the contract budget.

After the two major cost-modifications mentioned above (Modifications 5 and 13), the total budget of the USAID-Tijara amounted to \$174,189,184 over the life of the project, which currently runs through January 31, 2013.

4. GRANTS PROGRAM

- **Conclusions and Recommendations:** *Grants were included in Component 2 of Tijara to be spent in the first two years of the contract for microfinance and lending institutions. An additional \$20 million was added in 2008 to assist the agribusiness sector. Agribusiness was eliminated and replaced with an activity for strengthening the SBDCs. Tijara has submitted a proposal to decrease the grant budget by \$12 million and shift this grant money to other line items.³⁷ The evaluators believe that the grant budget should not be changed. This money should be used to continue the support of the SBDCs and the microfinance institutions as proposed and agreed upon in the USAID-Tijara contract. Grant money should be used to increase the funding of the IYI program implemented through the SBDCs. (Page vi)*
- **Funding Issues:** *While the SBDCs benefited from PRT funding to pay salaries and administrative costs such as office rent, this funding source has ended. Tijara's program is currently sustaining the SBDCs through the microfinance and youth program activities. The Performance-Based Grants program will be necessary for the SBDCs to continue their existence. As a requirement for its Performance-Based Grants program, Tijara requires written annual work plans, budgets, etc. in its applications. While Tijara initially allocated \$1.3 million for SBDC activities, the pool of available grants was reduced to \$300,000 due to "budget constraints and the failure of the SBDCs to submit worthwhile grant proposals." (Page 17)*
- *While \$30 million was provided to microfinance institutions, it appears no grants were made available for SBDCs for training. The addition of the Iraqi Youth Initiative, created in March 2010, added nearly \$7 million to the grants budget, for a total of \$55+ million. The SBDCs were used as the vehicles to*

³⁷ According to Tijara, when the IYI and BIEE components were added to the project, new resources were not made available for the additional work, requiring a budget reappportionment. Additional information on Tijara's perspective on the grants program is available in the Annexes.

implement the IYI program. February 2011 marked the first time SBDCs received grants. However, the grants were only for the IYI and not for any other program as directed in the SOWs. No grants were provided to any SBDC for the purpose specified in the original scope of work or subsequent modifications. With \$16 million left in its budget until 2013, and \$8 million designated for 2011 and 2012, there is no reason why the grants budget should not assist the 14 SBDCs in Iraq and help them become sustainable. The IYI, with no budgeted funding for 2012, should also be able to use some of the extra grant funding that has not been expended.³⁸ (Page 28)

The information on the grants program highlighted in the report doesn't provide a comprehensive picture of the contractual commitments. Therefore this section provides a clear outline of the grants program implemented by USAID-Tijara.

The budget for USAID-Tijara base period was \$116 million but the project received \$105 million only, hence creating a shortfall of \$11 million. The IYI and BIEE components were added to the project but funding was only allocated to the IYI to the tune of \$12 million. USAID-Tijara was asked to take on the additional work with the same resources.

When USAID obligated grant funds of \$40 million and revised the Scope of Work (SOW) for an additional six months to allow for grant disbursements, USAID-Tijara issued Requests for Applications (RFAs) to qualifying microfinance institutions, in accordance with the Louis Berger Group/USAID contract and approved work plan. The SBDCs were never part of the grant program in 2009; therefore no grants were awarded to SBDCs.

USAID-Tijara commenced the grant-making process by completing and submitting the grant package for USAID's Contracting Officer's approval. The Contracting Officer approved the grants on March 08, 2009 and grant agreements were signed on March 15, 2009.

While PRTs/ePRTs provided financial support to SBDCs, USAID-Tijara provided trainings and technical assistance to the SBDCs. It was anticipated that PRT funding may not be available after June 2010, therefore USAID-Tijara proposed that USAID allocate some of the Microfinance/SME grant funds to the SBDCs in order to keep them operational while seeking additional grant funding or starting commercial activities to support their sustainability. Please refer to Contract Modification No. 11 signed on January 19, 2010, where reference is made to Activity 3: "Operate a Grant Facility."

Following the approval of Modification 11 in January 2010, USAID-Tijara issued an Annual Program Statement (APS) in February 2010 to invite qualifying SBDCs to apply for performance-based grants to support their sustainability. The APS was issued as per ADS 303 and USAID-Tijara's Grants Manual and the approved Annual Work Plan 2010-11, in which the desired results and outcomes of USAID-Tijara's support to these SBDCs are stated thus: "Approximately **\$1.3 million** is allocated to SBDCs for activities that are i) demand driven, ii) a business-related service, and iii) an activity which can be sustained beyond the life cycle of USAID-Tijara."

In the APS the applicant's eligibility criteria for applying for the small grant program was the registration of SBDC with NGO office and none of the SBDCs were registered as required. In addition to the eligibility criteria, most of the proposals received from SBDCs were not in compliance with the USAID requirements applicable on such small grants. The funding request was for the procurement of

³⁸ See Annex for Tijara's perspective.

equipment over \$5,000, sub-awards of activities, international travel etc. Most of the proposed activities were also not sustainable.

Considering the above, USAID-*Tijara*, canceled the APS and designed alternative grant making strategy to support these SBDCs.

Meanwhile, PRT/ePRT funding continued after June 2010, contrary to earlier expectations that the funds would not be available. When US Embassy grant funds were added to the LBG/*Tijara* contract under the Iraqi Youth Initiative (IYI) Program, \$2.65 million grant funds were allocated and awarded to SBDCs. While these grants complement the SBDCs' training activities, they also ensure their sustainability and enable them to seek additional resources for their sustainability.

Besides the IYI grants, USAID-*Tijara* is still supporting SBDC activities through its grants program. Till June 2011, two SBDCs were awarded \$60,000 to establish centers to provide marketing and printing services in order to diversify their income sources and improve their sustainability. Two other grants are under consideration with similar arrangements. USAID-*Tijara* expects to award small grants to SBDCs once qualifying grant proposals are received from them. It is important to note that currently 12 of the 14 SBDCs are satisfactorily implementing the IYI program and USAID-*Tijara* does not wish to adversely affect the IYI program by burdening the SBDCs with more activities.

In February, the 12 SBDCs were awarded \$2.26 million IYI grants and so far \$33,250 has been disbursed. According to USAID-*Tijara*'s projections, the 12 SBDCs will be able to expend only \$1.4 million by the end of 2011. The project anticipates that the remaining \$0.860 million shall be disbursed by June 2012. In addition to IYI funding, an additional \$300,000 is budgeted for the SBDC Small Grants Program and these funds will be disbursed during 2011 and 2012.

It is worth noting that some of the project's grants funds have been re-allocated due to imminent program needs, e.g. in January 2010 a new sub-activity of "Improved Environment for Doing Business" was added to Component 1 and in March 2010 Component three (3) entitled "Youth Initiative Program" was added to the contract. While additional funds were provided for the direct cost of the IYI program but the Security and Life Support cost (for IYI program) was reallocated from the grant budget. Also IYI Program was initially budgeted only for 18 months (till September 2011) but now extended till the end contract (total 34 months). The additional cost of 16 months of IYI program (Direct Cost, Security and Life Support) was also reallocated from grant budget. In addition to the new activities, USAID-*Tijara* has realigned its budget including grants and a formal contract modification is being requested from USAID.

The significant increase in the program activities can easily be analyzed, by reviewing the original approved budget for last 2 years of the contract (after Mod. 16 became part of base year) where total available budget was \$51,847,307 (incl. \$6.7 million of IYI program) but USAID-*Tijara*'s modified budget is \$75,037,258 which shows an increase of \$23,189,951.

5. OBJECTIVE I: BUSINESS AND INVESTMENT ENABLING ENVIRONMENT

Trade and WTO Accession

- *If Tijara undertakes additional WTO promotional activities, greater emphasis should be put on developing promotional material based on the direct economic impact that membership to the WTO will have on the Iraqi economy. The current promotional information focuses only on the general benefits of being a WTO member. (Page iv)*

Economic measures have been included in many agricultural and customs public awareness documents and frequently discussed with GOI officials at various consultative forums. The specific economic benefits have been reflected on the harmonized tariff schedule, agriculture sector assessments, blue box subsidies as well as position papers on the WTO related Services Sub-sectors.

- *The “selling” of the WTO to the Iraq political and business community should be considered by Tijara and USAID. (Page iv)*
- *The WTO and BIEE programs are not reaching their objectives, largely due to circumstances outside of their control. (Page 30)*

The recent statement from the Prime Minister of Iraq’s office indicates a strong GOI commitment to follow-up on WTO’s Accession process including the submission of the Initial Goods Offer and Services Offer. Moreover, USAID-Tijara has developed a new communications strategy to secure more GOI buy-in.

- *The staffing requirements at Tijara should be reevaluated to reflect that they have finished the bulk of the WTO work. (Page iv)*

This statement is incorrect as the project has yet to achieve many milestones in the WTO accession process. While keeping with the changing circumstances, new training needs on customs have emerged and USAID-Tijara has engaged three new staff members to address the needs. The project will continue to respond to the GOI’s training needs and provide technical assistance on trade facilitation.

Business and Investment Enabling Environment

- *It is recommended that Tijara reconsider the benefits of working on the World Bank Doing Business Index. (Page iv)*
- *Tijara requested that the World Bank review the process of calculating the Doing Business Index. This work was not appreciated by one World Bank local official who indicated that Tijara should be working on “substantive issues rather than wasting their time on questioning the World Bank’s methodology.” (Page 14)*

These statements are incorrect as USAID-Tijara has actively been engaged in highlighting and advocating policy issues related to the World Bank’s Doing Business Report. In 2010, USAID-Tijara developed a research-based white paper on improving Iraq’s ranking on the WB Doing Business Report. The gaps identified in the policy research were advocated with the WB offices in Baghdad and Washington, DC.

World Bank’s Doing Business report is a key index and indicator in the SFA task planning. USAID-Tijara is focused on improving three indicators of the index and has successfully worked toward improving them.

USAID-Tijara will work in tandem with other donors and the new High Committee on Administrative Reform, PMAC, COMSEC, MIM, MOT and other ministries on reforming business registration, industrial licensing, and import and export licensing. USAID-Tijara may work with the Iraq Stock Exchange and Iraq Securities Commission to improve investor protection by assisting to improve listing rules and regulations according to the World Bank's recommendations.

- *It is unlikely that a true functioning RRU will be developed in the near future, since the concept does not have buy-in from the government. (Page v)*

This is incorrect as an outcome of USAID-Tijara's support to the Ministry of Trade and PMAC, the Council of Ministers has established a "High Committee for Administrative Reforms". This body has been mandated to develop a Strategic Plan for Administrative Reforms. USAID-Tijara will continue to work with this organization.

- *BIEE should limit their work with the NIC and PICs to webpage development. The PICs indicated little interest in working with Tijara and could not envision how Tijara could help them in the future. (Page 15)*

USAID-Tijara refutes this statement as the project provided technical assistance to the PICs on the development of Investor Guides for the selected provinces and was actively involved in the capacity building of the selected PICs.

- *The BIEE has worked on numerous activities that may have been ahead of their time. The government has not shown an interest in taking charge of these activities. (Page 29)*

This statement is incorrect because PMAC and COMSEC have shown interest and taken charge of some activities. For example, the recommendations from USAID-Tijara's workshop on "Opening and Closing a Business" were adopted by the Ministry of Trade through COMSEC.

6. OBJECTIVE 2: BUSINESS DEVELOPMENT SERVICES

Small Business Development Centers

- *The SBDCs submitted proposals for funding through the Performance-Based Grant program that offers realistic opportunities for generating client revenues on a continuing basis. However, these proposals have yet to be funded.³⁹ (Page 16)*

This statement is incorrect, as the performance-based grant program has disbursed two grants during the first four months of the project's option years and more proposals are being considered in line with USAID guidelines. Although the first round of proposals submitted by the SBDCs resulted in no approved grants, they were not put on hold because of the reduced funding levels for the grant program but rather because the proposals themselves were inadequate and did not address the main purpose of

³⁹ At the time of the fieldwork, the evaluators were told by senior Tijara management that none of the current grant proposals met its performance grant standards, that none of the proposals were being considered and that none could be brought up to standard.

the grant program – namely, to enable the SBDCs to generate additional revenues on a sustainable basis through for-fee services. Over the past several months, as a result of an increased level of consulting support provided by the BDS team, several of the SBDCs have been successful in refining their proposals and developing practical plans for new fee-generating services.

- *Budget allocated to the SBDC network under the Performance-Based Grant program was \$1.3 million, or approximately \$93,000 per SBDC. This budget was reduced to less than \$21,000 per SBDC, an insufficient amount to get an organization to the next level of development. The SBDCs were disappointed with the shortage of funding from the grant program. It is recommended that this grant program be more utilized as SBDCs provide an excellent avenue for local businesses to get training in advanced business techniques. (Page 18)*

The grant program procedures have been adjusted to provide the SBDCs with more flexibility in submitting proposals on an unsolicited basis as their plans and proposals are completed. Working with the SBDCs to develop additional plans for fee-generating activities is expected to be a major focus of the BDS program for the remainder of the project. The current levels of grant funding (\$300,000) should be sufficient to fund new revenue-generating proposals and activities that the SBDCs will be able to complete by the end of the current year.

BDS sustainability strategy: The evaluators have overlooked the part of the BDS strategy (outlined in the workplan and the briefing document that the BDS staff prepared in response to the MTR team’s request) that describes a plan to secure longer-term funding for the SBDC network from the GOI, other donors, corporate sponsors, and other sources. This plan is a major part of the BDS sustainability strategy. In their recommendations regarding the grant program, the evaluators seemingly have focused on the support that would be provided to individual SBDCs to improve their capacity to generate revenues from for-fee services. However, they have not commented on the proposed strategy for helping SBDCs diversify their funding sources to continue to provide economic development support and serve as local SME development organizations. The plan to establish an SBDC association and seek longer-term funding contributions from the GOI and other sponsors addresses this need. To implement this strategy, some discussions have already been initiated with National Investment Commission to coordinate and secure longer-term funding for the network.

SBDC capacity development: Providing ongoing support to strengthen the capabilities of the SBDCs in project management, accounting, and other areas is one of the core areas in the current workplan and the BDS team is pursuing regular activities to meet this objective.

7. OBJECTIVE 3: ACCESS TO FINANCE

Sustainable Microfinance

Conversion from Micro-Credit to Micro-Finance Institutions

- *Tijara should focus on helping these institutions move from being micro-credit institutions to being full-fledged micro-finance institutions that offer savings and other financial services. Tijara should also provide them with additional grant money so they can expand their services to the poor and the youth. (Page v)*
- *Iraqi law limits MFIs to qualifying as “microcredit” but not “microfinance institutions.” This constrains how MFIs can secure new funding for future loans and excludes them taking in “micro-savings.” The GOI, especially the NGO Directorate, seems to have no knowledge of the current constraints on the microfinance industry. (Page 19)*

In view of Iraq's context, the transformation of MFIs from "micro-credit" to "micro-finance" institutions is not feasible at this point due to legal and institutional constraints. In addition, the MFIs are unable to fulfill the high level of capitalization required under the current banking law.

Conversion to commercial banks is not feasible because the Banking Law prohibits NBFIs from mobilizing deposits. USAID-Tijara will continue to work with the industry in the transformational arrangements from NGO to NBFI status.

In addition to the legal prohibitions of MFIs mobilizing savings deposits are the practical institutional ones. Globally for MFIs to convert or add savings deposit mobilization requires a considerable investment of time, staff, IT systems, training, and financial management. Further, savings mobilization implies a far greater fiduciary burden on MFIs because groups of small savers are entrusting their hard-earned money in the hands of others. To maintain confidence in the MFIs, systems of fiduciary oversight, governance and regulation are also usually put in place. USAID-Tijara, further, would have to upgrade its own resource capacity in terms of grant funding and expertise to support its MFI partners in adapting savings, and making provisions in the Banking Law to accommodate this legally.

- *The transition of MFIs from NGOs to limited liability companies using the non-bank financial institution model will not solve this problem. They need a legal framework allowing MFIs to function as banking entities. It is critical to resolve this matter quickly and to enact an overall micro-banking law. (Page 21)*

USAID-Tijara disagrees with this suggestion. Conversion to commercial banks is not feasible because the Banking Law prohibits NBFIs from mobilizing deposits. USAID-Tijara will continue to work with the industry in the transformational arrangements from NGO to NBFI status.

SME Development and Bank Lending

- *The creation and support of the Iraqi Company for Bank Guarantees (ICBG) and the Iraqi Company for Financing Small and Medium Enterprises (ICF-SME) have been positive in creating some additional SME lending. It is unclear, however, whether these institutions are sustainable. (Page v)*

USAID-Tijara disagrees with this interpretation. The section below explains the project's view on the sustainability of both organizations.

- *Both organizations seem to have excessive operational costs (above two percent of the loan gross they manage). Also, loan officers interviewed complained about the bureaucracy and procedures to get their support. It is not clear if management of either of these organizations is capable of taking the institutions to the level of profitability. (Page 23-24)*

The operating costs of the two institutions are justified. ICF-SME's revenues are almost double its costs, so there is no immediate threat to staying in business. ICBG will cover all costs with guarantee fees (and without government subsidy) by 2012 and has historically earned investment revenues in excess of all costs.

According to every International Financial Reporting Standards (IFRS) audited financial statement to date, both institutions consistently record a net profit.

The institutions cannot be blamed for the bureaucracy because ICF-SME does not handle loan applications; ICBG evaluates and decides guarantee applications within two to four working days and notifies the submitting bank within five to seven days of receipt of application.

Sustainability of ICBG and ICF-SME

ICBG

Over the past six months the company has adopted measures to build efficiencies into its operation through formalization of

- A business plan that raises loan guarantee targets 65% over 2010 (on track)
- A marketing initiative that broadens its business with participating banks
- A client-oriented communications procedure reaffirming mutual obligations
- A tighter risk monitoring process and proactive steps to prevent default claims

Sustainability

Guarantee Revenues: As lenders disburse more guaranteed loans in 2011 we witness an improving trend in the ratio of guarantee fee income to all expenses. This rose to 68% by 2010 year end (as opposed to under 20% two years earlier) and is projected to easily meet the target of 78% by year end 2011 and a target of 100% during 2012. As such, dependency on interest revenues from deposits to cover all costs will sink to zero.

Risk Capacity: Moreover, ICBG's capacity to absorb more risk (to its theoretical limit) is currently four times greater than the current risk level it carries of \$ 11 million. This already extremely conservative fourfold risk capacity multiple assumes, very pessimistically, that as much as 25% of a future \$45 million of guarantee risk is lost on claims ---\$11.25 million of capital and reserves honoring \$45 million (i.e., 75% of loss potential on \$60 million of guaranteed loans).

Breakeven: ICBG may guarantee at least an additional \$150 million of loans in the next four years (to 12/2015) without hitting its current risk ceiling supported by existing capital and reserves. Given that ICBG guarantee fees presently cover 2/3rds of expenses, the first \$50 million (of the \$150 million) will suffice to meet a 100% expense coverage ratio. This will be achieved before USAID-Tijara ends in January 2013, thus ensuring its sustainability. ICBG's loss payouts have been and will remain insignificant because virtually all the loans it guarantees are very heavily collateralized.

ICF-SME

ICF-SME is a pioneer dedicated to facilitate loans from private banks to SME's. Its systems and procedures have already proven to work well, and can readily adapt to serve the demands of additional funding programs designed to improve SME access to finance. With only \$7 million of resources, it has over the past 22 months aided the creation of 930 SME loans worth \$18 million.

Sustainability

Profit and Loss: ICF-SME retains a locked in \$280,000 annuity in that it collects from participating shareholder banks a 4% p.a. loan capital management fee on its \$7 million of USAID grants which it allocates to these banks. Additional deposit interest raises revenues to over \$300,000, more than sufficient, factoring in staff expansion, relocation to its own premises (rent) in mid 2012, and related maintenance costs to cover expenses for years out. Revenues remain at least 50% ahead of costs, even after relocation.

Funding Mandate: The company continues raising its visibility to other potential funds providers by presenting its credentials and good track record, and by 2013 will have attracted funds from one or more domestic, regional and/or international sources. ICF-SME's sustainability as a funds manager operating through a dedicated network of SME lending banks will be measured by its success in attracting these new sources. Clearly, as a two-year-old company, there is time for this to occur without rushing to judge its sustainability in serving out this principal mandate.

Proposals: Two Iraqi provinces have already formally requested Ministry of Finance allocations of \$10 million each to ICF-SME (from the province's own budget) to set up dedicated provincial SME loan funds. The company seeks to establish an Islamic Fund to administer in order to broaden its reach to other SME's (applying the *Musharaka* within the Islamic Finance Model), and to push these SMEs towards adopting better business practices.

ICF-SME has also requested for credit lines from several Iraqi ministries, from IFAD, the EU, and since May 2011, from the Government of Iraq for \$140 million to enable it to administer MSME funding programs through microfinance and private bank institutions. Indeed, ICF-SME's apotheosis is to evolve into an APEX organization attracting multiple funds providers.

8. OBJECTIVE 4: YOUTH ENTRENEURSHIP

Iraqi Youth Initiative

- *USAID is concerned with assisting the poorest people in Iraq. The IYI program is predominantly designed to help unemployed youth rather than specifically the poor. (Page 26)*

The two statements are contradictory. The IYI program is predominantly aimed at helping unemployed youth. USAID-Tijara will work with partner SBDCs to provide services to the poor in order for them to participate in the program.

9. EVALUATION DESIGN, METHODS AND ANALYSIS

- **Evaluation Questions**

USAID directed the evaluation team to answer three questions that provide the organizational structure of this report:

4. *How and why have the project objectives changed since their inception?*
5. *What progress is the project making toward the project objectives as they are currently defined?*
6. *What changes to the currently defined objectives or to project implementation are suggested to achieve USAID/Iraq's higher level programmatic goals? (Page iii)*

The report captures the changes in objectives but doesn't explain "why" the changes took place. This is a major oversight as some key developments (such as the change from a sector-led approach to a thematic approach, increase of the base period from two to three years) have not been reflected.

ANNEX 4 : INTERVIEW QUESTIONNAIRES

Questionnaire I: Tijara Team Leaders

Stakeholder:			
Type (Tijara, USAID or other Projects)			
Date:		Time:	
Location:			
PERFORM Staff:			
Stakeholder's and others' Names and Titles:			
Purpose of Visit (check box):	Introduction? <input checked="" type="checkbox"/>		
Data Gathering? <input checked="" type="checkbox"/>	Relationship Management? <input type="checkbox"/>		
Other (specify)? <input type="checkbox"/>			
Interview Form Number			
<p>1. How and why did the project objectives change over the time period since inception to the present day?</p> <p>a. Consider “phase 1” of the contract to be from inception through calendar year 2009.</p> <p>b. Consider “phase 2” of the contract to be 2010 onward. Describe changes and rationale in terms of these two phases.</p> <p>2. What progress is the project currently making toward the project objectives as they are currently defined?</p> <p>a. Determine if the project will achieve the current objectives by the end of the contract period.</p> <p>i. What do you think is the quality of program inputs?</p> <p>ii. Is there adequate technical leadership to achieve program objectives?</p> <p>iii. What has been the project’s collaborations and partnerships?</p> <p>3. What changes need to be made to the program to achieve USAID/Iraq goals?</p> <p>a. success of the implementing contract</p> <p>b. Success of reaching programmatic goal.</p> <p>i. to work more closely with the GOI to affect long -term institutional change in the Iraqi economy.</p>			

Brief Summary of Meeting (e.g., key issues discussed, issues identified, follow-ups):	
Documents Received:	
Follow-Up/Next Steps:	
Reported by (Name and Signature):	

Questionnaire 2: Small Business Development Centers-SBDC's

Stakeholder:			
Type (Tijara, USAID or other Projects)			
Date:		Time:	
Location:			
PERFORM Staff:			
Stakeholder's and others' Names and Titles:			
Purpose of Visit (check box):	Introduction? <input checked="" type="checkbox"/>		
Data Gathering? <input checked="" type="checkbox"/>	Relationship Management? <input type="checkbox"/>		
Other (specify)? <input type="checkbox"/>			
Interview Form Number 2			
<ol style="list-style-type: none"> 1. What is the history of the SBDC? 2. Who are your members? 3. When did you start cooperating with Tijara? 4. Describe the process and the criteria of choosing beneficiaries 5. Describe the services that you provided to the beneficiaries 6. What were the most important results achieved? <ol style="list-style-type: none"> a. How were these results achieved? b. What factors enabled the successful achievement of these results? 7. What were the most important results not achieved? And why? <ol style="list-style-type: none"> a. What specific obstacles prevented the achievement of results? b. What are your recommendations so results can be or will be achieved? 8. What were the most important lessons learned from both the achievement of results and the failure to do so? 9. What are your expectations for sustainability of the SBDC? 10. Recommendations: based on your experience with SBDC, what are your recommendations for improving the role of SBDC 			

Brief Summary of Meeting (e.g., key issues discussed, issues identified, follow-ups):	
Documents Received:	
Follow-Up/Next Steps:	
Reported by (Name and Signature):	

Questionnaire 3: Tijara Project Management Review IYI

Stakeholder:			
Type (Tijara, USAID or other Projects)			
Date:		Time:	
Location:			
PERFORM Staff:			
Stakeholder's and others' Names and Titles:			
Purpose of Visit (check box):	Introduction? <input checked="" type="checkbox"/>		
Data Gathering? <input checked="" type="checkbox"/>	Relationship Management? <input type="checkbox"/>		
Other (specify)? <input type="checkbox"/>			
Interview Form Number 3			
<p>1. Achieved Results:</p> <ul style="list-style-type: none"> a. What were the most important results achieved? b. How were these results achieved? c. What factors enabled the successful achievement of these results? <p>2. Targeted Results Not Achieved:</p> <ul style="list-style-type: none"> a. What were the most important targeted results not achieved? b. What specific obstacles prevented the achievement of results? <ul style="list-style-type: none"> i. (Did you launch your web platform as indicated in the work plan, and if so, when. If not, why not?) <p>3. Lessons Learned, Challenges,</p> <ul style="list-style-type: none"> a. What were the most important lessons learned from both the achievement of results and the failure to do so? b. What major challenges are posed for future project implementations? <p>4. Demographics:</p> <ul style="list-style-type: none"> a. What is the breakdown of the sectors for those who graduated? b. Can you identify ages of the participants? c. What is the breakdown between poor, unskilled, uneducated and those with some college? d. What sectors were or will be impacted by youth training, profile of a grantee, training topics, how many placed at worksites or apprenticing versus how many obtained loans. <ul style="list-style-type: none"> i. Amounts of loans and breakdown of ages, or/and education. 			

Brief Summary of Meeting (e.g., key issues discussed, issues identified, follow-ups):	
Documents Received:	
Follow-Up/Next Steps:	
Reported by (Name and Signature):	

Questionnaire 4: Tijara Project IYI Client Review

Stakeholder:			
Type (Tijara, USAID or other Projects)			
Date:		Time:	
Location:			
PERFORM Staff:			
Stakeholder's and others' Names and Titles:			
Purpose of Visit (check box):	Introduction? <input checked="" type="checkbox"/>		
Data Gathering? <input checked="" type="checkbox"/>	Relationship Management? <input type="checkbox"/>		
Other (specify)? <input type="checkbox"/>			
Interview Form Number 4			
<p>a. How did you hear about the IYI program?</p> <p>b. Why did you participate in this program?</p> <p>c. What results did you expect from participation in this program?</p> <p>d. What skills did you learn in this program that you can use in your employment or business?</p> <p>e. How will you apply the skills you learned in this program?</p> <p>f. What specific assistance would be helpful to you in your career plans?</p>			
Brief Summary of Meeting (e.g., key issues discussed, issues identified, follow-ups):			
Documents Received:			
Follow-Up/Next Steps:			
Reported by (Name and Signature):			

Questionnaire 5: International Trade and WTO Accession/ Business Enabling Environment

Stakeholder:			
Type (Tijara, USAID or other Projects)			
Date:		Time:	
Location:			
PERFORM Staff:			
Stakeholder's and others' Names and Titles:			
Purpose of Visit (check box):	Introduction? <input checked="" type="checkbox"/>		
Data Gathering? <input checked="" type="checkbox"/>	Relationship Management? <input type="checkbox"/>		
Other (specify)? <input type="checkbox"/>			
Interview Form Number 5			
<ol style="list-style-type: none"> 1. What results did you work with Tijara to achieve? 2. How were these results chosen? 3. How did the Tijara program work with you to achieve results? 4. What were the achieved results? 5. What factors contributed to the achievement of the program results? 6. What were the most important targeted results <u>not</u> achieved? 7. What specific obstacles prevented the achievement of results? 8. What were the most important lessons learned from both the achievement of results and the failure to do so? 9. What results were not achieved? Why? 10. Did Tijara do everything that they promised to do to help you achieve the results? 11. What recommendations can you make to improve working with Tijara to achieve the results? 			
Brief Summary of Meeting (e.g., key issues discussed, issues identified, follow-ups):			

Documents Received:	
Follow-Up/Next Steps:	
Reported by (Name and Signature):	

Questionnaire 6: Sustainable Microfinance Component (SMFC) Stakeholder Interview Report – MSME – Microfinance Related

Stakeholder:			
Type (Tijara, USAID or other Projects, MSME, Commercial Bank, MFI, trainee, GOI...):			
Date:		Time:	
Location:			
PERFORM Staff:			
Stakeholder's and others' Names and Titles:			
Purpose of Visit (check box):	Introduction? <input checked="" type="checkbox"/>		
Data Gathering? <input checked="" type="checkbox"/>	Relationship Management? <input type="checkbox"/>		
Other (specify)? <input type="checkbox"/>			
Interview Form Number? (0 in case of no form)	I – MSME		
<p>Questionnaire:</p> <ol style="list-style-type: none"> 1. What are the activities of your business? 2. Where do you have premises? Is that your home? 3. How many employees do you have, if any? 4. What is the educational background for you and your employees? 5. What level of computer skills do you or your personnel have? 6. Typically, how much are your monthly revenues? 7. Which microfinance institution have you been working with? 8. How long have you been working with them? 9. How did you learn about them? 10. How much money did you borrow from them? 11. What was the loan for? 12. When will it be repaid? 13. How has the loan helped your business? 14. Were you satisfied with the process of securing your loan? 15. Did you receive a formal application form to fill in? 			

<p>16. Did they ask you for collateral? Of which kind? For how much value?</p> <p>17. Are you planning to apply for new loans from them?</p> <p>18. Overall, are you satisfied with the way that your MFI process your application?</p> <p>19. Do you consider fair the interest that you pay in your loan, given the context of the economy and the risk in your business or activity?</p> <p>20. Are other sources of financing available for you?</p> <p>21. Which recommendations would you give to your MFI in order to improve their services?</p> <p>22. Do you know of a USAID's Project Tijara? If so, have you received any benefits from them?</p> <p>23. Is there any other comment you would like to make?</p>	
<p>Brief Summary of Meeting (e.g., key issues discussed, issues identified, follow-ups):</p>	
<p> </p>	
<p>Documents Received:</p>	
<p> </p>	
<p>Follow-Up/Next Steps:</p>	
<p> </p>	
<p>Reported by (Name and Signature):</p>	<p> </p>

Questionnaire 7: Sustainable Microfinance Component (SMFC) Stakeholders Interview Report - MFIs

Stakeholder:			
Type (Tijara, USAID or other Projects, MSME, Commercial Bank, MFI, trainee, GOI...):			
Date:		Time:	
Location:			
PERFORM Staff:			
Stakeholder's and others' Names and Titles:			
Purpose of Visit (check box):	Introduction? <input checked="" type="checkbox"/>		
Data Gathering? <input checked="" type="checkbox"/>	Relationship Management? <input type="checkbox"/>		
Other (specify)? <input type="checkbox"/>			
Interview Form Number? (0 in case of no form)	2 – MFI		
<ol style="list-style-type: none"> 1. When was your MFI created? 2. Who initiated the process? 3. Who was then in your Board of Directors? 4. Who is now? Any changes? Why? Do they represent the owners? Who are these last ones? 5. What is your geographical scope? 6. What is the profile of clients that you are targeting? 7. What is the average and range for your loan size? 8. Are you planning to lower this average in order to reach the poorest segment? 9. What is the average and range the interest you ask from our clients? How do you adjust it over the payment period? 10. What is the average and range for the repayment period? 11. What is your current capital? 12. What is the volume for your outstanding loan portfolio? 			

13. How many outstanding loans do you have now?
14. What are your forecasted numbers in terms of (1) capital, (2) outstanding loans amount and (3) number of outstanding loans for January 2012? In 3 years?
15. What is your PAR?⁴⁰
16. What is your OSS%?⁴¹
17. What is your FSS%?⁴²
18. What is your OER?
19. What is your outstanding case load?
20. Which procedures and best practices do you follow?
21. Are you using the solidarity group lending (SGL) methodology?
22. Are you familiar with (1) PMT/PMS (Project Monitoring Tool/Project Monitoring System), (2) www.IMFI.org web portal, (3) the Sanabel Microfinance Network of Arab Countries and (4) the MIX Market? How do you interact with each of them?
23. What is your major challenge?
24. Is security affecting your operations? Is it going better or worse?
25. Which financial support did you receive from USAID, projects related to it or from other US Government agencies or institutions? From Tijara?
26. Which support (non-financial) did you receive from USAID, projects related to it or from other US Government agencies or institutions? From Tijara?
27. Which support (financial and non-financial) did you receive from other donors?
28. Did you receive any financial support from the GOI or any of its linked institutions or agencies?
29. What is your opinion about the job they are doing?
30. What is your relation with the CBI and knowledge about their approach to and plans related to MFIs?
31. What is your relation with the NGO Directorate and knowledge about their approach to and plans related to MFIs?
32. What is your knowledge about the new law and the concept of NBFIs?
33. What is your opinion about this law? Any suggestion for it?
34. Which implications do you believe it will have for you?
35. Do you see your MFI converting into a Non Banking Financial Institution (NBFI) at some point in the near future?

³⁴Other related questions will be asked depending on the answer and whether the number put them below or above the industry standard of 2%

⁴¹ Other related questions will be asked depending on the answer and whether the number put them below or above the industry standard of 100% (170% in Iraq)

⁴² Other related questions will be asked depending on the answer and whether the number put them below or above the industry standard of 100% (170% in Iraq)

<p>36. What else do you believe it needs to be done in order to consolidate this industry and make it to grow further?</p> <p>37. What is your opinion about the job Tijara is doing so far?</p> <p>38. Any suggestion for them in the future?</p>	
<p>Brief Summary of Meeting (e.g., key issues discussed, issues identified, follow-ups):</p>	
<p>Documents Received:</p>	
<p>Follow-Up/Next Steps:</p>	
<p>Reported by (Name and Signature):</p>	

Questionnaire 8: Sustainable Microfinance Component (SMFC) Stakeholder Interview Report – MSME – Microfinance Related

Stakeholder:			
Type (Tijara, USAID or other Projects, MSME, Commercial Bank, MFI, trainee, GOI...):			
Date:		Time:	
Location:			
PERFORM Staff:			
Stakeholder's and others' Names and Titles:			
Purpose of Visit (check box):	Introduction? <input checked="" type="checkbox"/>		
Data Gathering? <input checked="" type="checkbox"/>	Relationship Management? <input type="checkbox"/>		
Other (specify)? <input type="checkbox"/>			
Interview Form Number? (0 in case of no form)	I – MSME		
<p>Questionnaire:</p> <ol style="list-style-type: none"> 1. What are the activities of your business? 2. Where do you have premises? Is that your home? 3. How many employees do you have, if any? 4. What is the educational background for you and your employees? 5. What level of computer skills you or your personnel have? 6. Typically, how much are your monthly revenues? 7. Which microfinance institution have you been working with? 8. How long have you been working with them? 9. How did you learn about them? 10. How much money did you borrow from them? 11. What was the loan for? 12. When will it be repaid? 13. How has the loan helped your business? 			

14. Were you satisfied with the process of securing your loan?
15. Did you receive a formal application form to fill in?
16. Did they ask you for collateral? Of which kind? For how much value?
17. Are you planning to apply for new loans from them?
18. Overall, are you satisfied with the way that your MFI process your application?
19. Do you consider fair the interest that you pay in your loan, given the context of the economy and the risk in your business or activity?
20. Are other sources of financing available for you?
21. Which recommendations would you give to your MFI in order to improve their services?
22. Do you know of a USAID's Project Tijara? If so, have you received any benefits from them?
23. Is there any other comment you would like to make?

Brief Summary of Meeting (e.g., key issues discussed, issues identified, follow-ups):

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Documents Received:

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Follow-Up/Next Steps:

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**Reported by
(Name and
Signature):**

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Questionnaire 9: Sustainable Microfinance Component (SMFC) Stakeholder Interview Report - MFIs

Stakeholder:			
Type (Tijara, USAID or other Projects, MSME, Commercial Bank, MFI, trainee, GOI...):			
Date:		Time:	
Location:			
PERFORM Staff:			
Stakeholder's and others' Names and Titles:			
Purpose of Visit (check box):	Introduction? <input checked="" type="checkbox"/>		
Data Gathering? <input checked="" type="checkbox"/>	Relationship Management? <input type="checkbox"/>		
Other (specify)? <input type="checkbox"/>			
Interview Form Number? (0 in case of no form)	2 – MFI		
<ol style="list-style-type: none"> 1. When was your MFI created? 2. Who initiated the process? 3. Who was then in your Board of Directors? 4. Who is now? Any changes? Why? Do they represent the owners? Who are these last ones? 5. What is your geographical scope? 6. What is the profile of clients that you are targeting? 7. What is the average and range for your loan size? 8. Are you planning to lower this average in order to reach the poorest segment? 9. What is the average and range the interest you ask from our clients? How do you adjust it over the payment period? 10. What is the average and range for the repayment period? 11. What is your current capital? 12. What is the volume for your outstanding loan portfolio? 			

13. How many outstanding loans do you have now?
14. What are your forecasted numbers in terms of (1) capital, (2) outstanding loans amount and (3) number of outstanding loans for January 2012? In 3 years?
15. What is your PAR?
16. What is your OSS%?
17. What is your FSS%?
18. What is your OER?
19. What is your outstanding case load?
20. Which procedures and best practices do you follow?
21. Are you using the solidarity group lending (SGL) methodology?
22. Are you familiar with (1) PMT/PMS (Project Monitoring Tool/Project Monitoring System), (2) www.IMFI.org web portal, (3) the Sanabel Microfinance Network of Arab Countries and (4) the MIX Market? How do you interact with each of them?
23. What is your major challenge?
24. Is security affecting your operations? Is it going better or worse?
25. Which financial support did you receive from USAID, projects related to it or from other US Government agencies or institutions? From Tijara?
26. Which support (non-financial) did you receive from USAID, projects related to it or from other US Government agencies or institutions? From Tijara?
27. Which support (financial and non-financial) did you receive from other donors?
28. Did you receive any financial support from the GOI or any of its linked institutions or agencies?
29. What is your opinion about the job they are doing?
30. What is your relation with the CBI and knowledge about their approach to and plans related to MFIs?
31. What is your relation with the NGO Directorate and knowledge about their approach to and plans related to MFIs?
32. What is your knowledge about the new law and the concept of NBFIs?
33. What is your opinion about this law? Any suggestion for it?
34. Which implications do you believe it will have for you?
35. Do you see your MFI converting into a Non Banking Financial Institution (NBFI) at some point in the near future?
36. What else do you believe it needs to be done in order to consolidate this industry and make it to grow further?
37. What is your opinion about the job Tijara is doing so far?
38. Any suggestion for them in the future?

Brief Summary of Meeting (e.g., key issues discussed, issues identified, follow-ups):	
Documents Received:	
Follow-Up/Next Steps:	
Reported by (Name and Signature):	

Questionnaire 10: SME Development and Bank Lending Stakeholder Interview Report – SME – SME Lending Related

Stakeholder:			
Type (Tijara, USAID or other Projects, MSME, Commercial Bank, MFI, trainee, GOI...):			
Date:		Time:	
Location:			
PERFORM Staff:			
Stakeholder's and others' Names and Titles:			
Purpose of Visit (check box):		Introduction? <input checked="" type="checkbox"/>	
Data Gathering? <input checked="" type="checkbox"/>		Relationship Management? <input type="checkbox"/>	
Other (specify)? <input type="checkbox"/>			
Interview Form Number? (0 in case of no form)	I – SME		
<ol style="list-style-type: none"> 1. What are the activities of your business? 2. Where do you have premises? Is that your home? 3. How many employees do you have, if any? 4. What is the educational background for you and your employees? 5. What level of computer skills you or your personnel have? 6. Typically, how much are your monthly revenues? 7. Which commercial bank have you been working with? 8. How long have you been working with them? 9. How did you learn about their SME lending program or the possibility to get financing for your business through them? 10. How much money did you borrow from them? 11. When? 12. What was the loan for? 13. When will it be repaid? 			

<p>14. How has the loan helped your business?</p> <p>15. Did they ask you for collateral? Of which kind? For how much value?</p> <p>16. Are you planning to apply for new loans from them?</p> <p>17. Overall, are you satisfied with the way that your bank processed your application?</p> <p>18. Do you consider fair the interest that you pay in your loan, given the context of the economy and the risk in your business or activity?</p> <p>19. Are other sources of financing available for you?</p> <p>20. Which recommendations would you give to your bank in order to improve their services?</p> <p>21. Do you know of a USAID's Project Tijara? If so, what do you know about them and other effort from US government agencies and institutions to support SMEs?</p> <p>22. Is there any other comment you would like to add?</p>	
Brief Summary of Meeting (e.g., key issues discussed, issues identified, follow-ups):	
Documents Received:	
Follow-Up/Next Steps:	
Reported by (Name and Signature):	

Questionnaire II: SME Development and Bank Lending

Stakeholder Interview Report – Commercial Bank Lending SMEs

Stakeholder:			
Type (Tijara, USAID or other Projects, MSME, Commercial Bank, MFI, trainee, GOI...):			
Date:		Time:	
Location:			
PERFORM Staff:			
Stakeholder's and others' Names and Titles:			
Purpose of Visit (check box):		Introduction? <input checked="" type="checkbox"/>	
Data Gathering? <input checked="" type="checkbox"/>		Relationship Management? <input type="checkbox"/>	
Other (specify)? <input type="checkbox"/>			
Interview Form Number? (0 in case of no form)	2 – Commercial Bank		
<ol style="list-style-type: none"> 1. When did your bank start operations? 2. Who owns the bank? 3. What is your geographical scope? 4. How many offices do you have in Iraq? 5. What is your portfolio of products and size of them by assets? 6. How do you segment your clients? Which segments are the most important? 7. What is the average and range for your SME loan's size? 8. What is the average and range for the loan application-processing-and-opening fee? 9. What is the average and range the interest you ask from our clients? How do you adjust it over the payment period? 10. What is the average and range for the repayment period? 11. What is your current capital? 12. What is the volume for your outstanding loan portfolio? 13. Do you have an specific department in your bank for SME lending 14. What is the volume for your outstanding SME loan portfolio? 			

15. How many outstanding SME loans do you have now?
16. What are your forecasted numbers in terms of (1) outstanding SME loans amount and (2) number of outstanding loans for January 2012? In 3 years?
17. What is your Default Ratio for SME Loans?
18. Which procedures and best practices do you follow?
19. What are your major challenges in SME lending?
20. Which financial support did you receive from USAID, projects related to it or from other US Government agencies or institutions? From Tijara?
21. Which support (non-financial) did you receive from USAID, projects related to it or from other US Government agencies or institutions? From Tijara?
22. Which support (financial and non-financial) did you receive from other donors?
23. What do you think of the role that the Iraqi Company for Bank Guarantees (ICBG) in helping to develop your SME lending efforts?
24. Are you a shareholder?
25. How could they improve they support?
26. What do you think of the role that the Iraqi Company for Financing SMEs (ICF-SME) in helping to develop SME lending sector?
27. Are you a shareholder?
28. Did you receive any financial support from the GOI or any of its linked institutions or agencies?
29. What else do you believe it needs to be done in order to consolidate SME lending in the Iraqi industry and make it to grow further?
30. Are you familiar with the Iraqi Company for Financing?
31. Are you one of its stakeholders/shareholders?
32. What is your opinion about the job Tijara is doing so far?
33. Any suggestion for them in the future?

Brief Summary of Meeting (e.g., key issues discussed, issues identified, follow-ups):

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Documents Received:

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Follow-Up/Next Steps:

--

Reported by (Name and Signature):	
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ANNEX 5: MEETING SCHEDULE

(Removed – For Internal Use Only)

ANNEX 6: INTERVIEW LOG

(Removed – For Internal Use Only)

ANNEX 7: INTERVIEW QUESTIONNAIRE: TRAINEES FROM SBDCs

(Removed – For Internal Use Only)

ANNEX 8: DISTANCE QUESTIONNAIRES

(Removed – For Internal Use Only)

ANNEX 9: QUESTIONNAIRE: MFIs AND BANKS

(Removed – For Internal Use Only)

ANNEX 10: INTERVIEW QUESTIONNAIRE: TRAINEES FROM IYI PROGRAMS

(Removed- For Internal Use Only)

ANNEX 12: SBDCs CURRENTLY WITHIN THE USAID-TIJARA SBDC NETWORK

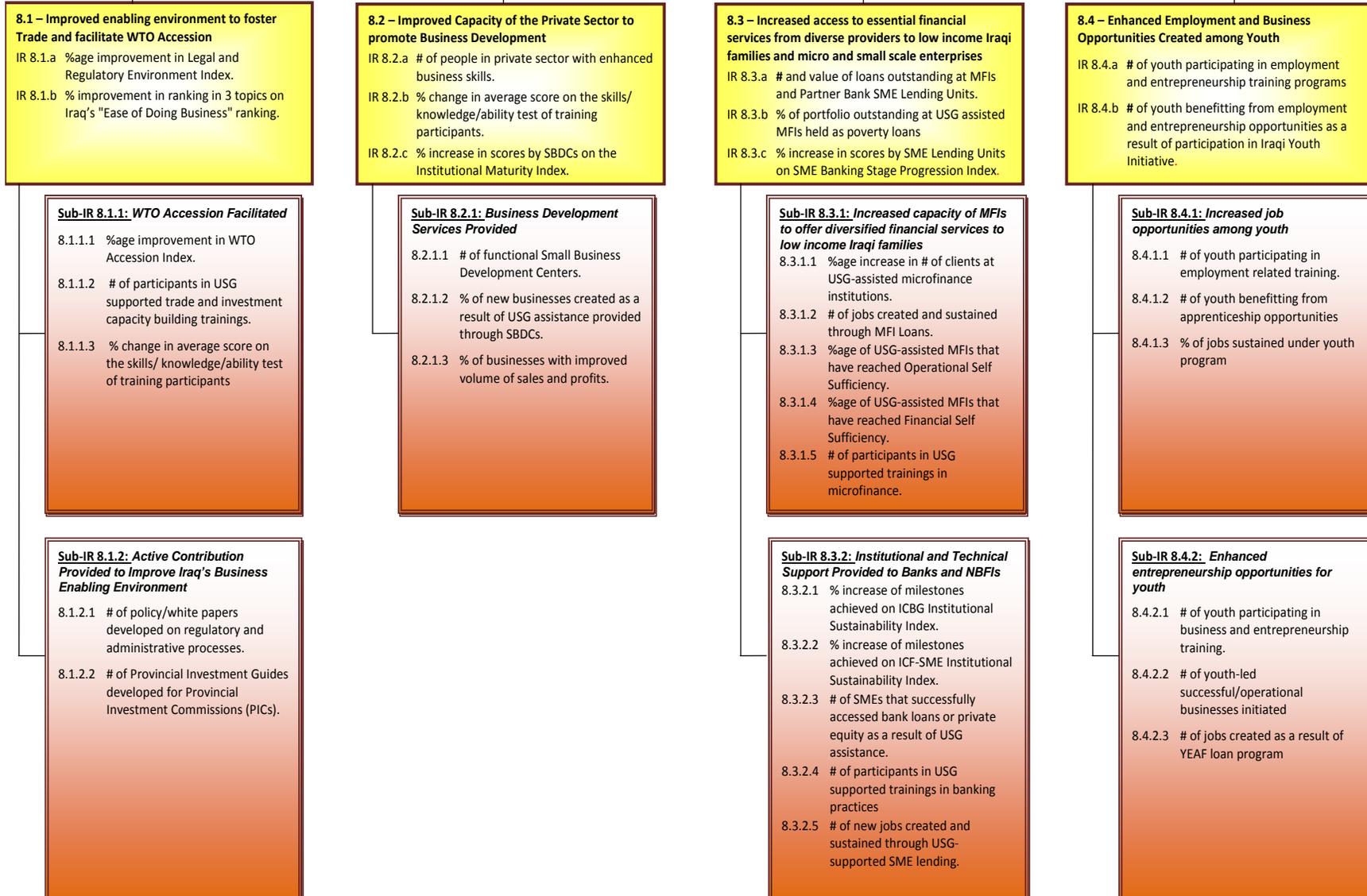
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ANNEX 13: USAID'S STRATEGIC OBJECTIVE 8

USAID'S STRATEGIC OBJECTIVE 8: PRIVATE SECTOR ECONOMIC OPPORTUNITIES EXPANDED

USAID Accountable

Project Accountable



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