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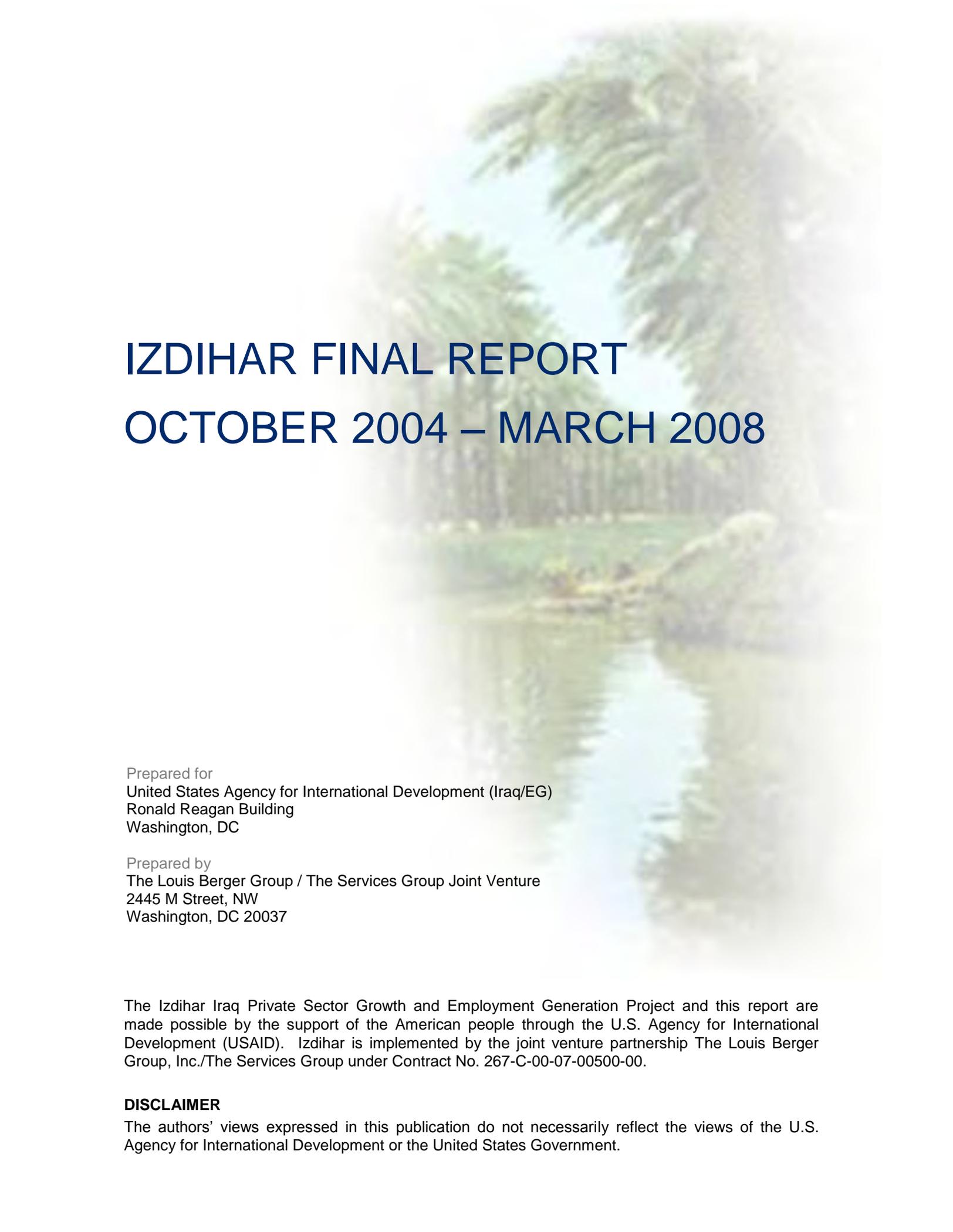
IRAQ PRIVATE SECTOR GROWTH AND EMPLOYMENT GENERATION

IZDIHAR FINAL REPORT

October 2004 – March 2008



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OCTOBER 2004 – MARCH 2008

Prepared for
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Ronald Reagan Building
Washington, DC

Prepared by
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I. GENERAL INFORMATION

Project Name: "Izdihar" Iraq Private Sector Growth and Employment Generation Project

Project Objective: The project aims to promote economic growth and prosperity for all Iraqis by developing a more market-friendly environment for broad-based economic opportunity and business expansion. It supports the creation of a nation of stakeholders, where economic growth encourages political pluralism. The project is designed to help Iraq attain sustained, higher economic growth rates that are private sector-led, employment generating and equitable.

Contract No: 267-C-00-04-00435-00

Project Start Date: September 2004

Project End Date: September 2007

Project Principals: Charles Bell, Louis Berger Group
Hugh Doyle, AECOM International Development

On-Site Leadership: Baljit Vohra (Chief of Party)

II. MESSAGE FROM THE PROJECT PRINCIPALS

On behalf of the joint venture of Louis Berger Group and AECOM International (formerly The Services Group), we would like to thank all of our staff – expatriate and Iraqi national – who have successfully implemented the Izdihar project. Under extremely difficult circumstances, our staff provided the technical expertise, resolve, persistence, and creativity to make Izdihar a success.

Izdihar is a beacon of hope. It is also a well structured technical assistance program that was able to provide tangible benefits. We are proud that Izdihar was a driving force in improving the economic and social well being of the Iraqi private sector. On a daily basis, our team worked and forged close relationships with the “silent majority” – those Iraqis that just want to live their lives, free of violence and insecurity, so that they can attain their economic, social and family goals. While we proudly note the quantifiable targets that were attained (e.g. more than \$150 million in microfinance loans); we are equally proud of the new leaders, entrepreneurs, and other private sector managers we trained and empowered. The development of human capital – while not always easy to measure in any immediate benefits – is the foundation from which the Iraqi economy will continue to grow in the years to come.

From a developmental implementation perspective, our collective experience in Iraq taught us a number of lessons. First, one needs a lot of patience. A simple two hour ride to counterpart’s office (under normal circumstances) turned into a coordinated military logistical operation that could take five days to plan and implement. Second, the process by which one operates in Iraq is as important as the end objective. Our team needed to coordinate with a variety of stakeholders – Iraqi government, U.S. government, Iraqi private sector, etc. – on a daily, sometimes hourly basis. Through these interactions, it was necessary to gain an understanding and appreciation for the work being carried out by others. As circumstances on the ground changed, our team had to respond to new opportunities and challenges. This required flexibility and an implementation structure that could invest and shift resources from one region to another, from one component to another. Finally, successfully working in Iraq required that our team be pragmatic yet ambitious realists. We had to set goals by which we could be measured. But we also needed to make sure that any delays and diversions (of which there were many!) did not lead to pessimism, or worse, cynicism. We always knew that with our persistence and collaborative approach, we would place each Iraqi with whom we worked in a better position to compete and prosper.

We would like to thank USAID for choosing our consortium to implement this critically important project. We value USAID's efforts in forming a partnership that allowed us, together, to successfully leverage all of the USG resources in country. Throughout the past several years, we have been lucky to have so many dedicated, technically capable professionals from the USG supporting Izdihar. USAID facilitated our interaction with the Iraqi private sector and government. They also successfully forged a relationship with the U.S. military that allowed us to better work with the Provincial Reconstruction Teams. Through the U.S. military, along with the exemplary efforts of our security/life support provider, Sallyport, our team was able to work in what would otherwise be non-permissive environments.

Finally, in closing, we would like to thank and applaud our brave and courageous Iraqi staff. Our local staff served as our eyes and ears in the field. Without them, we would not have been able to work with our local counterparts. Day in and day out, our Iraqi staff came to work at the Mansour compound. Even under the most difficult security situations, they would come to work and work hard, without ever complaining. Through them, we came to appreciate the fortitude and great potential that the Iraqi people have and will use to create a more stable, economically strong Iraq.

Best wishes always,

Charlie Bell and Hugh Doyle

III. EXECUTIVE SUMMARY AND MESSAGE FROM THE CHIEF OF PARTY

PROJECT OVERVIEW, CONCEPTS, DESIGN, METHODS, RESULTS

The ultimate goal is to create jobs and contribute to the general welfare of the population and the prosperity of the country.

The Beginnings

Three years ago, the LBG/TSG joint venture was tasked by USAID to establish *Izdihar* – a multi-faceted private sector development project that would serve as the enabler for economic growth and prosperity in Iraq. The project was launched amidst a backdrop that comprised the following:

- An economy dominated by State-Owned Enterprises;
- Little understanding of basic business practices;
- Lack of a proper investment framework, including restrictions on foreign ownership of land;
- Investor uncertainty and prevailing macroeconomic priorities (high interest rates, high Dinar, low tariffs) that had worked against the development of other sectors;
- Archaic customs classification system from the colonial era; haphazard customs enforcement and collection of customs duties due to corruption and lack of technical skills by customs;
- Confusing, contradictory and outdated legal and regulatory environment and poorly functioning commercial courts;
- No reliable means of accessing finance for new businesses; and
- Skilled labor and middle class that was becoming a large part of the 2 million+ refugee wave leaving the social base as well as the skill base of Iraq considerably weakened.

Upon establishing ourselves in Baghdad's Red Zone, we assembled a dedicated team of professionals that worked over a 3-year period to facilitate access to capital for micro, small and medium size enterprises through bank lending and microfinance, upgraded business skills

through business associations and training centers and helped enhance the capacity of the Iraqi government and private sector to establish a market-friendly environment for facilitating privatization, trade and investment. We also leveraged our assistance at the provincial level in partnership and coordination with the coalition forces, Provincial Reconstruction Teams (PRTs) and local partners throughout Iraq. This partnership extended and strengthened our impact at the local level, increased awareness of all our implementing partners, and facilitated appropriate referrals to the variety of programs and technical assistance available through a myriad of channels in Iraq.

Working in a Hostile Environment

We had to operate in an extremely hostile security environment. Threats of random criminal activity — including kidnapping — as well as politically-motivated violence that included assassination and kidnapping, posed challenges for the project. During the 3 years, our project teams experienced mortar/rocket attacks, IED (improvised explosive devices) explosions and constant threat of VBIED (vehicle-borne improvised explosive device) attacks in addition to small arms and RPG fire. Political uncertainty at one time also led to evacuation of entire project personnel from the country. The project lost several local counterparts as well as several of its own technical and support staff to the insurgency. But the work went on.....

Commenting on our Achievements

So, what did we achieve? We assisted in the establishment of a **nation-wide microfinance** industry that now comprises 3 large international NGOs and 9 indigenous institutions operating throughout the country. These partner institutions now have a combined loan portfolio of over \$33.3 million extended to over 24,000 active clients, and almost **70,000** loans¹ worth over **\$150 million** having been disbursed by the industry since Izdihar started. Through co-operation with coalition civilian affairs, PRTs and the Marines, we **supported the surge effort** by creating indigenous microfinance institutions in violence prone provinces of Al-Anbar, Kirkuk, Baghdad and Salah ad Din. The project provided training to over 400 microfinance practitioners in Iraq; including the certification of the first group of CGAP certified microfinance trainers. The industry now employs over 560 personnel. The project hosted and organized the first-ever Iraq national Microfinance Summit that led to the development of the first **Iraq Microfinance Strategy**. We

¹ According to anecdotal estimates, the MF industry has facilitated the creation of over 200,000 job opportunities in part- and full-time employment since its inception. The industry is characterized by an average loan size of \$2,150, interest rates ranging from 12-18%, repayment rates reaching 98% and 15% of the loans disbursed to female borrowers. Individuals have taken loans for hair salons, tailoring, taxi cabs, auto/tractor repairs, equipment purchases, restaurants, retailing of goods, home improvements, crop inputs, food processing and livestock purchases, etc. Loans have been guaranteed by personal guarantees or other forms of collateral.

assisted in the establishment of the Iraqi Company for Bank Guarantees (ICBG) to enhance access to credit for small and medium size enterprises and develop profitable SME portfolios in private banks nationwide. Eleven private Iraqi banks subscribed \$3.7 million in initial equity, augmented by a \$5 million grant from USAID facilitated by Izdihar. Twenty-four guarantees for \$1,000,000 worth of loans were approved.

Client Commendations

“...together, Izdihar and USAID are advancing the US Iraq Mission’s objectives in private sector development with results that stand on their own, regardless of any gap between programs. This says a lot given the challenges, fluidity, and mortal danger we, especially Izdihar’s Iraqi professional staff, face in today’s Iraq.” **Email to Izdihar COP, Baljit Vohra from Christian Hougen, Director, Economic Growth and Agriculture Office, USAID/Iraq**

We assisted the Government of Iraq (GOI) in preparing and submitting the Memorandum on the Foreign Trade Regime (**MFTR**) to the World Trade Organization (**WTO**), and to answer questions raised by key members of the WTO regarding Iraq’s agricultural regime, customs and tariff policies, technical barriers to trade, and other trade-related topics. The project coordinated with 15 GOI Ministries to prepare for the first formal meeting of the **WTO Working Party** on Iraq’s accession in Geneva, which was successfully completed in May 2007. Assistance to the GOI also included the drafting of **WTO-compliant legislation** on Customs, Intellectual Property Rights, Technical Barriers to Trade, and Sanitary & Phytosanitary Measures. Towards the end of our project life, we assisted the GOI to complete all the necessary documentation required to host the **2nd Working Party** meeting with the WTO. Our work in the trade area was undertaken in close cooperation with the US Departments of Commerce & State and the US Trade Representative (USTR) office.

The project provided technical assistance towards the finalization of the **Investment Law** passed by the Iraqi Parliament in October 2006. It established the **Iraq Investment Promotion Agency**, developed the **Investor Roadmap for Iraq** and prepared the **Competitiveness Analysis Study** to highlight 10 economic sectors with significant potential to attract foreign investors. Industry-specific studies completed on the domestic food processing, pharmaceuticals and tourism industries continue to serve as useful references for potential investment projects. Izdihar’s principals served as co-founders of **AmCham Iraq** and contributed to the deliberations of the **US-Iraq Business Dialog** - a bilateral business dialog group established by the US Dept. of Commerce and the Iraqi Ministry of Trade to facilitate private sector business growth in Iraq.

The project developed seven Small Business Development Centers (**SBDCs**) in Baghdad, Erbil, Fallujah, Hilla, Kirkuk, Kut and Tal’Afar to provide needed professional business management

skills to over 800 Iraqi entrepreneurs and eventually linking them to our microfinance partners and ICBG bank partners. Thirty-eight master trainers, 802 professional accountants and 437 students across 17 governorates received training on International Accounting Standards. At 14 universities and IUAA locations, 643 students and professionals were trained in Auditing Methods, Methodologies, and Standards. Established in conjunction with universities and IUAA branches, 45 Izdihar Learning Resource Centers throughout the country were equipped with over 8,000 modern texts in English and Arabic.

Our Disappointments

Though happy with the successes above, we were disappointed to see that there was little movement from the GOI on either the privatization or the broader capital market reform issues.

Izdihar could not make progress in these areas but I am hopeful that our work in these areas (e.g., the draft privatization law, the institutional support for the Iraqi Securities Commission and the establishment of the Iraqi Association of Securities Dealers) will be put to good use when the government does get around to tackling these reform areas.

Reasons for our Successes

Our successes were attributable to our reach as a **national** program operating outside the Baghdad's International Zone (IZ). The location was intentional, so as to provide accessibility to beneficiaries and to work closely with implementing partners throughout the country.

Management approach was guided by the overarching goal of project flexibility (mandated by the need to serve rapidly evolving GOI and USG priorities), the integration of local expertise and providing an "Iraqi face" on all our assistance efforts. The branding of the USAID's project (as *Izdihar*, which means *prosperity* in Arabic) in the early days, followed by successful alliances with international and local partners in 33 cities throughout the 18 provinces, helped to roll out component activities at the local level. Several of these local partner organizations are now assisting PRTs and provincial governments in implementing local development plans.

Izdihar's Model for Success and Lessons Learned

- Reach as a national program outside the Green Zone; willingness to get out there
- Project flexibility and ability to understand intra-agency politics
- Providing an "Iraqi Face" to all assistance efforts
- Branding – strong brand 
- Successfully integrating local expertise; forging alliances with partners in 33 cities

in all the 18 governorates

- Periodic Strategic Partner meetings and events in secured areas
- Retention of Expatriate and Local Expertise characterized by internalizing of the Izdihar philosophy- “get it done”
- Dedication and teamwork; strong work ethic
- State of the art modern business facilities acting as a motivator
- Top quality security and life support services
- Maintaining a team in a post-conflict environment is about more than just money
- Creating a “mission first” culture
- Developing a new approach whereby the life-support and logistics team are partners in the development work
- Recruitment of go-getters adept at working in such environments

Leaving Behind a Legacy

Izdihar’s model of project implementation and service delivery (including client staffing and support infrastructure) has been replicated by several USAID development projects that are now co-located with us in our compound in the Red-Zone. These projects are leveraging off the infrastructure established under the project, including the security, life support and the business center/housing locations. They also work closely with several of the local implementing partners and vendors that were screened and selected under Izdihar auspices.

We also leave behind a specially designed knowledge portal (www.Izdihar-iraqknowledgeportal.com) that is serving as a repository of information of the project’s work and its achievements as well as other information on provincial transformation issues. It will continue to be a valuable on-line source connecting PRTs, USAID and its implementing partners.

Closing Thoughts

This project has been a real challenge for me and my team. We have had to cope with tragedy; the project was engulfed with repeated uncertainty due to inter-agency politics and an often dysfunctional government; we went through trying times and we risked our lives fulfilling our mission. But we close Izdihar proud of our collective achievements. Not only did we learn how

to successfully operate logistically; politically and culturally in hostile and post-conflict environments, we made a difference. On behalf of all the Izdiharians, let me close by thanking the GOI, the US Embassy & USAID and our implementing partners for helping us make this difference. Our contributions will serve as an enabler for positioning Iraq as *the* destination for business- and tourism- related travelers in the years to come.

Baljit Vohra

Chief of Party, USAID/Izdihar Project &

Executive Vice President, AmCham Iraq

IV. COMPONENT REPORTS

MSME DEVELOPMENT: SUSTAINABLE MICROFINANCE

Goal

The goal of the microfinance component was to empower Iraqis to help build a sustainable non-bank financial industry in Iraq that will provide loans to small businesses, women-owned firms and individuals in order to enhance private sector economic growth and employment across Iraq. This endeavor is intended to ensure a better future for Iraqis by providing access to financial services and thus helping in the economic development of their communities and, indirectly, helping to improve the security situation.

MICROFINANCE TASK AREAS

Grants to Microfinance Institutions:

Awarding and managing multi-million dollar grants to support development of a sustainable microfinance industry in Iraq.

Start-Up Technical Assistance to Indigenous MFIs: Providing technical assistance and grants start up new, independent, Iraqi microfinance institutions.

Training: Providing CGAP training to MFI staff, managers, founders and Board members and training a cadre of Iraqi CGAP trainers to sustain continued MFI industry development.

Objectives

Microfinance is an important instrument for economic growth, yet not an all-encompassing panacea for poverty alleviation. With its world-wide track record of providing economic opportunity for marginalized entrepreneurs and producers that are traditionally excluded from commercial bank loans, microfinance has been injected into the economic growth programming of many countries that are in transition from conflict or from economic stagnation. It is a pump-priming tool for economic reactivation of localities, and, if implemented correctly, can enforce payment discipline and demand-driven economic behaviors that are favorable for the area.

The component helped to create or expand eleven increasingly sustainable microfinance institutions that will last beyond the life-cycle of donor assistance. The component first engaged with three large international NGOs – two of which were already operating in Iraq – to provide operational and loan capital grants in order to build the microfinance market. The second step was to work with the US Military to establish indigenous microfinance institutions (IMFIs) in targeted areas to create a network of small microfinance service providers.

Izdihar's efforts to serve the eleven Iraqi MFIs so that they can reach scale and sustainability have been invaluable in complimenting other economic activities. The institutions have been operating from 4.5 years for the oldest (CHF) to less than six months for the youngest. Eight of them are indigenous entities that have opened microfinance services in the last 9 months. Two

of them are operationally sustainable. The Al Anbar province entities (Al Takadum Organization, with independent branches in Fallujah, Ramadi and Al Qaim) have been a product of close interaction with Al Anbar PRTs, and the Ninewah province MFIs (NEDC and TEDC) rely strongly on the support of Ninewah PRTs. Baghdad's Al Bashair thrives from the investment of Baghdad DACs and PRTs. A recent analysis demonstrates that they are in various points of maturing.

In addition to grants used to capitalize the microfinance industry, the component provided technical assistance and training to improve the quality of the portfolios of the MFIs and increase their capacity to deliver financial products to the market. Technical assistance on loan tracking and monitoring, international financial best practices, financial reporting and analysis, and other key operational areas helped to make the three large MFIs strongly competitive – although not yet sustainable – and built the MFIs into functioning local entities.

Training for MFIs involved three phases over the course of the project. Track I training involved direct training to MFIs by the component. Track II training consisted of selecting 11 Iraqis and sponsoring them for a CGAP certification as microfinance TOTs. For Track III training, the responsibility for delivery moved from Izdihar to the new trainers, who delivered several courses each month across the country.

Challenges

GOI has established microfinance programs with heavily subsidized interest rates (2% in 2007, 0% in 2008). The main microfinance program was started in mid-2007 by the Ministry of Labor and Social Affairs (MOLSA) as a pilot program and then expanded to all the provinces in Iraq except for Kurdistan. Initially BearingPoint was providing technical assistance to the ministry.

Tijara made several attempts and proposals to assist MOLSA, but they wanted to work independently. The Ministry of Industry and Minerals (MIM) has also started a microfinance program in 2007, on similar terms, aimed at manufacturing SMEs registered with its Industrial Development Directorate. Programs offering funds at artificially low cost of funds create an unreasonable benchmark among potential borrowers; with some diverting their resources into lobbying in an attempt to qualify for these schemes.

	MOLSA program	MIM program	USG program
Type of lending	micro loans for business start-ups	SME lending	microfinance lending
Objectives	enhancing living standards; reducing unemployment;	industry support to manufacturing industry	funds for individuals who lack access to finance from established sources

	MOLSA program	MIM program	USG program
Target group(s)	disabled, displaced persons, survivors of martyrs, uncompensated owners of destroyed shops, unemployed recent graduates	eligible small enterprises registered with MIM's Industrial Development Directorate	microenterprise and SME owners, consumers, agriprocessing businesses
Source of finance	Rafidain State Bank	Rasheed State Bank	donor funds, retained earnings
Cost of funds to the borrowers	0%	0%	15-18%, plus application fee
Cost of funds subsidized by	Ministry of Finance (6% interest and loss cover), Rafidain State Bank (difference between 6% and the market rate)	Ministry of Finance (6% interest and loss cover), Rasheed State Bank (difference between 6% and the market rate)	donor grants (before sustainability is reached)
Loan size	average 2007 loan size \$4,600	average 2007 loan size \$14,858	average outstanding loan size of \$1,318
Other terms and conditions	loan period 5-8 years, up to 1 year grace period	loan period 4 years	6-12 months
Review process for credit applications	application committee, business assessment committee, central committee (for approvals, in Baghdad)	Industrial Development Directorate at MIM	field loan officers; MFI's credit officer
Subsequent follow up	monitoring committee; field visits	Industrial Development Directorate at MIM	field loan officers
Volume of loans disbursed since inception	\$28.5 million (Nov 07)	\$20 million (Dec 07)	\$163 million, \$37 million outstanding (March 08)
Loans planned for 2008	\$660 million	\$360 million	\$14 million
Macro-economic effect	diversion of budget funds to activities with low rate of return; desired employment creation effects highly uncertain and beneficiaries likely to return to social security net; rapid release of funds likely to contribute to price inflation;	increased activity in the SME sector; misallocation of resources if the selected SMEs do not go to applicants with the best business prospects	increased demand for suppliers of stocks and equipment at a rate that does not fuel inflation, increased activity in the SME sector

	MOLSA program	MIM program	USG program
Assessment	borrowers with little knowledge of running a business likely to lead to high failure and default rate; MOLSA lacks staff experienced in loan disbursement and administration	loans are allocated on the basis of personal connections rather than economic merit; MIM lacks staff experienced in loan disbursement and administration	very low default rates and high number of returning borrowers; however, achieving operational self-sufficiency is difficult as MFIs finance the security costs out of their budget

Achievements

As of March 2008, the microfinance institutions disbursed 76,168 loans (14% to female borrowers) of \$163 million. The industry helped maintain and create more than 200,000 jobs through funding entrepreneurial activities.

Development of Microfinance Institutions in Iraq

The microfinance component partnered with three international NGOs and helped establish eight MFIs (including three independent branches of al Takadum MFI in Al Anbar) in order to extend microfinance outreach to all eighteen governorates in Iraq.

Over the course of the project, Izdihar awarded operational and loan capital grants to microfinance institutions.² The grants program began by extending operational capital grants to CHF and ACDI/VOCA – MFIs that had already been operating in Iraq under the auspices of the Coalition Provisional Authority. These grants allowed the MFIs to continue operating while procedures for loan capital grants were finalized. In January 2006, loan capital grants were awarded to three institutions: CHF, ACDI/VOCA, and RI. The two operational MFIs began to broaden their markets in key areas, CHF in the southern provinces and ACDI/VOCA in the northern provinces. RI took steps to open branches and begin lending with its grant, and disbursed its first loans that summer.

Large Grantees	IMFIs
CHF International	Al Bashair - Baghdad
ACDI/VOCA	Al Aman - Kirkuk
Relief International	Al Intilaq - Tikrit
	Al Takadum - Fallujah
	Al Takadum - Ramadi
	Al Takadum - Al Qaim
	Ninewah Economic Development Center - Mosul
	Tal'afar Economic Development center - Tal'afar

To establish the MFIs, Izdihar developed a strategic partnership with the Civil Affairs section of the US military to provide parallel funding streams for operational and loan capital. While the military (and later PRTs) paid operational expenses of the MFIs, Izdihar provided loan capital grants and intensive technical assistance. The Al Bashair MFI in Baghdad was the first to open in 2005, followed by Al Aman in 2006. Building upon these models, Izdihar assisted in opening additional MFIs in Al Anbar and Salah ad Din provinces, as well as working with PRTs in Ninewah province to support microfinance operations in Mosul and Tal'afar.

Izdihar established and rolled out a uniform reporting mechanism for MFIs, in order to track the outreach of microlending and to compare the financial health and viability of the institutions. This reporting mechanism was supported by monthly and quarterly reports, internal institutional

² An additional \$6,416,599 was provided through CERP funding for operational capital for MFIs or as loan capital grants through the QRF program.

assessments, and external audits. By applying internationally accepted standards and practices at all microfinance institutions, the Iraqi microfinance industry is quickly raising to the level of accountability and transparency of other microfinance providers in the region.

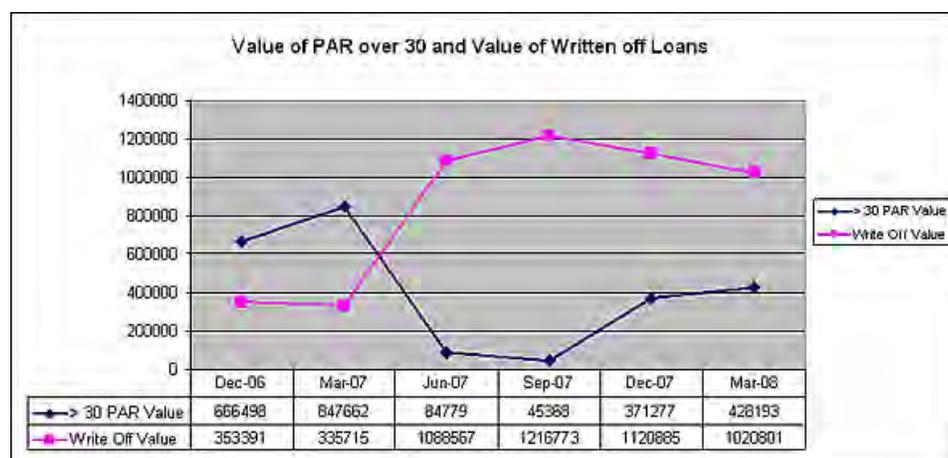
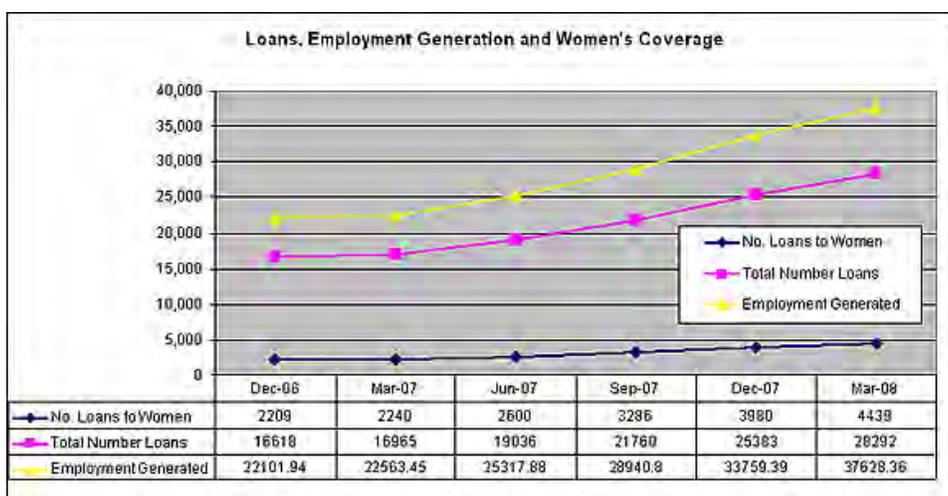
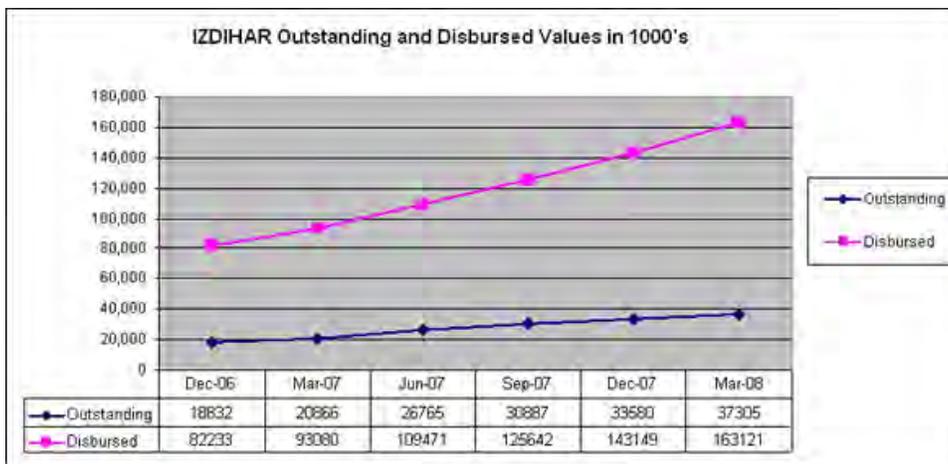
In the course of its work Izdihar:

- Provided loan capital grants and operational grants to the international NGOs in the amount of 23,087,722 from inception to 31 March 2008. This has been about 39% of the full investment in operational and loan fund capital for these institutions.
- Provided loan capital to the indigenous sub-grantees in the amount of \$7,500,000 since inception.
- Through CERP, QRF and other sources an additional \$2,966,599 were available for loan funds and operational subsidies.
- These subsidies were accompanied with technical assistance and training on site and in group training events. Accounting, IT, computer basics training, and six main microfinance courses of study were offered to each of the 11 institutions.
- The international grantees also obtained valuable inputs from IT support, analysis and pre-audit preparations in the last quarter of Izdihar.
- The eight indigenous MFI's received the data entry system for portfolio and accounting: Loan Performer and have to date obtained training to operate this user friendly system for both accounting and portfolio management.
- Izdihar provided assurance testing and audits to Al Bashair and Al Aman.
- Accounting oversight and financial performance follow up has been provided for all the institutions.
- Projections to plan their growth were produced for the nine of the institutions, with viability models that produce projected income statements and balance sheets.
- Assisted NGOs in their registration process with the NGO Assistance Office at the Ministry of Civil Society.³
- We could not have achieved as much, if it were not for our strategic partnerships. The following partnerships helped us to proceed:

³ NGO registration falls under the Ministry of Civil Society, NGO Assistance Office. Noting the need for a centralized method of registering non-governmental organizations, and the need to take measures to coordinate their activities, and to ensure the security of the Iraqi people and prevent the misuse of non-governmental organizations for fraudulent or illegal purposes, CPA Order #45 (NGO Rules and Regulations) was issued in early 2004. The NGO Assistance Office approves the application for all MFIs operating in Iraq and issues an annual registration.

- Partnership with the US military and the Provincial Reconstruction Teams (PRTs) to expand our work in the conflict areas where international NGOs were reluctant to go. The PRTs in Baghdad, Mosul, Al Qaim, Ramadi, Fallujah, and Tikrit have been involved daily in the functions of the MFIs. Often choosing loan officers, following up for trainings and being available to write QRFs. They have facilitated travel and stays for extended periods of time in bases near Fallujah, Al Qaim, Ramadi and Tikrit. They are invaluable in leveraging influence needed in affecting institutions that have a difficult time seeing the microfinance way forward.
- Partnership with Kiva, a person-to-person lending program with one of our microfinance institutions that provided loan capital to Iraqi entrepreneurs and took our story across the globe. This innovative methodology links lenders with Al Aman, the Kirkuk indigenous MFI. The sum borrowed up to now is \$100,045 and the sum repaid is \$13,049, thus making an important relationship with the Kiva Foundation. Thanks to Al Aman's track record, Kiva is ready to invest in other MFI's in Iraq.
- Continued to provide technical assistance through a team of program managers overseeing the microfinance institutions.
- Graduated the first 11 CGAP-Sanabel certified Training of Trainers (TOTs) that helped train the microfinance practitioners in six essential courses: accounting, financial analysis, human resource management, operational risk management and product development.
- Created an informal network through the microfinance website for the industry www.imfi.org. This website allows the microfinance partners to be abreast of new industry issues in the country, track training opportunities and learn about each institution. In the future it will also provide a client blacklist and provide indicators of scale.
- Maintained a dialogue with the microfinance industry through quarterly microfinance workshops initiated in August 2007 and produced the first national microfinance strategy in Iraq with action plans in the near term and long term.
- Unified the reporting standards which helped us better monitor and evaluate the microfinance institutions through monthly and quarterly reports, assessments, and external audits.

MFI Performance



Current performance of Iraqi microfinance industry										
Category MFI	# MFIs	Type MFI	# of borrowers	\$ net loans	av. loan balance	Par (30)	OER	case load	% OSS	% FSS
A	2	B1/2C2	20,791	30,709,400	1,491	0.7%	22.3%	183	108%	62%
B	2	B1/2C1	3,643	2,712,942	822	0.4%	31.9%	110	77%	25%
C	3	B2C1	565	797,430	1,707	1.4%	24%	36	83%	35%
D	5	B2C1	364	747,557	3,200	2.45%	n.a.	n.a	n.a	n.a
Total	12		25,363	34,967,329						
Average			2,113	2,913,944	1,795	1.23%	26.5%	104	88%	35%

Sustainability

The MFIs go through four stages of maturity from "start-up" where significant external capital is needed from either shareholders or donors prior to reaching commercial viability where an MFI, through significant outreach (scale) and efficiency, is able to cover all its costs, including the cost of funds, from its microfinance business.

The table below classifies Iraqi MFIs into four sustainability categories from 'A' to 'D'. These growth stages are graphically illustrated in the attachment 'Stages of sustainability'.

Against the average operating expense (cost) ratio for small MFIs in the MENA region of 23.2% (2006), the reported expense ratios of Iraqi MFIs are not far off course, but category B MFIs should focus on bringing down their expenses.

It is encouraging that the vast majority of clients (82%) are served by the strongest MFIs (category A) which also manage the majority of the outstanding portfolio (88%). The average loan size of even the strongest MFIs (categories A and B) is relatively low, indicating a good depth of outreach. It is a worrying sign that the weakest MFIs (category D) have the largest average loan balances – weak organizations run a higher risk of failure to collect effectively on loans, and with the larger loans, more capital could be at risk. This trend is already evident in the PaR-ratios, which is of significance only among the category D MFIs.

The productivity of the loan officers is very low for the weaker Iraqi MFIs. Partially, this can be explained by an unfortunate funding structure that establishes an excessive staff of MFI loan officers before the portfolio has begun to grow to merit the staff costs. It is always harder for loan officers to increase their productivity and oversee more clients with time than it is to start at a moderate to high level of caseload. Rapid increases in caseload should be strongly encouraged among the weaker MFIs prior to any staff increases in the coming year. The average load officer caseload for small MFIs in the MENA region is 209.

Two MFI's reached operational sustainability by December 2007: CHF and Al Aman. Using the Performance Classification System which groups MFI's by size and performance levels, the Category A's are those that reached operational sustainability, the Category B's show they are reaching on average up to 77% of operational and the category C's up to 83%. To achieve **financial** self sufficiency, the MFI's have to measure their revenue in relation not only to costs and provision but to (the higher of) inflation or cost of capital adjustment. While inflation was only 4.67% in December 2007, the market lending rate was 22%. These two adjustments were high for all MFI's in December and significantly affected the calculations of their financial self sufficiency, demonstrating there can be as much as 20% to 50% rate difference between operational and financial self sufficiency.

Izdihar's Outreach Approach

IZDIHAR Introduces USAID Outreach Initiatives to Salah ad Din Communities

The presentation of the USAID Outreach Initiatives for Salah ad Din done by representatives of the IZDIHAR and Inma projects in two cities of the governorate – Balad and Ad Dujayl - drew full houses and significant interest from the local communities.

Organized and hosted by the South Salah ad Din Provincial Reconstruction Team (PRT), both conferences aimed to inspire the entrepreneurial spirit and generate momentum for the establishment of civic groups which will serve as the foundation for sustained economic and agricultural development opportunities. The events were well attended by the local citizenry, all eager to hear the opportunities offered by the outreach programs of USAID as presented by IZDIHAR. Given the heavily agricultural nature of the area, a representative from the Inma Agribusiness Program spoke about the agricultural development programs that the project has been implementing in Iraq, and offered guidance on development of local plans for creating sustainable agricultural projects.

In Balad, the meeting opened with remarks from the Mayor of the City and the Chairman of the City Council. The Director of the local branch of Rafidain Bank chaired the event, which was attended by over a hundred local participants.

The representative of the USAID-funded IZDIHAR project introduced the audience to the Small Business Development Centers (SBDCs) and the training programs they offer, the opportunities for microfinance and the assistance that the Iraqi Company for Bank Guarantees can offer to facilitate loans to small and medium sized businesses.

A lively discussion ensued with the participation of the Director of Rafidain Bank and the Manager of the local Agricultural Bank that advised and discussed the banking products available to the area's farming community. The local business center actively participated and is to become the point of contact for members of the community wishing to take advantage of the programs IZDIHAR



The presentation of the USAID Outreach Initiatives attracted a large audience in Ad Dujayl.

established in support of the development of the private sector in Iraq.

In Ad Dujayl some eighty people gathered in the local Youth Theater and Center for the presentation of the USAID Outreach Initiatives. The

meeting rapidly took a highly focused agricultural slant with issues raised from transportation, markets, and the availability of credit. With the assistance of the local bank manager, microfinance and other credit products were discussed in a lively debate. The meeting closed with a commitment from members of the audience to participate in the training programs and to actively develop an agricultural action program.

During the trip to Salah ad Din, the representatives of IZDIHAR and Inma also visited the Balad Canning Factory, the largest single factory in the region, with production lines ranging from tomato paste to bottling of juices, water, and milk. The factory has fallen into disuse and has been badly looted.

However, the owner is actively soliciting funds and technical assistance to bring this important facility back into operation. This will provide significant employment opportunities and will bring a much needed economic lift to the governorate.

Lessons Learned

The principle reason for the successes of the microfinance component was its staff. By hiring local staff who are familiar with their communities and with local customs, Izdihar was able to successfully reach out to its counterparts and beneficiaries far more than would have been possible with a staff consisting mostly of expatriates. This allowed far greater flexibility to operate in areas where the presence of Americans would jeopardize the MFIs or the clients and has helped put an Iraqi face on Izdihar's operations. In addition, the development of the local staff means that more and more responsibility can be placed on them, reducing the need to rely on expats to successfully implement the project.



The Third Microfinance Workshop was attended by representatives of all microfinance institutions operating in Iraq, who shared experience and ideas with representatives of the USAID, Provincial Reconstruction Teams and Small Business Development Centers.

The component also emphasized working closely with local counterparts in the areas served by the MFIs. Izdihar and local PRTs coordinated closely with political, community, and religious leaders in the areas of MFI operation. As a result, local officials went from skepticism to enthusiasm for MFIs, which was critical in maintaining operations on a long term basis. Coordination with religious leaders ultimately led to the development of Murabaha lending practices, which are consistent with Islamic custom, allowing operations in parts of Iraq that would otherwise be inaccessible. Local leaders also became key figures in the success of the MFIs by spreading the word around the community and by acting as guarantors of loans.

The component's relationship with the military was another vital ingredient for success in the field. Coordination with the military – both with MNC-I C9 and with BCTs and ePRTs – was the basis of Izdihar's indigenous MFI program, with Izdihar providing loan capital and the military or PRT/ePRT providing operational funding. Close cooperation with the military was also a necessary requirement for Izdihar to be able to provide TA to its counterparts by providing logistical support to Izdihar staff to travel to otherwise inaccessible areas.

A final key lesson learned by the microfinance component is the importance of controlled growth of MFIs. In the rush to inject capital into the Iraqi economy in 2003 and 2004, several organizations were established that were overcapitalized and lacking in internal and external controls. Izdihar determined that to run effective microfinance operations in Iraq, a strong emphasis was needed on growth and increased outreach pursued in a sustainable manner. By focusing on developing management practices and applying international best practices in the microfinance industry, Izdihar was able to move the industry onto an efficient and sustainable path for success.

Next Steps

While the challenge to Izdihar was to launch operations, the challenge for the follow-on project will be the consolidation of existing MFIs so that their day-to-day management is of adequate quality, their financial administration is audit ready and their systems are efficient to reach scale and multiply services from available seed capital. Additional efforts will focus on sustainable growth, ensuring that outreach increases while maintaining high standards of internal controls, financial management and reporting, and achieve independence from sources of donor funding. Additional grant funding will be made available to MFIs to expand services, develop new products, and support additional training activities in order to promote sustainability. In addition, the project will work with PRTs and other stakeholders to develop new MFIs where appropriate.

Success Story

Newly Established Iraqi Microfinance Institution Awards First Loan in Al-Anbar

On August 21st, a select gathering of over fifty people, including local sheiks, religious leaders, local administration officials and business people participated in the official opening in Al-Qaim of a newly established indigenous microfinance institution – the “Al-Takadum Organization in Al-Anbar”.

It was a major event, which enjoyed the strong support and boosted the pride of the community. “This is a very important achievement for Al-Qaim, because it will help develop the local community and increase trade”, said one of the local sheiks that attended the opening ceremony.

The day of the opening, the Imam of Al-Qaim issued a “fatwa” (religious decree) authorizing the functioning of the microfinance institution according to Islamic lending principles. On the basis of the fatwa, the Mayor of the City of Al-Qaim, who cut the ribbon at the opening ceremony, wrote an official letter to all the residents of the city describing the way the “Al-Takadum” microfinance institution will operate.



On Friday, August 24th, the validation that the fatwa is “halal” (acceptable) was announced in all mosques of the city and the residents were encouraged to borrow from the microfinance institution. The leaders of Al-Qaim emphasized that they regard the establishment of “Al-Takadum” as a well-deserved reward, since the local tribes succeeded in uprooting the insurgents and securing the city by themselves.

The new institution awarded the first loan – worth \$2,000 - on the day of the official opening to the owner of a mobile phone shop, who is seeking to expand his business. The staff of “Al-Takadum” already received thirty loan applications, out of which fifteen were approved.

The establishment of the new institution in Al-Anbar is the result of a remarkable joint effort by the USAID-funded Izdihar project, the US Military and the Provincial Reconstruction Team in Al-Asad. Since the official legal registration of “Al-Takadum” on July 9th, several staff members of Izdihar staff traveled to Al-Qaim to identify, recruit and train the staff, establish operational policies and procedures for the effective functioning of the institution.

“The experience of visiting the cities of Al-Anbar where the new microfinance institution will be functioning was humbling, especially to drive around and see the extent of the destruction caused by the insurgency”, said Mr. Baljit Vohra, Izdihar’s Chief of Party. “The main focus is now to get people back to open their shops. We are strongly committed to make this happen quickly, then gradually extend the activity of the new institution to cover the main cities of Al-Anbar”, said Mr. Vohra.

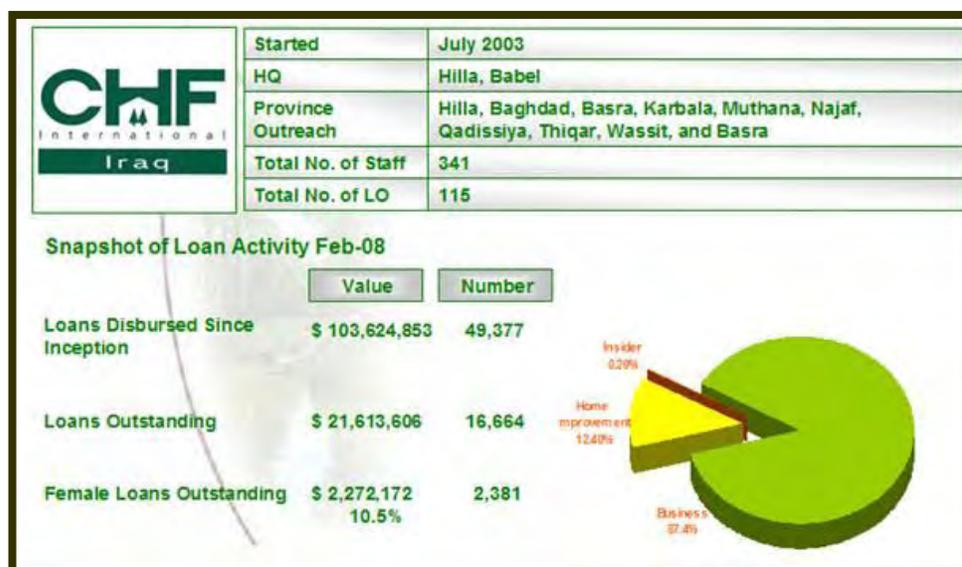
Following the successful opening in Al-Qaim, local offices of “Al-Takadum” opened in Ramadi and Fallujah.

Izdihar’s Microfinance Partners



CHF International

CHF piloted the first microfinance program in Iraq in July 2003 to address the demand for credit from micro and small businesses and home owners. In its short period of operation the Access to Credit Services Initiative (ACSI) has



become the largest microfinance provider in Iraq with a network of nine branch offices in eight governorates in Central and Southern Iraq.

ACSI's initial grants focused exclusively on market outreach and expansion instead of sustainability and capacity building. Having built its market base, CHF shifted its focus toward building the capacity of the microfinance institution to manage operations and to achieving long-term sustainability.

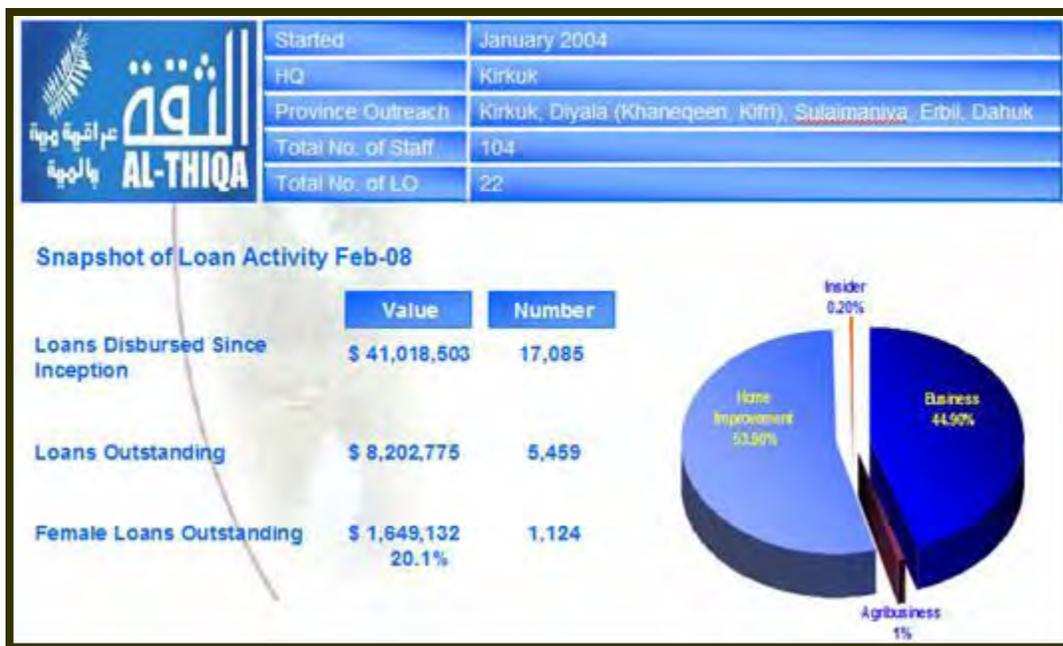
In September 2005 CHF submitted a proposal to Izdihar for operational support to transform ACSI into a sustainable, locally registered microfinance service provider. The grant agreement was signed on February 23, 2006 and lasted throughout the life of the Izdihar project. Activities under the grant were intended to build the capacity of the ACSI program to provide ongoing financial services to low and moderate-income entrepreneurs and home owners on a sustainable level. The grant leveraged over \$20 million in CHF's loan capital, utilized its eight existing branch offices and trained staff to ensure immediate impact of grant funds.

The main goals of the CHF's partnership with Izdihar were:

- Strengthening internal management capacity and operating systems of ACSI.
- Expanding ACSI's micro-credit geographic outreach.
- Achieving full financial sustainability by September 30, 2011.



ACDI/VOCA



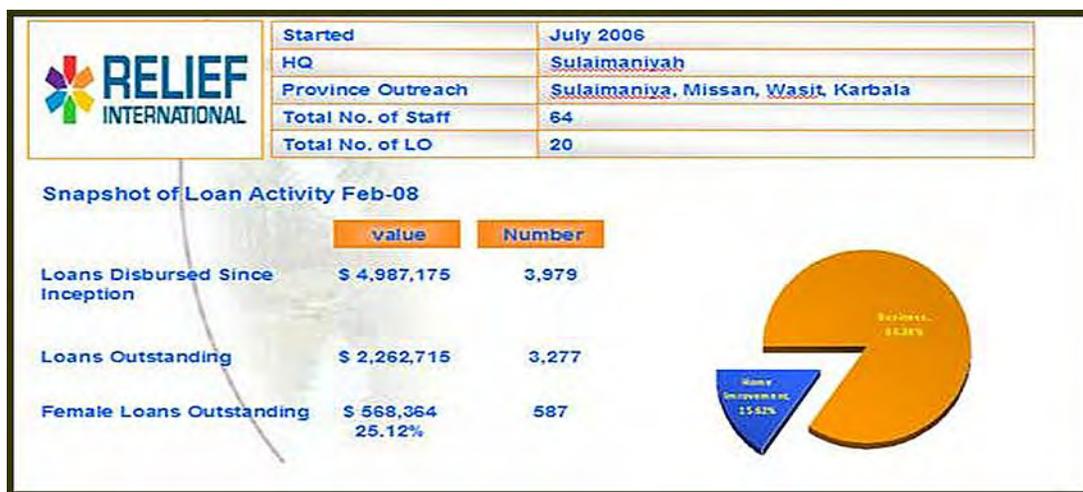
ACDI/VOCA established the Al Thiqa Microfinance Organization in early 2004 under an \$8.7 million grant from the Coalition Provisional Authority that was later managed by the Iraq Reconstruction Management Office. The initial grant from the CPA was focused on providing rapid sources of credit to stimulate investment and create employment in the private sector to boost economic growth after the collapse of the Iraqi regime. The grant from Izdihar had greater emphasis upon building a sustainable Iraqi institution managed and governed by Iraqis.



Al-Thiqa is headquartered in Kirkuk and currently has five fully functional branch offices in Suleimaniya, Erbil, Kirkuk, Dohuk and Khanaqin. There was enormous unmet demand for loan products in the areas, and Al Thiqa was able to grow its outstanding portfolio by over 50% by utilizing the Izdihar grant to leverage existing capital. Izdihar and Al Thiqa partnered to develop well trained and highly motivated microfinance professionals and to put in place accounting, reporting, and ICT systems that allow a high quality of lending.

Due to the difficult security situation, Al Thiqa was forced to close poorly performing offices in Baqubah, Mosul, and Baghdad in mid-2007. These branches ceased loan disbursement and limited their activities to collection of outstanding and nonperforming loans. With additional loan capital and technical assistance from Izdihar, however, Al Thiqa was able to reestablish itself in Diyala province in the town of Khanaqin and achieve a remarkable growth in its portfolio size and depth of outreach.

Relief International



Izdihar and Relief International partnered with an operational and loan capital grant in 2006 allowing RI to start lending operations in Iraq. RI operates in Suleimaniya, Amara, Kut, and a new branch in Karbala. Over one and a half years of Izdihar supported lending, RI built a client base of over 4,000 individuals, and distributed \$5.4 million to MSME borrowers.

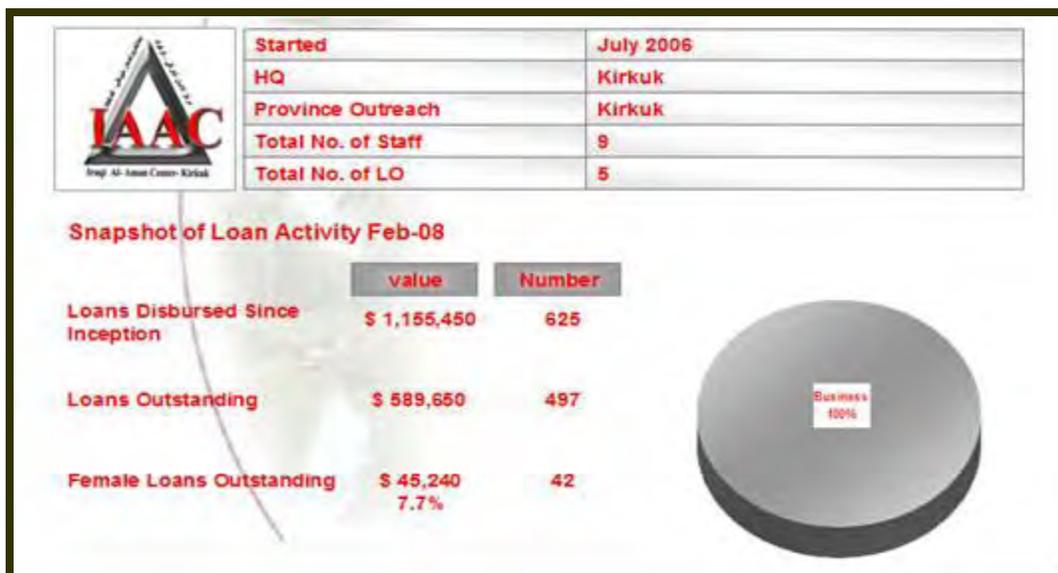
As a new organization in Iraq, RI received substantial technical assistance from Izdihar to establish its branches and refine its operations. Izdihar provided intensive support to RI's accounting office to ensure that RI was operating according to international accounting and financial reporting standards and to develop financial projections and sustainability models.

Inactive in Iraq during the CPA, RI had the advantage of being able to undergo a more controlled growth strategy than the other large grantees. RI has focused on expanding to meet

demand in underserved areas and avoiding poor quality loans. RI's Portfolio at Risk >30 Days has consistently been well below .5% and no loans have had to be written off.



Al Aman



Al Aman was the first IMFI launched in July 2006 in Kirkuk as a collaborative effort between Izdihar and MNF-I in developing small local organizations to provide microfinance. Al Aman started with less loan capital and less initial capacity than the large grantees, but has grown steadily since its opening and now has a significant presence in Kirkuk, including two additional branch offices (Taza and Alton Kopri).

Al Aman was the pilot IMFI program that helped to establish the methodology by which IMFIs would be rolled out in other provinces. The Al Aman model provided valuable insights on market research, marketing of loans, and training a staff from scratch to conduct microfinance operations.

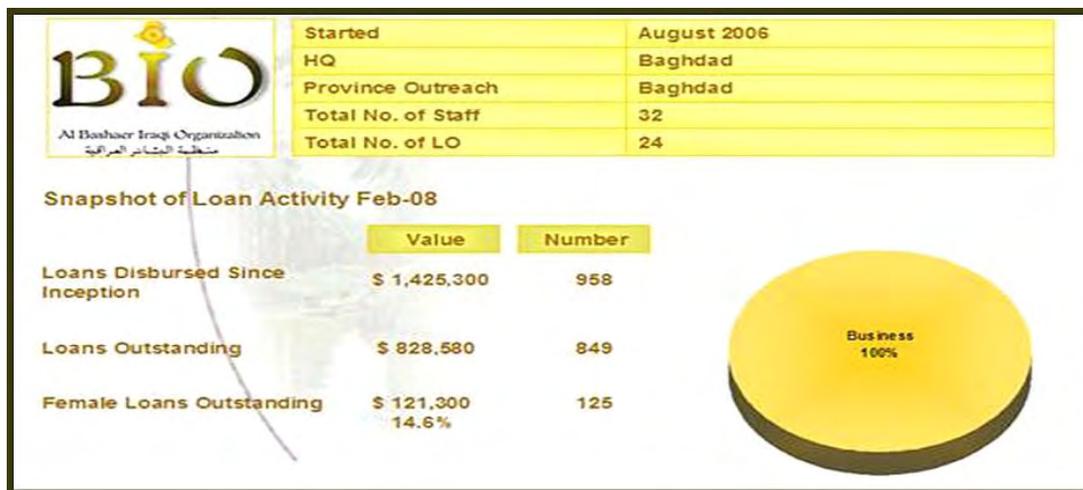
Al Aman’s strategy and focus has been to target small businesses in order to promote job growth and MSME sector development. Al Aman’s organizational objectives include:

- Supporting small businesses and motivating them to grow and expand.
- Focusing on small businesses that can stimulate job creation and enhance the living standard of the community.
- Promote and stimulate women-owned businesses through training courses and seminars in order to develop the capabilities of businesswomen and increase their ability to establish small businesses.

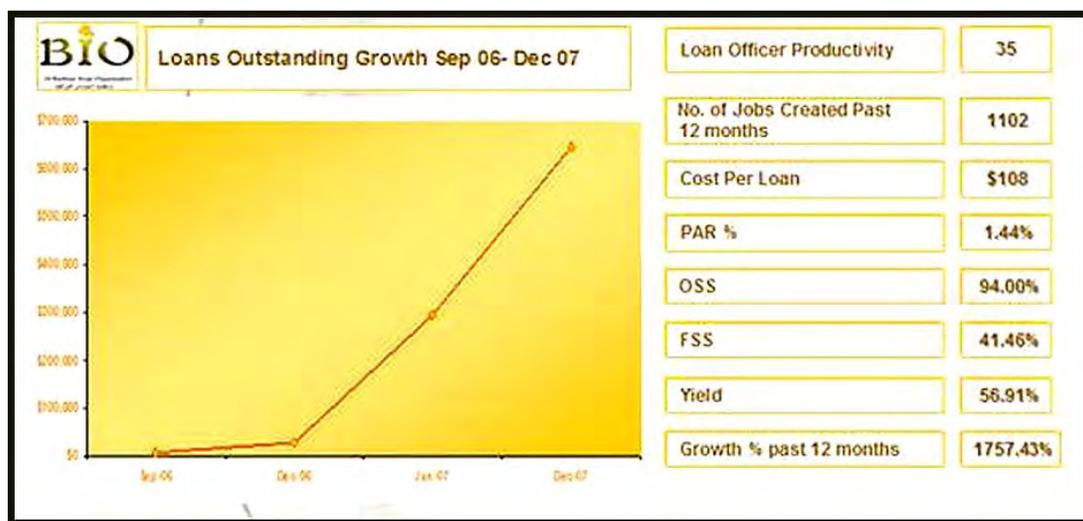
In 2007, Al Aman was developed a partnership with the KIVA organization, a web based person-to-person lending group. Al Aman is able to post profiles of prospective clients on KIVA, and individuals around the world are able to finance microloans to them. This novel method of funding microfinance has been very successful, and other MFIs are currently exploring the possibility of developing a similar relationship.



Al Bashair



Izdihar launched the IMFI Al Bashair in Baghdad in 2006. The exponential growth in their year and a half of existence has been facilitated by a combination of Izdihar technical support and loan capital, and the operational assistance of MNF-I and MNC-I. More recently, Al Bashair has been very effective in leveraging new loan capital through QRF funds in support of PRTs.



Originally Al Bashair launched its operations in Mahmoudiya at a secured Civil-Military Operations Center. In late 2006, however, the organization moved into Izdihar's offices in order to more effectively reach clients and for better access to technical assistance. Al Bashair has branch offices at 10 District Advisory Councils and 2 other locations in Baghdad, providing

broad outreach in the population and the ability to develop very close relationships with their client base. Working through the DACs also provides the opportunity to regularly liaise with the various Baghdad ePRTs, in support of overall economic development goals in the capital.

AI Takadum

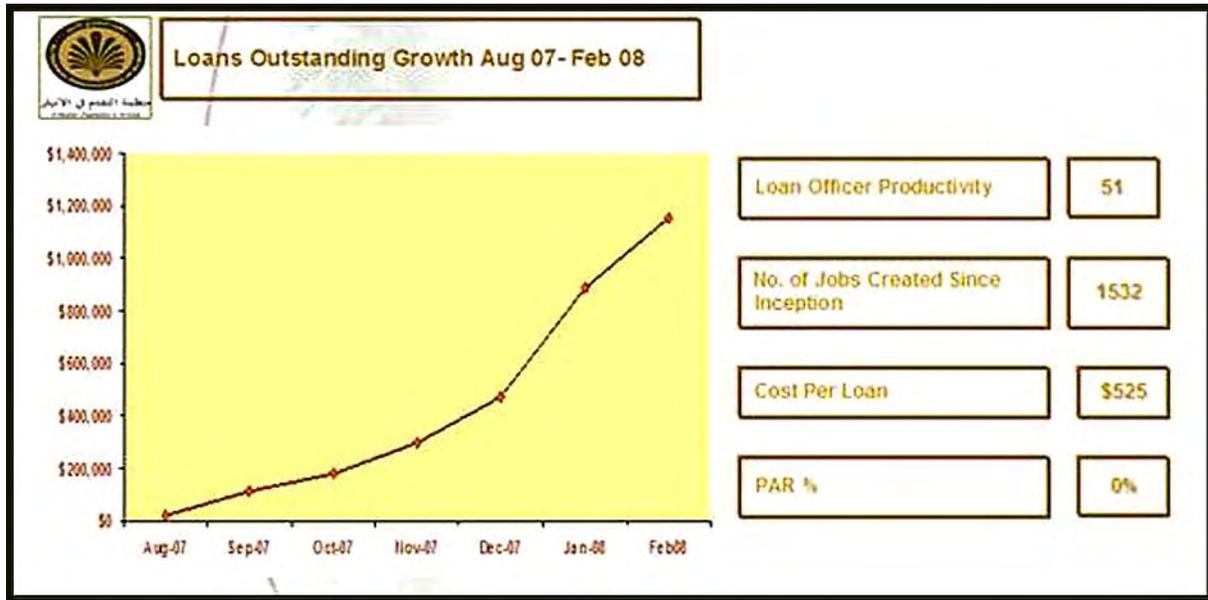


The AI Takadum IMFI in Al Anbar province consists of three independent branch offices in Al Qaim, Fallujah, and Ramadi. AI Takadum’s first branch (Al Qaim) was opened in August 2007 in support of the US Surge strategy in Iraq. By bringing microfinance to an underserved and violent region, AI Takadum has helped to indirectly combat insurgency by providing a stable economic base of opportunities for local people.

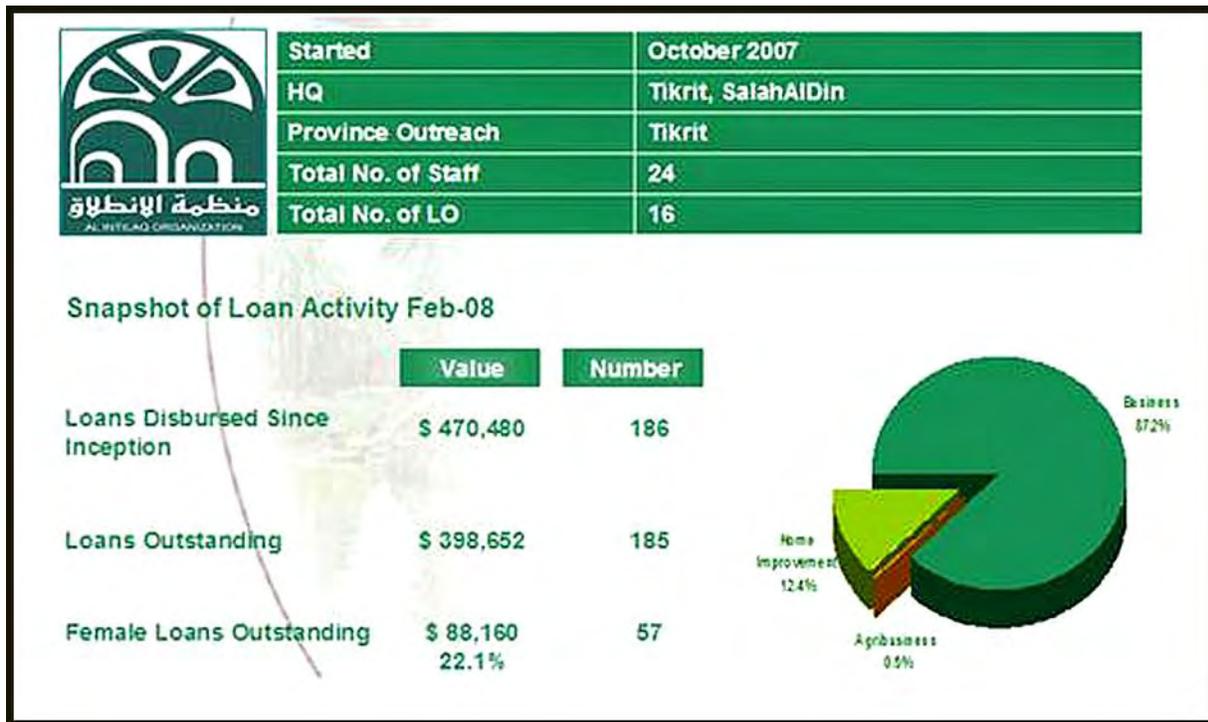
The launch of AI Takadum was the result of close coordination between Izdihar and MNF-W. Izdihar staff worked with the military to conduct field visits, interview, and training programs in Al Qaim over the course of several months. One Izdihar local national employee was housed at Camp Gannon for over a month to alleviate the logistical difficulties that are common in Iraq, and especially acute in Anbar province, traveling to Al Qaim on a regular basis to meet with local political and religious leaders, identify key staff, and provide intensive training. The military was also critical in providing transportation from Baghdad to Al Qaim by helicopter, as the roads between the capital and western Anbar province are impassable. As with previously opened IMFIs, AI Takadum is supported by a joint effort of Izdihar’s loan capital grants, and the military’s operational grants, provided through the CERP mechanism.

In Al Anbar, IMFIs utilize a process known as Murabaha Islamic lending practices, which does not require interest and is compliant with Sharia law. This loan product is the result of strong

cooperation between Izdihar, local political leaders, and religious figures. The strong support of Al Takadum by the mayors of Al Qaim, Fallujah, and Ramadi indicate the desire of local leaders to reinvigorate the local economies.



Al-Intilaq

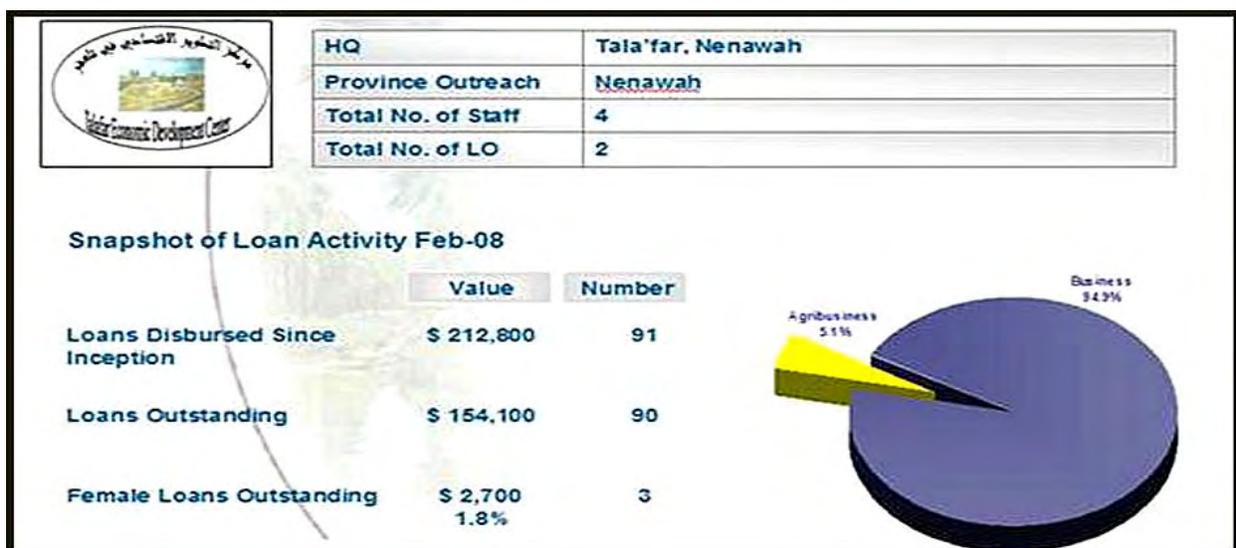


Al Intilaq’s relationship with Izdihar did not begin until late 2007, when it was selected to become an IMFI and to receive grant funds and TA. It was first established in 2006 with the assistance of Salah Ad-Din PRT in Tikrit. Al-Intilaq NGO registration was renewed with the assistance of Izdihar and its bylaws were amended. The new bylaws allow Al-Intilaq to provide microfinance loans and work as a microfinance institution. Al Intilaq started in October 2007 and has 7 branches throughout Salah Ad-Din (Beiji, Al Shargat, Al Dur, Al Dujil, Al Duloya’a, Yathreb, and Sammara) in addition to the main center in Tikrit. Fourteen loan officers are deployed through these offices to serve 185 clients with an outstanding portfolio in February 2008 of \$470,480 (228 loans). Al Intilaq received \$500,000 of lending capital from Izdihar and \$131,240 from PRT Salah Ad-Din and continues to obtain operational support from them. Izdihar provided technical assistance through its professional staff, training in Loan Performer and Microfinance Pillars and lending procedures for Tikrit staff and provided the center with all needed documentation such as like loan contracts, applications, HR and accounting policies.

Like Al Takadum, Al Intilaq offers products based on Murabaha lending practices in order to comply with the local religious practices. Al Intilaq also offers a more regular, interest-based loan product for those who are interested.



TEDC

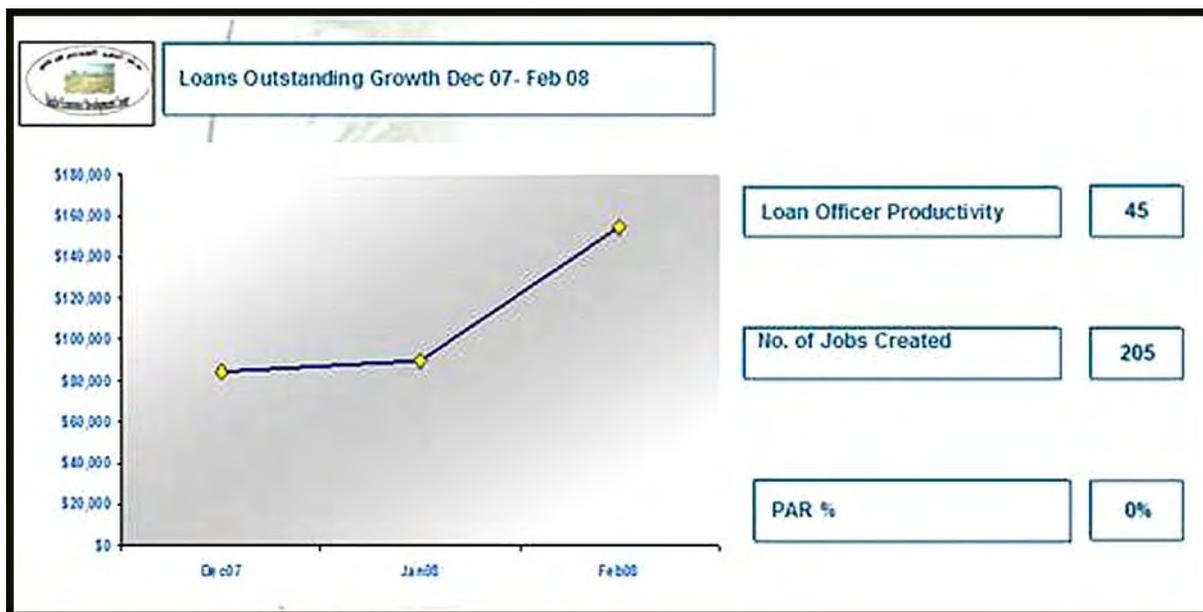


TEDC (Tal' Afar Economic Development Center) is a new microfinance institution working in the challenging environment of Tal' Afar district. This center was established on 1 June 2006 with direct support from US Army. The center started its work by providing services such as Internet service, organizing petrol tickets for Tal' Afar petrol station and helping in the distribution of petrol and gas to Tal' Afar people; By December 2006 the center was obtained from Izdihar technical assistance on how to start and develop projects. The center started its lending program in Tal' Afar in mid June 2007. Izdihar has disbursed \$250,000 as loan capital grant for TEDC at the end of January 2008; another \$250,000 is approved as loan capital in March 2008. US army granted \$98,050 as operational fund. Ninewah PRT has obtained the approval from the Quick Response Funds program approval for operations and loan capital of \$199,000. \$155,000 of that amount will be for loan capital and the remainder for operations.

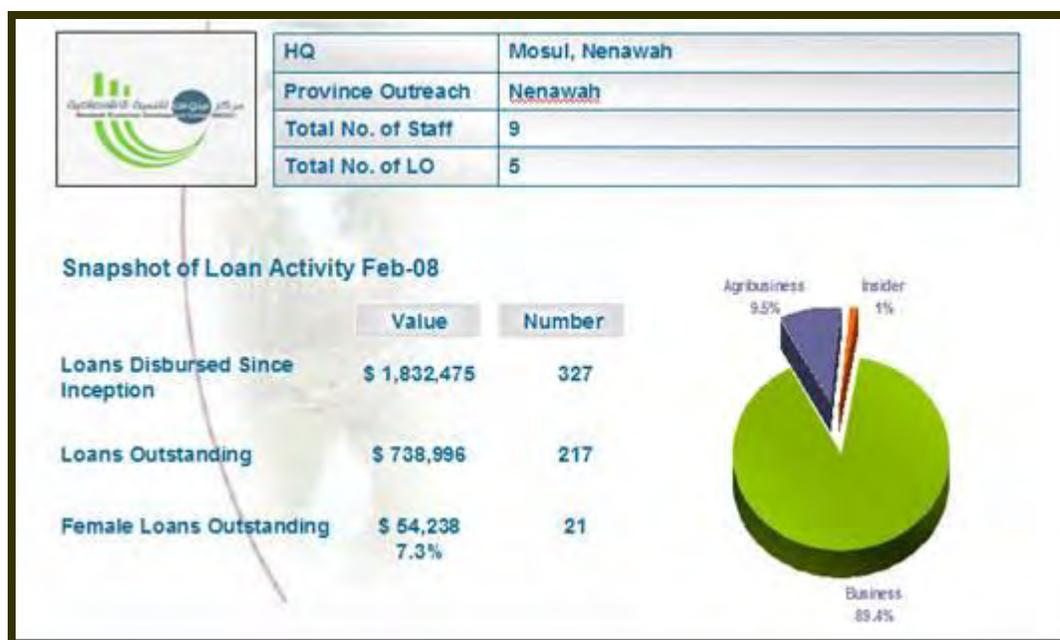
Tal' Afar Economic Development Center is registered as of 16/3/2008 in the NGO Assistance Office under number 1D72680. As of Dec 31, 2007, operational self-sufficiency (ability to cover expenses out of income earned) as of December 31, 2007 was 78.76%. TEDC has 8 staff, 4 fully paid by the center, another four 50% paid by the center. Two of the fully paid staff are loan officers deployed through Tal' Afar office to serve 91 clients with outstanding portfolio as of February 2008 of \$154,100.

Izdihar has helped TEDC in several aspects: lending operations have improved and number of disbursed loans increased; the center staff learnt and started depending on the Loan Performer system to track loans and expenses. With its assistance, NEDC introduced new products such as taxi loans, housing loans and insider loans. Izdihar also provided technical assistance to the center through periodic site visits to this center by the Izdihar Senior Program Manager and Program Officer.

The center is being audited by one of its board members who has qualifications in accounting and was a manager at the Agricultural Bank. The challenge ahead for TEDC is to manage the new capital well, to attain operational self-sufficiency and to expand to additional 6 centers, the first of which will be in Sinjar.



NEDC



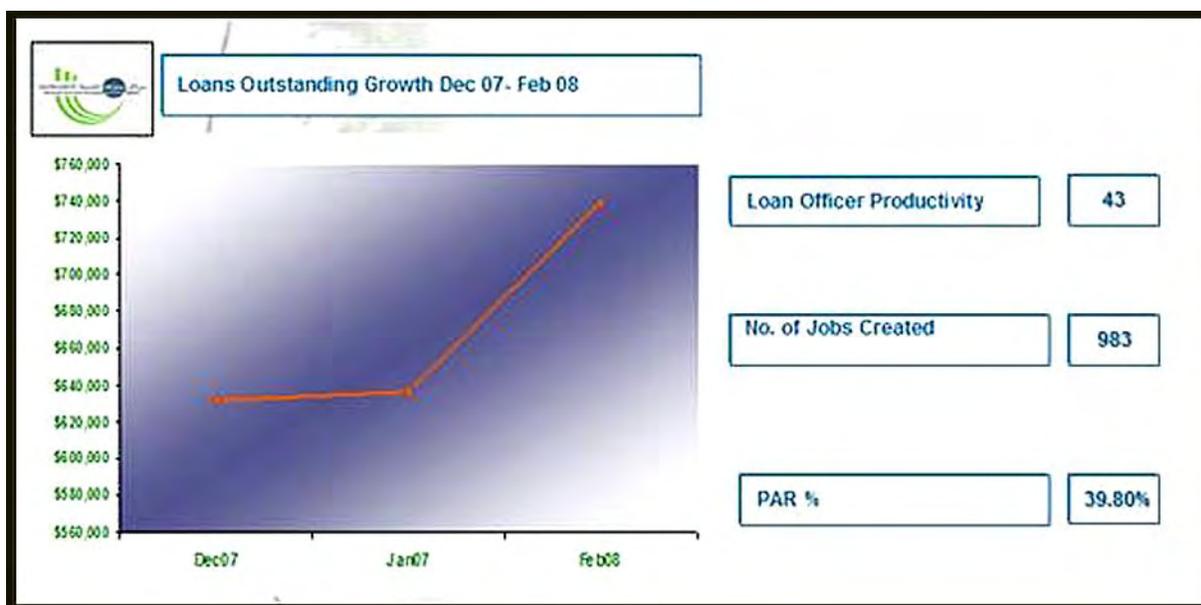
NEDC (Ninewah Economic Development Center) was established as Ninewah Business Center (NBC) with the help of RTI's technical assistance back in 2004 and in coordination with the CPA. RTI's technical assistance team drafted NEDC's Business Plan and provided training to the staff while the PRT were overseeing the day-to-day operations including the microfinance program, and providing grants for operational capital and assisting them in getting grants for loan capital. The head office is located in the right bank of the river, Al-Faisalia Quarter, next to Al-Hadba'a private university. NEDC has one satellite office in Al-Hamdaniya / Karakosh.

NEDC has received the following funds: from Izdihar \$100,000; from CERP \$247,000; from RTI \$167,000 for operations; from CPA \$542,500 for loan capital. As of December 31, 2007 NEDC had 155 active borrowers with \$631,094 outstanding portfolio, with Portfolio at Risk over 30 days 4.9%. 254 loans at value of \$1,666,475 were disbursed since its inception.

Currently Ninewah has total 12 staff, 4 of them loan officers deployed through Mosul office to serve 217 clients with outstanding portfolio \$738,576 to February 2008, loans disbursed since inception are 330 loans with value \$1,839,275 as of Feb. 2008

Izdihar is helping NEDC in several aspects: following up with the registration issue of the center, providing assessment and recommendations for the improvement of lending and accounting operations, and providing training on the loan performer system to track loans and expenses. Izdihar staff is auditing and monitoring daily operations of the center to improve its efficiency. Izdihar senior staff provides technical assistance to the center through periodic site visits.

The challenge ahead for NEDC is to manage the new capital well, rotate it, achieve operational self-sufficiency and expand to additional centers.



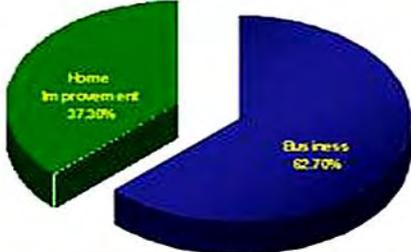
BFF - Bright Future



Started	December 2007
HQ	Erbil
Province Outreach	Erbil, Sulaimaniya
Total No. of Staff	15
Total No. of LO	4

Snapshot of Loan Activity Feb-08

	Value	Number
Loans Disbursed Since Inception	\$ 332,460	120
Loans Outstanding	\$ 317,300	120
Female Loans Outstanding	\$ 59,416 18.7%	23



This NGO started in December 2007 in Erbil with the financial support of the Kurdistan Regional Government (KRG) with CHF providing the technical assistance to help jumpstart the NGO. As of March, BFF has one office in Erbil with 18 staff members. Their loans outstanding are 188 loans at \$491,971 and an average loan size of \$2,617. Total of 188 loans have been disbursed since inception (\$531,430), with 68.5% in SME loans and 31.5% in home improvement loans. They are scheduled to open a second office in Suleimaniya starting April 2008.

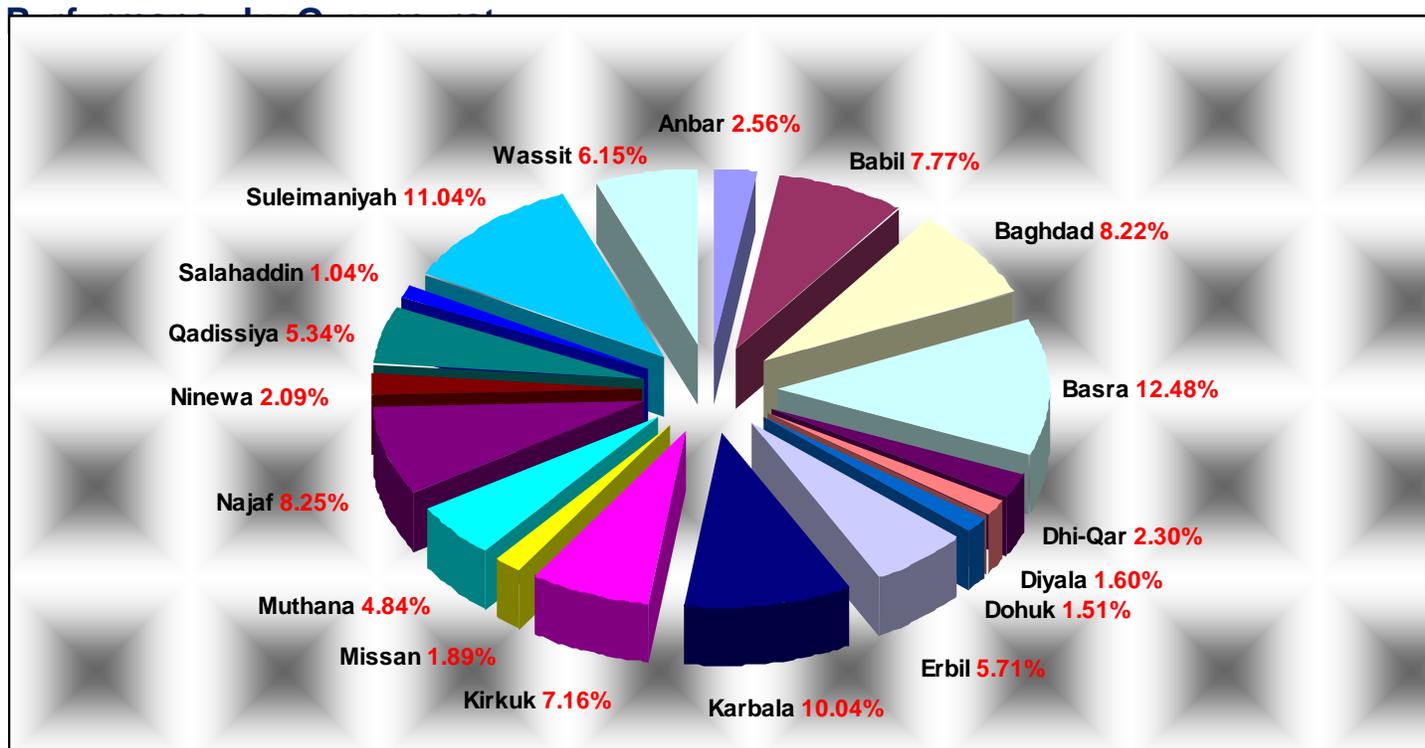
Growth and Performance

Izdihar MFIs Growth and Performance – December 2007

	Outstanding Principal Dec-07	Outstanding Loans	Outstanding Portfolio Dec-06 or Inception	% Growth since inception or since Dec-06	PAR >30 days	Loan Loss Rate	PAR >30 value	Loan Loss Reserves	Risk Rate Coverage	Sustainability (OSS) Dec-07	Yield Rate Year
ACDI/VOCA - Al Thiqa	8,341,706	5,268	5,519,906	51.1%	0.4%	12.97%	236,050	451,178	52.32%	122.91%	36.44%
CHF - ACSI	22,367,695	15,523	13,050,064	71.4%	1.0%	0.23%	232,366	681,301	34.11%	93.46%	32.14%
Relief International	2,073,092	2,965	140,185	1378.8%	0.4%	0.00%	7,864	20,747	37.90%	60.14%	41.15%
Al Bashair	639,850	678	27,429	2232.8%	0.3%	0.00%	2,710	6,398	42.36%	94.00%	56.91%
Al Aman	470,080	411	94,976	394.9%	0.1%	0.00%	625	4,700	13.30%	97.00%	39.70%
Al Intilaq	243,050	101	72,000	237.6%	0.0%	0.00%	0	2,430	0.00%	72.88%	18.72%
Al Takadum Qaim	116,462	50	20,000	482.3%	0.0%	0.00%	0	1,650	0.00%	1.24%	0.43%
Al Takadum Fallujah										0.00%	0.00%
Al Takadum Ramadi										0.00%	0.00%
TEDC	84,300	53	84,300	0.0%	0.0%	0.00%	0	0		78.76%	8.64%
NEDC	631,094	155	631,094	0.0%	4.9%	0.00%	278,409	0		0.00%	0.00%
Total	34,967,329	25,204	19,639,954				758,024	1,168,404			
Average	3,885,259	2,800	2,182,217	538.77%	0.79%	1.47%	84,225	129,823	25.71%	77.55%	29.27%

Outreach and Collection Performance

Indicators			Mar-08	Mar-08	Mar-08	Mar-08	Mar-08	Mar-08	Mar-08	Mar-08	Mar-08	Mar-08	
			Baghdad (Al-Bashair)	Kirkuk (Al-Aman)	Salah ad Din (Intilaq)	Al-Tadadum TOTAL	Tal-Afar (TEDC)	Mosul (NEDC)	Erbil (BFF) KRG program-not USAID grantee	Total (RI)	Total (AV)	Total (CHF)	GRAND TOTAL
Loans Outstanding	Total	Value	\$1,001,394	\$678,855	\$445,636	\$1,555,762	\$216,875	\$735,703	\$491,972	\$2,355,827	\$8,308,580	\$21,515,024	\$37,305,628
		Number	987	556	227	788	125	231	188	2,917	5,596	16,677	28,292
	Only Females	Value	\$164,240	\$50,250	\$123,171	\$76,544	\$2,150	\$51,449	\$92,031	\$381,778	\$1,614,020	\$2,223,150	\$4,778,783
		Number	149	48	63	44	3	21	37	497	1130	2447	4439
	% Females	Value	16.4%	7.4%	27.6%	4.9%	1.0%	7.0%	18.71%	16.21%	19.43%	10.33%	12.81%
		Number	15%	0%	28%	6%	2%	9%	19.68%	17.04%	20.19%	14.67%	15.69%
Portfolio at risk	> 30 days	Value	\$13,660	\$600	\$0	\$0	\$0	\$318,490	\$0	\$0	\$29,812	\$65,631	\$428,193
		Number	16	1	0	0	0	100	0	0	32	76	225
	PAR	1.4%	0.1%	0.0%	0.0%	0.0%	43.3%	0.0%	0.0%	0.0%	0.4%	0.3%	1.1%
	LAR	1.6%	0.2%	0.0%	0.0%	0.0%	43.3%	0.0%	0.0%	0.0%	0.6%	0.5%	0.8%
Average Outstanding Loan Size			\$604	\$613	\$1,964	\$1,974	\$1,735	\$2,605	2617	\$808	\$1,485	\$1,290.10	\$1,318.59
Loans Disbursed Within the Reporting Period	Total	Value	\$300,400	\$182,900	\$91,640	\$527,150	\$84,000	\$32,700	\$198,970	\$451,800	\$1,448,300	\$3,402,300	\$6,720,160
		Number	184	96	42	235	35	16	68	252	555	1,427	2,910
	Females	Value	\$44,500	\$12,500	\$11,490	\$31,900	\$0	\$0	\$37,000	\$97,300	\$248,400	\$296,600	\$779,690
		Number	28	8	6	16	0	0	14	60	92	192	416
	% Females	Value	14.8%	6.8%	12.5%	6.1%	0.0%	0.0%	18.6%	21.5%	17.2%	8.7%	11.6%
		Number	15%	0.0%	14.3%	6.8%	0.0%	0.0%	20.6%	23.8%	16.6%	13.5%	14.3%
Loans Disbursed Since Inception	Total	Value	\$1,723,700	\$1,338,350	\$562,120	\$1,876,150	\$296,800	\$1,865,175	\$531,430	\$5,433,775	\$42,466,803	\$107,027,213	\$163,121,516
		Number	1,141	721	228	795	126	343	188	4,182	17,640	50,804	76,168
	Females	Value	\$243,300	\$121,900	\$156,490	\$88,300	\$6,000	\$151,050	\$98,950	\$911,725	\$7,216,841	\$9,512,351	\$18,506,907
		Number	166	68	63	43	3	37	37	738	3,197	5,137	9489
	% Females	Value	14.1%	9.1%	27.8%	4.7%	2.0%	8.1%	18.6%	16.8%	17.0%	8.9%	11.35%
		Number	15%	0%	27.6%	5.4%	2.4%	10.8%	19.7%	17.6%	18.1%	10.1%	12.46%



Izdihar March 2008 Microfinance Report (By Governorate)

		For the month of March 2008	
GRAND TOTAL	1. Loans Outstanding	Value	\$37,305,628
		Number	28,292
	4. Average Outstanding Loan Size		\$1,319
	5. Loans Disbursed Within the Reporting Period	Value	\$6,720,160
		Number	2,910
	6. Loans Disbursed Since Inception	Value	\$163,121,516
		Number	76,168
<i>Average disbursed loan size</i>			\$2,142

**Governorate
(alphabetically)**

		Mar-08	
Anbar (Al Takadum)	1. Loans Outstanding	Value	\$1,555,762
		Number	788
	4. Average Outstanding Loan Size		\$2,057
	5. Loans Disbursed Within the Reporting Period	Value	\$527,150
		Number	235
	6. Loans Disbursed Since Inception	Value	\$1,349,000
		Number	795

Babil Hilla (CHF)	1. Loans Outstanding	Value	\$2,635,593
		Number	2,036
	4. Average Outstanding Loan Size		\$1,294
	5. Loans Disbursed Within the Reporting Period	Value	\$380,950
		Number	150
	6. Loans Disbursed Since Inception	Value	\$13,987,320
Number		6,650	
Baghdad (Total) (AV, CHF, Al Bashair)	1. Loans Outstanding	Value	\$3,387,276
		Number	3,152
	4. Average Outstanding Loan Size		\$1,075
	5. Loans Disbursed Within the Reporting Period	Value	\$752,900
		Number	424
	6. Loans Disbursed Since Inception	Value	\$19,963,652
Number		11,314	
Basra (CHF)	1. Loans Outstanding	Value	\$4,233,529
		Number	2,883
	4. Average Outstanding Loan Size		\$1,468
	5. Loans Disbursed Within the Reporting Period	Value	\$541,850
		Number	206
	6. Loans Disbursed Since Inception	Value	\$23,008,331
Number		9,354	
Dhi-Qar Nasiriya (CHF)	1. Loans Outstanding	Value	\$765,118
		Number	829
	4. Average Outstanding Loan Size		\$923
	5. Loans Disbursed Within the Reporting Period	Value	\$154,800
		Number	71
	6. Loans Disbursed Since Inception	Value	\$4,414,900
Number		2,270	
Diyala Baq`ubah, Khanaqin (AV)	1. Loans Outstanding	Value	\$620,288
		Number	467
	4. Average Outstanding Loan Size		\$1,328
	5. Loans Disbursed Within the Reporting Period	Value	\$116,500
		Number	56
	6. Loans Disbursed Since Inception	Value	\$3,988,207
Number		1,796	

Dohuk (AV)	1. Loans Outstanding	Value	\$624,100
		Number	370
	4. Average Outstanding Loan Size		\$1,687
	5. Loans Disbursed Within the Reporting Period	Value	\$109,800
		Number	47
	6. Loans Disbursed Since Inception	Value	975,750
Number		378	
Erbil (AV)	1. Loans Outstanding	Value	\$2,484,327
		Number	1,464
	4. Average Outstanding Loan Size		\$1,589
	5. Loans Disbursed Within the Reporting Period	Value	\$537,070
		Number	195
	6. Loans Disbursed Since Inception	Value	\$6,948,430
Number		2,555	
Karbala (CHF, RI)	1. Loans Outstanding	Value	\$3,714,661
		Number	2,902
	4. Average Outstanding Loan Size		\$2,583
	5. Loans Disbursed Within the Reporting Period	Value	\$692,400
		Number	300
	6. Loans Disbursed Since Inception	Value	\$19,413,799
Number		9,577	
Kirkuk (Total) (AV, Al Aman)	1. Loans Outstanding	Value	\$2,565,695
		Number	2,023
	4. Average Outstanding Loan Size		\$1,268
	5. Loans Disbursed Within the Reporting Period	Value	\$490,600
		Number	216
	6. Loans Disbursed Since Inception	Value	\$16,577,546
Number		7,357	
Missan (RI)	1. Loans Outstanding	Value	\$667,723
		Number	1,236
	4. Average Outstanding Loan Size		\$540
	5. Loans Disbursed Within the Reporting Period	Value	\$114,600
		Number	67
	6. Loans Disbursed Since Inception	Value	\$1,971,050
Number		1,841	

Muthana Seaway (CHF)	1. Loans Outstanding	Value	\$1,543,289
		Number	1,315
	4. Average Outstanding Loan Size		\$1,174
	5. Loans Disbursed Within the Reporting Period	Value	\$279,800
		Number	122
	6. Loans Disbursed Since Inception	Value	\$6,354,059
Number		3,131	
Najaf (CHF)	1. Loans Outstanding	Value	\$2,876,190
		Number	2,058
	4. Average Outstanding Loan Size		\$1,398
	5. Loans Disbursed Within the Reporting Period	Value	\$497,600
		Number	167
	6. Loans Disbursed Since Inception	Value	\$15,539,752
Number		7,333	
Ninewah Mosul, Tal-Afar (AV. TEDC, NEDC)	1. Loans Outstanding	Value	\$952,578
		Number	356
	4. Average Outstanding Loan Size		\$2,676
	5. Loans Disbursed Within the Reporting Period	Value	\$116,700
		Number	51
	6. Loans Disbursed Since Inception	Value	\$3,877,275
Number		1,218	
Qadisiya Diwaniya (CHF)	1. Loans Outstanding	Value	\$1,833,486
		Number	1,203
	4. Average Outstanding Loan Size		\$1,524
	5. Loans Disbursed Within the Reporting Period	Value	\$221,900
		Number	85
	6. Loans Disbursed Since Inception	Value	\$6,679,000
Number		2,699	
Salah ad Din (AV, Al-Intilaq)	1. Loans Outstanding	Value	\$452,241
		Number	245
	4. Average Outstanding Loan Size		\$1,846
	5. Loans Disbursed Within the Reporting Period	Value	\$91,640
		Number	42
	6. Loans Disbursed Since Inception	Value	\$898,320
Number		322	

Suleimaniya (Total) (AV, RI)	1. Loans Outstanding	Value	\$4,150,912
		Number	2,910
	4. Average Outstanding Loan Size		\$1,426
	5. Loans Disbursed Within the Reporting Period	Value	\$790,900
		Number	319
	6. Loans Disbursed Since Inception	Value	\$12,704,275
Number		5,164	
Wasit (Total) (RI, CHF)	1. Loans Outstanding	Value	\$2,242,860
		Number	2,055
	4. Average Outstanding Loan Size		\$1,091
	5. Loans Disbursed Within the Reporting Period	Value	\$303,000
		Number	157
	6. Loans Disbursed Since Inception	Value	\$3,943,700
Number		2,414	

Grants to Izdihar's Microfinance Partners

Grantee	Grant Purpose	Approval Date	Disbursed
ACDI/VOCA Bridge I	Loan capital	June 25,2005	\$117,332
ACDI/VOCA Bridge II	Loan capital	July 20,2005	\$116,912
ACDI/VOCA Bridge III	Loan capital	August 21,2005	\$147,836
Al- Bashair Center Grant for Additional Fund	Loan Capital	July 3, 2007	\$250,000
Al- Bashair Center Grant for Additional Fund	Loan Capital	Dec.14,2007	\$250,000
Al- Bashair Center Grant for Additional Fund	Loan Capital	Jan.21.2008	\$250,000
Iraq Al-Aman Center/Kirkuk	Start up Grant/ loan Capital	April 26,2006	\$250,000
Al- Aman Center in Kirkuk Grant for Additional Fund	Loan Capital	July 3, 2007	\$250,000
Al- Aman Center in Kirkuk Grant for Additional Fund	Loan Capital	Jan.21.2008	\$250,000
Al- Takadum Center in Al- Qaim	Loan Capital	July 26, 2007	\$250,000
Al- Takadum Center in Al- Qaim	Loan Capital	Dec.4, 2007	\$250,000
Al- Takadum Center in Al- Qaim	Loan Capital	Jan 27,2008	\$250,000
Al- Takadum Center in Rumadi	Loan Capital	Oct 11, 2007	\$250,000
Al- Takadum Center in Rumadi	Loan Capital	Dec.20,2007	\$250,000
Al- Takadum Center in Rumadi	Loan Capital	Jan 27,2008	\$250,000
Al- Takadum Center in Rumadi	Loan Capital	Mar 21, 2008	\$125,000
Al- Takadum Center in Falluja	Loan Capital	Oct 11, 2007	\$250,000
Al- Takadum Center in Falluja	Loan Capital	Dec.20,2007	\$250,000
Al- Takadum Center in Falluja	Loan Capital	Jan 27,2008	\$250,000
Al- Takadum Center in Falluja	Loan Capital	Mar 21, 2008	\$250,000
Intilaq Organization in Tikrit	Loan Capital	Oct 11, 2007	\$250,000
Intilaq Organization in Tikrit	Loan Capital	Dec.30,2007	\$250,000
NEDC	Loan Capital	Dec.14,2007	\$100,000
TEDC	Loan Capital	Mar 21, 2008	\$250,000
TEDC	Loan Capital	Dec.05,2007	\$250,000
Total			\$5,607,080

Grantee	Grant Purpose	Approval Date	Disbursed
Large Grants			
CHF Microfinance Grant	Operational Grant	January 13,2006	\$2,907,865
CHF International	Loan Capital fund, 1st amendment	August 28, 2007	\$500,000
CHF International	Loan Capital and operational fund 2nd amendment	Nov 5, 2007	\$2,500,000
CHF International	Loan Capital 3rd amendment	March 13, 2008	\$800,000
ACDI/VOCA Al Thiqa	Support Microfinance Grant/ Operational fund	January 13,2006	\$2,997,858
ACDI/VOCA	Loan Capital Fund/ 1st amendment	October 17,2006	\$1,000,000
ACDI/VOCA Al Thiqa	Additional loan capital and operational fund, 2nd amendment	Nov 25, 2007	\$1,975,000
ACDI/VOCA Al Thiqa	Additional loan capital and operational fund, 3rd amendment	March 13, 2008	\$800,000
Relief International Microfinance Pilot Support	Operational Grant	January 13,2006	\$2,313,767
Relief International	Loan Capital Fund/ 1st amendment	August 29, 2006	\$1,286,152
Relief International	2nd amendment for Additional Loan Capital	Sept 18, 2007	\$800,000
Relief International	3rd amendment for Additional Loan Capital	Dec 19, 2007	\$1,200,000
Relief International	Additional loan capital and operational fund, 4th amendment	March 13, 2008	\$800,000
Al- Bashair Organization	Loan Capital	March 05,2008	\$1,000,000
Intilaq Organization	Loan Capital	March 05,2008	\$1,000,000
Total			\$17,480,642

MSME DEVELOPMENT: SME BANK LENDING

Goal

The SME Development / Bank Lending Component was tasked to help develop the credit markets in Iraq by encouraging the Iraqi private banks to make available additional SME loan finance to help the private enterprise sector to rejuvenate the economy and stimulate employment generation.

BANK LENDING TASK AREAS

Developing the Iraq Company for Bank Guarantees: Supporting private bank lending to SMEs by promoting, establishing, and operationalizing the first-ever Iraqi-owned loan guarantee facility.

Training: Educating private bank and non-bank institution staff on modern practices and to encourage understanding of the newly available guarantee facility. Conducting direct training to bank credit departments and management.

Objectives

1. Facilitate the transformation of both the credit culture in Iraq and the credit markets in Iraq by enabling the SME sector access bank finance more readily.
2. Provide capacity building assistance / direct training to credit officers from the private banks by introducing progressive banking methodologies and cash flow-based lending techniques through training programs in order to bring Iraqi banking and credit lending practices in line with international banking standards and best practices.
3. Facilitate dialogue amongst all of the stakeholders in the banking industry.

Background

Iraqi SMEs are viewed by the banks as risky because they are more vulnerable to market fluctuations and random economic shocks than the more established, politically connected or state owned larger enterprises. SMEs tend to be young companies, without large amounts of retained earnings and long operating histories. Their management tends to be inexperienced and in many cases management lacks the accounting knowledge and training, as well as the administrative systems to efficiently and effectively plan, manage and grow their businesses.

Challenges

When bank loans are available to businesses, loans are offered with very short tenor (less than one year), without the availability of longer term loan financing. It is difficult for SMEs to finance investments in new equipment or technology because such investments may not yield sufficient revenues in the short-term to repay a loan.

High collateral requirements are also a burden as banks make lending decisions largely based on the value of assets pledged by a borrower rather than the borrower's expected revenues and cash-flows. Borrowers often must satisfy collateral requirements well in excess of 200% of the

loan amount. This precludes most potential borrowers from debt financing and, in particular, those desiring to start a new business.

Achievements and Milestones

- Through the establishment of a private bank funded loan guarantee company; the Iraq Company for Bank Guarantees Ltd (ICBG) the component has contributed to the transformation of both the credit culture in Iraq and the credit markets in Iraq. The ICBG has been supported with a USAID grant fund of \$5 million to augment its guarantee fund and has received technical assistance to help strengthen the institution.
- Training was provided to credit officers from the private banks in progressive banking methodologies and cash flow-based lending techniques.
- To facilitate dialogue amongst the stakeholders in the banking industry, the component organized the first Iraqi Banking and Finance Conference, “Banking in Iraq: The 21st Century Challenge” which was instrumental in identifying the priorities that need to be addressed to modernize the Iraqi banking system.

The Iraqi Company for Bank Guarantees Ltd.

The Iraq Company for Bank Guarantees (ICBG) is an Iraqi-owned and managed institution that has been established and capitalized by eleven private banks. It not only provides bank guarantees to facilitate loans to SMEs but also promotes modern credit management standards and cash flow based lending practices, particularly among the participating commercial banks.

List of ICBG members

Al Warka Investment Bank
Ashur International Bank for Investment
Basra Private Bank for Investment
Gulf Commercial Bank
Investment Bank of Iraq
Iraqi Middle East Investment Bank (IMEB)
Mosul Bank for Investment and Development
National Bank of Iraq
Sumer Commercial Bank
The North Bank
The Bank of Baghdad

A Grant Agreement for US\$5,000,000 from USAID was signed on February 6^h 2007 and the disbursement of the first tranche of US\$500,000 took place on August 2nd 2007. The balance of US\$4,500,000 remains in an Escrow account to be released in three separate tranche

disbursements, dependent upon the ICBG's complete fulfillment of the terms and conditions set forth in this Grant Agreement.

The conditions for the release of the last tranche of the grant require that:

- 100 loan guarantees are issued by ICBG
- Participating Bank Agreement is signed by 15 banks

The ICBG has experienced modest success in the 2007 financial year against a backdrop of an open conflict environment. The company has achieved a level of success with 25 applications for SME loan guarantee coverage from five of the eleven participating banks being approved. The cumulative value of the guarantees issued was: 912,799,000 ID, supporting an SME loan portfolio value of 1,217,065,000 ID. The company is committed to building on this success and of achieving zero pay out for loan defaults under guarantees provided.

Value of Guarantees and Loans as of 31 March 2008

31-Mar-08	number	Loans, ID '000	Loans, \$	Guarantees, ID '000	Guarantees, \$
Disbursed	17	726,860	\$ 605,717	545,145	\$ 454,288
In process	21	836,080	\$ 696,733	594,060	\$ 495,050
Total	38	1,562,940	\$ 1,302,450	1,139,205	\$ 949,338

Exchange rate of 1200 ID per 1 USD is used in the calculations

Loans by sector of economic activity

Number of loans as of 31 March 2008							
Bank	Agriculture	Construction	Manufacturing	Services	Tourism	Trade	Total
Ashur		2	5	7	2	1	17
Baghdad	5	1	4			3	13
Basrah			1	1			2
IMEB				1			1
Mosul			1				1
North	1		1	1	1		4
Total	6	3	12	10	3	4	38

Value of guaranteed loans (US\$)							
Bank	Agriculture	Construction	Manufacturing	Services	Tourism	Trade	Total
Ashur		\$ 53,333	\$ 97,708	\$ 222,800	\$ 63,333	\$ 32,500	\$ 469,675
Baghdad	\$ 150,233	\$ 260,417	\$ 42,500			\$ 39,292	\$ 492,442
Basrah			\$ 8,333	\$ 8,333			\$ 16,667
IMEB				\$ 21,667			\$ 21,667
Mosul			\$ 200,000				\$ 200,000
North	\$ 12,000		\$ 20,000	\$ 20,000	\$ 50,000		\$ 102,000
Total	\$ 162,233	\$ 313,750	\$ 368,542	\$ 272,800	\$ 113,333	\$ 71,792	\$ 1,302,450

The Participating Banks

All of the eleven shareholder Iraqi private banks have completed a participating bank agreement (PBA) with the ICBG in order to avail themselves of the guaranteed loan facility. The PBA sets

out the operational guidelines and policies necessary for required due diligence on SME borrower guaranteed loans and on loan administration and monitoring. It stipulates that:

- ICBG will issue guarantees to Banks that meet its lending requirements, on loans that are duly approved by ICBG. ICBG will make payments to the Bank on the guarantees if the Bank's borrowers do not repay the guaranteed loans.
- ICBG will support the Banks' SME lending program by providing classroom and on-the-job training free of charge (or for a nominal fee) for Banks' employees, directors, and managers.

Technical assistance was provided by Izdihar to support the participating banks to help develop dedicated SME lending units through focused training on modern credit lending methodologies, helping to establish credit policies, procedures and manuals for the implementation of bank lending programs based on alternative methods of credit analysis (cash-flow based lending).

Iraqi Company for Bank Guarantees

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ICBG Online English Edition

Welcome to the English of ICBG Website

Recent Articles

ICBG General Assembly Meeting
Friday 7 March 2008

The fourth General Assembly Meeting of the shareholders was held at the Sheraton Hotel in Erbil on 6 March 2008. The meeting was attended by the Chairmen and Managing Directors from ten of the eleven shareholder banks. It was also attended by representatives from the Central Bank of Iraq who actively participated in several discussions and expressed their admiration on the achievements accomplished by ICBG since its inception. Amongst the agenda items discussed were the legal advisor's (...)

Board Meeting
Thursday 6 March 2008

The Board held its monthly meeting on March 5, 2008 in Erbil. The board reviewed and approved 11 SME loan applications for guarantee coverage submitted from three banks. The guarantees covered loans for financing SME projects in the following industries: Manufacture of construction materials and furniture, Electro mechanics, Poultry production, and Tire sales and repairs. The Board has nominated for approval at the General Assembly Meeting the reappointment of the serving external auditor (...)

ICBG Board of Directors Convene Monthly Meeting and other news
Wednesday 27 February 2008

- ICBG held its January board meeting on 24 Jan 2008 in Erbil. The staff and a USAID-Iraq private sector development specialist joined the meeting via video link from Baghdad. The board reviewed and approved the financial statements for the year ending on 31 Dec 2007. The external auditor attended and presented his comments and confirmed that the financial

ICBG News
June 2007

- ▶ ICBG News Update October 2006
- ▶ ICBG Launch Set For Late October September 2006
- ▶ ICBG Website Opens

Portal Iraq News

- ▶ Employment found in cleaning Iraqi city
- ▶ Iraq's Education Management Information System develops
- ▶ USAID helps track price fluctuations in Baghdad's wholesale markets
- ▶ Iron, folic acid supplements delivered to Baghdad
- ▶ Iraq MoCH needs computer network for Technology Transfer Center
- ▶ USACE awards Versar \$40.6 million contract for Iraq reconstruction effort
- ▶ Iraqi leaders discuss security, economy at first-ever Northern Governors' Conference
- ▶ Construction of Iraqi border forts progresses

Banking in Iraq: The 21st Century Challenge

The conference, held on April 4-5 2007, succeeded in:

- Bringing together for the first time ever Iraqi bankers, regulators, and banking experts to discuss the Iraqi banking system and ways to move it forward into the 21st century

- Defining the needs of the Iraqi banking industry.
- Establishing a method for an ongoing forum to continue dialogue among bankers and regulators

Capacity Building Initiatives

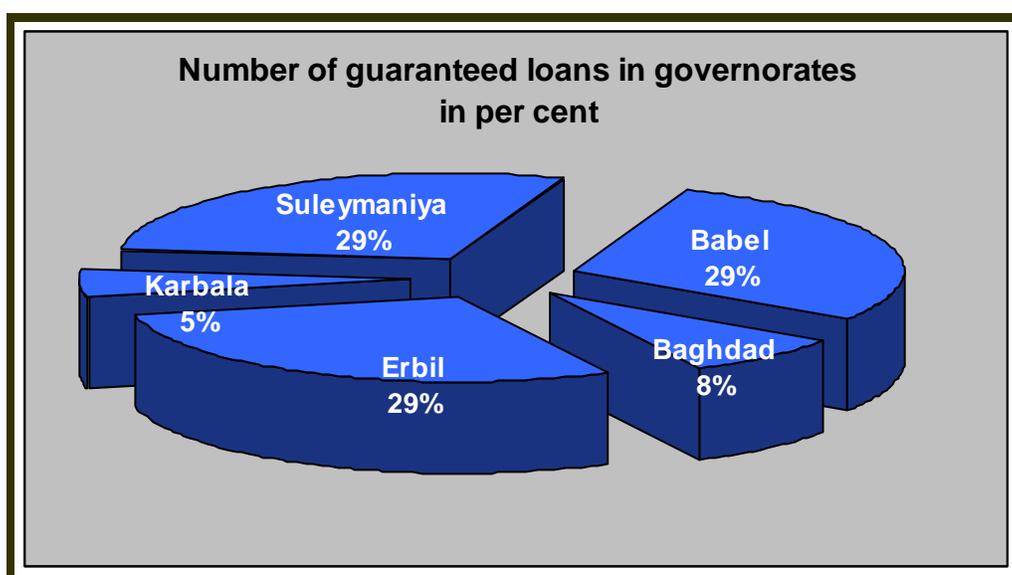
Institutional development and capacity building are key functions in terms of assisting the client banks and the ICBG to perform the functions necessary to comprehend and thus manage credit risk by understanding the financial and operational aspects of modern business.

Training programs were developed to train the participating bank credit department officers on the features of cash flow based lending and modern risk assessment methodologies, with 96 loan officers trained throughout 2007 by our credit analysts on modern credit lending practices and methodologies.

Throughout the life of the project some 400 bank loan officers responsible for SME loan portfolios received training on Managerial Accounting and Credit Analysis. The first “cash flow based” loan and first loan issued by a female loan officer resulted from training delivered by Izdihar project in Jordan, in May of 2005.

#	Course	Location	# Sessions	# Trainees
1	Managerial Accounting and Credit Analysis	Baghdad	3	57
2	Cash Flow Reporting	Baghdad\Erbil	2	24
3	Communication Skills and Marketing	Baghdad	1	23
4	Documentation Security and Collateral	Baghdad	1	13
5	Basel II Reporting	Baghdad\Erbil	2	18
6	Loan Classification and Reserves	Baghdad	1	10
7	Credit Practice and Loan Evaluation	Baghdad	1	21
8	Money and Banking	Baghdad	1	6
9	Loan Administration	Baghdad	1	8
10	Anti Money Laundering and Combating the Financing of Terrorism	Baghdad	1	16
11	Lending to SME Sector	Baghdad	3	46
12	Collateral Based Versus cash Flow Lending	Baghdad	2	33
13	Introduction to ICBG Documentation Package	Baghdad	2	29
14	Introduction to ICBG Application Forms	Baghdad	2	32

#	Course	Location	# Sessions	# Trainees
15	Credit Authorities and Risk Rating	Baghdad	1	10
16	Performance Planning for Credit Officers	Baghdad	1	11
17	Letters of Credit	Baghdad	1	13
18	Credit Officer Concept: Setting Up an SME Unit	Baghdad	1	13
19	Internal Auditing and Control	Baghdad	1	7
20	Financial Analysis	Erbil	1	11



Lessons Learned

- The banking industry in Iraq has passed up lending opportunities to the SME sector due to three main reasons:
 - The banks lack the manpower for the relevant lending expertise and technical knowledge
 - The tight monetary policy followed by the Central Bank of Iraq (CBI) to fight inflation
 - Lack of security on the streets, which makes the banks reluctant to lend.
- There is a need to establish a development bank to act as a champion of best banking practice in the domestic banking market.

- There will be a need to provide technical assistance to the private sector banks on Islamic financing products to meet market demands, particularly in the rural areas.
- There must be an effective and active association of bankers to advocate for policy changes that will have a positive impact on the banking sector. Engagement with the GOI, regulators, the Central Bank, and other important parties will be necessary in order to foster an environment that is conducive to growth in the banking industry.

Next Steps

- Advocacy to the private bankers to embrace new bank lending concepts (lending based on a project's commercial viability) to support the growth of the SME sector.
- Revision of the present IMF-CBI monetary policy which mandates for high lending rates as an economic anti inflationary measure which is a major impediment to private sector /SME borrowing.
- Development of the financial infrastructure and electronic funds transfer capability amongst the private banks to facilitate inter bank and intra bank transfers.
- Establishing a bankers' financial services center training center, as there is lack of human and institutional capacity in the private banks to engage in large scale SME lending (including loans supported by ICBG guarantees) and to use of trade finance and agricultural seasonal financing products.
- Development of additional banking products and services that are important for SME lending; i.e. construction financing mechanisms, lease financing, revolving credits/term loans, Islamic financing and seasonal financing products.
- Adoption of the Secured Transactions Law by the GOI for the securitization of chattels as protection of the interests of financing institutions.

BUSINESS MANAGEMENT SERVICES: ACCOUNTING AND AUDITING

Goal

The primary goal of the project's accounting and auditing effort was to improve Iraqi accounting and auditing capacity. The future growth of Iraq's private sector will depend, in large part, on mobilizing and expanding the capabilities of the SME sector. Improving accounting and auditing standards, methods, and practices will enable the private sector to adopt modern business practices and communicate more effectively with the global business community.

Objectives

Improving the business community's capacity in accounting and auditing focused on upgrading knowledge of practicing accountants through continuing professional education (CPE), building the capacity of the professional association to provide CPE and other knowledge services to its members, improving university education for students of accounting and auditing, raising national standards, and assisting institutions to adopt and practice modern accounting and auditing methods.

Situation at the Outset

Numerous challenges stemmed from institutional weaknesses in professional associations and in educational deficiencies in the university system due to incomplete knowledge of international standards and an absence of CPA or CMA licensing. However, willing and enthusiastic partners presented a great opportunity at the start of the accounting and auditing project. A great capability at all levels to respond to the catalytic opportunities offered by development assistance led to fruitful partnerships and contributed to specific achievements, which will leave a lasting legacy. The innovative spirit of Iraqi educators was a substantial asset – both academics and other skilled members of the profession were keen to pioneer new approaches to education. A common goal was shared: making educational resources both more accessible and affordable for all Iraqis.

Achievements

The component helped its counterparts achieve long-lasting results, helping Iraq to become competitive and opening up new opportunities both domestically and internationally. Programs

BMS: Accounting and Auditing Task Areas

University Education:

Improving facilities, knowledge base, and teaching skills to deliver modern courses to the next generation of professionals.

Training: Delivering direct continuing professional education courses throughout Iraq. Ensuring sustainability through use of a Trainer of Trainers approach and delivering courses through the auspices of a nationwide professional association.

Certification & Licensing:

Modernizing Iraqi professional certification, licensing, and competency evaluation examinations to meet world class standards.

emphasized cost-efficiency of course delivery and establishing intellectual linkages, reducing the dependency on direct financial assistance. Efforts included on-site classes, deployment of E-learning systems, coaching and counseling and founding independent learning resource centers. Thousands of professionals and students were served in their desire to emerge from the shortcomings of the past, to build a prosperous future and to advance knowledge. In the continuous application of an integrated content management system, based on the UNCTAD “Global curriculum for the professional education of accountants” as well as on other internationally recognized educational norms and examination practices (IFAC and AACSB) we focused the creation of lessons and materials on creating a knowledge base serving the need of many.

Sustainability

The strategy for providing technical assistance was grounded in embedded efforts with established groups such as the Iraqi Union of Accountants and Auditors (IUAA), Universities and the Arab Institute of Certified Public Accountants. The IUAA was a key partner, with potential for operational sustainability, active membership, registered and functioning organizational structures, and proven delivery mechanisms.

Undertaking knowledge upgrading through Iraqi institutions was done with consideration for sustainability. Capacity was increased through a training of trainers program, while the delivery mechanism emphasized low-cost strategies, ensuring from the beginning of the project that efforts could be delivered to the Iraqi community by Iraqi professionals. By adopting a cost-effective approach and avoiding spending resources on duplication of existing assets, Iraqi partner organizations were became independent at the end of the project.

Contributing to this high level of success was an unwavering commitment to work together with the Iraqi counterparts - coaching, counseling and empowering them to select from a menu of options and alternatives. In each and every step of the way, Iraqi identity was stressed in our activities, restoring a pride of ownership.



From expanding opportunities for the development of business management skills to protecting the integrity of the professions of accountancy and auditing, excellent progress has been made toward ensuring that Iraqis will meet and exceed all challenges. These efforts were reflected in relevant academic institutions in all governorates, empowering the counterparts with knowledge to improve their lives and their future opportunities. The trust in the ability of Iraqis to make decisions was rewarded by partners who consistently braved risks to learn new information and to pass this knowledge on to their communities.

Overview of Counterparts		
Iraq Union of Accountants and Auditors	Arab Institute of Certified Public Accountants	Assembly of Iraqi Higher Education Institutions Engaged in Business Education
Offices in governorate capital cities and most other key cities	Facilities in Baghdad, Erbil, Suleimaniya; correspondent relations with several Arab states	23 Universities, colleges and institutes, public and private
In existence since early 1970s. Over 20,000 active members from all sectors of the economy and public and private institutions	Current enrollment - 200 The Institute issues Arab CPA credential; currently recognized in four Arab States as a part of their audit licensing requirements	More than 6,000 students are enrolled in Business Studies at these schools – at all levels from undergraduate to doctoral. Iraqi schools were once considered the best in the region in many subjects, including business studies.

Training with Nationwide Outreach

Vigorous responses were called for in the 40 months of activities of the Accounting and Auditing component that worked in an environment that threatened the welfare of the project's counterparts and created competition for resources. Inspired by courageous Iraqi counterparts defending their desire to change, the project team showed strength, determination and resilience to help as many as possible and for the good of all. The magnitude of results achieved so far is greater than one could have imagined at the beginning.

A rigorous regime of training was launched. A range of courses was developed for the Iraqi context, including three that exceed 60 contact hours. Every course was implemented using a training of trainers approach, so that Iraqi professional educators would receive knowledge that they could continue delivering beyond the project period.

The programs, publications and materials extended beyond accounting and auditing topics to address needs for related business and professional skills. Approximately 23% of the materials relate to management functions and operations controls, 15% relate to business skills, 15% relate to IT, and about 19% relate to auditing and accounting.



How to Make a Business Bankable	IFRS/IAS Fundamentals*
Basic Business Law	Basic English Language Skills for Accountants
Internal Audit and Internal Controls	Intermediate English Language Skills
Financial and Credit Analysis	Fundamentals of English for Bankers
Ethics for Accountants	A short course on the Iraqi Corporate Tax Return
Basic Computer Use for Accountants	Quick Books Basics
Basic Excel Use for Accountants	Auditing – Methods, Methodology and Standards*
Basic Management Accounting	Basic Accounting
Basic Financial Accounting	Cost and Management Accounting*

* Full-length, 60-hour courses

Almost 40 certified master trainers from every governorate of Iraq were taught, tested and monitored for quality. These individuals received not only technical training on accounting, auditing, and other business skills but also on education skills. As many of these individuals have taught previously, building education skills capitalized on latent teaching abilities and advanced these with testing skills. Internationally recognized methods in test development and evaluation were applied and tested for understanding. Compliance with psychometric testing norms was stressed. These, aside from ensuring quality of education, are part of the requirements for mutual recognition of certifications under WTO regulations.

Enabling Iraqi Professional Growth



Course development was complemented by active and steady program of information dissemination. **45 Iraqi Learning Resource Centers (ILRCs)** were developed at branches of the IUAA and academic institutions and furnished with approximately 9,000 volumes of new books and periodicals, both in English and Arabic, accessible to the local community of students and professionals. Each title was selected for its applicability to needed skills. Many of the titles appear on recommended reading lists of international business education organizations.

To cover gaps in existing literature, seventy-six major documents were selected and translated. Titles included materials from the Public Company Accounting Oversight Board (PCAOB), the Association of Accredited Schools of Business (AACSB) as well as the US Uniformed Accountancy Act and Uniformed CPA Rules.

To facilitate Iraqi-led modernization of business skills and practices, an accountancy professor in Mosul was encouraged and supported to publish an Arabic language Excel textbook. This was one of the first text books published since 2003. Over 4,000 copies have been published and distributed, and the title is a best seller. The book was developed to encourage immediate adoption of skills. In addition to practical guidance on use of Excel within the Iraqi business environment it contains a ready-to-use CD with a wide range of business templates such as budgets, financial statements, expense reports, and typical accounting documentation, in both Arabic and English.



Direct Technical Assistance

Financial institutions and markets are key to economic stability and growth. In Iraq, new institutions were created and existing institutions were being improved. In tandem with this, assistance, mentoring, and guidance were extended by the Accounting and Auditing team to improve the internal financial processes and procedures in indigenous microfinance institutions (IMFIs) as well as in the Iraq Company for Bank Guarantees, drawing on best practices from organizations like the OECD, the PCAOB and the SEC (Securities and Exchange Commission).

The Iraq Company for Bank Guarantees (ICBG), an Iraqi company developed with assistance from the Izdihar project to support private bank lending to Iraqi SMEs, benefited from reviews to ensure that its financial management foundations are solid and from support to improve the technical knowledge and practices of its staff. The ICBG was the first financial institution in Iraq to publish International Accounting Standards / International Financial Reporting Standards, validating its position as a premier financial organization in Iraq. Since the ICBG itself supports

member and partner banks, they also benefited from Izdihar assistance through better understanding of accounting practices in reviewing loan applications and producing their own transparent financial reports. It established the Iraqi Bank Controllers Club, an organization which will enable banks across Iraq to do the same, there by complying with regulations mandated by the Central Bank of Iraq.

The institutions comprising the microfinance industry in Iraq, which grew with Izdihar assistance from two international providers to eleven institutions, received accounting and auditing consultations and implementations to promote strong financial management and to develop a basis for impartial systems for reporting. Iraqi accounting staff members were helped to understand how to keep accounts for this new type of business. A strategy for developing Iraqi external audit capacities, upon which international donors can rely, was implemented, and Iraqi audit firms were taught how to audit microfinance institutions.

The Central Bank of Iraq received technical assistance and training on topics ranging from understanding of modern English international banking terms to International Accounting and Auditing Standards.

International Standards on Auditing are taking hold among Iraqi auditors; they are stepping up to their responsibilities as guardians of the interests of shareholders and stakeholders alike. The OECD Corporate Governance Guidelines were translated into Arabic for the first time. By aligning the roles and goals of Iraqi auditors with these, the profession will gain the credibility demanded by serious investors.

List of Learning Centers Established

#	Name of University or Institute	Category	City	#	Name of University or Institute	Category	City
1	Al Mustansiriya University	Academia	Baghdad	23	IUAA - Branch in Mosul	IUAA	Mosul
2	Baghdad University	Academia	Baghdad	24	IUAA - Branch in Basra	IUAA	Basra
3	Al Rafiden College	Academia	Baghdad	25	IUAA - Branch in Missan	IUAA	Missan
4	H I F B S	Academia	Baghdad	26	IUAA - Branch in Dhi-Qar	IUAA	Dhi-Qar
5	Al Maamon Univ	Academia	Baghdad	27	IUAA - Branch in Babylon	IUAA	Babylon
6	Al Turath Univ	Academia	Baghdad	28	IUAA - Branch in Diwaniya	IUAA	Diwaniya
7	Suleimaniya Univ	Academia	Suleimaniya	29	IUAA - Branch in Samawa	IUAA	Samawa
8	Diwan Suleimaniya	Academia	Suleimaniya	30	IUAA - Branch in Najaf	IUAA	Najaf
9	Saladin Univ	Academia	Erbil	31	IUAA - Branch in Karbala	IUAA	Karbala
10	Koya Univ	Academia	Erbil	32	IUAA - Branch in Kut	IUAA	Kut
11	Mosul Univ	Academia	Mosul	33	IUAA - Branch in Ramadi	IUAA	Ramadi
12	Kirkuk Technical Institute	Academia	Kirkuk	34	IUAA - Branch in Tikrit	IUAA	Tikrit
13	Tikrit University	Academia	Tikrit	35	IUAA - Branch in Kirkuk	IUAA	Kirkuk
14	Technical Institute	Academia	Babylon	36	IUAA - Branch in Diyala	IUAA	Diyala
15	Kuffa University	Academia	Najaf	37	IUAA - Branch in Suleimaniya	IUAA	Suleimaniya
16	Al- Muthana University	Academia	Samawa	38	IUAA - Branch in Erbil	IUAA	Erbil
17	Al-Qadisiya University	Academia	Babylon	39	IUAA - Branch in Dohuk	IUAA	Dohuk
18	Technical Institute	Academia	Missan	40	Babylon University	Academia	Hilla
19	Basra University	Academia	Basra	41	Kut - Adm. & Econ College	Academia	Kut
20	Karbala University	Academia	Karbala	42	Iraqi American Chamber of Comm.	Other	Baghdad
21	Kalar Technical Institute	Academia	Kalar	43	AICPA	Academia	Baghdad
22	IUAA - Headquarters	IUAA	Baghdad	44	IUAA - Branch in Anbar	IUAA	Fallujah
				45	AICPA - Kurdistan branch	Academia	Erbil

Competency Certification

CBAT: Educational efforts cumulated in the launch of two competency certification assessment programs in the third year of the project. The first program introduces the Certified Business Accounting Technician © (CBAT). This program is 142 hours in length, moving from basic accounting to internal controls and on to reports. The expected outcome is to produce individuals with the knowledge and skills to service the needs of the MSME business community.



CIBA: The second competency certification program is the Certified Iraqi Business Advisor © (CIBA). Izdihar structured the curriculum, provided support in terms of materials, translations, organization and teaching and testing methodology. The CIBA program is an E-learning based certification developed specifically for the Iraqi professional who needs to guide and counsel potential and existing small businesses and entrepreneurs. Developed by the Small Business Development Committee of the IUAA, the CIBA program offers a concisely presented, comprehensive and up-to-date curriculum designed to educate individuals who want to provide businesses with hands-on assistance, allowing business owners and managers to focus on the running of the businesses. The CIBA designation certifies that individuals have an understanding of various modern business management needs that Iraqi businesses face and how to resolve them. As the project closes, these two programs have been introduced to Iraqi partner organizations, and it is recommended that the subsequent project continues to mentor the process through the first rounds of implementation so that the methodology and knowledge will be embedded on solid ground within the providing organizations.

Lessons Learned

- Delivery costs for training activities were priced to market. By project's end the delivery cost per training hour was approximately \$1.47 for existing courses. This price makes all offerings affordable by Iraqis and allows for a contribution toward growth of the institution. The component's counterparts in the profession, in schools and in government have been educated and are educating others. To build a future of quality in the professions of accountancy, auditing and business management, Iraqis have been empowered with better options for self-determination.
- In order to be adopted and applied, interventions must be developed in such a way as to be affordable to the institutions which will inherit and continue implementing them. In order to rise to the challenge of delivering nation-wide programs, the critical elements are strong management and oversight, constant efforts to collaborate with Iraqi partners, who are the interlocutors in their own communities, consistent drive toward quality improvement, empowerment and cycle time reduction.

- Izdihar's presence within the local community was noticed because of the stable and consistently successful delivery. Local counterparts and local national staff must be recognized as the drivers of sustainable success. It is unfortunate that due to the particular environment in which we worked, the many individuals who had made the commitment will be met with silence from donors but plaudits from their peers.
- A greater focus on delivery of program activities through local partners, in a way which strengthens individual and organizational capacity rather than creating dependency, will lead to greater achievement, provided that there is a widespread understanding of the tactical and strategic significance of the area of operations, application of appropriate methodology applied, and constant focus on the impacts remaining after the project life-cycle.

Success Stories

Over 700 Iraqis Enroll in Cost and Management Accounting Course

Seven hundred twenty-seven Iraqi business students and professional accountants, auditors, businessmen and managers from all over Iraq enrolled in the new course on Cost and Management Accounting organized by the USAID-funded IZDIHAR project.

The course, which started in October and is scheduled to end early December, was rolled out at seven universities and colleges and at the premises of several local chapters of the Iraqi Union of Accountants and

Auditors (IUAA), of which the professional participants are members. The course is being delivered in coordination with the Provincial Reconstruction Teams (PRT).

All twenty one lecturers that are administering the course are graduates of the "Training of Trainers" program on CMA organized by IZDIHAR January 2007. The project also provided a number of supplementary materials, including sample policy manuals, sample disclosure forms, and

accounting Info Sheets, to all participants.

The course will enable participants to assess where profits are made, analyze cost control strategies, and identify the benchmarks of good bookkeeping. Additionally they will be able to point out to instances where maintenance of good records is directly related to the reporting requirements and will lead to positive results when applying for loans.

BUSINESS MANAGEMENT SERVICES: BUSINESS DEVELOPMENT SERVICES

Goal

Iraq's successful transition to a free-market democracy will require changes at the firm level as well as the development of an educated constituency for reform. A major challenge is to develop informed and reliable stakeholders who understand the crucial role that the private sector plays in economic growth. The Iraqi business community, specifically business associations and business-focused civil society organizations, represents a key source for engagement in policy reform dialogue with government officials, political parties, and other civil society groups. To promote economic well-being by enhancing private sector development and employment generation, Iraqi access to business development services must be improved.

BDS TASK AREAS

Training: Developing the capacity of Iraqi Small Business Development Centers (SBDCs) to offer business management skills training.

PRT Support: Providing information and facilitating supportive activities with PRT members.

The goal of the Business Development Services (BDS) component was to create a fair, efficient and transparent free-market economy by increasing access to business management skills, technical advice and credit. By strengthening business associations to become sustainable educators of their members and advocates for needed economic reforms, the Iraqi business community will be empowered and equipped to improve private sector conditions through improved skills, business growth and advocacy.

Objectives

Through the Business Development Services (BDS) component, the goal during the Izdihar project's three-year life span in Iraq has been to stimulate a business-enabling environment by building the capacity of business associations and non-governmental organizations. Improvement of Iraqi capacity to provide business development skills to the private sector was achieved through strengthening the capacity of business associations to provide services to their members and to serve as advocates on their behalf, as well as by selectively developing existing Iraqi organizations' ability to provide needed training and advisory services in their business community.

Achievements

Stage One – Improving Businesses Associations

At the beginning of the project, the component was known as the Business Management Services Training (BMST) component, designed to strengthen business associations in selected sectors where maximum growth potential existed. BMST mobilized the resources and

capacities of particular business associations, and thus their members, to enable them to deliver effective, practical and meaningful business services. Development of the ability of business associations (BAs) to serve as an advocate for the private sector continues.

Training service programs are reported to be among the most valuable services associations offer to members, and this premise is confirmed by Iraqi BAs and NGOs. However, qualified trainers must first be trained to deliver such services.

BMST assisted in establishing a training center for business skill development for the private sector known as the Center for Development and International Dialogue (CEDID). The institution is educating and coaching private sector people in various commerce and management areas to advance the skills of the Iraqis; skills that have not been enriched for the past 30 years.

An alliance of business associations was formed under the name of IJMAA (the word means “consensus” in Arabic), to provide a comprehensive advocacy platform. IJMAA was created specifically to enable the private sector to speak in one voice. IJMAA matured into the Iraqi Business Council (IBC) and is currently preparing a number of advocacy positions on Iraqi economy, which are intended to inform the Iraqi government on issues that need to be addressed so as to create a fair and open-market policy framework fostering industrial and private sector development. IBC has grown from 17 original member organizations in 2006 to 63 current members in early 2008.

Izdihar supported other business associations such as the Iraq Association of Securities Dealers (IASD), Iraqi Business Men Union (IBMU), Iraqi Union of Accountants and Auditors (IUAA) and Society of Oil Products Distributors (SOPD). Additionally, business association leaders have been trained on public policy advocacy so that they can act as true spokespersons of the business community.

From the start of the project through early 2006, the component worked to improve the general operations of these associations according to best practices in member relations, governance, and sustainability. Additionally, key associations received strategic assistance targeted to their specialties. From February to October 2006, more than 16 business associations participated in 57 technical skills trainings. Programs were designed based on requests by the associations. During an extremely high-stress, high-alert security period, Izdihar offered more business programs to reach the private sector in a short period than any other program in Iraq. Business men and women eagerly attended the business management skills courses and actively requested additional assistance.

Focusing on business and management skills training and listening to the hopes and demands of the Iraqi entrepreneur guided the component in determining the next appropriate steps to provide technical assistance in how to start up or improve a business. Three additional strategic elements were developed in mid-2006:

- The Izdihar - Iraq Knowledge Portal to share training materials and informational resources. The IIKP is located at www.izdihar-iraqknowledgeportal.com.
- The SBDC concept to build training and advisory services with competent and willing Iraqi partners.
- Intense engagement with Provincial Reconstruction Teams.

Stage Two – Developing Small Business Development Centers

The importance of developing markets and the private sector during conflict are increasingly recognized priorities. Yet there exists a limited understanding of or advice on how to leverage the private sector role effectively. One economic intervention tool in Iraq that has met with tremendous success is Izdihar's national Small Business Development Center (SBDC) program.

To better prepare Iraqis for the next level of economic growth, assist them in starting or expanding their own businesses, and create linkages with microfinance institutions and banks, the Business Development Services component of Izdihar identified existing Iraqi organizations that could act as SBDCs in regional locations.

The SBDC concept builds on the experience of existing Iraqi business associations (BAs) and local non-governmental organizations (NGOs), particularly those which have excellent links in their communities and with MFIs and local banks. Initially the SBDC component supported five BAs/NGOs in Baghdad, Hilla, Kirkuk, Erbil and Tal'Afar. However, through close consultation and engagement with Provincial Reconstruction Teams (PRTs) the program is continuing to encompass the whole of Iraq.

The SBDC initiative was launched at the first Iraq National Microfinance Summit in November 2006. During the Summit, an SBDC Leader's Forum (represented by Hilla, Erbil and Kirkuk) was held, with a full day of training-of-trainers and technical assistance covering curricula, target audience, marketing, procurement and reporting. That same month, the Hilla Babylon Center for Economy Development presented the first SBDC 5-day *How to Start-up a Business* course.

The SBDCs offer specialized courses on how to start up a business, computer courses, links to MFIs and banks, and related business services. Izdihar technical assistance to develop SBDC functions included:

1. Site assessments and selections using a set of 18 criteria.
2. Upgrading of IT facilities.
3. Provision of complete training materials package covering 5 core modules of training topics.
4. Procurement of furniture and equipment.
5. Technical assistance and site-specific support with methodological aspects of training, mentoring of SBDC directors and trainers.

6. Technical assistance to SBDC managers to create and implement an operating budget and sustainability plan.
7. Legal assistance related to the registration and organizational framework of the BA and/or NGO.
8. Training of trainers (TOT) for the SBDC director and the new trainers.

The Izdihar approach allows SBDC partners to immediately begin generating income through training and other services so they can leverage the resources at their disposal. Resources include capable trainers, under-used facilities and links with partner institutions (such as MFIs, banks, employment agencies, universities and other community stakeholders).

The courses *How to Start-up a Business* or *How to Improve a Business* available through SBDCs are an intensive five days. Homework related to starting and operating a small business is given, critiqued, and discussed. Extracurricular assignments and research are also part of the course. Practical exercises to encourage innovation, growth and change are given, with immediately available feedback. In addition, trainer comments, consultations, and recommendations are provided to strengthen business plans, loans applications, and overall business direction.

How to Start-up a Business or *How to Improve a Business* includes the following topics, aimed at the appropriate skills level of the audience:

- Business Planning
- Assessing Prospects
- Assessing Self/Personal Well-Being
- Marketing and Sales Techniques
- Customer Care
- Promotion and Advertising
- Finance, Accounting, Budgets
- Business Case Studies
- Business Best Practices
- Computer Fundamentals
- Business Plan Pro software

These topics are structured in a 5-day course:

Day 1	How to Prepare a Bankable Business Plan, including: Starting a New Business, Business Planning, Long-term and Short-term Goals, Registration of Business
Day 2	How to Market Your Business, including: Sales, Customer Care, Promotion, Advertising
Day 3	How to Manage Your Business Cash Flow, including: Finance, Accounting and Budget Issues
Day 4	How to Use Computers in Your Business, including Introduction to Computers, the Internet, and Business Plan Software
Day 5	How to Use Your Business Plan in a Loan Application Package; How to Approach a MFI or Bank; and How to Compete a Loan Application

Voucher Program

Many donor programs report success leveraging economic growth by targeting assistance to individual firms, based on their potential for growth, ability to minimize business risk and vision for market opportunities. A widespread technique that has had repeated international success is the voucher program. This particular demand tool appears to offer real traction in stimulating local economies. Through partial subsidies for course delivery, vouchers provide inducements to business service providers like the SBDCs to deliver an improved flow of information and effective market outreach.

The voucher-based business development services program was introduced in the summer of 2007. It involves the distribution of coupons (“vouchers”), with an intrinsic value of \$125, which entitles the qualified recipient to attend the 5-day SBDC course and compensate the SBDC for the cost of delivering the course. Vouchers are currently purchased by brigade combat teams (BCTs), PRTs or ePRTs, and are available to others. Recipients are awarded the vouchers based upon need and pre-qualification. This presents a learning opportunity for the recipient, an income stream and marketing tool for the SBDC, and introduces the potential for third parties to transfer benefits through partners to local beneficiaries. For example, a military counterpart seeking to introduce training to businesses in his/her area can purchase a package of vouchers (a set of 10 represents the ideal class size), and provide the vouchers either directly to businesses or provide them to local partners, such as a district council, which can in turn select businesses from their constituency, thus partnering to deliver services to their communities. The latter delivery mechanism presents an added benefit, necessary in certain areas, for the entire process as presented to the beneficiary to have an Iraqi face, since they receive the voucher and referral from their local council or mayor’s office, and redeem it for training at an Iraqi training center.

To test the viability of the voucher program, the scheme was piloted through only one SBDC, the Iraqi Association of Securities Dealers (IASD) which operates as the Baghdad Small

Business Development Center. After an adequate test period, the program was rolled out regionally.

Current Status and Results

Today's SBDCs have the capability to provide management and practical assistance to emerging as well as currently operating small business owners. They offer business planning and management assistance to individuals and small businesses by providing a wide variety of information, guidance, training and linkages in easily accessible provincial locations. An inherent feature of the SBDCs is to promote new business creation, to strengthen existing businesses and to minimize business failures.

Five SBDCs have been operating since December 2006, in Baghdad, Kirkuk, Erbil, and Tal' Afar. Each center typically offers two courses per month. Each course averages ten to fifteen participants. Additionally, all SBDCs are actively engaged in the voucher program, with Baghdad and Hilla showing the greatest amount of activity. From November 2006 to March 2008, 2041 participants have participated in the SBDC courses. Women have made up 25% of the course attendees. SBDCs have 32 trainers (Hilla will have 12 more new trainers by March 31, 2008). SBDCs have referred 466 participants to MFIs or banks, with 38 businesses reported as qualifying for loans.

A defining feature of current microfinance practice is to lend only to established businesses, even though a significant target population of the SBDCs are potential entrepreneurs seeking to start new businesses. Therefore, SBDC leaders successfully advocated for Izdihar support to set aside funds for certain MFIs to pilot a loan product for start-up businesses and boost cooperation between SBDCs and MFIs.

Izdihar-supported SBDCs at Iraqi NGOs and BAs are grassroots organizations indigenous to their provinces, run by dedicated individuals who typically have 50 members (if membership based), 3-5 employees and generate about \$30,000-\$60,000 in revenue per year. Notably, these organizations were dependent on very small revenue-generating activities, and had no menu of services. No entrepreneurial program like the SBDC concept existed in any significant way outside of the province of Baghdad prior to 2006. The SBDC concept has started small, with a manageable course curriculum of two versions of the basic 5-day course, to enable these organizations to adopt new management, training, member services, marketing and partnerships techniques. The next steps are to coach the SBDCs how to better understand how to create additional services, such as consulting services, for their target audience, which consists of local area businesses as well as new partners such as PRTs, for whom the SBDCs can provide services linking PRTs and local government to the business community.

Izdihar intentionally did not select larger entities which may be more easily identifiable by international donors, due to a number of reasons. The large chambers and unions are:

1. Not voluntary

2. Tied to the government
3. Oriented toward SOEs
4. Not interested in SMEs
5. Exhibit corruption at endemic levels

Note: above findings are based on the experience on building BAs during the first year of Izdihar's existence.

With full USAID support, Izdihar approached local NGOs and BAs at the community-level that had the will, the desire and the opportunity to contribute to private sector growth and employment generation through targeted training programs aiming to inspire and support micro and small business men and women. What follows is a snapshot of each center.

New Products and Services

The embryonic SBDCs recognize that developing a comprehensive menu of services is critical to generating revenue and thus critical to their sustainability. Adding additional services will be based on the potential for growth, needs of association members, demands of the community, business risk and related market opportunities. Each SBDC makes an individual choice pertaining to when and what other services should be introduced. The future services might include:

- Business consultancy
 - Individual consultations (development of a wide-ranging consulting menu of services including: accounting, bookkeeping, legal, registrations, licenses, etc.)
- Special programs for women entrepreneurs
 - "Entrepreneurship" for self-sufficiency
 - Introduction to women's empowerment issues
 - Review of CEDAW
 - Understanding individual rights
- Higher levels of trainings
 - Advanced accounting
 - Financial management
 - Human resources management
 - Association management and development
 - Specific courses demanded by local employees
- Internet Cafè
- Internet services
 - Internet trainings
 - Internet research
- Job services
 - Job referrals
 - Job interview training
 - Resume writing
- Business plan preparation
- Procurement training – How to Bid
- Market research
- Information resources
- Newsletter
- Partner matching services
- Business to business trade fairs
- Conferences, seminars and workshops
- Regional trade missions
- Business Plan Assessment
- Preparation of opportunities and pre-feasibility studies

Dynamics of Women

In the labor and economic rights sections of the July 2005 CEDAW⁴ report (also known as The Status of Women in Iraq); four primary areas are shown to reduce women's ability to fully participate economically. The new Iraqi SBDCs are committed to assisting budding women entrepreneurs in their communities as is evidenced by their 26% attendance rate in courses.

If women are uncomfortable being in a classroom with men, then a special course is designed for them. If women are uncomfortable approaching a MFI or bank, then SBDC executive director will accompany them. The Baghdad IASD/SBDC said, "The concept of women's economic empowerment is clearly manifested in the number of women who have found the SBDC training courses to be a window of opportunity for their expectations. Women are the worst affected in the post war Iraq, therefore getting them aboard the reconstruction scheme is an imperative task for it means fulfillment of education, self-esteem and a sense of importance to the community."

Izdihar is committed to inclusively integrating women into the totality of Iraqi economic process.

PRTs – Our Partners in Growth

The Provincial Reconstruction Teams (PRTs) recognize and appreciate the SBDCs. Currently, we are working with four additional PRTs on new SBDC initiatives. The provinces in the process of establishing new centers are Al Anbar, Dhi-Qar, Salah ad Din and Wasit. As they strive to establish these new centers, the PRTs are also engaging existing SBDCs through the voucher program to train staff and trainers. The Erbil SBDC has emerged as our TOT partner.

Through the technical support of the SBDCs provided by Izdihar, representatives of USAID, Department of State, US military, and coalition partners' foreign affairs ministries at PRTs, e-PRTs, C-9 staff and OPA staff are able to engage the local communities with offers of training and other services through the recently introduced voucher scheme. This training and the involvement of the SBDC also allows for linkages between candidates who have successfully completed the training courses and local micro-finance institutions and banks. Sister components within the Izdihar project provide technical assistance to MFIs. In addition, suitable candidates for loans from local private banks can benefit from having their loan guaranteed by the Iraqi Company for Bank Guarantees, an Iraqi company receiving technical assistance from Izdihar.

BDS supports the SBDCs through training program for the trainers and is actively developing new training materials. All these materials are placed on the Izdihar knowledge portal and are available to all PRTs and the SBDCs.

⁴ The Convention on the Elimination of all forms of Discrimination Against Women (CEDAW) is an assessment that measures Iraq's compliance with international standards of gender equity in July 2005.

To promote all the outreach activities of the USAID program supported through Izdihar, BDS visits PRTs and ePRTs and conducts intensive information-sharing conferences involving the ePRT together with the local business community. These events have so far taken place in Basra and Hilla as well as Tikrit, Balad and Ad Dujayl in Salah ad Din Governorate, and most recently to Nasiriyah in Dhi-Qar. In addition, BDS personnel have made on-site support field visits to the SBDCs in Baghdad, Hillah, Kirkuk, Tal'Afar, Erbil, and trips to ePRTs to support new SBDC development in Fallujah and Al-Kut.

BDS provides a point of contact for the whole of the Izdihar project and answers and directs the queries of all PRTs on a daily basis.

Stage Three - Recommendations for the Future

To improve business development services industry in Iraq today, several main issues must be confronted. At the "Vision Forward: Strategic Seminar for Iraqi Small Business Development Centers" in July 2007, the SBDC leaders identified these specific recommendations for the follow-on to the Izdihar project:

- Establish an association of SBDCs
- Additional start up loan products should be made available by the microfinance industry
- Procure essential equipment, such as:
 - Distance education equipment
 - Generators
 - Internet subscription
 - Security funds
- Increase training-of-trainers (TOT) in order to develop more master trainers and more second generation trainers
- Add more curricula to diversify course offerings and revenue streams
- Set up mobile outreach teams that are technologically equipped
- Develop satellite provincial branches
- Give technical assistance on how to implement the SBDC toolkit to set up new branches
- Offer capacity building exercises for SBDC staff at all levels

- Offer one-to-one coaching at each SBDC to refine business plan, budget and strategic implementation steps
- Design a detailed M & E participant tracking system (suggest an electronic on-line monthly reporting system) and give staff training on how to use it
- Proffer technical assistance and SBDC assessment for the next level of growth, including delivering an *Association Management and Development* course and offering it as a TOT
- Design peer-to-peer site visits at the Iraq SBDCs
- Design peer-to-peer site visits in Jordan at the Jordan Business Development Center
- Design peer-to-peer site visits in USA at Washington, DC and targeted state SBDCs
- Implement self-assessment tool at each SBDC while simultaneously training SBDC leaders to use the tool as a consulting mechanism.

Lessons Learned

- Tandem Growth of Lending Institutions and Business Development Services. As the Iraqi microfinance practitioners, the banking community and business services providers grow, demand is simultaneously cultivated. Since to date the overall free-market culture is underdeveloped, the lending industry and the business development services industry have not worked in concert. Nor have the loan products been entirely suited to the SBDC audiences. For example, more than 35% of the participants trained in the How to Start-up or Improve a Business indicate that they particularly want to start a new business. Only limited funds are available for start-up loan products. It is recommended that start-up loan capital be increased.
- BDS as an Economic Tool. While there are internationally accepted “best practices” for business development services, providers like the SBDCs have had no global access. Thus skill sets such as operations, consulting and training need substantial improvement and capacity building via technical assistance.
- Sustainability. As the community of Iraqi practitioners of business development services evolves, the primary goal is their ability to meet today's global economic, environmental and social needs and to offer consulting, training and referrals of uncompromising quality.
 - Build Sustainability through Long-Term Planning. Business sustainability through improving profitability, competitiveness and market share is the foremost prospect of the SBDCs. As of the July 2007 **Vision Forward** conference, the existing 5 SBDCs were scant six-month olds. At that early stage it was important

for all stakeholders to consider the range of issues and strategies with the potential to shape development of this new industry. Now it is important to consider the likely political and bureaucratic environment in which the future evolution of the sector will occur, and to turn attention toward longer term business planning.

- Build Sustainability through Market Outreach and Client Diversity. Another course that would be helpful in building the economic capacity of the SBDC would be marketing specific to the current market environment. A course entitled *Market Outreach and Client Diversity* will assist the SBDCs to look past the PRTs as clients and reach more deeply into their communities.
- Build Sustainability through SBDC Staff Capacity. The addition of further competent staff to the SBDCs, with skill sets in management training and consulting, will extend the reach of the SBDC. Candidates need to be screened for literacy and numeracy, and the certification needs to be strictly limited to those that have successfully evidenced their knowledge through development of business plans or business development strategies.
- Sustainability through Updated Curricula. Curricula need to be more focused on the needs of the lending institutions by incorporating a “walk through” of the actual application forms and/or designing a new course entitled: *How to Get an MFI Loan*. This focus is in addition to the development of further courses as demanded by the local market. BDS will be working very closely with both the MFI and SME Lending components to more deeply cross-cut with these components. As an example, we suggest that:
 - 1) MFI and bank personnel be trained on business planning at the SBDCs,
 - 2) SBDCs’ facilities be used to conduct MFI and bank provincial training,
 - 3) lending institutions be encouraged to select useful products from the SBDC’s menu of services, and
 - 4) SBDCs, MFIs and banks should plan joint activities for expanded relationship building.
 - 5) Consulting
 - 6) Multi-level computer courses
 - 7) Internet cafes
 - 8) Assistance for business registrations and licenses
 - 9) Economic and agricultural conferences
 - 10) Trade shows
 - 11) Local business-to-business expos
 - 12) Business plan technical assistance and preparation
 - 13) SME case studies

- 14) Specialized curricula like contracting, agri-business, training-of-trainers, NGO management, and
 - 15) Higher level management courses in marketing, accounting, etc.
- Sustainability through a Diversified Menu of Services. The business environment for micro and small enterprises has completely changed during the past three years. With security beginning to somewhat stabilize, today's business environment is opening new opportunities for small enterprises to expand their market base and forge linkages with large enterprises. The SBDCs have no option other than to build their capacities and capabilities to survive in a competitive environment; historically this is achieved through a diverse menu of services that meets the demands of a community. Envisioned services may encompass:
 - 1) Consulting
 - 2) Multi-level computer courses
 - 3) Internet cafes
 - 4) Assistance for business registrations and licenses
 - 5) Economic and agricultural conferences
 - 6) Trade shows
 - 7) Local business-to-business expos
 - 8) Business plan technical assistance and preparation
 - 9) SME case studies
 - 10) Specialized curricula like contracting, agri-business, training-of-trainers, NGO management, and
 - 11) Higher level management courses in marketing, accounting, etc.

NOTE: Potential services are not limited to this list. Each SBDC will determine what best suits their community stakeholders

- Sustainability through Self-Assessment. The objective of the self-assessment diagnostic tool for business associations and non-governmental organizations is to take an in-depth look at their current status and evaluate gaps which may be hindering growth. Major operational decisions are taken by SBDCs themselves and Izdihar has been ready to offer technical assistance as needed by each center. Under Tijara, by implementing the self-assessment diagnostic tool the centers will continuously and methodically move toward greater sustainability.
- SBDC Provincial Outreach. Every day another PRT requests a new SBDC. As mentioned above, four new SBDC initiatives are in process for the provinces of Al Anbar, Dhi-Qar, Salah ad Din and Wasit. However, for Iraq to show consistent entrepreneurial growth, more resources must be put toward establishing SBDCs under expansion of a national strategy that incorporates not only PRT priority areas, but also creation of branches in existing provinces. Furthermore, existing SBDCs must be encouraged to continue diversification of services to include: economic

conferences, trade shows, local business-to-business expos, business plan technical assistance and preparation, SME case studies, specialized curricula like agri-business, training-of-trainers and higher level management courses in marketing, accounting, etc.

- **SBDC Association.** A new SBDC association is in the preparation stage with registration and drafting of the by-laws underway. The Iraqi Association of Economic Development Centers is in the process of registering as a non-governmental organization (NGO) with the Government of Iraq. This association will need substantial assistance to define itself and to operate within the context of today's environment. The IAEDC will be a democratic and voluntary organization with leaders who are elected on an annual basis, and by-laws confirming the roles of the officers. IAEDC will create a board to whom management reports. It will have monthly membership meetings and will issue internal financial statements that will be available to all members.
- **Build Capacity for Consulting.** Business development services as an industry is new in Iraq; therefore, SBDC leaders particularly need to grow their consulting skills in three ways 1) peer-to-peer observations at site visits both domestically and abroad, 2) participation at new training of trainers (TOT) courses aimed at developing consulting skills such as ***Moving from Training to Value-Added Consulting***, and technical assistance in systemizing general operations such as: policies, procedures, human resources, accounting systems, reporting, monitoring, evaluation and related management improvement.
- **Workplace Diversity.** To increase workplace productivity, we recommend culturally-sensitive workplace diversity workshops to decrease the perpetuation of stereotyping. After first training the SBDC executive directors, each center can then rollout similar programs in their respective provinces.
- **Opportunities Studies.** As an early intervention under the next USAID sponsored economic development project (Tijara), we suggest an "opportunities" study for the next stage of BDS growth.

Lessons Learned from Establishment of Small Business Development Centers (SBDCs)

- One of the BDS' greatest strengths is Iraqi staff. Although expats can offer technical assistance, they should at all times be primarily behind the scenes. TA should be transferred to Iraqi key counterparts by well trained Iraqi national staff to ensure that the transfer of knowledge is Iraqi-to-Iraqi.
 - PRTs need to offer more facilitation to the Iraqi staff so they can do better work when in the field, especially assistance is needed with the military, the DEFAC,

and more protection and attention from the PRT and the military when conducting provincial field work.

- A one-to-one ratio should be applied to expats and nationals so that skills are effectively transferred.
- Identification of Iraqi partners such as business associations, NGOs, Chambers of Commerce, etc. are critical to the success of establishing a SBDC.
 - The executive director has to have more authority in making SBDC decisions without constantly going back to the board of directors. Boards often thwart progress rather than support it.
 - The counterparts have to be evaluated carefully before starting the process of establishing the SBDC. We urge that they heed the '18 Step Evaluation' process.
- The multiplier effect, such as training of trainers (TOT) programs, must be built into all technical assistance to SBDCs. This significantly escalates the arithmetical progression to increase income and employment generation.
 - SBDCs' staff should well know the TOT program and attend more courses as well as deliver TOT within their own provinces.

Lessons Learned from PRT Engagements

Establishment of the SBDCs

Identification and due diligence of the counterparty NGO: the PRTs need more assistance in identifying, conducting due diligence on the NGOs, and the suitability of particular existing NGOs – preconceived ideas can do a lot of damage. In particular, the PRTs need to be educated on the amount of time that it takes for the documentation to be prepared where a new NGO is established; on the funding process through CERP or QRF, and the amount of mentoring that they will have conduct with the NGO as it takes over an SBDC role. Standing up new entities to operate as an SBDC is inefficient in terms of time, energy and money. Furthermore, these new entities typically fail.

A major issue is the rotation of the PRT members – particularly where an individual member of the PRT has assumed specific responsibilities. Otherwise, the paperwork remains uncompleted, and therefore the establishment of an SBDC cannot take place. Where people rotate out, or indeed units rotate and hence PRT e-mails change, Izdihar needs to be informed, and contact made with the replacement.

General Questions

Izdihar's BDS component provides a POC for PRTs with general questions – which are then fielded by BDS to the appropriate component or sister projects. A mechanism that involves the capacity development of the PRT was developed; however, the PRTs believe that BDS should be more directly involved in the assistance.

BDS component is often asked to participate in activities which are directly related to the state sector, which is outside the remit of Izdihar. Also, the limits of the authority of the PRT and their role needs to be more clearly explained, for example, privatization of state assets has been raised on a number of occasions and we have had to clarify the relationship between the PRT assistance and the responsibilities of GOI.

BDS now deals with over 27 PRTs and frequently discovers that members of the same teams are not always communicating with each other, thus leading to duplication of queries to BDS.

A briefing paper should be prepared by USAID to be distributed to all (e)PRTs explaining the role and responsibilities of each USAID funded outreach program, where these have funding capabilities, where not, and to what extent.

Vital Encouragement for Iraq's Business Future

Iraqi entrepreneurs, leaders and stakeholders must not lose heart. Humans were designed for challenging times. In difficult times such as these, there is a tendency to be overwhelmed by much is wrong. Do not focus on what is wrong. The task is not to fix the entire world or the whole of Iraq all at once. The immediate goal is to stretch to mend the part of the world that is within our reach, focusing on the local community. Individuals, most particularly entrepreneurs, are stronger than is thought. This fact is evidenced by the tremendous strides and successes of the SBDC leaders, staff and local business men and women.

Izdihar's commitment to business development through intensive skills training is an intervention that will, unequivocally, drive the engine of growth in a currently stagnant economy. Izdihar's legacy is institutions that will live and grow and thrive as a result of support, structure, care and nurture. These institutions will soon widen across the nation into eight Small Business Development Centers that offer not only business, management and computer skills, but also hope for a better economic future.

Examples of Success Stories



IZDIHAR
INSTITUTE FOR ZANGI DEVELOPMENT AND INVESTMENT RESEARCH

Newsletter
Twelfth Edition, January 2008

Young Woman Entrepreneur Expands Recruitment Company

Talan is a young woman entrepreneur that started and has been managing "Erbil Manpower", a small company whose mission is to provide opportunities for individuals looking for jobs and to offer recruitment services to companies seeking to employ new staff. Prior to her taking the "How to Start-Up or Improve a Business" course her company had two employees.

Her participation in the training provided by the local Small Business Development Center (SBDC) proved highly beneficial. She had established the business based on intuition, with no business plan. Right after the course she hired a qualified consultant who assisted her in preparing a proper business plan.

She also prepared the financial reports she had learned about at the SBDC – the income, balance sheet and cash flow statement and that helped her better understand her financial situation and the prospects for the company.

She decided to take advantage that her company was one of the few of its kind in the region of Kurdistan and focused her efforts on marketing and advertisement. She increased the number of staff from two to six and initiated an aggressive public relations campaign. It included the establishment of a web site and the printing and distribution of a company profile. The staff paid visits to prospective clients - banks, hotels, national and international NGOs and government

offices - and followed up with phone and email communication.

"Our efforts paid off. Our list of customers expanded significantly as a result of our advertising campaign", says Talan. It currently includes names such as CC Beverage Ltd., USAID, ACDI/VOCA, L3 - Communications/Titan, Italian EXPO, Asia Cell Ltd., Tigris Enterprises, and Hawkary Company.

In addition, to ensure quick communication with clients, she relocated the office of the company to the English Village in Erbil, an area where foreign companies seeking for recruitment services are based. The new, more spacious location also enabled her to start organizing professional training courses.



Ali increased the production of his shop thanks to two successful loan applications.

Carpenter Gets Two Loans in One Year and Boosts Wood Processing Business

Ali is a carpenter from Hilla who was running a small wood processing shop with three employees. In the fall of 2006 he participated in the "How to Start-Up or Improve a Business" course offered by the local Small Business Development Center. He learned the basics of business management and he immediately started implementing his newly acquired knowledge to his business.

He had plans to expand, as demand for his products had expanded, but was lacking the capital to increase production. As he had training in preparing a business plan and in calculating the cash flow, he put his records in order and in December 2006 applied for a loan from the local branch of a microfinance institution.

He received the loan and used the money to buy a

stock of raw material, to purchase additional equipment and to rent a larger space for his shop.

His business boomed, so after only ten months he applied for a bigger loan, this time from a bank. His second application was successful, and Ali became the first small entrepreneur from Hilla which was awarded a loan – in the amount of \$10,000 - guaranteed by the Iraqi Company for Bank Guarantees.

A Snapshot of SBDCs

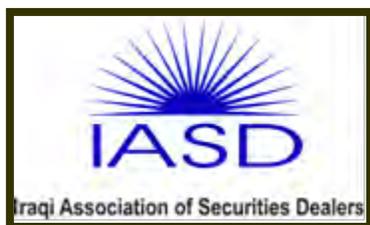
www.SBDC-iraq.com



Existing SBDCs

Baghdad – Iraqi Association of Security Dealers (IASD)

The Iraqi Association of Securities Dealers (IASD) was established in September 2004. Over the course of this short existence, the association has articulated its vision and begun to establish its presence as an important member of the securities market community in Iraq. IASD has also taken on the challenge of upgrading member brokers and market stakeholders in adapting to the new free market economic environment, making sure that market players adhere to the international accounting standards and provide the best reporting currently possible to their customers. The association moved into its present location in March 2006. Within this short time frame there was a large effort exerted to outreach to members and to enroll all market brokers in a comprehensive one-month computer training program with Izdihar assistance coming from the Capital Markets Development component. IASD has been providing training in intellectual property rights, foreign direct investment, trading on the stock market, ICDL computer courses and principles of accounting for its members.



Izdihar's BDS component selected IASD as the Baghdad partner to adopt the SBDC program in December 2006 due to their membership base, an accessible location in Karada, excellent facilities to accommodate instructional courses and a computer lab, enthusiastic executive manager and the realization that its members needed strengthening related to business management skills.

Efforts since July 2007 have been directed at improving the business communities around the districts of Baghdad by creating a working relationship with the DACs, PRTs and ePRTs. IASD has sold the highest number of vouchers to Baghdad PRTs and ePRTs. It has not limited itself only to providing trainings. Encouraged by Baghdad area PRTs, IASD stretches their small staff of four to offer conferences, district business trade expos and seminars with the DACs.

The executive manager notes that there was a fundamentally unbalanced situation when IASD began - enormous expectations versus very few resources (human and financial) and no free-market skills or knowledge. The need for capacity building was far beyond the resources at hand.

The SBDC program within the IASD has proven to be an important business community support facility. Like the other SBDCs across Iraq that build on existing associations, they offer considerable outreach in the community served.

<i>Baghdad - Iraqi Association of Security Dealers (IASD) - Baghdad</i>		
Menu of Services that Generate Revenue	IASD/SBDC Statistics	Source of Funds
1. Member Fees <ul style="list-style-type: none"> a. Corporate Fees b. Representative/Principal Fees 2. Annual Dues 3. Trade Revenue Sharing Fees 4. Broker Training and Certification Revenues <ul style="list-style-type: none"> a. Principal Representatives b. Registered Representatives 5. Broker Continuing Education Programs 6. Support Services Fees 7. Securities Conferences and Seminars 8. SBDC Training Programs include: <ul style="list-style-type: none"> a. How to Start-up a Business b. How to Improve a Business c. Training of Trainers (TOT) d. Computer courses e. Internet technology TOT f. Business plan software 9. Conferences, business trade expositions and seminars 10. Business planning (through courses and individualized consultations)	NGO established: September 2004 SBDC initiated: December 2006 Staff: 8 Trainers: 6 Master Trainer: 1 Advanced Trainer: 1 Part-time Trainer: 4 Full-time staff: 4 Part-time staff: 4	Members USAID's Izdihar Project USAID's Community Stabilization Project Coalition PRTs and ePRTs

Significant Additional Events:

- Organized two business conferences

	Izdihar	Vouchers	Total
Courses	9	18	27
Participants	117	471	588
% female	48%	18%	24%

	Banks	MFIs
Referrals	37	201
Loans Received	Not monitored	Not monitored

Kurdistan/Erbil - Women Empowerment Organization (WEO)

Web site: www.womenempowerment-iraq.com



The Women Empowerment Organization (WEO), founded in 2004, works in Erbil to encourage women's full social, political and cultural participation. WEO holds seminars and trainings that foster an exchange of information and experience among national, regional and international human rights movements.

Women's human rights, gender equity and political participation are discussed and promoted. Women Empowerment Organization has a strong link with government through the executive director who is a consultant in the ministerial council and gathers support from the governmental side for their activities. She plays a vital role in disseminating information from events and keeping the government aware of what, as an NGO, they are achieving in the community.

Based on the needs and the urgency of developing the business skills of people in Erbil city, WEO, in partnership with Izdihar, established an SBDC program to strengthen the capabilities of business men and women and enable them to obtain microfinance or bank loans for small projects. WEO understands there is not enough business skill or expertise for the development needs of the country. Given the high rate of unemployment, people are desperately in need of developing small businesses to manage their own life. Therefore, WEO believes that it is necessary particularly to enable youth and women to fully participate in the economic rebuilding process by providing business skills required to achieve this goal.

WEO reports that small business development and the introduction of microfinance in Iraq are foundations to economic development in their community. Currently, many community members throughout Kurdistan have limited resources or knowledge about small and medium-size business development and microfinance basics. In Erbil, microfinance loans are available for business owners, yet rates of interest perceived as being high are still a source of complaint. Microfinance and small business have become subject to keen interest of many people in Erbil since the majority of the population is well below adequate income levels.

The Kurdistan Regional Government is now paying closer attention to strengthening and supporting small businesses so as to improve the standard of living of people. WEO's job will be to prepare people to cope with and to participate in the economic progress and involvement through small business.

WEO has also emerged as a training center to develop trainers and managers of new SBDCs starting in other parts of Iraq.

<u>Kurdistan/Erbil - Women Empowerment Organization (WEO)</u>		
Menu of Services that Generate Revenue	WEO/SBDC Statistics	Sources of funds
1. SBDC Training Program includes: <ul style="list-style-type: none"> a. How to Start-up a Business b. How to Improve a Business c. Training of Trainers (TOT) d. Proposal Writing e. Computer courses f. Internet technology TOT g. Business Association Management and Development h. Specialized topics like NGO Accounting i. Business plan software 2. Conferences, exhibitions and seminars 3. Individualized consultations 4. Organization of exhibitions, seminars and conferences 5. Internet cafe	NGO established: 2004 SBDC initiated: December 2006 Staff: 11 Trainers: Master Trainer: 1 Trainers: 3	Sponsors Community businesses International NGOs (such as Global Fund for Women and UNDP) USAID's Izdihar Project PRTs sponsoring development of SBDCs in their areas: Al Anbar, Salah ad Din, Dhi Qar

	Izdihar	Vouchers	Total
Courses	25	6	31
Participants	243	92	335
% female			10%

	Banks	MFIs
Referrals	0	46
Loans Received	0	14

Babil/Hilla - Babylon Center for Economy Development (BCED)

Website: www.bced-iq.org



The Babylon Center for Economy Development (BCED) has earned a unique status in the governorate of Babil and among its members in fostering a business learning environment. BCED was identified as one of five original regional locations to act as Small Business Development Centers (SBDCs) due to the executive director's impressive skill set which includes qualifications as a professional accountant with a Ph.D. in accounting, being a university professor with rich experience in curricula development, founding leader of the association, certified CGAP trainer for the microfinance industry, and a keen learner who never misses an opportunity to attend an Izdihar training and/or seminar. Since November 2006 BCED has launched intensive business training courses and workshops in computers, accounting, business planning, marketing, English language courses, investment promotion and specialized training to banks and financial institutions.

BCED has sought out and built relationships with the North Babil PRT and the Hilla Regional Embassy Office (REO), and is currently starting work with the Baghdad-7 ePRT based at FOB Kalsu. It has sold the second highest number of vouchers. In collaboration with the North Babil PRT, BCED held seminars tailored to increase and improve the knowledge and management skills of more than 200 business men and women in the city of Iskandiriya. This strategic alliance with the North Babil PRT led BCED to offer additional training opportunities for Iskandiriya in accounting and to work with agricultural associations. The outcome has been that the Iskandiriya City Council has become a valued partner offering a continued venue for BCED's activities.

BCED's mission is to improve the skills and raise awareness of modern business practices and opportunities of businessmen and businesswomen in the Babil governorate as well as other governorates of the South Central region of Iraq. It also strives to improve career management styles in different specialties, such as trade, industry, agriculture, tourism, service and others, particularly focusing on small and middle-size business. BCED concentrates on SMEs because such businesses need support and development to reach international standards, to enable them to take an active part in economic development, and in order to improve individual and social living standards. BCED operates business, computer and other training and seminar programs; it provides consultations, research services, and support to women and young people to qualify them for their role in rebuilding Iraq.

The BCED headquarters office and training center is located in the center of Hilla and has training facilities, lecture halls and an internet café. The BCED facility is served by a new 4 KV generator which ensures continuous electricity during all the workshops.

Babil/Hilla - Babylon Center for Economy Development (BCED)		
Menu of Services that Generate Revenue	BCED/SBDC Statistics	Sources of funds
<ol style="list-style-type: none"> 1. Member dues (approximately 50 members currently) 2. SBDC Training Program includes: <ol style="list-style-type: none"> a. How to Start-up a Business b. How to Improve a Business c. Training of Trainers (TOT) d. Agri-business specialized curricula e. Computer courses f. Internet technology TOT g. Business Association Management and Development h. Specialized topics like NGO Accounting 3. Individualized consultations 4. Business plan preparation and individualized consulting 5. Organization of exhibitions, seminars and conferences 6. Internet café 7. Research services 	NGO established: June 2006 SBDC initiated: November 2006 Staff: 8 Trainers: 18 Master Trainer: 2 Regular Trainer: 1 Dormant: 3	Members USAID's Izdihar Project PRTs (North Babil, Hilla REO and soon Baghdad 7 ePRT) Internet cafe

Significant Additional Events:

- **Agricultural Development Conference organized in March 2008**

	Izdihar	Vouchers	Total
Courses	13	15	38
Participants	160	264	424
% female			5%

	Banks	MFIs
Referrals	102	25
Loans Received	2	6

Kirkuk – Al Murshed Center (AMC)

Web site: www.iedckirkuk.org



The Al Murshed Center (AMC) is a non-profit organization that facilitates economic development within the province of Kirkuk by providing business classes to build capacity in the business community. AMC supports new and existing businesses by helping them develop business plans and providing training in modern marketing techniques. AMC has received substantial operational support from the Kirkuk PRT. However due to a problem in accessing CERP and/or QRF funds, the PRT only recently began to purchase vouchers. During 2007 AMC experienced a change of leadership which resulted in lowered capacity for a time. Currently, it is stable and working very hard to find its market niche.

In conjunction with the preparation of AMC’s business plan, the staff of AMC and the BDS field coordinator conducted a SWOT analysis (strengths, weaknesses, opportunities and threats). It is provided below as not only a reflection of AMC, but also as a representative indicator of all the SBDCs.

<p><u>Strengths</u></p> <ul style="list-style-type: none"> • Experienced staff • Secure and good location • Clean and comfortable training and administrative facilities • Good connections with other local NGOs and government • Defined program and services • Excellent trainers • Cooperative and willing staff 	<p><u>Weaknesses</u></p> <ul style="list-style-type: none"> • Need more equipment • Staff to not see themselves as leaders of the NGO, but rather as employees paid by the PRT • Need more funds for staff • Main training facility is far from the city center • Participants need to be better screened • Two separate locations cause a disconnection among staff, trainers and participants
<p><u>Opportunities</u></p> <ul style="list-style-type: none"> • Selling the voucher program • Targeting other international NGOs (ACDI-VOCA, IRD) • Selling training programs to big business in Kirkuk • Expansion of the Menu of Services • Increased staff and trainer training 	<p><u>Threats</u></p> <ul style="list-style-type: none"> • Security conditions deteriorating according to AMC staff • Threat to some of the staff • No vested NGO ownership

<i>Kirkuk – Al Murshed Center (AMC)</i>		
Menu of services that generate revenue	AMC/SBDC Statistics	Sources of funds
1. SBDC Training Program includes: <ul style="list-style-type: none"> a. How to Start-up a Business b. How to Improve a Business c. Agri-business specialized curricula d. Computer courses e. English classes f. TOEFL preparation g. Specialized topics like NGO Accounting 2. Organization of exhibitions, seminars and conferences 3. Publication of Murshed Alqtisad Journal (ads to be sold this year) 4. Development of business cards 5. Website development as well as maintenance and hosting	NGO established: September 2003 SBDC initiated: December 2006 Staff: 23 Trainers: 16 Master Trainer: 1 Trainer: 15 (8 p/t)	USAID's Izdihar Project PRTs (Kirkuk)

	Izdihar	Vouchers	Total
Courses	31	3	34
Participants	330	98	428
% female	43%	43%	43%

	Banks	MFI's
Referrals	2	25
Loans Received	2	13

Ninewah Province/Tal'Afar – Tal'Afar Economic Development Center (TEDC)

The Tal'Afar Economic Development Center (TEDC) is a non-profit organization that facilitates economic development within the province of Ninewah. The TEDC helps new and existing business grow by offering start-up courses, delivering business improvement trainings, developing business plans and presenting computer and internet techniques. The TEDC also offers consulting to private sector businesses.

TEDC is housed inside the Tal'Afar Business Center (TBC) which was established in June 2006 with the technical assistance of the PRT. To date, the PRT has purchased zero vouchers. The TBC is not registered as an NGO. The PRT technical assistance team drafted a business plan



for TBC which includes some organizational policies and procedures for center operations and for institutional structure. TBC started with an Iraqi board of directors of seven members and recently a new board of directors has been appointed by the city council of Tal'Afar.

TBC main activities are the business development program and a micro lending program which were started together as one co-mingled entity. SBDCs that had been conceptualized by the PRTs outside of the context of Izdihar's assistance have often been structured as both microfinance and SBDC, under one management. It is essential that the small business development center and the micro-finance institute (MFI) be separate NGOs, with separate management. The reasons for separate, independent entities are three-fold:

- **Core Competency:** Each young entity must be totally focused on their areas of core competency, i.e. the MFI should concentrate strictly on lending and the SBDC upon business development services.
- **Accountability:** Clearly defined lines of accountability must be imposed thereby initiating comprehensible checks and balances by separation of duties.
- **Transparency:** To meet global standards when dealing donor funds or with government there must be no opportunity for collusion, rent-seeking, or bribery and corruption.

In December 2006, TEDC started a contract with Izdihar to hold classes twice a month for the program called "How to Start-Up or Improve Business". This was a step forward in supporting local economic development, especially since Tal'Afar had just come out from one of the most brutal terror attacks which had continued for more than one year. The SBDC program slipped into the city very quietly, however, we must remain attentive to the fact that Tal'Afar is still not safe, particularly for outsiders such as Izdihar staff conducting technical assistance visits. Such visits must be very carefully arranged.

In July 2007, Izdihar sent an assessment and technical assistance team to the SBDC and MFI. The team consisted of four members with different specialties. The unequivocal conclusion was that SBDC and MFI must absolutely become separate entities, and that both organizations need ongoing training program for its staff and trainers and a huge amount of technical assistance in institutional capacity building. This is difficult for TBC management to accept and implement, and thus required close attention from the two components providing technical assistance. Since July 2007 various Izdihar team members have visited Tal’Afar to offer technical assistance and the staff appears to be slowly improving. It was a tremendously difficult duty for BDS team members as the security situation remained “red” and the available accommodation facilities were rudimentary.

Unquestionably, at this current stage, TEDC is the weakest link in the SBDC program. That said we must recognize their terrible security situation and be genuinely heartened that they have, and are now again, making attempts to offer courses.

Ninewah Province/Tal’Afar – Tal’Afar Economic Development Center (TEDC)		
Menu of services that generate revenue	TEDC/SBDC Statistics	Sources of funds
SBDC Training Program includes: How to Start-up a Business How to Improve a Business Computer courses	NGO established: March 2008 SBDC initiated: December 2006 Staff: 5 Trainers: 4 Advanced Trainer: 1 Regular Trainer: 3 Dormant: 1	USAID’s Izdihar Project PRTs (Kirkuk)

	Izdihar	Vouchers	Total
Courses	27		
Participants	266		
% female	5%		

	Banks	MFI's
Referrals	4	6
Loans Received	0	1

Small Business Development Centers Under Development

Dhi-Qar/Nasiriyah - Nasiriyah Chamber of Commerce (NCoC)

Nasiriyah Chamber of Commerce (NCoC) was established in 1958. Established and working under the Iraqi Federation of Chambers of Commerce, they are the first Chamber of Commerce to come forward in a community to offer services to small and medium-sized enterprises by providing merchants with services such as conferences and hosting meetings. NCoC collaborates with the provincial council and businessmen for seminars, roundtables and other gatherings. As of February 2008, through the support of the Dhi-Qar PRT, NCoC added the SBDC program to the services offered to their community. Their stated goal is to change the business mentality of the community by offering management skills trainings.

The NCoC/SBDC is the first regional program, covering Dhi-Qar, Maysan and Muthana. It is also the first collaborative and inclusive program with a board of advisors representing NCoC, the Iraqi Business Men's Union (IBMU) and the Engineers Union (EU). Although NCoC is focused on the tri-provincial business community, they are also explicitly focusing on newly graduated persons to help them to start their careers and to build a good synergy with CHF, the local MFI. On Feb 19, 2008 the NCoC collaborated with the PRT in Dhi-Qar to hold a conference commemorating the grand opening of the new Small Business Development Center program. The conference was titled "Vision Forward for Private Enterprise Development in Three Southern Provinces (Dhi-Qar, Missan and Muthana)." Over 130 individuals attended this event including the PRT leaders, Iraqi military, US military, Izdihar experts, USAID representatives, Iraqi businessmen and businesswomen, Iraqi Business Men Union, Engineers Union and the local media.

Additionally, Izdihar sent a team of experts for the explicit purpose to offer logistical support to the PRT to organize and facilitate the event noted above, and to facilitate and present at conference.

Within a week following the conference, BDS sent the Iraqi staff field coordinator to give hands-on assistance in processing the requisite paperwork and to oversee the first course presented in the new NCoC SBDC. Next, the identified new trainers and core staff traveled to WEO/Erbil to attend a specialized training of trainers (TOT). NCoC SBDC is expected to begin commitment to presenting two courses per month in April 2008.

NCoC Statistics

NGO established: 1958

SBDC initiated: February 2006 (technical assistance and planning began September 2007)

Staff: 5

Trainers: 7 (4 P/T)

Al Anbar/Fallujah - Ardh Al- Ata'aa Economic Development Organization (AEDO)

The new SBDC partner in Fallujah is the *Ardh Al-Ata'aa Economic Development Organization (AEDO)*. AEDO is housed at the Fallujah Business Center, which provides offices for the Al-Takadum Microfinance Institution, Fallujah Chamber of Commerce, local women's groups, the Community Public Radio Station (Voice of Fallujah 95.9FM), a business service center (copiers, faxes, consulting on layout design and web development), an internet café, a food cafeteria, a dormitory for visiting trainers, and local offices of other USAID projects providing assistance for community stabilization and for local governance.

Business men and women from Fallujah received training at WEO in Erbil in December 2007. They participated in their first "How to Start up a Business" course for 5 days. In January three selected lead trainers returned to Erbil for a 5-day Training-of-Trainers (TOT) course. At that time they also received instructions on curricula, operations, monitoring, evaluation and reporting.

In February 2008, Izdihar procured and shipped the standard equipment with additional furniture, hosted a 2-person team from AEDO at Izdihar's HQ in Baghdad and, through visits to IASD, provided side-by-side technical assistance, legal assistance and peer-to-peer coaching.

AEDO, as an organization, is brand new and very eager to provide services to the community of Fallujah especially after the damage that Al Anbar has suffered in the fighting. They are planning to do their best through the SBDC as well as through their emerging synergy with the MFI based in the same building. Their attitude alone launches them off to a strong start. AEDO paperwork for legal registration is in the pipeline. The board members are very energetic young people; 3 men and 2 women. As Izdihar closes out and the Tijara project takes the reins, the AEDO staff continues preparing the required deliverables including legal paperwork, proposing candidates for training, and developing an annual training calendar, list of courses to be offered and other organizational items. AEDO's first course will be offered the last week of March 2008 under the supervision of a BDS field coordinator.

AEDO Statistics

NGO established:

SBDC initiated:

Staff: 5

Trainers: 5 (2 P/T)

Salah ad Din/Tikrit - Sahara Economic Development Organization (SEDO)

The private sector is relatively weak in Salah ad Din compared to other provinces due to the province's former status as a governmental and military bastion under the old regime. In addition, the business community is isolated from provincial government's decision making and suffers from a number of challenges such as the lack of capital access, poor organization and a shortage of business planning resources. Unfortunately, according to the local PRT, the organizations which address these issues in many countries – the Chamber of Commerce and merchants associations – have been largely ineffective and are prone to petty feuding. In September 2007, Izdihar was invited to give a keynote presentation at the Tikrit Business Roundtable Luncheon. The Business Roundtable Luncheon series, a mechanism for direct USG and GOI outreach to the private sector, targets a critical demographic segment hitherto ignored – the middle market – while attempting to directly tackle these issues. A few weeks after the event, the PRT received a letter from one of the attendees who wanted start a Salah ad Din Small Business Development Center. He is a respected professor from the University, an institution that the PRT said they had a difficult relationship with in the past. The PRT credited the BDS presentation as a leap forward for the new SBDC initiative and sudden community support.

Today, the legal framework for this SBDC has been completed with technical assistance from Izdihar; the NGO certificate is ready to be picked up in Baghdad by a board member in March 2008. The executive director has completed several required deliverables, including: a list of potential candidates for training, an annual training calendar, a list of courses to be offered, a signed Memorandum of Understanding with the newly formed MFI Al Intilaq, and other organizational items. Izdihar is underway organizing a procurement kit for the new facility. The PRT has submitted an \$185,685 QRF represent one year of support for the new entity. SEDO/SBDC has identified facilities in close proximity to the Tikrit MFI, core staff is being considered and additional training will occur in Erbil soon. The path to community economic development is underway.

TRADE POLICY AND MARKET ACCESS

Goal

The Trade Policy and Market Access (TPMA) Component was set up to assist the Government of Iraq to carry out a range of trade policy reforms aimed at developing the country's economy and in particular to secure re-integration into the global trading community.

Objectives

Efforts focused on assisting Iraq to modernize its national and transnational trade regime in its move from a centralized economy to a competitive market based economy, and on removal of technical, tariff and other trade barriers in order develop a competitive economy as an engine of economic growth.

In particular, the Trade Component was tasked to assist the government of Iraq in its application to join the World Trade Organization. In addition to the overall accession process, the project has provided focused, WTO-related technical assistance in the areas of intellectual property, customs and tariffs, technical barriers to trade, and agriculture.

Background

The substantial, long-term goal of WTO accession for Iraq requires ongoing assistance to the government of Iraq on a number of fronts.

First, advising and communicating to the GOI the procedural and legal steps involved in Iraq's bid to join the WTO and assisting the GOI to develop and execute a work plan to meet each successive procedural milestone from the first letter of application to join the WTO onward, such as the submission of Iraq's Memorandum on Foreign Trade Regime and other documentation to the WTO.

Second, build capacity and training for Iraqi Ministries and government stakeholders as well as private sector participants through training, technical assistance, awareness raising events and facilitating Iraq's re-connection with trade related bodies such as the World Customs Organization, the World Intellectual Property Organization, the United States Trade Information Center and other bodies. Capacity building focused on the opportunities of WTO membership,

TPMA TASK AREAS

WTO: Assisting GOI accession to the WTO and advising on trade policy.

GOI Capacity: Training and capacity building for GOI on trade-related matters.

Legislation: Reviewing, advising and assisting with drafting trade-related legislation. In particular, laws related to Customs, Intellectual Property (IP), Sanitary and Phytosanitary (SPS) standards and Technical Barriers to Trade (TBT).

Private Sector Awareness: Building awareness of trade-related issues and facilitating trade and market access within the private sector.

ITIC: Establishing, training, and building capacity of the Iraq Trade Information Center to provide information about opportunities for trade with Iraqi partners. The ITIC is affiliated with the Ministry of Trade.

the coverage of WTO disciplines, requirements imposed under WTO treaties, an understanding of the organization itself including its institutional framework, decision making procedures and bodies and dispute settlement mechanisms.

Third, assist the GOI to identify all trade related areas requiring new or modified legislation, regulations or administrative measures to comply with WTO rules and norms required for accession and actively partnering with GOI Ministries to draft WTO related legislation on matters on customs, tariffs, intellectual property, sanitary and phytosanitary measures, trade defense measures, technical and non-tariff barriers to trade.

Fourth, assist the GOI to prepare, complete and submit voluminous technical accession documentation required by the WTO as part of the fact finding during the accession process.

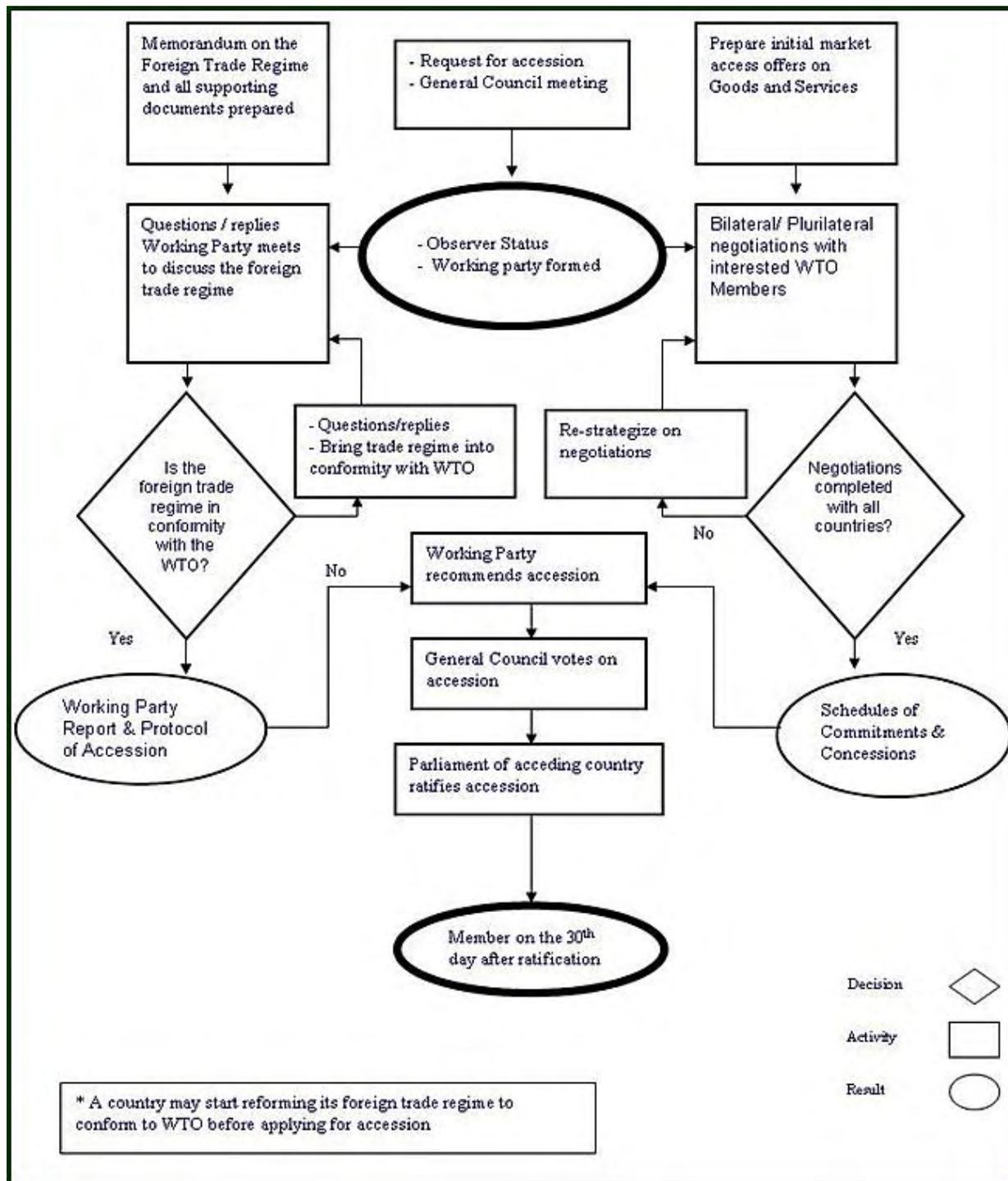
“Izdihar’s technical experts and constant support of Iraq’s accession process has been vital. There is no doubt that Iraq could quite simply not have reached the milestones it has achieved on legislation, responses to WTO questionnaires and the opening of formal Working Party sessions in Geneva without Izdihar’s constant technical support and advice.”

Mr. Abdul Salam Al-Qaysi, Deputy Director General of International Organizations, Ministry of Trade.

Fifth, assist the various Ministries and bureaucracies to achieve the necessary level of coordination of WTO related efforts by identifying areas of shared or mutual responsibility in legislative, administrative or political fields, and assist the GOI to set up interministerial structures such as the GOI WTO Unit and WTO National Committee to allow ongoing coordination on Iraq’s WTO accession work.

Iraq took the first step towards WTO accession when it formally registered an application to join with the WTO Secretariat in December 2004. Since then, despite the difficult political and security issues, a number of milestones have been achieved in support of Iraq’s accession process.

TYPICAL PROCESS FOR ACCEDING TO THE WTO



Achievements

Iraq's WTO Accession

Technical Assistance and Capacity Building

In December 2005 Iraq submitted to the WTO its formal “Memorandum on Foreign Trade Regime” (“MFTR”). This complex and very labor intensive document provides details on a very broad range of policies, data and facts pertaining to Iraq’s trade laws and practices with respect to goods and services. As noted in the WTO’s accession documentation, completing the MFTR is a complex and resource consuming task for any country, but the MFTR, once completed, is vital in that it sets the framework for the entire accession process.

In the course of 2006 Iraq received several detailed questionnaires from key WTO Members asking detailed specific follow up questions about Iraq, its trade regime and future policy intentions. Iraq provided written detailed responses to all questions raised and formally submitted these to the WTO in November 2006.

Shortly thereafter, Iraq reached agreement with the WTO Working Party on the appointment of a chairwoman to the Working Party (Ms. Claudia Uribe, Colombian Ambassador to the WTO and former chairwoman of the WTO’s influential Trade Policy Review Body).

At that stage, Iraq had met all procedural requirements in order to convene the first formal accession Working Party meeting in Geneva. This Working Party meeting was held at WTO headquarters on 25 May 2007. Iraq’s WTO accession team was headed by Trade Minister Abd. Al-Falah Al-Hamidi. In addition to the WTO multilateral Working Party session, Iraq held bilateral “meet and greet” sessions with twelve other WTO Member countries in private side-rooms at the WTO.

Iraq’s performance at the Working Party was widely praised.

At the first Working Party Meeting the Chair indicated that three main parameters should be met by Iraq after the meeting in order to trigger the convening of the Second Working Party: The three parameters are:

- Completing the “second written procedure,” which entails answering a second round of questionnaires from fellow WTO Members to Iraq.
- Drafting a “Legislative Action Plan” (LAP) outlining Iraq’s strategy on how it intends to undertake all necessary legislative reforms needed to be a member of the WTO. The LAP will then be submitted to the WTO.
- Completion and submission of WTO technical accession documentation related to intellectual property rights, agriculture, subsidies and others.

On 24 January 2008, Iraq formally submitted to the WTO responses to the above three issues, namely responses to the second round of questionnaires, a Legislative Action Plan and three sets of technical accession documentation (ACC4 Agriculture; ACC8 Technical Barriers to Trade / Sanitary and Phytosanitary Measures; and ACC9 Intellectual Property).

Assuming completion of the above three in a timely manner, the next WTO Working Party Meeting may be convened in early 2008.

**KEY MILESTONES INVOLVED TOWARDS IRAQ'S ACCESSION:
IRAQ'S MAIN ACHIEVEMENTS TO DATE**

Step	Progress	Progress	Date
1	Formal Application to the WTO	Complete	30 September 2004
2	Formation of the Working Party on Iraq's accession	Complete	13 December 2004
3	Submission of Memorandum on Foreign Trade Regime	Complete	16 December 2005
4	Completion of First Written Procedure	Complete	28 November 2006
5	Appointment of the Chairman of the Working Party on Iraq's Accession	Complete	15 December 2006
6	Open multilateral negotiations (hold the First Working Party Meeting)	Complete	25 May 2007
7	Open bilateral negotiations with WTO member nations	Complete	23 May 2007
8	Completion of the Second Written Procedure	Complete	22 January 2008
9	Submission of a Legislative Action Plan to WTO	Complete	22 January 2008
10	Submission of WTO required accession (ACC) documentation	Complete (ACC4, ACC8 and ACC9)	22 January 2008
11	Holding the Second Working Party Meeting	Complete	2 April 2008
12	Submission of Iraq's goods offer	In progress	
13	Submission of Iraq's services offer		
14	Conclusion of bilateral negotiations		
15	Conclusion of multilateral negotiations		
16	Iraqi trade laws brought into compliance with WTO treaty requirements: Customs; Customs Valuation; Technical Barriers to Trade; Sanitary and Phytosanitary Measures; Intellectual Property Rights	In progress	
17	Conclusion of the Working Party report		
18	WTO completes Protocols of Accession		
19	Confirmation of conclusions of negotiations		

Step	Progress	Progress	Date
20	Working Party report and Protocols of Accession approved by WTO general assembly		
21	Ratification of Accession Agreement by the Iraqi Parliament		
Complete:			11/21

Intellectual Property

Modernization and reform of Iraq's intellectual property rights (IPR) regime is a vital component of the trade policy reforms Iraq needs to undertake in order to accede to the WTO. Beyond WTO accession, reform of Iraq's intellectual property regime in line with modern norms is an important step for any advancing economy to take. The majority of economies as they progress inescapably become more knowledge, innovation and technology based and so a modern IPR regime equips Iraq to develop a modern economy and also sends an important message to investors and trade partners about Iraq's commitment to a dynamic and modern knowledge-based market.

Since December 2004 the TPMA has assisted key ministries in developing and executing a plan for IPR reform.

Governmental responsibility for intellectual property related rights in Iraq spans a number of different Ministries. The Ministry of Culture is tasked with development and administration of copyright protection legislation. The Ministry of Planning is responsible for patents. The Ministry of Industry and Minerals is tasked with administration of intellectual property rights related to trademarks and branding.

Finally, the Central Organization for Standards and Quality Control is tasked with overseeing legislation related to intellectual property rights. The TPMA has from the outset coordinated its overall IPR efforts with the GOI with the COSQC as well as working with the individual ministries involved.

The TPMA component undertook a detailed legal examination of Iraq's existing patchwork of IPR related laws and provided legal analysis of the legislative needs of Iraq. Following a series of consultations with affected GOI Ministries jointly examining Iraq's compliance with the WTO Agreement on Trade Related Intellectual Property Rights (TRIPS), at the request of the GOI the TPMA assisted in drafting comprehensive and WTO complaint intellectual property legislation. The legislation drafted covered all aspects of intellectual property rights in line with WTO rules and requirements, as well as other international treaties and norms as set forth, *inter alia*, under the Bern and Paris Conventions on intellectual property.

In the area of copyright, in 2005 TPMA assisted the GOI to set up "Copyright Committee" to examine all issues related to copyright protection, enforcement, legislation and WTO requirements in the field of copyrights under the auspices of the Ministry of Culture.

In tandem with its assistance on legislative reforms, TPMA has provided ongoing consistent technical assistance and capacity building training to the Government Ministries as well as private sector stakeholders Iraq's WTO accession with particular emphasis on WTO IPR rules. Key objectives of the training were, first, to improve the GOI and private sectors' knowledge of the importance of respect for IPR rights, the benefits of WTO accession, specific technical aspects of IPR administration and enforcement, and the issues of piracy and copyright infringement. Trainings also focused on the longer term positive effects of effective IPR enforcement on building confidence to encourage foreign investment, develop infant industries, encourage innovation, protect cultural and artistic treasures and maintain the integrity and moral rights for Iraqi cultural productions.

TPMA has also assisted the GOI in reaching out to regional key international intellectual property enforcement authorities in the Middle East as well as the United States Patent and Trademark Office (USPTO) and has among others facilitated meetings and training events on key IPR issues with counterparts.

TPMA assisted the GOI to draft IPR related sections of the Memorandum on Foreign Trade Regime, a key WTO Accession document submitted to the WTO in December of 2005. Thereafter, the TPMA assisted the GOI in drafting written responses to a series of written questionnaires received from WTO Working Party member Countries as part of the accession process.

Finally, TPMA assisted the GOI in completing key technical documentation on Iraq's WTO regime in accordance with WTO format and requirements and these documents were submitted to the WTO in January 2008.

Lessons Learned

- Capacity building, including where possible with the assistance of the USPTO, is vital to increasing awareness for WTO and intellectual property rights.
- There are key players within the Government of Iraq, especially within COSQC, Ministry of Planning, Ministry of Industry and Minerals and Ministry of Culture, who genuinely support WTO compliant intellectual property reform.
- Substantial work remains on building private sector support for genuine intellectual property reform.
- Significant IPR theft continues in Iraq with copying of DVDs, software, video games and other.

Customs and Tariffs

Reform of Iraq's customs and tariff regime is critical as a trade facilitation measure which improves transparency and legal certainty for traders, improves consumer safety, strengthens

the rule of law and reduces unnecessary business and compliance costs for traders, importers and exporters. Reform to comply with various WTO requirements in anticipation of Iraq's accession is equally vital.

TPMA assisted the GOI to set up a Tariff and Customs Steering Committee under the auspices of the Ministry of Finance in October 2005. The committee held weekly meetings to examine measures and reforms to be undertaken to modernize Iraq's customs and tariff regime. Izdihar assisted the GOI in this process by training and explaining the requirements under WTO rules related to customs, and by working with the Committee in its work of responding to requests and questionnaires from WTO Members.

TPMA assisted the GOI to transform its product classification and tariff coding system to comply with international norms and WTO requirements. This work was completed in July 2007.

TPMA assisted the Ministry of GOI to substantially reform its tariff and customs coding system to bring it into line with the World Customs Organization's (WCO) Harmonized System (HS) for commodity coding. Commodity coding systems are detailed technical descriptions and parameters whereby tens of thousands of products are individually classified and applied tariffs, excise duties, trade defense measures or other import measures listed. Prior to 2003, Iraq's commodity classification system was based on a patchwork of outdated colonial era indexes and regulations, but now its 98 chapters are HS-consistent, and translated in both English and Arabic.

Adoption of an HS-compliant tariff is an important trade facilitation measure as the WCO system is used in fully 98% of internationally trade in goods. Complying with the WCO thereby reduces compliance costs and confusion for traders and increases legal certainty about the correct classification – and therefore the relevant tariff and others measures – that may apply to a particular product.

Adoption of the WCO system at an early stage will also facilitate Iraq's negotiations for entry into the WTO. The WTO mandates that applicant countries submit its proposed tariffs on all products in the WCO format so that tariff offers and counteroffers can readily be understood by all parties concerned since they are using the same system.

In tandem with assisting the GOI to convert existing classifications to the WCO HS on a product by product basis, the TPMA provided explanations and training on the methodologies used to arrive at correct product tariff classifications in line with international rules.

As part of the process of integrating certain of Iraq's customs rules with norms and rules laid down by the World Customs Organization, the TPMA set up a number of trainings for the Ministry of Finance on tariff and customs issues. Among others, the TPMA traveled with key customs officials to Brussels to attend the 36th HS Committee Meeting at the World Customs Organization headquarters in September 2005, where the officials received additional tariff and classification related training and were able to initiate dialogue with the WCO and customs

officials from other countries on other customs facilitation measures and discuss the terms of Iraq's eventual regaining of full membership in this organization.

In addition, the tariffs that have been assigned by the GOI to each tariff heading is anticipated to serve as Iraq's first formal offer on tariffs in the WTO negotiations and hence will serve as an important negotiating document.

Customs Valuation

A further critical component of a modern and WTO compliant customs regime is that Iraq needs to adopt and apply a transparent and legally sound customs valuation method that complies with WCO and WTO norms. Among others, Iraq must bring its customs valuation regime and methodologies into full compliance with the WTO Agreement on Customs Valuation, as well as other key provisions of the GATT 1994. The question of the methodology used to value products in customs is important because it serves as the basis for any negotiated tariff rates or other charges which Iraq agrees with its WTO trading partners. Without a commonly agreed and sound system of valuation of imported goods, traders and countries cannot have any confidence that any negotiated tariffs and charges will actually be applied in a meaningful way by Iraqi customs.

To this end, the TPMA set up a training regime to train Iraqi customs representatives from key Iraqi border points on correct and WTO compliant customs valuation methods. This included workshops, seminars. In line with the particular problems and issues identified in Iraqi customs, the TPMA drafted a detailed user's manual on correct WTO compliant customs valuation for Iraqi customs.

Capacity Building through "Train-the-Trainers" Program

In cooperation with the Ministry of Finance and regional customs authorities the TPMA set up a series of trainings to build knowledge and capacity among Iraqi customs officials under a so-called "train the trainers" program. The central aim was to take several customs officials of different levels from across Iraq and to train them on key WTO and WCO customs classification, administration, tariff setting, document processing and other requirements in line with international norms required for Iraq's WTO accession.

The TPMA set up numerous trainings on issues ranging from customs valuation, classification and tariff setting, customs documentation, WTO and WCO requirements, pre-shipment inspection, customs laws and rules and others. A key component of the training program was to include hands-on training of Iraqi customs officials in Jordan in cooperation with the TPMA and Jordanian customs. The Iraq customs officials were brought to several entry and exit points on the Jordanian-Saudi, Jordanian-Iraqi borders where they were trained on every key aspect of customs entry and customs clearance. Both Saudi and Jordan have acceded to the WTO and substantially comply with WTO as well as WCO customs rules.

Other Customs Legislation Efforts to Comply with WTO Rules

At the request of the Ministry of Finance the TPMA also assisted the Ministry of Finance in identifying deficiencies in existing Iraqi customs legislation and assisting the Ministry of Finance to draw up new WTO compliant customs legislation taking into account also work that has been done by the GOI to adopt WTO norms on other issues including border enforcement of intellectual property rights and others.

After assessing the existing customs regime the TPMA assisted in drafting a modern WTO complaint new customs law to comply with modern best practices and WTO norms. Upon completion the draft customs legislation was submitted to the Ministry of Finance legal department for review and comment. However, subsequent changes in key customs personnel including and bottlenecks at the Ministry of Finance has led in 2007 to a marked decline in cooperation and diminution of efforts by the Ministry of Finance in taking the next steps in WTO reforms. Currently, the draft customs legislation is still under review by the Ministry of Finance and it is not clear what course the GOI will take in relation to this legislation.

Lessons Learned

- Substantial persuasion is needed to improve cooperation from the Ministry of Finance (MOF). During 2006 and 2007 in particular, the Ministry has proven extremely difficult to persuade to take decisive action in support of trade policy reform and WTO accession.

Technical Barriers to Trade

High tariffs are only one form of obstacles to trade or protectionist measure that impede the development of international trade. Indeed, successive rounds of international tariff negotiations under the auspices of the WTO (as well as regional and bilateral trade agreements) have increasingly brought down tariff rates across a broad range of industrial and – to a lesser extent – agricultural goods.

Increasingly, attention at WTO level has shifted to addressing the importance of so-called “non-tariff barriers to trade.” These can take a wide variety of forms including unduly burdensome or discriminatory technical requirements applied to imported products, inconsistent application of product standards and certification schemes, and a range of other requirements laws or conditions that as a practical matter render the import and marketing of otherwise suitable goods impractical.

In recognition of the growing importance of non-tariff barriers, the WTO Members adopted in 1995 the WTO Agreement on technical Barriers to trade specifically designed to address this issue. The TBT Agreement seeks to strike the appropriate balance between a country’s legitimate need to set consumer safety, technical, environmental or other standards to imported goods on the one hand and at the same time not unduly burden international trade among WTO Members. One cornerstone principle of the WTO TBT Agreement is to seek cooperation and

mutual recognition of WTO Member's standards among others through the application where possible to international standards and criteria such as those set by the International Standards Organization (ISO).

In Iraq, the main body responsible for setting and applying standards and certifications for industrial products is the Central Organization for Standards and Quality Control (COSQC) under the auspices of the Ministry of Planning.

The TPMA component has worked closely with the COSQC in order to bring Iraq's laws, standards and certification regimes into compliance with the WTO TBT Agreement. Consultations and analysis of Iraqi TBT laws culminated in a recommendation in June 2006 that Iraq adopt a new WTO complaint law on Technical Barriers to Trade to be followed by implementing regulations. At the request of the COSQC and the Ministry of Planning, TPMA drafted a new framework law on Technical Standards and Metrology to trade fully compliant with all WTO TBT Agreement. A final draft of the law was agreed in mutual consultations with the COSQC. The law is currently being processed by the Ministry of Justice.

TPMA has also worked closely with the COSQC to develop and submit to the WTO various required technical documentation notably the "ACC8" documentation, which sets out technical parameters of Iraq's existing a future laws on technical barriers to trade. ACC8 was submitted to the WTO in January 2008.

In tandem, TPMA has continuously provided capacity building and training events on various TBT related topics to the Ministry of planning and COSQC. Training has focused on trade facilitation measures for Iraq, WTO accession, compliance with the WTO TBT Agreement, maintenance of product safety and standards, and legitimate protection by Iraq against imports of substandard or defective goods (particularly from China and other Asian countries).

Lessons Learned

- Solutions must be found to improve coordination and communication between the Ministry of Trade and the Iraqi National Sub-Committee on Iraq's WTO accession to speed up interministerial consideration of draft WTO related laws.
- Significant problem of substandard and low priced Chinese, Iranian and to a lesser extent Turkish imports must be addressed. Practical, near-to-midterm solutions must be found, which do not rely solely on full government enforcement. These include educating importers and consumers about pre-export inspection procedures, importer and trader education and consumer outreach programs.

Agriculture Policy, Subsidization and Trade Regime

Iraq's accession to the WTO will require compliance with the WTO Agreement on Agriculture which sets out disciplines on agriculture related trade barriers and provides rules and caps regarding trade distorting subsidies and market access commitments for agricultural products.

A key objective has been to effectively build capacity within the GOI including the Ministry of Agriculture to understand and comply with eventual WTO commitments on agriculture. Since agriculture is a contentious WTO trade issue, a significant area of focus has also been on assisting the GOI to draft responses and data to be submitted to the WTO with regard to technical WTO documentation and responses to written questions by WTO Members on various aspects of Iraq's regulatory, tariff, sanitary and phytosanitary regime relating to agriculture.

The TPMA component's assistance on agriculture-related WTO accession issues focused assisting the GOI to fulfill its commitments to the WTO Agreement on Agriculture and the Agreement on Sanitary and Phytosanitary Measures. This assistance is summarized as follows:

1. Assisted the GOI to complete the first and second written procedures for WTO accession. This involved drafting and submitting written responses to questionnaires by WTO Members such as the United States, the European Union, Canada, Taiwan, Japan and India. Many of the Members' questions focused on agriculture related issues. The first round of WTO questionnaires was answered on 26 August 2006, the second round in December.2007-January 2008.
2. Assisted the GOI in completed key WTO accession documentation related to agriculture. This included calculations providing an accounting of Iraq's subsidy schemes and calculations of subsidy values for the purposes of assessing Iraq's future commitments (ACC4) under the WTO Agreement on Agriculture. Due to the lack of data from the disruptions caused by the war from 2003 forward, the GOI decided to use the period 2000-2002 as its base period for establishing its future subsidy commitments. This exercise was useful to the Ministry of Agriculture, not only in quantifying the limits of non-exempt subsidies upon joining the WTO, but more importantly in demonstrating the mechanics of the subsidy process and the challenges in shifting agricultural policy to a market economy framework. Calculations and explanatory sheets for the ACC4 were completed and submitted to the WTO in January 2008. This followed a series of meetings culminating in a seven day training in Erbil in August 2007 devoted to working directly with the Ministry of Agriculture to calculate the support measures in compliance with ACC4 standards.
3. Assisted the GOI in drafting and submitting to the WTO technical documentation providing details of various aspects of Iraq's existing and future regime related to sanitary and phytosanitary (SPS) measures. Iraq's current SPS regulatory framework was reviewed and a new comprehensive WTO-compliant SPS law was drafted to provide the Ministry of Agriculture (plant and animal health) and the Ministry of Health (food safety) a reference for bringing the current framework into compliance with the WTO SPS Agreement. One of the most important results of this assistance was an agreement in principle by representatives of the Ministry of Agriculture to accept TPMA recommendations to revise its SPS laws to conform to a national SPS framework, including a Hazard Analysis and Critical Control Point (HACCP) approach to implementing SPS measures. The

representatives also agreed in principle with TPMA recommendations for close collaboration with the agribusiness sector to improve competitiveness through improved SPS measures. By adopting these two recommendations, the Ministry laid the foundations for a market-driven, private sector approach to SPS reforms. The SPS component of the ACC8 document was drafted to demonstrate deficiencies in the current SPS framework and how the draft SPS law would address the deficiencies. These completed documents were also formally submitted to the WTO in January 2008.

4. Provided capacity building and training events in favor of the Ministry of Agriculture, Ministry of Trade and other affected Ministries to build awareness of technical aspects of the WTO accession process. A series of training events were held to prepare the Ministry of Agriculture for the WTO accession process. Detailed training was provided on the WTO Agreement on Agriculture and the Sanitary and Phytosanitary Agreement. In addition to conducting workshops for a broad audience of Iraqi business leaders, NGOs and government officials on the WTO accession process, technical workshops were conducted for representatives of the Ministries of Agriculture and Trade on agricultural subsidies, market access concessions related to bindings and reductions of tariffs, and the implications of the SPS Agreement for changes in Iraq's laws on plant and animal health and food safety. In April 2007, the TPMA provided training to key Ministry of Agriculture officials directly in cooperation with the WTO in Geneva.
5. Assisted the Ministry of Agriculture in preparing for the First Working Party meeting on Iraq's accession which was held on 24 May 2007. Members of the Ministry's WTO Working Group collaborated with TPMA in preparing briefs on key agriculture-related accession issues for the Ministry's Working Party delegation.

Lessons Learned

- Revitalizing the role of the Ministry of Agriculture in Food Security. Preparation of the ACC4 gave the Ministry of Agriculture a stark reminder of how the Ministry's role in achieving national food security was diminished and subverted by Saddam Hussain's government. When comparing the various elements of domestic "Green Box" (exempt) subsidies, the Ministry saw how the massive subsidies under the Public Food Distribution Program not only dwarfed all other support by the Ministry, but highlighted the fact that the PFD program, in comparison to all other domestic "Amber Box" (non-exempt) subsidies, is destroying production incentives to Iraq's agribusiness sector. Until now, the Ministry of Agriculture has blithely ignored the PFD program, never tracking its annual costs, because it is a program of the Ministry of Trade.
- Recognizing the Need to Reorient Agricultural Policy Under WTO Membership. Due to experience with the WTO accession process, the Ministry of Agriculture has become acutely aware that the government's agricultural policy has to be realigned

from the command economy policies of Saddam Hussain to address its WTO commitments and the new market access opportunities that will arise from WTO membership. Representatives from the Ministry have identified the ACC4 as the basis for drafting a new agricultural policy.

- **Recognizing the Need for a National SPS Framework.** During the review of Iraq's current plant and animal health laws and implementing regulations, the Ministry of Agriculture quickly identified key benefits of the WTO SPS Agreement that constitute demand-driven acceptance by the agribusiness sector. The Ministry sees the SPS agreement not as an imposition from an outside international organization, but as an important tool for standardizing and streamlining the coordination and implementation of measures for plant and animal health and food safety.
- **Delayed Ministry Engagement on Preparation of ACC4 and ACC8 (SPS) Limited Progress.** While considerable progress was achieved on agriculture-related WTO accession issues, progress on the preparation of the ACC4 and ACC8 (SPS) was limited by the short period of engagement with Ministry staff on these technical issues. Training on subsidy and SPS issues continued on a regular basis throughout the project. However, Ministry staff was only engaged in detailed ACC4 calculations well into the last year of the project. Because of the difficulty in retrieving budgetary data on subsidies, especially for the base years of 2000-2002, the Ministry staff was not able to finalize the data until just before documentation for the Second Working Party was submitted to the WTO in January 2008. In the case of preparing the ACC8 for the SPS Agreement, the Ministries of Trade and Agriculture were only engaged in reviewing the existing SPS framework against the Izdihar draft SPS law in July 2007. The complexity of the SPS Agreement and Iraq's current SPS framework have meant that the responsible Ministries have not had adequate time for analysis and formulation of a legislative timetable to produce a WTO-compatible SPS framework.
- **Closer Ministerial Coordination Required.** Despite the considerable progress made on agricultural-related WTO accession issues, TPMA assistance was limited by weak coordination between the Ministries of Agriculture, Health and Trade. Assistance on these issues would have been more effective if regular interministerial meetings with the TPMA team could have been convened by the Ministry of Trade.

Iraq Trade Information Center

Support to the Iraq Trade Information Center (ITIC) continued under the auspices of the TPMA component following the close-out of the Investment Promotion component. For detail regarding this initiative, see *Investment Promotion*.

The screenshot shows the ITIC website interface. At the top right, there are navigation links: [Foreign Investors](#), [Contact Us](#), [FAQ](#), and [Arabic](#). The ITIC logo is in the top left. A central banner features a globe and the text "IRAQ READY FOR THE FUTURE!".

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- 11/4/2008 • [معرض بناء العراق](#) = [Details](#)

INVESTMENT PROMOTION

Goal

After years of war and sanctions, increasing investment from domestic private sources as well as foreign direct investment (FDI) is crucial to achieving higher rates of sustained economic growth. Increased FDI, in particular, will enhance opportunities for Iraq's private sector firms to acquire new technologies, develop modern organizations and structures, gain access to overseas markets, and thus generally grow businesses, create new higher-paying jobs, generate exports and increase government tax revenues. To promote and facilitate increased foreign and domestic direct investment in Iraq, the project will increase investment by working with the GOI to identify and remove policy constraints on investors, and knowledgeably guide investors through the legal and regulatory steps related to investment.

Investment Promotion Task Areas

IIPA: Establishing, training, and building capacity of the Iraq Investment Promotion Agency to facilitate investment in Iraq. Assisting the IIPA to facilitate potential investment deals.

Studies and Reforms: Conducting research to inform recommendations for policy reforms and pilot projects to encourage economic growth.

Legislation: Advocated for the passage of an investment promotion law reflecting best practice. Providing technical assistance to develop implementing regulations.

Objectives

The mission of the Investment Promotion Component was to help plan and establish the institutions and legal regime that would support and facilitate investment in the Iraqi economy, thereby leading to job creation and improvement to the general welfare of the population and the prosperity of the country. The component comprised five central programs:

1. Producing an Investor Roadmap, a detailed study of all the procedures and requirements confronting an investor in the Iraqi economy who wishes to establish and operate a business. This is a tool for the Government of Iraq to assess its procedures and devise means to reduce barriers to investment.
2. Establishing an Investment Promotion Agency designed in accordance with established international best practices, and to advise on the procedures, operations, facilities, and legal framework that enable such an agency to function well.
3. Establishing a Trade Information Center designed to make available, in its offices and online, data intended to facilities trade with Iraq.
4. Writing a Competitiveness Study of the Iraqi economy. The purpose of this study was to identify resources, skills, knowledge, and infrastructure available in Iraq, in order to provide a methodology for deciding on investment and economic development priorities.

5. Supporting grants to private sector and civil society organizations which have missions to promote investment.

Taken as a whole, these elements were intended to analyze the Iraqi economy, improve administrative practices, and execute a realistic plan to develop fundamental institutions to support trade and investment.

Background

At the outset of the project in September 2004, the situation for investors and businesses in Iraq was one of deep uncertainty. Iraq's investment promotion program faced the dual challenges of a post-conflict and post-command economy. Iraq was coming on to the international-investment marketplace without free market experience, with no clear business affiliations and with weak links into the global economy. Multinational corporations were still largely absent, and especially the non-oil and gas markets were only weakly served. Conflicting legal regimes and provisional decrees were in place, and procedures facing investors were myriad and confusing. Insecurity was rife and armed violence persistent, preventing access for researchers and investors to sites of potential interest. Iraqi government counterparts were still at times averse to free market reforms, and the private sector lacked modern methods and information to attract investment.

While the CPA drafted law was in force, regulations necessary for its implementation had not been implemented. The Interim Government left the consideration of revisions to the Investment Law to the next government

While a number of ministries had some responsibilities for investment attraction, the main responsibility lay within the Private Sector Development Directorate of the Ministry of Trade. This Directorate was responsible for a range of functions, including investment and export promotion, but had minimal capacity to establish a professional business and investment promotion agency.

Challenges

- With the many challenges facing Iraqi politicians, measures to promote investment have not been a top priority. As a legacy of the previously existing command economy, there still exist pervasive attitudes inimical to free markets, free trade, and foreign investment.
- A new Investment Law had to be drafted, debated, amended, and passed. The project provided input during this process, and the new Investment Law passed in October of 2006 and was put into force on January 17, 2007. However, as of early 2008, several provisions of the law are still not implemented.
- Over the course of the beginning and middle of the project (2005-2007), the security situation deteriorated, causing foreign investors to be wary.

- There is still a general lack of reliable baseline data on Iraqi industry, it is difficult to find primary data, and even more difficult to conduct direct research, whether by expatriate or local staff.
- The National Investment Commission (NIC), established according to the law and tasked with the development of Iraq Investment Strategy, has been without a permanent Chairman and Board or any other staff for more than a year. Although from the first quarter of 2007 a succession of interim NIC Chairmen had been appointed, no Commissioners have been named nor has the Commission been stood up.
- The Iraqi Investment Promotion Agency (IIPA) established, staffed and trained while the law was being developed (2004-2005) had been disbanded in the period following passage of the law and establishment of the NIC.
- The NIC is a new entity with limited capacity. It is unrealistic to believe that a creditable investment plan can be designed and implemented by an entity with no staff of professionals being recruited as end of January 2008.

A more serious problem is that there is no cooperation or buy in from the other government entities. It is not possible to develop a viable Investment Plan that will be sustainable without the support and cooperation of other relevant government authorities.

Achievements and Milestones

Improving Laws and Regulations

To support efforts to start a modern investment promotion agency, as well as to create an investor-friendly environment, comments and new drafts of legislation were developed and proposed. In 2004-2006, the project worked with counterparts to draft a proposed new **Investment Law** that would be investor-friendly as well the legal basis for establishing the IIPA as an independent agency (this was eventually to be called the National Investment Commission) with powers to negotiate directly with investors on behalf of the government. Due to the significant and multiple changes in government during these first years, efforts proceeded with the IIPA even while drafts of the law were being discussed and revised with various counterparts.

In a serious bid to attract investment in a highly competitive global environment, the new National Investment Law No. 13 was passed by the Iraqi Parliament October 26, 2006, and published in the official Gazette on January 17, 2007. The law opens the economy of the country to investors all over the world along with local and regional businesspeople, and establishes the National Investment Commission linked to the Prime Minister's Cabinet, headed by a Commissioner with the rank of a Minister. The law also stipulates the formation of Regional and Governorate Investment commissions.

In early 2007, although the Investment Promotion component was closed due to instructions from USAID, staff continued work focused on supporting the implementation of the Law. Draft Implementing Regulations for the Investment Law (English and Arabic) were prepared and amended according to the feedback from a joint MoPDC/Izdihar drafting committee and MoPDC First Deputy Minister. Bylaws of the National Investment Commission (English and Arabic) were also drafted. For the remainder of the project, all materials prepared by the Izdihar Investment Promotion staff (studies, operating manuals, bylaws, implementing regulations, etc.) has been delivered to each of the newly appointed (acting) Chairman of the National Investment Commission, and staff continued to brief the succession of Iraqi candidates for the Commissioner position (in early 2008, three candidates had been briefed). As the project closes, a Commissioner has not yet been approved.

Additional legislation-related work related to concurrent efforts of the Kurdistan Regional Government. The project reviewed and commented on the Investment Law No. 4 of 2006 passed in the Iraqi Kurdistan Region, reviewed, commented and amended bylaws of the Kurdistan Investment Board (English and Arabic), and drafted Implementing Regulations for the Kurdistan Region Investment Law No. 4 (English and Arabic) for the consideration of the KRG.

Investor Roadmap of Iraq

In the first two years of the project, Izdihar prepared an “Investor Roadmap” for Iraq. The Investor Roadmap presents a snapshot in time (ca. 2005) of the various legislative, bureaucratic, and practical steps and hurdles facing an investor seeking to do business in Iraq. It examines government performance from the point of view of the customer of public services, in this case the investor.

One of the most significant constraints faced by potential investors in Iraq is the serious difficulty in understanding how to start and operate a business according to existing laws and regulations, while complying with relevant administrative procedures. Few agencies offer written guidelines; gaining access to legislation is either time-consuming or expensive; and government officials exercise significant discretion in issuing approvals and conferring incentives. This lack of administrative clarity and consistency in regulating the private sector has the effect of increasing risk, and increasing the costs of investment, subverting national economic competitiveness.

The Investor Roadmap presents a review and analysis of the Iraqi legal and administrative environment for business, as reflected in the existing Iraqi laws. These laws are a combination of rules set by the previous regime, laws which pre-date the previous regime, orders of the Coalition Provisional Authority (CPA) and administrative orders and guidelines.

The issues represent an accounting of constraints based on an analysis of procedural efficiency with reference to international best practice, a review of government documents and available literature.

<p>What is the Investor Roadmap?</p> <p>A review and analysis of the Iraqi legal and administrative environment for business</p> <p>What will it be used for?</p> <p>To guide the GOI towards reforms to help stimulate investment and private sector development.</p> <p>To form the basis for an “Investor Guide to Iraq” targeted to potential investors.</p> <p>What are its goals?</p> <p>Identify and analyze the steps, timeframes, costs, and submission requirements involved with opening and operating a business in Iraq;</p> <p>Collect and review the relevant legislation establishing the various rules and administrative procedures considered;</p> <p>Create a document that can contribute to the development of a procedural investment guide for the country;</p> <p>Analyze the efficiency of the present investment regime in Iraq; and</p> <p>Craft recommendations for meaningful, practical reform.</p>	<p>Topics (with sub-topics and sample recommendations)</p> <p><u>Employing:</u> Addresses the related laws and procedures, including acquiring visas and work permits and the hiring and firing of workers.</p> <p><i>Labor Regime</i> <i>Update labor law</i></p> <p><i>Visas</i> <i>Harmonize & clarify procedures</i></p> <p><i>Residency/Work Permits</i> <i>Allow direct sponsoring; Eliminate quotas; Clarify rules for women</i></p> <p><u>Reporting:</u> Addresses procedures including company registration, intellectual property protection, and acquiring incentives.</p> <p><i>Company Registration</i> <i>Allow foreign ownership; Enable electronic registration</i></p> <p><i>Incentives</i> <i>Design an appropriate incentives policy (taxation & subsidies)</i></p> <p><i>Intellectual Property</i> <i>Draft implementing regulations; Build enforcement capacity</i></p> <p><u>Locating:</u> Addresses procedures including acquiring land, developing a site, obtaining utility services, and complying with environmental laws.</p> <p><i>Site acquisition</i> <i>Release land to private sector; Allow foreign ownership</i></p> <p><i>Site Development</i> <i>Establish & enforce building codes</i></p> <p><i>Utilities</i> <i>Expand & improve sewerage</i></p> <p><i>Environmental Compliance</i> <i>Require compliance application during building permit process</i></p> <p><u>Operating:</u> Addresses procedures, including registering for and paying taxes, importing and exporting, and complying with currency controls.</p> <p><i>Tax Regime</i> <i>Close tax loopholes; Restructure GTC; Improve public information</i></p> <p><i>Import / Export</i> <i>Eliminate export licensing; Increase use of HS system; Develop inspection guidelines</i></p> <p><i>Currency Controls</i> <i>Remove CBI authorization for transfers over \$10,000</i></p>
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Following submission of the Investor Roadmap (April 26, 2006) to USAID, the project presented its findings to the USG and GOI and proposed a plan to begin working with the GOI to implement the Roadmap's recommendations. Due to political considerations at that time, the efforts were discontinued.

Iraq Competitiveness Analysis

A Competitiveness Analysis is a research study that measures the competitive advantages of a country's major industrial and commercial activities and focuses policymakers on needed economic reforms. In order to inform future investment strategies and efforts to promote Iraqi economic growth, an Iraq Competitiveness Analysis was prepared during the first years of the project. Extensive research, within the strictures of the evolving security situation, was conducted during 2005. The final findings of the study were presented to USAID and US Embassy staff, and the final document was submitted in May 2006.

The Analysis identifies industries which possess intrinsic advantages (or relatively fewer disadvantages), and therefore should be able to compete in an open market with as little assistance from the public sector as possible. It also seeks to identify sectors that benefit from physical proximity to large markets, in this case the domestic Iraqi market.

Methodology

The methodology of the analysis consisted of four steps: Developing a long list of 100 potential industries; screening the long list to eliminate low-potential industries, thereby creating an intermediate industries list; screening the intermediate list using market and development criteria to produce a short list of high-potential industries; and, finally, analyzing the competitive characteristics of each short-listed industry. The long list of industries were evaluated using the following criteria to assess an industry's potential for future growth in Iraq: Industries which are currently active, or where downstream or upstream relationships exist with these industries; industries with potential for job creation and human resource development; and industries with a potential to contribute to the business environment (cross-cutting industries). To further screen the list and reduce it from 30 industries to 10 industries (a manageable number that could be described in detail), market and development criteria were used. The "Market Test" considered supply, demand, firm strategy and structure, and the supporting cluster services available for each industry. The "Development Test" considered an industry's potential contribution to Iraq's broader economic development goals. Finally, the ten industries were described in greater detail, covering definition; firm structure, strategy, and rivalry; supply conditions; demand conditions; support and related industries; and preliminary recommendations.

Selected Industries

Industry
Poultry production
Agri-processing
Fisheries
Plastics
Pharmaceuticals
Petrochemicals
Mobile telecommunications
Financial services
Tourism
Cement

Following preparation of the initial Competitiveness Analysis, the intention was to select industries in consultation with USAID for further study and targeted investment and development efforts (see below). Further studies and investment promotion efforts initially focused on the agri-food processing industry (see below), and a full study on pharmaceuticals and medical products, as well as a preliminary overview studies on tourism were completed prior to the component's early close-out in February 2007. ICT and telecommunications was also proposed as a focus for study and development assistance. Izdihar's banking component *de facto* conducted efforts related to financial services. A brief overview of the cement industry was also prepared during the course of joint efforts of the privatization, trade, and remaining investment promotion components.

Key Elements of the Competitiveness Analysis

Job Creation: Iraq will create jobs if it can encourage the creation of firms that can produce local products that are better, cheaper, and meet customers' needs more effectively than potential imports. Currently, Iraq imports practically everything. Industries in several regional economies -- notably Turkey, Iran, Saudi Arabia, and Jordan -- have developed significantly, and now manufacture products that are better and cheaper than Iraqi products.

Industries: The analysis treats economic activities at the industry level. Some assistance may be needed to help companies streamline business practices, acquire technology, learn skills, and thereby develop products or services that can be sold in the marketplace. This company-level action does not substitute for the need to improve the overall business environment. Such programs are often critical in enabling specific industries to survive and prosper. Several programs already are underway in Iraq. They include, among other activities, the projects under USAID's Izdihar program, the World Bank's small business assistance program, International Finance Corporation projects, and various efforts undertaken by bilateral donors. The method utilized here emphasizes working at the industry level and, at the same time, advocating improvements in the business environment that will directly assist key industries.

Local/Regional Clusters: The concept of competitiveness also recognizes that the role of regions and sub-regions is fundamental to developing an economy that will support continued economic growth. The interventions outlined have a specific geographic focus whenever possible, to gain clustering advantages. It should be noted, however, that this approach may not be appropriate for all industries, and that this principle is not applied in all cases.

SOE Privatization: Competitiveness development generally supports private sector firms. In the case of Iraq, the public sector has taken on increasing importance over the last four decades. In the current economy, SOEs are being either partially or fully liquidated. Iraq has more than 200 SOEs, and while they are mostly obsolete, and therefore uncompetitive, some firms do possess useful assets such as existing plant and equipment, infrastructure, and human capital. A restructured and privatized SOE can serve as an anchor firm that develops links to SMEs, and which helps create a stronger local industry than would otherwise be possible.

SME Development: In addition to Iraq's SOEs, which represent a large percentage of the industrial economy, the private sector in Iraq consists primarily of small and medium enterprises (SMEs) numbering approximately 100,000 (an estimated 99 percent of all firms).

Domestic Markets: In 2005, Iraq had a population of 27 million persons, and in the immediate term, represents the target market for the activities which are treated in this paper. Competing in the export market is not an option for Iraqi industry at this time.

Iraq Investment Promotion Agency

In the first year of the project (October 2004 – September 2005), the ***Iraq Investment Promotion Agency (IIPA)*** was formed. Eight staff members were seconded from several ministries (Ministries of Planning, Industry and Minerals, and Trade) and trained in basic office functions and the mechanics of investment promotion procedures and market research techniques. Through procurement, premises were leased and renovated. The formation of the IIPA broke ground on establishing a modern, active investment promotion body to reach out to investors and guide them towards investment opportunities that would be profitable to the investor as well as beneficial to the recovering economy of Iraq.

Project and IIPA staff began to undertake initial steps in investment promotion by attending several trade and investment fairs in order to market opportunities in Iraq and develop contacts with potential investors. In the second year of the project, staff attended or hosted the following major investment expos and trade missions:

- Rebuild Iraq 2005 Expo and Conference, Amman, Jordan, April 2005
- Rebuild Iraq 2006 Expo and Conference, Amman, Jordan, May 2006
- Investment Mission: Turkey, April 2006

- IIPA Participation in "The 2nd Annual IACCI Conference for Investment Promotion in Kurdistan Iraq", April 27, 2006
- Gaziantep "Gateway to Iraq" Trade Fair, June 2006
- Investment Mission: Turkey, June 2006
- AmCham and the US Commercial Service Trade Show (visited by the U.S. Secretary of Commerce), Baghdad, July 2006
- Iraq – UAE Business Exchange, January 2007
- "Investment Showcase: Successes of the Government of Iraq", a joint Trade and Investment Showcase held in cooperation with AmCham-Iraq. Amman, Jordan, February 2007

IraqInvest web portal

Content and design of web site, (originally registered as www.IraqInvest.com), was developed to communicate efficiently with potential investors in order to market Iraq's comparative and competitive advantages, and to disseminate needed information in a transparent manner. After official launch of the website was postponed, the content was posted on the project's Knowledge Portal (www.izdihar-iraqknowledgeportal.com) in order to provide the information to newly mobilizing PRT members in need of background information as part of their orientation. Limited updates to the content were conducted. The content and structure was also handed over to the National Investment Commission to be formally launched by them in the future, with the recommendation that content be further reviewed and continually updated to reflect the current status of legal issues, procedures, and economic conditions of industries.

Training and Capacity Building

- Iraq Investment Promotion Agency
 - Prospectus: Establishment of an Investment Promotion Agency in Iraq
 - IIPA Design and Establishment Plan
 - Draft IIPA Procedures Manual
 - Staff of the Iraqi Trade Information Center, Iraq Investment Promotion Agency, and Investment Promotion Component training at the US Commercial Service, Amman, Jordan, April 2006
 - Training for IIPA staff, Baghdad, October 2006
 - On-going mentoring and training of IIPA staff as participants in trade shows

and investment missions and as research assistants on all studies.

- Drafting and Review of Legislation
 - Draft Law and Decree to establish and create IPA, 2005
 - Review of subsequent draft investment promotion law drafts until passage of Investment Law in October, 2006
 - Comments on the Kurdistan Draft Investment Promotion Law
 - Comments on Draft Foreign Investment Law
- Draft Investment Commission By-Laws and Regulations (draft submitted at time of component close-out, February 2007)
- Workshop for GOI on Investor Roadmap, July 2006
- Four-day training/workshop with Entrepreneurs, Erbil, August 2006

Sector-Specific Investment Promotion Studies

IIPA organized follow-up meetings with investors and began conducting targeted market research continued to support possible investments. Guided by the Competitiveness Analysis, and the interest of potential investors, a number of sector-specific analyses to determine the overall potential of the Iraqi market were completed. The methodology for the studies integrated research teams led by project experts with practical training for IIPA staff, field research, and analysis and conclusions developed jointly by the team.

The initial focus was on the agri-food processing industry. A full study on pharmaceuticals and medical products was conducted, as well as a preliminary overview studies on tourism and cement. ICT and telecommunications was also proposed as a focus for study and development assistance.

Studies

- Profile of U.S. Firms Operating in the Middle East, May 2005
- "Iraq Competitiveness Analysis," May 2006
- "The Potential for Food Processing in Iraq"
- "Business Models for Aquaculture in Iraq"
- "The Dairy Market in Iraq"
- "Small Ruminant Animals in Iraq"
- "Vegetable Oils in Iraq"

- "The Poultry Industry in Iraq"
- "Bakery-Confectionery and Snacks for the Iraqi Market"
- "The Bottled Water Market in Iraq"
- "Tomato Paste in Iraq"
- "Pharmaceutical and Medical Products in Iraq," April 2007
- "Potential for Tourism Development in Iraq," July 2007
- "The Investor Roadmap of Iraq," April 2006
- "Investment Guide to Iraq"

Iraq Trade Information Center

At the request of the Minister of Trade, the project agreed to assist in establishing an ***Iraq Trade Information Center (ITIC)*** at his Ministry. The purpose of ITIC was to stimulate trade, create jobs, and offer a full range of services to Iraqi business and industry. Izdihar's efforts focused on procurement and renovation of the premises, development of organizational structure and documentation, development of management information systems and population of databases, and selection and training of staff.

Lessons Learned

- Coordination between local firms and potential foreign investors will be needed to help the promotion of capital investments.
- Corruption is so widespread that it is endangering the legitimacy of the Iraqi government at all levels thus limiting foreign investment.

Next Steps

- The GOI passed the new Investment Law in October 2006. This will necessitate substantial further involvement of USAID to provide technical assistance in implementation and capacity development to the National Investment Commission and, in coordination with PRTs, to the Regional and Governorate Commissions.
- Create an enabling environment for private investment and job creation through the implementation of other Iraq Investor Roadmap recommendations.

RESTRUCTURING & PRIVATIZATION

Goal

The economy of Iraq has been dominated by large state-owned enterprises (SOEs). Assisting the government to undertake reforms to convert SOEs to private ownership was an original goal of the project, in order to boost economic growth through efficiency gains, to increase opportunities for forward and backward linkages with private Iraqi and international businesses, and to expenditures by the state. To ensure success and avoid mistakes made by other countries transitioning from state-led to private-sector led economies, the government of Iraq was to be assisted to conduct privatization through the establishment of a legal framework for privatization of SOEs, by building the transaction capacity of a centralized privatization agency or committee, and by ensuring public acceptance of the benefits of transitioning to a dynamic market based economy.

PRIVATIZATION TASK AREAS

Inter-Ministerial Commission and/or Privatization Agency: Establishment and skills training of government-designated implementing organization on privatization.

Legislation: Development of “best practices” privatization legislation to support Iraq’s privatization efforts and create a single, transparent regulatory framework for privatization of state-owned enterprises (SOEs) throughout the country.

Studies and Reforms: Conducting research to inform policy decisions on privatization-related reforms, such as redundancy of SOE workers.

Technical Assistance: Providing technical assistance to agencies, on transactions, and in coordination with other agencies as requested.

Objectives

- Advocate for, and assist the establishment of, a government-designated implementing organization on privatization (“privatization agency”).
- Provide technical support, including: developing “best practices” model legislation to support the creation of a single, transparent regulatory framework for privatization country-wide.
- Develop MIS to collect information to support policy and financial analysis; study and provide options to address workers displaced by privatization.
- Support increased public awareness about the public benefits of privatization.

Achievements and Milestones

- Drafted privatization legislation and regulations for a future privatization agency.
- Prepared a privatization blueprint that was endorsed by the Cabinet.

- Provided coaching and mentoring to the Ministry of Industry and Minerals on preparing individual privatization transactions

Phase 1, February 2005 – March 2006:

The R&P Component's work began in February 2005 with a focus on capacity building with the Iraqi Commission to Study Privatization (ICSP), based on the expectation that, after the formation of a privatization agency, ICSP personnel will migrate to the new body. The Component also assisted ICPS in the drafting of a privatization law. However, soon after its formation in May 2005, Jaafari's Cabinet abolished ICPS, allegedly due to the lack of attendance by board members from the private sector who, by that time, resided mostly abroad. Some of ICPS' work (such as a survey of SOEs) was left in limbo while its draft law was passed on to a Legislative Committee on Privatization that was formed in April 2005 and abolished shortly thereafter.

In response to Izdihar's lobbying to reestablish GOI involvement in this policy issue, an Inter-Ministerial Committee on Reform and Rehabilitation of State Owned Enterprises (IMC) was formed in August. It was chaired by the Minister of Planning and Development Cooperation and included the Minister of Finance, the Minister of Industry and Minerals, the Governor of the Central Bank, President of the Board of Supreme Audit and a representative of the Prime Minister. It should be noted that, in GOI parlance, privatization is usually introduced under more innocuous terms such as "economic reform" or "rehabilitation".

Best Practices Introduced

At the request of IMC's Chairman, R&P Component provided ongoing technical assistance and drafted the key recommendations for IMC's deliberations. These were adopted by IMC without any substantial changes and incorporated in its Report, received by the Cabinet in December 2005. The Report was an endorsement for best practices privatization (such as a centralized, transparently operating agency); the first time that GOI endorsed these principles. The component continued working on the draft law, and prepared an organizational structure and key staff functions for a privatization agency envisaged in Report's proposals. Proposals to facilitate corporatization of SOEs in line with best-practice corporate governance principles were prepared.

In order to address the problem of excess labor which would arise during a privatization transition, an Excess Employment Study was conducted and delivered to the GOI and international entities, providing recommendations and costing of various strategies for coping with labor redundancy in State-Owned Enterprises. One such recommendation, for the GOI to cover a portion of the state salary for workers who move to the private sector, has been adopted as part of the 2008 budget law.

The component also took over from ICPS its work preparing database of information on SOEs to be used in eventual privatization planning and transactions. The SOE database was moved

to Izdihar's server, software was tested and refined, English interface introduced and available company data was inputted. Profiles of fifty-eight SOEs were compiled.

Since privatization has proven to be a complex process little-understood by the public, who often fear losing their jobs and are unused to functioning in an economy not dominated by the national government, it is important to increase public awareness and support for privatization in the business community in particular. Several public awareness events on privatization were held, including a seminar attended by over 250 Iraqi business persons. As a result of this, and of Izdihar's consensus building with counterparts, the press has become very active discussing privatization, with many previously-unseen articles discussing the concepts and expected steps.

On December 20, 2005, in a significant step forward, the Cabinet approved recommendations of the IMC Report in its order No. 1787. IMC was also tasked to complete the work of the Legislative Committee on Privatization by finalizing appropriate legislation. Izdihar cooperated in the preparation of this draft, which was submitted to the Cabinet in March 2006.

Capacity Building: Work with the Ministry of Industry and Minerals

In the course of 2005, Iraq's Ministry of Industry and Minerals (MIM), impatient with the slow progress made in the creation of a privatization agency, proceeded on its own and attempted to privatize, using the existing legislative mechanisms. In late June, MIM published a list of eight enterprises it intended to privatize. Izdihar began to provide technical assistance to the Ministry in this task. Intensive work with the Ministry of Industry and Minerals resulted in the formation of a MIM Privatization Committee (MPC) that included three other Ministries (Finance, Planning and Trade). MPC's full name is the Central Committee for Transferring State Companies to Shareholding Companies.

With Izdihar's assistance, technical sub-units within the Ministry to support privatization were formed (accounting, technological, legal, etc.). First in the pipeline were two cement plants that MIM wished to privatize immediately as pilot/model transactions. Izdihar provided on-site training and capacity building to the MPC, as well as technical advice on the potential deal structures, the preparation of investment solicitations and Information Memoranda and a manual on holding public tenders. The standard contract for leasing state companies to the private sector was re-written to incorporate more investor-friendly provisions.

However, in early December 2005, the Iraqi Cabinet had abstained from taking a decision on MIM's proposals. MPC, with R&P component's assistance, continued to prepare submissions for further privatizations (such as the State Pharmaceutical Company, Furat Engineering Company, and Sumood Steel Company). In late December 2006, following instructions from USAID, R&P component discontinued all transaction-specific work. The component was abolished by USAID in March 2006.

The new government, formed after long delays in May 2006, has shown minimal will to have the economic reform legislation dealing with privatization and divestitures resolved. In over twenty

months since then, it has failed to pass for National Assembly's approval either IMC's draft legislation or any alternative to it.

Phase 2, November 2006 – July 2007:

USAID reactivated the component in an attempt to explore complementarities with certain new initiatives that were being undertaken by PRTs and DOD (particularly the Task Force to Improve Business and Stability Operations (TFBSO), a/k/a "The Brinkley Group" run by Deputy Undersecretary of Defense for Business Transformation, Paul Brinkley) that aimed at creating more employment, primarily in state owned enterprises. Preliminary studies of some of the enterprises of interest to DOD were undertaken and possible Izdihar interventions outlined. A number of presentations on the subject matter of viable interventions in the pre-privatization stage were prepared for the concerned parties – TFBSO, US Embassy Economic team staff, IRMO, mixed military/PRT working groups, and the USAID Mission Director in addition to information briefs outlining the developments and current state of privatization efforts. However, by early 2007 it became apparent that TFBSO was not interested in Izdihar's contribution.

The component thereafter concentrated primarily on assisting PRTs in their efforts to increase the level of economic activity in Iraq, supplying them with information about the location and activities of SOEs, legal issues and responding to various ad hoc queries about the conditions prevailing in various economic activity sectors in Iraq. In January, a study of areas for enhancing economic activities mapped Baghdad's suburbs to identify the main retail, service and manufacturing localities, followed by an examination of the conditions under which Baghdad's retailers, wholesalers and manufacturers operate. This was followed up by a more detailed examination of issues facing Baghdad's retailers, wholesalers and manufacturers. An analysis was prepared about the economic performance by publicly listed private and mixed sector non-financial companies. Also to assist PRT and USAID understanding of the Iraqi economy, the recent performance of state owned industrial companies was analyzed.

The component was again terminated in July 2007. Some component employees were subsequently engaged in the 'Restructuring, Economic Conditions and PRT Support Section' as part of the SME Development Cross-Support team.

Phase 3, July 2007 – March 2008:

Restructuring, Economic Conditions and PRT Support Section

Institutional knowledge and familiarity with Iraqi economic issues is a key resource for assisting new PRT members' orientation to their tasks. The team conducted research, prepared and provided information on various ad hoc issues faced by Izdihar, PRT and ePRT teams, and other elements of the coalition effort, including:

- An examination of issues facing Baghdad's retailers, wholesalers and manufacturers, drawing both on focus groups and on small scale surveys.

- An assessment of agricultural produce markets from the point of view of suitable interventions that can be facilitated by PRT teams.
- Briefings for ITAO (formerly IRMO) on past privatization efforts and economic overviews.
- Studies about the economic performance of state owned industrial companies and mixed companies.
- Analysis of the available statistical data about industrial SMEs on the basis of COSIT's 'Statistical Abstracts' as well as its as-yet-unpublished survey.
- From November 2007, a major survey of SMEs was undertaken in four governorates of Iraq (Najaf, Baghdad, Suleimaniya and Baghdad), to overcome a deficit of knowledge that exists with respect to the way small and medium enterprises operate and the issues they currently face. (Results to be published in March 2008).

Background

Addressing privatization – albeit not immediately - was a condition of IMF-coordinated debt reduction scheme to which GOI had committed itself as of early 2005 when project component efforts got underway. The IMF's demand was necessitated by the fact that the operations of state owned companies receiving direct and indirect subsidies (through input pricing) distort the price structures and discourage potential entrants in those sectors of the economy in which they operate.

When Izdihar began, there was no mandated official body tasked with formulating a privatization policy or carrying out the necessary preparatory work and transactions. No concept of a social safety net in the course of privatization was being developed. What little public awareness of privatization existed tended to be negative. Public officials neither understood privatization nor believed in it. A privatization study commission established by Prime Minister Allawi existed, but its status within the bureaucracy was low.

Many Iraqi state enterprises were unsellable on a going concern basis because of the emergence of lower cost competitors elsewhere or because of their outdated equipment or damages sustained in recent wars. Since 2003, the situation in the factories has deteriorated further. Under USG policy guidance, almost no investment funding (or even funding for emergency repairs or replacement of key bottleneck machinery) was allocated by GOI to the industrial sector.

This approach did change in late 2006, under the influence of DoD's TFBSO. However, due to slow budgetary procedures both in Iraq and in the US, funding has begun to be only by late 2007. Whereas the 'National Development Plan 2007-2010' foreshadowed investments in the

manufacturing sector of \$300 million in 2007, less than 10% of that amount was allocated and spent by GOI, with a similar amount being spent by DoD.

Challenges

To this day, getting a job in the state sector is highly prized by Iraqis entering the labor market. An all-encompassing clientist welfare state mentality has been reinforced by decades of a strongly paternalistic regime of the Baath party, during which period even the behavior of the private sector had been more opportunistic than entrepreneurial.

The successive post-2003 governments in Iraq have been very unwilling to change the ownership status of Iraq's 192 state-owned enterprises, due to a fear of the political and military consequences of short-term unemployment that a fully fledged privatization would create (at least half of the 510,000 workers were estimated to be excess to requirements). There was no USG lobbying to make GOI change its mind, for similar reasons (in the wake of the outcome after the disbanding of the Iraqi army).

Privatization initiatives of the component have been repeatedly adversely affected by the lack of support from Econ section of the US Embassy and from the (now abolished) Iraq Reconstruction Management Office. The Baghdad office of USAID has also exemplified a number of shifts of emphasis in their policies. The principal issue on which opinions tended to change was whether it was permissible to assist in privatization efforts that were conducted by ministries rather than by a centralized agency.

Lessons Learned

In any country, privatization requires years-long efforts, which always involve stops and starts. Donors need to demand progress over time and to commit for substantial periods of time, avoiding month-by-month progress evaluations, and expect that when governments are undergoing major transitions, delays naturally occur.

USG agencies ought to lobby for the passage of the necessary laws not only at the Cabinet level but also with individual parliamentarians and select committees of the legislature as well as with other influential stakeholders (political parties, unions, religious leadership, influential bureaucrats and major media outlets). A small number of high ranking politicians and bureaucrats should be selected and cultivated to become champions for the proposed reforms.

At the same time, in USAID projects where the successful outcome presupposes that legislative action needs to be taken, the projects needs to be instituted in coordination with other USG agencies, in particular the US embassy staff, to ensure that the policy aims of USAID have a better chance of being realized. Where a commitment on part of other USG agencies to cooperate in the above tasks is not secured, a significant risk of using USAID's resources wastefully emerges.

Similar risk exists where projects are concerned mainly with devising implementing regulations and technical implementation for as yet non-existent laws before the influential local power brokers agree to place the matter on the legislative agenda of the National Assembly. At such stage, USAID resources ought to be channeled mainly towards assistance with the drafting of the law and towards public relations measures designed to create a pressure on the politicians from within their own constituencies.

If a privatization is not likely to take place for a long time into the future, technological investments in SOEs by the government do make sense as they preserve the sale value of the enterprises, maintain the skill base of the employees, provide business opportunities for their traditional suppliers and customers as well as increased incomes for the employees who are otherwise paid only emergency stand-by pay.

Issues, Recommendations and Next Steps

The GOI should lay the groundwork for privatization by: setting objectives (regarding revenues, employment stability, and national competitiveness); developing/promoting legislation and institutional framework; conducting work to privatize priority companies in MIM and devising measure for dealing with the over-employment in the state sector.

- Advocate for the passage of a transparency-based, best-practices privatization law (approved in principle by the Iraqi cabinet on December 20, 2005).
- Advocate for the creation of an Iraq Privatization Agency or an Economic Reform Agency with legal authority under the above law to set privatization policy and conduct transactions for all SOEs (as also approved for in principle by the Iraqi cabinet decision on December 20, 2005).
- Help the future privatization agency to build capacity and to identify companies to be privatized.
- Re-engage Iraqi counterparts and provide familiarization visits for key players. The MIM Committee on Privatization is likely to largely drive much of the process. USAID should move forward with MIM and advocate the renewal of work of the IMC and lobby therein for the benefits and importance of a sound privatization strategy.

CAPITAL MARKETS DEVELOPMENT

The Component was closed in August 2006.

Goal

To spur private sector development and employment generation by improving Iraqi access to capital. A fair, efficient and transparent market place for equity and debt instruments is essential for the efficient allocation of capital, foreign direct investment and privatization of state owned enterprises.

Objectives

- Strengthen the **Iraq Securities Commission** to effectively regulate the securities industry in Iraq in order to ensure a fair and transparent market, including developing: an organizational structure, rules, procedures, and complementary training; licensing and listing regimes; and a publicly-accessible **securities information database** to facilitate public disclosure of information and build investor confidence.
- Build capacity of an independent **Iraqi Association of Securities Dealers** to effectively promote the Iraqi securities market, represent the broker - dealers community, and educate investors on securities markets issues, including developing fee-based **training, licensing and continuing education programs** for broker-dealers, issuers, and investors in ethics, regulations and professional practices, as well as a market education and awareness program to give investors a better understanding of market benefits and risks.
- Build capacity of the **Iraq Stock Exchange**, including assisting development and implementation of rules, procedures, and **automation** of trade order entry, execution and reporting as a means to increase market participation by broadening the number of issuers and intermediaries participating in the market, and to enable the **introduction of other conventional securities instruments** such as corporate bonds and government securities, through both primary and secondary trading. Develop the ISX into a nationwide exchange, opening trading to investors beyond Baghdad and enabling expansion of market participants throughout the country.
- Assist the establishment of an autonomous **Iraq Central Securities Depository** capable of automated trade clearing and settlement and shareholder registry operations based on internationally acceptable norms.

Achievements and Milestones

Capacity Building for the Iraq Securities Commission (ISC)

The Iraq Securities Commission is comprised of former Baghdad Stock Exchange employees with limited salaries, limited PC skills, limited English language ability, and limited education. The ISC staff, working in the Kurdistan Bank Building, performed limited work in capital markets. One of the first things we did was to receive from IRMO some job descriptions which we refined and made into an ISC Organization Chart. We had meetings with the Commission to finalize a budget for the proposed staff with recommended salaries to attract talented people. However, the Government did not support this salary structure, limiting our staff selections. The ISC Commissioners were very grateful for our technical support and were willing to help develop this market. The Commissioners shared our view of how markets are to be built - well regulated with solid legal foundations, fair and transparent trading and post-trading systems, and an independent depository.

- We developed a Procedural Guidelines Manuals based on a previous market to assist the Commission in their day-to-day operation. However, a final procedures manual could not be started due to delays by IRMO in finalizing the Permanent Securities Law. The ISC completed its relocation to its new facilities in January 2006 with upgraded technology and operational infrastructure provided through procurements.
- We provided comments to the ISC on the draft 2004 ISX Listing Rules and the ISX Portfolio Trading Rules. These comments were communicated to the ISX and no further action has been taken.
- We provided a white paper on the structure of a Depository, including how it is owned and operated in other markets. This paper provided much needed technical expertise to the ISC in discussions with IRMO and the ISX regarding the Permanent Securities Law. The Commission has always been a strong advocate for a separate Depository to ensure that the trading activity that took place at the ISX was properly settled at the Depository. The Commission continues to be concerned about how the future integrated automation system will be operated and how the Depository will be able to control settlement activity.
- In February 2006, we provided technical assistance to the Commission in the form of presentation material for a Corporate Disclosure Seminar for Issuers which enabled the Commission to explain the new reporting requirements for listed companies.
- In April 2006 the Commission's existence was to cease, due to a poorly written clause in the Interim Law on Securities Markets. We provided technical assistance to the Commission in the form of a letter to the Prime Minister on behalf of the Commission requesting that the Commission remain in office until the new permanent Securities Law was enacted. This letter along with contributions from IRMO achieved successful

results in that the Commission and its staff will remain in office for 2 more years or until the new Securities Law is enacted.

- After February 2006, the security situation worsened curtailing some of our development progress. Our technical assistance at their location was limited by ISC's own request, to avoid being targeted by insurgents
- Provided training in the areas of Corporate Disclosure, Inspection and Enforcement, Public Relations, IT, and Basic PC-Microsoft Office. (See training below).
- Provided key regulations and rules (see list below) based on the Interim Law on Securities Markets to the ISC to assist them in regulating this market in the absence of a Permanent Securities Law During this same time, IRMO has been working with the Commission to redraft the Permanent Securities Law. The Commission had decided that work on the Permanent Securities Law was more significant than the draft interim regulations and rules; therefore no action has been taken to date to enact said regulations and rules.

Capacity Building for the Iraq Stock Exchange (ISX):

The Iraq Stock Exchange (ISX) was transformed from the Baghdad Stock Exchange, with former employees on staff. The ISX building was very old and very crowded, with limited space for the expansion of brokers, using a manual white board system for recording bids and offers. Initially, the ISX looked favorably upon us to provide technical assistance and to provide financial assistance in the form of a grant to relocate to a new building.

- Months of effort went into the development of a Relocation Site Plan detailing the technology infrastructure needed to continue current operations and prepare for trading automation, as well as operational infrastructure and space allocation in the new premises and the preparation of a grant application. Both were completed and signed by the Board and approved by USAID; however, the full Board rejected our wording in the ISX grant which mainly called for the Exchange to set-up the Depository as a separate legal entity thereby complying with international best practices. The Exchange felt this would violate the (poorly written) Interim Law on Securities Markets which called for the establishment of the Depository as a "division" of the Exchange, causing the grant to be cancelled. The ISX Board's subsequent desire to renegotiate this issue and future grants directly with USAID was not acceptable. This situation limited our interaction with the ISX to the training events outlined below
- Planned technical assistance for the development of rules and procedures relating to a new automated market could not be started due to the delays by IRMO in acquiring an automation vendor, since the specifications of automation needed to be known in order to develop supporting systems, rules and procedures. New instruments could

not be suggested since the market had neither an automation system nor a Permanent Securities Law to guide this development effort.

- Development of an auction methodology to help privatize State Owned Enterprises (SOEs) was looked upon by IRMO as being premature for this market because 1) no automation was in place, 2) no commitment by the Government was in place, and 3) no privatization law was in place. However, the development cycle for such an auction system may take 4-6 months requiring the coordination of the State, the Commission, the Exchange, the Association, and the issuers and the intermediaries in developing the methodology, the norms, the system capacity, the procedures, and testing the system and certifying the brokers. It would have been possible to use the period prior to automation to start to develop the basics of an auction methodology, in order to have the methodology available for implementation, with only final adjustments following automation and the passage of a privatization law.
- The ISX Board of Governors was resistant to the proposal to expand the number of new brokers, even after automation was in place; it attempted to decrease competition by requiring branch office facilities to be set up with existing brokers. The ISX Board felt that the existing brokers should benefit from the automation system with limited expansion of new brokers, possibly two new brokers per year. The ISX Board was concerned that there would not be sufficient customers for additional brokers, and that the new brokers would not have the sufficient capability to operate a brokerage firm.

Establishment of an Autonomous Iraq Central Securities Depository (ICSD):

The Iraq Central Securities Depository (ICSD) is the name our project has given to this “division” of the ISX as it is specified in the Interim Law on Securities Markets. Our initial meeting with the Depository was good and technical information was exchanged between us in how their current system operated versus what are normal procedures for an automated Depository. Agreement on how dematerialization of securities should take place was initially discussed and agreed upon and was later presented to the Working Group who also approved this concept. We developed a grant for the Depository as part of the ISX Relocation Site Plan, and received approval for this grant from USAID based on certain milestones being achieved by the Depository, mainly the creation of the Depository as a separate legal entity. The full Board of the ISX rejected this wording and refused to accept USAID funding under these conditions, claiming that it would violate the Interim Law. The ISX Board wanted to have any future grants or financial assistance negotiated directly between USAID and ISX, without any input from Izdihar. This was unacceptable and the relationship with the Depository came to a halt.

- With delays by IRMO in acquiring an automation system for post-trade processing, no development of rules, external or internal procedures, user acceptance test plans,

disaster recovery plan, etc. could be finalized. However, based on previous market experience, we drafted generic Depository and Registry rules to be followed.

- A complete business package was prepared for the creation of the ICSD, including Articles of Incorporation, By-Laws, Depository Rules, Registry Rules, Participant Agreement, Issuer Agreement, Clearing Bank Agreement, Job Descriptions, Organization Chart, and draft business plan. The guiding principle behind these documents was the establishment of an independent depository, a clearing and settlement organization based on CPSS-IOSCO standards. Lack of support by IRMO in how the Depository should be structured led to the approved USAID grant being turned down by the ISX Board of Governors and eventually being cancelled by USAID. No additional technical support was provided to the ICSD due to these opposing positions.

Capacity Building for the Iraqi Association of Securities Dealers (IASD)

- Established the Association in their office location through a grant to provide financial support, a technology site plan to define technology and operational infrastructure needs, and direct technical support to implement the site plan, including a 25 seat training center equipped with PC workstations, network, and internet access.
- Trained IASD staff and developed their first fee based training course (Basic PC-Microsoft Office) that was given to 51 students representing 26 brokerage firms. This course was provided in anticipation of the awaited automation of the market.
- Developed the monthly IASD Newsletter in English, Arabic and Kurdish outlining the progress of the capital markets in Iraq. Included in the six newsletters were articles about the stock market as well as about the new rules and regulations being considered by the Commission.
- With excessive delays by IRMO in finalizing the Permanent Securities Law, a licensing regime and program could not be developed.
- Security issues imposed obstacles to meeting with the IASD at their location, due to their request to us to stay away in order to maintain a low profile.
- A Marketing, Education and Awareness (MEA) Program was started with 3 marketing brochures developed along with a training brochure. However, lack of revenue by the IASD has delayed the hiring of a full-time public relations / editor person to carry on this MEA program.
- Lack of revenue by the IASD has delayed the hiring of an IT Manager to oversee all IT functions including the network and website.

Specific Achievements, Milestones, Major/Key Events

- Developed a Joint Working Group (JWG) involving Izdihar, IRMO, USAID and key capital markets organizations. Reached agreement with the JWG on a method to dematerialize certificates.
- Developed an ISC organization structure, rules and procedures manuals, and an operational budget. The ISC completed its relocation to its new facilities in January 2006 with upgraded technology and operational infrastructure provided through USAID procurement.
- Provided feedback and suggestions to the ISC as they worked to move forward with the Permanent Securities Law. Assisting with regulations and preparation of the ISC to fully assume their role as market regulator. Training in the areas of Corporate Disclosure, Inspection and Enforcement, Public Relations, IT Training, and Basic PC-Microsoft Office.
- Developed ISX's and ICSD's formal governance and operational documents, including business plans, operational plans, technology plans, and trade automation plans. Advocated for institutional development according to international best practices. Assisted in the establishment of new offices with upgraded IT capabilities.
- A complete package has been prepared for the creation of the ICSD, including Articles of Incorporation, By-Laws, Depository Rules, Registry Rules, Participant Agreement, Issuer Agreement, Clearing Bank Agreement, Job Descriptions, Organization Chart, and draft business plan. The guiding principles behind these documents were the establishment of an independent depository, clearing and settlement organization that would be based on CPSS-IOSCO standards.
- Provided key regulations and rules based on the Interim Law on Securities Markets to the ISC to assist them in regulating this market to assist ISC in face of the extensive delays in the completion of the Permanent Securities Law.
- Trained IASD staff.
- Developed the monthly IASD Newsletter in English and Arabic outlining the progress of the Capital Markets in Iraq. Included in this newsletter were articles about the stock market as well as new rules and regulations being considered by the Commission.
- Assisted in the improvement of the institutional structure of the IASD by drafting Responsibilities and Procedures documents for IASD Communication and Training Commissions, as well as a Code of Ethics (including Disciplinary Procedures) for the members of the Association. Proposed substantial amendments to the By-Laws of IASD to enable it to become an SRO.

Background

CPA Order #74 (April 2004) disbanded the Baghdad Stock Exchange: reincarnating it as the Iraq Stock Exchange (ISX), a not-for-profit, member-owned, self-regulatory organization; and establishing the Iraq Depository as a division of the ISX with distinct responsibilities for depository, clearing and settlement operations. It also established the Iraq Securities Commission (ISC) as the regulator of the Iraq securities market.

The ISC had no training or development activity to prepare them for their role as market regulator. Only two of the commissioners were employed full-time, the other 3 serving only part-time, which was a source of (potential) conflict of interests.

The ISX resumed manual trading of equity issues in June 2004. There is no market for corporate bonds and a limited market for government securities in Iraq that is managed by the Central Bank of Iraq. ISX Equity Trading occurs twice per week, 2-1/2 hours per session. Matched trades slips are processed by Depository operations. Reports are generated and settlement is performed manually, including processing of physical certificates.

The Iraqi Association of Securities Dealers (IASD) was established in September 2004, but had no physical office space. The investment community has very limited technology experience regarding hardware, networks, and software. The Iraqi telecommunications infrastructure is limited and fragile. VSAT is the only reliable access to Internet services, and very expensive by international standards.

Challenges

The draft Permanent Securities Law and Regulations of June 2004 have not been adopted nor actively pursued for endorsement, and remain unchanged, too long and too complex for a fledgling market, with draft regulations unaddressed. Translation of these documents is very poor and useless to the market participants. Shortcomings in CPA Order #74 impede progress in a number of important ways (no provision for an autonomous depository, dematerialization, or foreign investment). The Foreign Investment Law is not in harmony with the Company Law thus having a negative impact on potential foreign investment. Some ISX Board Members are resistant to change and advancements in the marketplace, including resistance to admission of new broker/dealers, and the separation of depository, clearing and settlement operations from the ISX. The voice of the IASD is not yet strong enough, and it does not go as far as the monitoring of trading activity as with the NASD in the US. The lack of cost-effective broadband telecommunications infrastructure is a potential barrier to the technological expansion of the capital markets, and more generally the financial sector as a whole. Access to cost-efficient broadband data telecommunications will be an obstacle as the technology dependency of the market increases, particularly when trading and post-trade automation is adopted.

The fact that two government agencies, USAID and IRMO, shared responsibility for the development effort of Capital Markets has created additional obstacles. No Commission rules or

regulations could be drafted without first having the Securities Law finalized. No procedures could be finalized without IRMO first acquiring for ISX the automated trading and post-trading systems.

To date, both of these critical path tasks are undone. In addition to these key delays, IRMO has only provided us with draft regulations and the original draft Securities Law. As IRMO changed course and decided to work with the counterparts to establish a more simplified version of a Securities Law which had been recommended to them by the Commission (using the Jordanian Securities Law and the Saudi Securities Law as a basis for the Permanent Securities Law), IRMO has not shared with our team the progress made on this revised Securities Law. IRMO also did not reveal information about the automation vendor until after negotiations were finalized with said vendor. In contrast, IRMO wanted copies of any regulations drafted based on the existing Interim Law on Securities Markets we had provided to the Securities Commission in both English and Arabic. We willingly provided this information to them in hope that they would use these when the new Securities Law was finalized.

IRMO also hampered our efforts to get the Iraq Stock Exchange to establish the Depository as a separate legal entity which would be more aligned with international best practices. IRMO supported the Exchange's position that the existing law called for the Depository to be a "division" of the Exchange, and IRMO didn't want the Exchange to go against the law even though the Commission was in favor of such independence by the Depository.

Iraqi Association of Securities Dealers

en

Home | Rules & Regulations | Regulatory Enforcement | Education & Programs | Regulatory Systems | Arbitration & Mediation | Investor Information | Contact Us

Iraqi Association of Securities Dealers

IASD Online - English Edition

Welcome to the English edition of the IASD website.

Recent Articles

IASD in Arbil IASD's participation in Erbil's Conference launched the Iraqi Business Council.

Saturday 7 October 2006

IASD's participation in Erbil's Conference launched the Iraqi Business Council.

Announcement for Courses

Wednesday 2 August 2006

The Training Center of the IASD announces for continual training courses... The Training Center of the IASD announces for continual training courses with reasonable prices, using the IASD modern premises, equipment, visual and audible devices and illustrations. The courses are supervised by qualified trainers. First: Computer Course Computer Basics, Windows XP, Word, Excel, Power Point, Internet & Outlook. Second: English and Commercial Correspondence Courses, using HEADWAY All (...)

Continuing Education

Sunday 23 July 2006

NASD, in conjunction with other self-regulatory organizations and the Securities Industry/Regulatory Council on Continuing Education, administers a two-part mandatory Continuing Education Program.

IASD News

August 2006

- ▶ Second News Article
- ▶ April 2006
- ▶ News Item 1 - Title

العربية | الصفحة الاقتصادية

6 June

- ▶ الخبيرون ألقوا 18 مليار دولار على شراء عقارات في بريطانيا
- ▶ العمل لتحل الشركات من استغلال نوي
- ▶ الاحتياطات الخاصة لشركة الوهبة السعودية: المدارس الأهلية تشق العام الجديد وترفع رسومها بحجة الارتفاع
- ▶ نواب جند في "أزمة" الكويتي يطالبون بإسقاط قروض المواطنين المتأثرين
- ▶ الشؤون السعودي يوافق صرف حافزة سنوية للمنتفعدين الثلاثة المقبل
- ▶ السعودية: حلم شراء السريع يجعل السطاء ضحايا وهم توظيف الأموال
- ▶ أسعار النفط تفلح إلى مستوى قبلي عند 139 دولارا

5 June

- ▶ اللاتون في مصر يتنازل عن "الرسوم" ومحاكمات التقليدية من أجل الفتح

Latest Articles

Lessons Learned

- Coordination between Izdihar and IRMO was often difficult and more closely linking the separate, but closely related, scopes of work of the two projects into one workplan would have significantly improved and facilitated progress on capital markets development.

Issues, Recommendations, and Next Steps

- A clearly delineated work plan for regulations and rules needs to be created based on the Interim Law on Securities versus the development of the Permanent Securities Law. Expedite the creation of these documents and educate the Commission.
- Develop procurements for the IASD to alleviate the financial burden on the IASD. Incorporate IT Manager's assessment of technology equipment prior to submitting for USAID approval.
- Develop a clear understanding with the ISX as to what milestone wording is acceptable to the full ISX Board prior to submission to USAID for approval.
- Start broker training before IASD facility is completely remodeled to accelerate the learning curve for the brokerage community.
- Demand that the IASD hire a full time IT Manager and a Public Relations person to carry on these main functions currently being done by Izdihar. The sustainability of the IASD is in questions due to these two key employees not being hired and trained before our demobilization.

V. CROSS-CUTTING SUPPORT

Erbil Office

Erbil office was setup in early July 2005 as a small branch office to help in the project's outreach efforts and to serve information gathering and interface with the Kurdish officials and private sector representatives.

Subsequently, with the deteriorating security situation in Baghdad, the need arose to find a secured location to assist the Baghdad office in conducting training and awareness events. Erbil office expanded to 5 staff members in early 2006. With the increased demand on Erbil office resources the team gradually grew, reaching 13 staff member at end of project.

The office's area of responsibility covered the three Kurdish governorates (Erbil, Suleimaniya and Dohuk) as well as Ninewah (Mosul) and At Tamim (Kirkuk) governorates.

The office activities included training, public awareness sessions, logistical support, technical assistance, as well as inter-agency cooperation.

Interaction with Local Partners

Erbil office acted as primary point of contact with the following partners, providing technical and logistics support:

- ACIDI-VOCA (Al-Thiqa)
- Al-Aman Center
- Women Empowerment Organization
- Ninewah Economic Development Center (formerly known as Ninewah Business Center)
- Tal'afar Economic Development Center
- Al-Murshed Center (formerly known as Investment and Economic Development Center IEDC)
- Iraqi Accounting and Auditing Union (Erbil, Suleimaniya and Mosul)
- United States Department of Commerce

In the two and half years of the office lifetime the following entities were key to the success on the project in the area as they helped coordinate and actively participated in various events organized by the project in the area:

- Kurdistan Council of Ministers,
- Kurdistan Ministry of Trade,

- Kurdistan Ministry of Planning,
- Kurdistan Ministry of Finance
- Kurdistan Investment Board,
- Kurdistan Ministry of Interior – Department of Customs,
- Bright Future Foundation,
- Suleimaniya Chamber of Commerce,
- Erbil Chamber of Commerce,
- Iraqi Businessmen Union,
- Iraqi Businessmen Union – KRG,
- Kurdistan Economic Development Center,
- Iraqi American Chamber of Commerce,

The office had interactions with the **four PRTs in the region** on various issues:

1. Kurdistan RRT:

With the support of Kurdistan RRT Izdihar project successfully conducted “Opportunities and Challenges: Iraq/ Kurdistan Trade and Investment Regulatory Environment training in Suleimaniya.

2. Kirkuk PRT:

In late 2006 Kirkuk PRT helped Izdihar project identify and assess Al-Murshed Center (formerly Investment and Economic Development Center) as a prospective implementing partner for the Small Business Development Centers Program. Throughout the program the PRT team was a useful in guiding and monitoring the service provided by the center.

Since the inception of Iraq Al-Aman Center in 2006 the PRT in Kirkuk was instrumental in providing guidance and oversight to the center while Izdihar provided lending capital as well as technical assistance.

3. Mosul

With the continuous support from PRT in Mosul, Izdihar was successful in rehabilitating the Ninewah Business Center micro credit program, through dedicated training programs and Technical Assistance.

4. Tal’Afar

In late 2006 Tal’Afar PRT helped Izdihar project identify and assess Tal’Afar Economic Development Center TEDC (formerly Tal’Afar Business Center) as a prospective implementing partner for the Small Business Development Center Program. Throughout the program the PRT team was a useful in guiding and monitoring the service provided by the center.

USAID Erbil

With the support of Erbil office of USAID, Izdihar's branch Erbil office was successful in facilitating various joint activities such as CODEL visit to one of Al-Thiqa clients in Erbil, various meetings with KRG officials on microfinance and trade issues, USAID mission director businessmen meetings, US Department of Commerce events and others.

Events

In September 2006, a joint team from the United States Department of Commerce, American Chamber of Commerce-Iraq and Izdihar manned a booth at the Third Iraq Reconstruction Trade Show in Erbil to promote Iraq-USA business partnership.

In collaboration with the United States Department of Commerce and American Chamber of Commerce-Iraq, Izdihar project co-hosted a series of events honoring the Iraqi-American Business dialogue in February of 2007.

In March 2007, Izdihar actively participated and assisted in the Kirkuk investment Conference organized by Kirkuk PRT

Izdihar project assisted AmCham-Iraq in enabling an Iraqi-American Business dialogue through a three way video Conference connecting Washington DC with Baghdad and Erbil.

In August 2007 Izdihar started offering technical assistance to the newly emerging microfinance program in TEDC started by PRT. With its capacity enhanced, the center was granted extra lending capital through the Izdihar project.

INFORMATION & COMMUNICATIONS TECHNOLOGY (ICT)

Goal

To provide consistent ICT support services to the beneficiaries, counterparts, and stakeholders (clients) of the frontline components and the Izdihar project as a whole in order to develop the clients' capacity to be operationally self-sufficient.

Situation at the Outset

At the inception of Izdihar, IT support as a distinct team existed solely for the internal IT infrastructure of the project. The ICT needs of the frontline components' clients were addressed through third party contracting, procured individually by each component, or managed as a commodity purchase by non-technical individuals. There was little or no attention given to post-Izdihar operational sustainability from an ICT perspective, and little or no attention given to capacity development to achieve it.

Challenges

Externally:

- The security environment in Iraq contributed to several distinct problems;
 - A limited number of vendors offering quality ICT products,
 - Excessive cost premiums for quality ICT products,
 - Long delivery times for the procurement of quality ICT products,
 - Delays and uncertainty in the provisioning of ICT products and services, and
 - Emigration of qualified local ICT resources.
- The many years of sanctions imposed on Iraq had a serious negative impact on the country's ICT education curriculum, which was effectively stagnant until sometime after 2003.

Internally:

- Project components typically considered their ICT support needs as an afterthought rather than as a strategic part of achieving the expressed goals for their clients. As a result there was no active plan for developing the clients' ICT operational capacity.

Objectives

- Assist the frontline components with their planning by identifying and addressing ICT needs and opportunities for automation.
- Develop the clients' ICT operational capacity.
- Develop and maintain the Izdihar Iraq Knowledge Portal.

Achievements and Milestones

Summary of activities:

- Capacity assessment, planning, procurement, development, and implementation for:
 - Technology (workstations, servers, services, software, network infrastructure, ISP services, and security)
 - Operational infrastructure (office space, equipment, furnishings, and security).
- Human resource assessment, development planning, training and certification programs.
- Grant and procurement budgeting, planning, application, implementation, and oversight.
- Website design, development, support, and training:
 - www.Izdihar-IraqKnowledgePortal.com
 - www.IMFI.org
 - www.ICBG-iq.com
 - www.IASD-iq.org
 - www.SBDC-Iraq.com
 - www.IraqCompact.org
 - www.IraqITIC.com
 - www.IraqIPA.com
- Software support services (procurement, implementation, training, and turnover);
 - Loan Performer – Integrated accounting package for microfinance institutions.

- QuickBooks Enterprise Edition (QBE) for ICBG.
- Software design and development services;
 - Borrower Blacklist Subsystem on IMF.org.
 - Automation and cute graphical interface for the Super Bowl Football Pool (XL & XLII).
- Deployment of SharePoint collaboration and document management services for ICBG.
- Conceptual analysis for the deployment of wireless broadband (WIMAX) throughout Baghdad to facilitate electronic trading of securities.
- Deployment of a WIMAX cell to facilitate video conference calling with Iraqi counterparts.
- Conceptual analysis for the potential of mobile banking using existing GSM networks in Iraq.

Key Achievements

- The Izdihar Iraq Knowledge Portal; This database driven website is targeted towards PRTs and related Iraq development and reconstruction planners, implementers, and stakeholders. Approved registered users have access to the culmination of Izdihar's multifaceted program as well as materials provided by various PRTs. Launched in November 2006, the knowledge portal now has 265 registered users and has served 50,581 page requests and downloads.
- Deployment and technical training for Loan Performer software to indigenous microfinance institutions in Baghdad, al-Qaim, Ramadi, Fallujah, Kirkuk, Mosul, Tikrit, Ninewah and Tal'Afar.
- ICT infrastructure configuration and operational training for indigenous microfinance institutions.
- Design, procurement, configuration, and deployment of complete ICT operational infrastructure for ICBG, including domain services, website, collaboration and document management platform.
- Development of the IMF.org website as a representative portal of the Iraq Microfinance Industry.
- Development of the SBDC-Iraq.com website as a representative portal for the Iraq Small Business Development Centers.

- Development of the multi-lingual content management system used as the framework for the websites ICBG-iq.com and IASD-iq.org.
- Development of HR capacity through training programs such as Basic PC / MS Office Skills, Basic Database Administration, and ICT Security.
- Deployment of a prototype Learning Management System to assist the SBDCs in managing their training program and providing reporting to Izdihar and USAID.

Welcome to the official web site of the
International Compact with Iraq
Republic of Iraq

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Photo Gallery

The International Compact with Iraq
A Shared Vision, A Mutual Commitment

The International Compact is an initiative of the Government of Iraq for a new partnership with the international community. Its purpose is to achieve a National Vision for Iraq which aims to consolidate peace and pursue political, economic and social development over the next five years.

The primary focus is to build a framework for Iraq's economic transformation and integration into the regional and global economy. However, it is recognized that good governance and resolution of security and political challenges are pre-requisites for progress in all other areas, including economic revival and normalization.

ICI Document with Attachments
(zip format, 690 KB)

International Compact with Iraq (pdf format, 632,5 KB)

- [Annex I - Principles and Foundations Of GoI](#) (pdf format, 26,2 KB)
- [Annex II - The National Reconciliation And Dialogue Project](#) (pdf format, 25,3 KB)
- [Annex III - Legislative Timetable](#) (pdf format, 25,9 KB)
- [Annex IV - Joint Monitoring Matrix 2008](#) (pdf format, 231,9 KB)
- [Annex IV - Joint Monitoring Matrix 2007](#) (pdf format, 261,7 KB)
- [Annex V - MTEF](#) (pdf format, 19,7 KB)

ICI Annual Review 2007-8

Key Counterparts

The following institutions are among those supported by ICT Services:

- Iraq Securities Commission (ISC)
- Iraq Stock Exchange (ISX)

- Iraqi Association of Securities Dealers (IASD)
- Private Bankers of Iraq (PBI)
- Iraqi Company for Bank Guarantees, Ltd (ICBG)
- Iraq Microfinance Industry (IMFI)
- Small Business Development Centers (SBDC)
- Deputy Prime Minister Barham Salih's Office (Iraq Compact)
- Ministry of Trade (MoT)
- Iraqi Trade Information Center (ITIC)
- Investment Promotion Agency (IPA), now the National Investment Commission
- PRTs / ePRTs

Grants and Procurement

ICT Services contributed to the planning and execution of numerous grants and procurements on behalf of the frontline components and their clients. With the expectation that they will be reported by the individual components, they will not be reiterated here.

Training

- ICT Training; ICT Security, Basic Database Administration, and SQL Programming; for ICT staff of all Izdihar clients;
 - May 2007, Erbil, Iraq.
 - January 2008, Erbil, Iraq.
- Loan Performer Technical Training; for indigenous microfinance institutions; al-Qaim, Fallujah, Ramadi, Erbil.
- Basic PC and Microsoft Office Training; numerous events.

Next Steps

- The human resource capacity for ICT support, services, and management remains underdeveloped. Follow-on work should put some focus into bringing the HR ICT capacity in Iraq to the next level. Alternative learning programs (e-Learning) and possibly an ICT professional development organization could foster this advancement.

- Internet access remains essentially limited to VSAT and is expensive. Reports of xDSL connectivity cannot be verified. Unfortunately the security situation in Iraq is not conducive to the development of country-wide internet backbone infrastructure at this time. Follow-on work needs to stay abreast of the development activities in this area in order to take early advantage of the opportunities it will bring.
- Many client managers are only vaguely familiar with what ICT can do to streamline their business operations and make available critical decision-making information to aid in managing their business. Focused training for mid- and upper-level managers regarding their ICT resources would be beneficial here.

PUBLIC RELATIONS: COMMUNICATIONS & OUTREACH

Goal

To support the technical components of the project and the local counterparts in raising the awareness among government officials, private enterprises, non-governmental organizations and the general public about the need for economic reform and the benefits of developing a vibrant private sector in Iraq, and to provide the stakeholders with accurate information regarding the activities and the progress of Izdihar.

Situation at the Outset

- Limited awareness and understanding among government officials, business associations and non-governmental organizations representatives of the mechanisms and institutions and economic reforms and legislative efforts needed to lay the foundation for establishing and building a viable private sector and free market economy;
- A general lack of awareness about the role, importance and relevance of public relations and of communication activities in general among individuals and organizations (government institutions and agencies, business associations, private enterprises);
- Poor institutional capacity across all the above-named organizations – government institutions, business associations, NGOs; and
- Poor knowledge among the staff of the local partner organizations on specific public awareness and communication tools and techniques.

Challenges

- Identifying local partners that would agree to participate in awareness and public relations activities aimed at promoting economic reform and the development of the private sector.
- The fear of political or sectarian reprimand and outright violence drove some local partners to request that the output of the PR office (stories, promotional items) makes no reference whatsoever to the support and technical assistance provided by the project.
- Publicizing detailed and specific information and illustration on the training and technical assistance activities undertaken by various components of the project has

become increasingly difficult, given the worsening security situation and the concerns associated with it. The identification of the beneficiaries of Izdihar's assistance, hence of the benefits brought about by the development of the private sector, turned into a major issue in 2006, which lasted, by and large, throughout the project;

- Direct access to the staff and premises of Izdihar's local counterparts has become increasingly difficult. This hampered the efforts of organizing events, documenting and illustrating the stories with relevant details, statements and picture;
- Identifying independent media and discerning which of the media outlets can act as reliable and trustworthy potential partners for large scale public awareness campaigns has proven a significant challenge; and
- Communicating to and working with the identified media and advertising agencies has been a difficult endeavor throughout, given the movement restrictions for Izdihar staff and the reluctance of some local agents to be associated with an US-funded project.
- Identifying local professionals qualified and experienced in public relations and public awareness activities proved a daunting task.

Achievements and Milestones

The activities undertaken by the Public Relations Office revolved around the following major professional areas:

Building awareness among partners and beneficiaries about the existence, the structure and activities of the USAID Izdihar Project

- Designed Izdihar logo, designed the corporate identity, designed and procured promotional items
- Managed the visual branding of the project
- Developed USAID-compliant templates for Izdihar's reports and deliverables
- Designed and published background materials about the project – Q & A, fact sheets, Izdihar booklet
- Designed and published brochures, flyers and leaflets outlining the role and activities of Izdihar components
- Developed and updated the Izdihar information kit and prepared customized versions for visits by local counterparts and for the participation of Izdihar staff in various meetings, workshops, conferences etc.

- Designed and set up booths for several trade and investment promotion events in Iraq and abroad, prepared customized information materials

Informing regularly Izdihar stakeholders, partners and beneficiaries about the progress of the project

- Developed, maintained and updated the project's web site – www.izdihar-iraq.com
- Designed and published the Izdihar Newsletter
- Developed, published and distributed the “Trade News”, a publication of the Trade Policy and Market Access component
- Prepared success stories to USAID Iraq Reconstruction Update
- Prepared and updated a “Summary of Achievements” for the project
- Developed and updated specific information materials in cooperation with the technical components
- Assisted in the development of Izdihar Knowledge portal – www.izdihar-iraqknowledgeportal.com – and participated in the updating

Organizing awareness campaigns on private sector development issues in Iraqi media – print, radio and TV

- Developed an 18-segment TV series called “Nahwa Izdihar” (“Towards Prosperity”) that aired on Al Iraqiya TV, profiling Iraqi small business people who have succeeded despite the security concerns and the economic hardships
- Developed an 8-part newspaper series with the same name “Nahwa Izdihar” written by an Iraqi businesswoman on business management skills and how to apply them to create and expand private sector businesses. The series was published in the daily newspaper “Az Zaman”
- Developed a communications plan for a copyright awareness campaign
- Generated media coverage on business and private sector development issues in Iraqi newspapers, radio and TV stations by inviting journalists to events organized by the technical components of the project

Participating in the preparation of events organized by the technical components of the project

- Developed visual identity items – logos, banners, posters, name plates, name tags, maps – for the 2006 “Iraq National Microfinance Summit”, the 2007 “Iraq Banking and

Finance Conference”, for the “Women in Business” Conferences and the “Vision Forward” seminars, for the quarterly “Microfinance Partners” workshops

- Prepared and updated information and promotion kits for various workshops, seminars, conferences and working meetings

Assisting Iraqi partner and beneficiary organizations in developing their visual identity and in preparing basic communication materials

- Designed the logo and the corporate visual identity for the Iraqi Association of Securities Dealers (IASD), the Iraqi Company for Bank Guarantees (ICBG), the Small Business Development Centers (SBDCs), the “Al-Bashair”, “Al Intilaq” and “Al Takadum” Microfinance institutions
- Assisted the IASD and the Society of Oil Products Distributors in launching newsletters
- Assisted the ICBG in preparing visual identity and information materials for the regular meetings of the Board of Directors
- Supported the international and the Iraqi indigenous microfinance institutions –in developing presentations brochures

Building public relations capacity among Iraqi partner organizations

- Organized and conducted training programs for the PR officers of the capital market institutions and members of business associations
- Conducted the workshop “Five Steps for a Successful Promotion Campaign” for eight future staff members of the Iraq Investment Promotion Agency

Monitoring the coverage of economic news in the local media

- Selected, summarized and translated into English the economic news published by ten leading daily newspapers and publications. The summary was distributed to Izdihar’ staff and to an external audience which included USAID Mission staff, US Embassy, IRMO etc.

In chronological terms, the awareness campaigns were organized in the first half of the project. They started in 2005 and continued until the spring of 2006, when the security situation deteriorated. The capacity building activities gained prominence in the spring and summer of 2006. The first edition of Izdihar’s newsletter was published in the fall of 2006. The direct assistance to local counterparts intensified in 2007, particularly in the second half of the year and continued in 2008, while the submission of the success stories to the USAID was a permanent activity.

Key Counterparts

- The Public Affairs Office of the USAID Mission in Iraq
- IASD management and members of IASD's Communication Committee
- The management of the SBDCs and of the microfinance institutions - communication was facilitated by the staff of the Business Development Services and the Microfinance teams
- Representatives of the Ministry of Industry and Minerals (for drafting an outline of a public awareness campaign in privatization) and of the Ministry of Culture (for drafting the concept of a public awareness campaign on copyrights issues).

Deliverables

MSME Public awareness campaign

- 18 TV series, featuring Iraqi businessmen, were prepared and broadcast by Al Iraqiya TV, under the headline "Nahwa Izdihar" ("Towards prosperity").
- Four newspaper series, under the same headline, were published in "Az Zaman"

Izdihar Deliverables templates

Template for reports, presentations, CD labels and covers.

Izdihar Newsletter

Twelve editions of the publication were written, published and submitted to USAID.

Izdihar Web site

Developed, maintained and updated regularly.

Success Stories

One hundred sixty six stories were written and submitted to USAID, and posted on the web site. Some of them were included in the various editions of the newsletter.

Trade Newsletter

Eleven issues were prepared in close cooperation with the Trade Policy and Market access component.

Printed information materials for the project

Leaflet and flyer for the SBDCs; *Microfinance Institutions in Iraq* Brochure.

Visual identity and promotional items

Izdihar folder; Izdihar banners; Agendas, key chains, certificates, special plaques; Banners for the Iraq National Microfinance Summit, the Iraq Banking and Finance Conference, “Women in Business” conferences, the “Microfinance Partners Workshops”

Logos, visual identity items and publications for local counterparts

New logo, visual identity and newsletter template for the IASD; Logo and visual identity for the Iraqi Company for Bank Guarantees; Template for the SOPD newsletter; Logo and visual identity for “Al Bashair”, “Al Intilaq” and “Al Takadum” microfinance institutions; Brochures for all international and indigenous microfinance institutions.

Training and capacity building programs

Six training sessions for the PR officers of the Iraqi capital market institutions; Two sessions on “Managing Communication with Stakeholders delivered to representatives of business associations; Presentations on PR and communication issues to the staff of the Iraq Investment Promotion Agency and the Iraqi Trade Information Center.

Economic News Summaries

Over 150 editions of a daily media digest on business news.



GRANTS & PROCUREMENT

Since inception, Izdihar has awarded total of \$30,495,922 in grants, with \$2,900,000 remaining in the budget and scheduled for submission, approval, and disbursement.

Izdihar grants program was aiming to support each Technical Component through the awarding of grant funding for activities that directly bolster each component's goals and objectives. This program was open to all entities working in Iraq supporting local business communities, which could potentially benefit from it, also to international and local NGO's working to improve business opportunities and capabilities in Iraq.

Izdihar project has a grants manual, approved by USAID, which assist the staff in processing grants and expenditures in efficient matter.

Regular Grants (Large Grants)

Summary of Large Grants

Thirteen international MF institutions applied for Izdihar multimillion grants encouraging microfinance institutions to be established in Iraq. Three large microfinance organizations was selected by evaluation panel which was consisting off (senior grants manager, MF director, MF advisor, contracts manager in home office " LBG"), the evaluation criteria was determined by Izdihar MF experts and approved by USAID.

One of the important issues the regular grants faced was the "BRANDING AND MARKING"; each of the approved organization had to submit a branding and marking plan according to USAID regulation but due to the security situation in Iraq none of the organizations was able to deliver. Izdihar approached USAID for a waiver and we got the approval on January, 06.

Two more regular grants was submitted for USAID approval for indigenous Institution using sole source request due to the unique nature of their activities,

The total amount awarded to the 6 grantees is \$ 24,480,642.

The three large microfinance grants will close on March 31. The ICBG grant and the last two microfinance grants for Al- Bashair and Al- Intilaq will be closed on December 31, 2008. Remaining monies are held in escrow and are to be transferred to the grantee per fulfillment of conditions as specified in the approved grant agreement. Please refer to the attached schedule for date and amount details.

Due to the scheduling need to close the large grants, the project may recommend awarding additional "bridge" funds to cover operating costs and loan capital need for the period following the current grant term and likely prior to initial awards under Tijara.

Reports

According to the grant agreement the grantees are responsible to report the use of the grant fund to LBG, LBG is responsible to report the use of these funds to donor (USAID), and the following are the required reports:

- Monthly financial outreach and performance reports.
- Quarterly reports which includes, financial status report and project performance report.
- Baghdad weekly loan activities (if working in Baghdad).

No regular microfinance reporting of outreach or financial performance currently received and processed by Izdihar is required or currently requested of large grantees beyond Izdihar. However Article V in the grant agreement refers that LBG representatives shall, after three years after the termination of the grant, have access to and the right to examine any documents or books involving transactions related to the grant fund.

Close Out Reports

According to 22 CFR. 226.52 and 226.51d, the grantees shall submit a financial status report and final report documenting the accomplishments of the project to LBG. These reports is to be submitted within 90 days form the completion of the project or the grant period which ever earlier.

Fixed Obligation Grants

Summary of FOGs

All organizations applying for Izdihar grant need to be officially registered with GOI. The requests are unsolicited in addition to other mandatory requirements which are included in the grant application form.

Izdihar's current work plan anticipates nine FOG grantees, receiving multiple awards. These amounts have been budgeted for grantees in line with USAID and USG strategic interests, in coordination with planning for grantees' long-term sustainability, and in anticipation of funding needs to avoid interruption of ongoing lending in their communities until additional funding can be secured from USAID's follow-on project to Izdihar.

The grant period is defined in each application, but all FOG grants should be completed two months before the end of Izdihar project. This deadline has been proposed for review by USAID in order for Izdihar to obligate monies according to the contract amendments and in accordance with schedules submitted to USAID. On February 16, 2008 USAID approved an extension for FOG applications period to March 31, 2008.

Two of these grantees are to receive additional awards, which were approved by USAID on March, 2008 using a “sole source” justification per discussion with USAID. These are: \$1 m for Al-Bashair and \$1 m for Al-Intilaq for microfinance activities in Baghdad and Tikrit per USG policy objectives. These two grants will remain open following the project period, with funds to be held in escrow and released to the grantee per fulfillment of conditions as specified in the approved grant agreements.

Reports

Grantees submit monthly and weekly outreach reports and quarterly financial reports according to Izdihar’s request as part of Izdihar’s grant and technical management. Izdihar project activities include checking, consolidating, and submitting these reports to USAID.

Additional reports required in the grant agreement, they are as follows:

- Reimbursement request: which should be submitted upon fulfillment of milestones conditions, a monitoring form is be attached to the request in case of monitoring visit to the organization by the technical advisors or the program manager.
- Completion report: This should be submitted upon receiving all the grants money.

No close out report is required from the grantee.

No regular reporting of outreach or financial performance currently received and processed by Izdihar is required or currently requested of FOG grantees beyond Izdihar.

Special Exemptions

In line with the grants manual / Chapter 3/ Section 3.3 which indicates “grantee may not be awarded more than three (3) active FOG grants at any time, and will not be funded for more than a total value of \$500,000 in any 18-month period without specific written authorization from the Senior Grants Manager (SGM). Exceptions may be made on a case-by-case basis with the approval of the Grants Committee and the CTO in writing. Special exemption was requested from USAID in order to have third grant approved for each branch of Al- Takadum Organization in Anbar province (Qaim/ Fallujah/ Ramadi) with the amount of \$250,000 each, exceeding the total grant fund awarded to each branch to \$750,000, and additional \$125,000 for both Fallujah and Ramadi branches was submitted to USAID approval.

FIXED OBLIGATION GRANTS (FOGS)									
Grant #	Grantee	Component	Grant Purpose	Status	Amount Approved by USAID	Approval Date	Disbursed	Remaining	Completion
7	ACDI/VOCA Bridge I	SME-Microfinance	Loan capital	Closed	\$117,332	June 25,2005	\$117,332	\$0	Nov. 8, 2005
9	ACDI/VOCA Bridge II	SME-Microfinance	Loan capital	Closed	\$116,912	July 20,2005	\$116,912	\$0	Dec. 1, 2005
13	ACDI/VOCA Bridge III	SME-Microfinance	Loan capital	Closed	\$147,836	August 21,2005	\$147,836	\$0	Dec. 27, 2005
2	Najaf Tourism Center	Investment Promotion	Start up Grant	Closed	\$190,300	August 24,2005	\$190,300	\$0	Dec. 30, 2005
10	CEDID	Cross Cutting	Refurbishing Grant	Closed	\$199,400	August 7,2005	\$199,400	\$0	March 1, 2006
11	Iraqi Association for Securities Dealers (IASD)	Capital Markets	Start up Grant	Closed	\$243,500	August 7,2005	\$243,500	\$0	Aug. 26, 2006
23	Iraq Al-Bashair Center Grant	SME-Microfinance	Start up Grant/ loan Capital	Closed	\$250,000	April 19, 2005	\$250,000	\$0	February 2007
30	Al- Bashair Center Grant for Additional Fund	SME-Microfinance	Loan Capital	Closed	\$250,000	July 3, 2007	\$250,000	\$0	Sep.17, 2007
34	Al- Bashair Center Grant for Additional Fund	SME-Microfinance	Loan Capital	Closed	\$250,000	Dec.14,2007	\$250,000	\$0	Jan 28, 2008
41	Al- Bashair Center Grant for Additional Fund	SME-Microfinance	Loan Capital	Closed	\$250,000	Jan.21.2008	\$250,000	\$0	Mar. 03, 2008
25	Iraq Al-Aman Center/Kirkuk	SME-Microfinance	Start up Grant/ loan Capital	Closed	\$250,000	April 26,2006	\$250,000	\$0	February 2007
29	Al- Aman Center in Kirkuk Grant for Additional Fund	SME-Microfinance	Loan Capital	Closed	\$250,000	July 3, 2007	\$250,000	\$0	December 2007

FIXED OBLIGATION GRANTS (FOGS)									
Grant #	Grantee	Component	Grant Purpose	Status	Amount Approved by USAID	Approval Date	Disbursed	Remaining	Completion
40	Al- Aman Center in Kirkuk Grant for Additional Fund	SME- Microfinance	Loan Capital	Closed	\$250,000	Jan. 21.2008	\$250,000	\$0	Mar. 18, 2008
28	Al- Takadum Center in Al- Qaim	SME- Microfinance	Loan Capital	Closed	\$250,000	July 26, 2007	\$250,000	\$0	October 2007
35	Al- Takadum Center in Al- Qaim	SME- Microfinance	Loan Capital	Closed	\$250,000	Dec.4, 2007	\$250,000	\$0	Feb. 13, 2008
44	Al- Takadum Center in Al- Qaim	SME- Microfinance	Loan Capital	Closed	\$250,000	Jan 27, 2008	\$250,000	\$0	Mar. 19, 2008
32	Al- Takadum Center in Rumadi	SME- Microfinance	Loan Capital	Closed	\$250,000	Oct. 11, 2007	\$250,000	\$0	Dec. 27, 2007
39	Al- Takadum Center in Rumadi	SME- Microfinance	Loan Capital	Closed	\$250,000	Dec. 20, 2007	\$250,000	\$0	Feb. 26, 2008
45	Al- Takadum Center in Rumadi	SME- Microfinance	Loan Capital	Closed	\$250,000	Jan. 27,2008	\$250,000	\$0	March 19, 2008
47	Al- Takadum Center in Rumadi	SME- Microfinance	Loan Capital	Closed	125,000	Mar. 21, 2008	\$125,000	\$0	March 31, 2008
31	Al- Takadum Center in Falluja	SME- Microfinance	Loan Capital	Closed	\$250,000	Oct. 11, 2007	\$250,000	\$0	Dec.25,2007
38	Al- Takadum Center in Falluja	SME- Microfinance	Loan Capital	Closed	\$250,000	Dec .20, 2007	\$250,000	\$0	Mar 10,2008
46	Al- Takadum Center in Falluja	SME- Microfinance	Loan Capital	Closed	\$250,000	Jan. 27, 2008	\$250,000	\$0	Mar 19,08

FIXED OBLIGATION GRANTS (FOGS)									
<i>Grant #</i>	<i>Grantee</i>	<i>Component</i>	<i>Grant Purpose</i>	<i>Status</i>	<i>Amount Approved by USAID</i>	<i>Approval Date</i>	<i>Disbursed</i>	<i>Remaining</i>	<i>Completion</i>
48	Al- Takadum Center in Falluja	SME-Microfinance	Loan Capital	Closed	125,000	Mar. 21, 2008	\$125,000	\$0	March 31,2008
33	Intilaq in Tikrit	SME-Microfinance	Loan Capital	Closed	\$250,000	Oct. 11, 2007	\$250,000	\$0	December 2007
37	Intilaq in Tikrit	SME-Microfinance	Loan Capital	Closed	\$250,000	Dec. 30, 2007	\$250,000	\$0	March.03,08
36	NEDC	SME-Microfinance	Loan Capital	Closed	\$250,000	Dec. 14, 2007	\$250,000	\$0	March 31,08
42	TEDC	SME-Microfinance	Loan Capital	Closed	\$250,000	Mar. 21, 2008	\$250,000	\$0	March 31,08
43	TEDC	SME-Microfinance	Loan Capital	Closed	\$250,000	Dec. 05, 2007	\$250,000	\$0	March 15,08
	Total				\$6,515,280		\$6,515,280		

LARGE GRANTS									
<i>Grant #</i>	<i>Grantee</i>	<i>Component</i>	<i>Grant Purpose</i>	<i>Status</i>	<i>Amount Approved by USAID</i>	<i>Approval Date</i>	<i>Disbursed</i>	<i>Remai ning</i>	<i>Completion</i>
L1	CHF Microfinance Grant	SME-Microfinance	Operational Grant	Completed **	\$2,907,865	Jan. 13, 2006	\$2,907,865	\$0	Mar. 31,2008
L1	CHF International	SME-Microfinance	Loan Capital fund, 1st amendment	Completed **	\$500,000	Aug. 28, 2007	\$500,000	\$0	

LARGE GRANTS									
Grant #	Grantee	Component	Grant Purpose	Status	Amount Approved by USAID	Approval Date	Disbursed	Remaining	Completion
L1	CHF International	SME-Microfinance	Loan Capital and operational fund 2nd amendment	Completed **	\$2,500,000	Nov. 5, 2007	\$2,500,000	\$0	Mar. 31, 2008
L1	CHF International	SME-Microfinance	Loan Capital 3rd amendment	Completed **	\$800,000	Mar. 13, 2008	\$800,000	\$0	
L2	ACDI/VOCA Al Thiqa	SME-Microfinance	Support Microfinance Grant/ Operational fund	Completed *	\$2,997,858	Jan. 13, 2006	\$2,997,858	\$0	Mar. 31, 2008
L2	ACDI/VOCA	SME-Microfinance	Loan Capital Fund/ 1st amendment	Completed *	\$1,000,000	Oct. 17, 2006	\$1,000,000	\$0	Mar. 31, 2008
L2	ACDI/VOCA Al Thiqa	SME-Microfinance	Additional loan capital and operational fund, 2nd amendment	Completed *	\$1,975,000	Nov. 25, 2007	\$1,975,000	\$0	Mar. 31, 2008
L2	ACDI/VOCA Al Thiqa	SME-Microfinance	Additional loan capital and operational fund, 3rd amendment	Completed *	\$800,000	Mar. 13, 2008	\$800,000	\$0	Mar. 31, 2009
L4	Relief International	SME-Microfinance	Operational Grant	Completed *	\$2,313,767	Jan. 13, 2006	\$2,313,767	\$0	Mar. 31, 2008
L4	Relief International	SME-Microfinance	Loan Capital Fund/ 1st amendment	Completed *	\$1,286,152	Aug. 29, 2006	\$1,286,152	\$0	Mar. 31, 2008
L4	Relief International	SME-Microfinance	2nd amendment for Additional Loan Capital	Completed *	\$800,000	Sep. 18, 2007	\$800,000	\$0	Mar. 31, 2008

LARGE GRANTS									
Grant #	Grantee	Component	Grant Purpose	Status	Amount Approved by USAID	Approval Date	Disbursed	Remaining	Completion
L4	Relief International	SME- Microfinance	3rd amendment for Additional Loan Capital	Completed *	\$1,200,000	Dec. 19, 2007	\$1,200,000	\$0	Mar. 31, 2008
L4	Relief International	SME- Microfinance	Additional loan capital and operational fund, 4th amendment	Completed *	\$800,000	Mar. 13,2008	\$800,000	\$0	Mar. 31, 2009
L5	ICBG Grant	SME- Bank Lending	Loan Guarantees	Active **	\$5,000,000	Jan. 28, 2007	\$5,000,000	\$0	Dec. 31, 2008
L6	Al- Bashair Organization	SME- Microfinance	Loan Capital	Active **	\$1,000,000	Mar. 05,2008	\$1,000,000	\$0	Dec. 31, 2008
L7	Intilaq Organization	SME- Microfinance	Loan Capital	Active **	\$1,000,000	Mar. 05,2008	\$1,000,000	\$0	Dec. 31, 2008
	Total				\$26,880,642		\$26,880,642	\$0	

** The grant's total amount was disbursed and moved into an Escrow account to be paid in milestones to the grantees during the life of the grant (till Dec 08)

TRAINING

Goals

Training department is a cross-cutting support unit helping Izdihar technical components design, develop, administer, and evaluate strategic human resource development interventions (training events).

Its goal was to facilitate capacity building among Iraqi individuals and organizations (mainly, but not limited to the private sector) through specialized training programs delivered either by expatriate specialists / experts or by Iraqi TOTs.

Objectives

The Training Department of Izdihar had the following main goals:

- Develop, design, administer, and evaluate a portfolio of training activities fully supporting Izdihar's technical components work plans and strategic objectives, as to provide critical new skills to the Iraqi counterparts.
- Deliver training packages (TERFs) that are focused to meet the needs of the individuals as well as of the organizations supported by Izdihar.
- Print and deliver certificates of attendance to the participants in the training events.
- Ensure all training activities were administered in compliance with USAID ADS 252 and ADS 253.
- Ensure all logistical, financial, and contractual matters for training events were well-organized, documented, and followed project policies and procedures.
- Develop and oversee a training budget, as part of the overall project work plan.
- Follow USAID participant training best practices.
- Track all of Izdihar's training activities in terms of component, dates, venue, budget, number of participants and percentage of female trainees.

Situation at the Outset

There was a general lack of critical knowledge, skills, and attitudes to fully support vibrant private sector growth, economic development, and employment generation.

The recent history of isolation has left Iraq with stalled international relationships, outdated business practices, and a lack of exposure to and understanding of modern management principles.

Challenges

Very little common understanding among stakeholders about what training is used for, the types of training available, and how training could best address performance gaps. USAID/Iraq client did not have a long history of participant training programs so there were no clearly defined processes or resource persons in the Mission to discuss participant training issues with. Security environment made it extremely difficult to organize suitable venues, and also made it difficult to nominate and/or interview potential trainees as part of the trainee nomination process.

Achievements and Milestones

The first major task that needed to be completed was the development of a uniform process for requesting training funds and seeking necessary approvals. The Training Department has designed the Training Event Request Form (TERF) for that purpose and has been using it ever since.

The Training Department has also developed a straightforward Evaluation Form, in both English and Arabic, to measure participant satisfaction with Izdihar-sponsored training events. This tool has been used continuously ever since and the data collected.

A Training Tracker has been developed and maintained since the beginning of the project, keeping track of all Izdihar training activities by component, date(s), venue, budget, approval status and number of participants.

1. 408 training events have been successfully finalized since January 2005. For more details, see the attached Training Tracker.
2. 11,578 Iraqis have received new skills and knowledge through workshops, seminars, conferences, or structured coursework organized and administered by Izdihar. 3,255 (27.7%) of these were women.
3. Approximately 422,709 training contact hours have been provided to date.
4. Training programs have been provided in a variety of locations and venues to maximize the exposure of the trainees to new ideas, concepts, procedures and technologies. Training programs have been carried out abroad (Jordan, Turkey, Lebanon, Morocco, Algeria, Tunisia, United Arab Emirates, Belgium, Italy, Switzerland, Bahrain, China, Hong Kong, Malaysia, and USA) and in multiple locations throughout Iraq.

5. \$6.04 million have been spent in training programs, resulting in an average cost of \$513 per trainee. This quite high average cost is mainly motivated by the volatile security situation in Iraq that triggered additional costs related to a very limited choice of training venues: Baghdad, Erbil, Amman (Jordan).
6. The total number of training events and trainees per component is as follows:

Component	Number of training events	Total number of trainees (out of whom women)	Total cost
Accounting and Auditing	20	3,843 (1,252)	\$886,270
Business Development Services	142	3,458 (879)	\$514,301
Capital Markets	7	126 (56)	\$132,857
Investment Promotion	14	159 (81)	\$261,659
Microfinance	108	1,822 (394)	\$2,489,442
Monitoring and Evaluation	3	36 (13)	\$32,490
Restructuring and Privatization	1	18 (11)	\$1,310
SME Banking	67	1,085 (331)	\$888,674
Trade Policy and Market Access	46	1,227 (245)	\$760,893

7. The total number of training events and trainees per year of project life is as follows:

Year	Number of training events	Total number of trainees	Total number of women
2005	57	2791	633
2006	114	2767	803
2007	187	4660	1301
2008	50	1,558	523

8. The total number of training events and trainees held abroad is as follows:

Number of training events	Total number of trainees	Total number of women
72	1,690	288

9. The total number of training events and trainees held in Iraq is as follows:

Number of training events	Total number of trainees	Total number of women
336	10,068	2,967

10. The total allocated funds for trainings held abroad was \$4,206,114 which means an average allocation per trainee of \$ 2,489.

11. The total allocated funds for trainings held in Iraq was \$1,784,429, which means an average allocation per trainee of \$177.

12. Total allocated funds for training per year are as follows:

Year	Total number of trainees	Total allocated funds	Average allocation per trainee
2005	2791	\$2,058,365	\$738
2006	2767	\$1,842,268	\$666
2007	4660	\$1,741,471	\$374
2008	1,558	\$351,189	\$4225

Lessons Learned and Next Steps

For US-based training activities especially, increased cooperation with the USAID/Iraq Program Office would be beneficial as it is the Program Office that typically has responsibility within the Mission for participant training matters.

The security for both trainees and trainers has been the major issue in the first years of the project. Therefore, 72 training events, involving 1,690 trainees have been held abroad at very high costs compared with the costs of organizing the events in Iraq. Accordingly, in concert with the improvement of the security situation, most of the training events should be held in-country.

MONITORING & EVALUATION

Goal

Monitoring and evaluation systems provide timely and helpful information to project managers, technical teams and the client (USAID) about the pace of progress, achieved results, and obstacles or challenges.

Challenges

The Izdihar project has operated in an environment fraught with difficulties. Intensive information requests from all areas of the US government had to be responded to quickly and accurately. Changing priorities due to the security situation and changing tactics to promote stability in conjunction with other USG efforts led to shifts in project task areas. Due to security, contact with counterparts, beneficiaries, and control groups was extremely limited, and often not undertaken due to the need to protect Iraqi implementing partners from being identified with the US, as the Iraqi public did not necessarily distinguish USAID activities from US military activities. Finally, the project was extremely careful not to endanger our Iraqi staff with undue public exposure in activities associated with the project. Hiring capable outside contractors to gather information on the project was difficult without briefing them on information about the project that we tried to restrict.

Within this context, evaluation has been extremely limited. However, monitoring systems have been put in place to track progress within the project, as well as to report to USAID and other interested agencies.

Achievements and Milestones

Monitoring and Reporting Systems

Although not fully staffed at the outset of the project, the M&E department was established during the first year of the project and slightly expanded during the following years. The main role of the department was, initially, to respond to and manage information requests, produce a comprehensive monthly report, establish an on-line document management system to track project deliverables, and regularly review component workplans. Working closely with management, components, and support departments, the department worked to establish a variety of monitoring and evaluation systems.

Monthly reports. These reports, submitted to USAID, presented key ongoing activities of the components, noted deliverables, projected activities for the upcoming month, and noted challenges or issues to bring to USAID attention. The appendices included trackers containing

updates of training, grants, procurement, and submitted deliverables. An abridged version of the report, without appendices containing counterpart names or other details that could compromise security, was also prepared in tandem.

Weekly reports. During the initial phase of the project, the COP provided weekly reports directly to the CTO. However, mid-way through the project, as Provincial Reconstruction Teams became the lead field offices for the US stabilization and reconstruction office, the M&E department developed a PRT-focused weekly report which reported current and projected activity, and listed highlights and issues, and project's points of contact. This information allowed PRT representatives an overview on project activities in their areas of operation, even if the all activities were not necessarily being implemented *through* the PRT. With a wide variety of USAID and military activities throughout the country, providing information to PRTs and coordinating with them when appropriate was a new challenge and resulted in improved and increased cooperation.

Workplanning. Operating through three-and-a-half project years, including one year spent in nearly bi-monthly adjustment due to an unanticipated funding restriction, developing, maintaining, and adjusting workplans was a major activity. The project started with workplans for the first year that listed activity steps and duration, but did not map these tasks to outcomes. At the beginning of the second project year, workplans were more finely-tuned and mapped to specific targets and results, but several months of that year were spent on strategic planning for a variety of funding scenarios entailing a number of project configurations. This situation was resolved as the project moved into its third and, supposedly, final year, with workplans developed in close coordination with USAID's expectations for funding and project projections of what could be accomplished in the remaining time, based on progress and challenges experienced to date. During 2007, the project deepened work along established task areas, exhibiting constant progress as well as flexibility to adapt to emerging priorities, largely in coordination with the military Surge implemented during the summer and fall of 2007. The M&E department worked closely with the management and components to evaluate what project activities could be extended in coordination with the surge and to press the case when such coordination was not feasible, or did not make sense, or risked either project counterparts' safety or pulling resources (staff attention and funding) away from other successful and critical project areas.

Performance Management Plan. In late 2004 when the project started, USAID had not yet developed the Mission's Performance Monitoring Plan (PMP), thus there was little guidance, other than the contract and the approved workplans, to create a project PMP. In the summer of 2006, the M&E department participated in the Mission's first PMP development workshop, which brought managers of USAID's Strategic Objectives (SO) together with the M&E teams from all implementing partners. This resulted in the Mission gathering input from partners for its own

PMP, and the partners understanding key performance metrics which now would be essential to include in their own PMPs. During the following months, Izdihar's PMP was developed in close coordination with USAID, including development of a Performance Data Table (PDT) listing key indicators, baselines, annual targets, and quarterly results. It was notable that our PDT reflected certain activity areas which had been halted and new areas which we had started during our contract. The PDT continues to be updated on a quarterly basis, and the indicators reflect the wide range of project activity areas – numbers of microfinance loans, indices of legal reform, organizational development, progress towards WTO accession, numbers of SBDC institutions the project supports.

Trackers. The M&E department works closely with the training, grants, and procurement departments which support all technical components in order to monitor direct project output in these areas. Through these trackers, we have been able to quickly respond to information requests sorted by component, geography, institution, and cost. This information has also assisted in projecting quarterly pipelines necessary for proper technical planning and funding requests.

"The 2207." Funding of many US government activities in Iraq was originally provided under section 2207 of Public Law 108-106, the 2004 supplemental appropriation for \$18.4 billion for Iraq funding. A quarterly report on accomplishments during the quarter and projected activities for the next quarter is prepared and submitted to USAID for inclusion in the Embassy's report which is submitted to the US Congress and posted on the State Department's website. The M&E department is responsible for preparing this report, which while brief, must be accurate, realistic, incisive, and protective of our Iraqi counterparts' identities. Explanations for any deviations between the previous quarter's projections and the current quarter's results must also be provided.

Annual and Quarterly Reports. Quarterly and Annual Reports aggregate and summarize information previously provided in weekly and monthly reports, providing readers to see the arc of progress which becomes more visible with this wider view. However, with this view it also becomes apparent that developments that can be achieved in a certain period in many other countries are slowed considerably in the Iraqi context due to security issues, changing counterparts, inability to interact frequently with counterparts, funding constraints, and inability to attract and retain the appropriate expatriate and, more importantly, local staff.

Geographically-based and ad hoc briefers. The systems described above allowed the M&E department, working together with relevant components, to respond quickly and accurately to requests for information regarding project activities (including results, timelines, and costs) in particular neighborhoods, cities, and/or provinces. Occasionally, input on suggestions for

programming resources in these areas was also provided to USAID and the wider USG community as requested.

Grants. The M&E department participated on the Izdihar Grant Committee to ensure that milestones and deliverables appropriate to the grantees' organizational development were identified and included in the grant documentation. For most FOG grants, the Grants Department worked with the technical team sponsoring the grant to check that the obligations were met prior to closing the grant. In certain cases requiring on-going monitoring, such as the large microfinance grants, reports submitted to technical teams and the M&E department were checked against performance requirements and any discrepancies were noted prior to subsequent disbursements, awards or amendments.

Information Dissemination

USAID Deliverables Portal. Early in the project, Izdihar developed an on-line portal to manage administrative and deliverable documentation. The portal allows a select group of registered users from the project, the companies' home offices, USAID/Iraq, and USAID/DC to search and retrieve project documentation. This includes all project monitoring reports, project deliverables such as studies, trip reports, concept papers, and draft legislation, as well as administrative documentation such as approvals, terms of reference, and workplans. The portal can be searched by component or by type of document. Mid-way through the project, the portal was modified to add an automatic approval mechanism to record and track whether the submitted deliverables had also been recommended and/or approved for public dissemination. This was particularly important as certain deliverables, particularly those prepared as drafts for GOI consideration, needed to remain confidential in the short-term, but in the longer term became valuable sources of information to new staff working on related issues.

Knowledge portal. Mid-way through the project, Izdihar searched for new and innovative ways to leave a legacy to the Iraqi people of the training materials which had been developed. The Izdihar Knowledge Portal began as an attempt to collect all training materials which could be useful to our several counterpart organizations that we expected to continue to develop the Iraqi knowledge base of these subjects. However, it quickly became apparent that a wider array of counterparts, namely, the new PRT members, was also searching for information as they assumed their posts. Thus, the Knowledge Portal was adapted by the Business Development Services component (which had initially generated much of the information which could be disseminated to the public) and by the ICT team to contain all project information which could be shared with PRTs. The site is password-protected and made available to PRT members and key Iraqi counterparts.

Izdihar Website and Newsletter. The Public Relations component took the lead to develop the "Izdihar" brand identity early in the project, and collaborated with the M&E department on the

functionality of the project's public website, which provides an overview of the project's areas and links to all deliverables which can be made publicly available. Mid-way through the project, the M&E team also collaborated with the PR department to create a newsletter in order to share project achievements with a wider audience in a reader-friendly format. Creation of the newsletter allowed information to be widely shared, while allowing the distribution list of the monthly report, which contains more detailed information about on-going activities, to remain restricted. The M&E department also cooperated with the PR department to suggest success story ideas and to verify that reported results were in line with all other project M&E data in order to minimize confusion and manage expectations.

Component Evaluation and Research

The M&E department recognized that with limited funding, mobility, and accessibility, the most efficient way to conduct focused research would be in close collaboration with the components whose relationships with counterparts had already established trusted channels of communication and technical assistance. Monitoring, evaluation and research efforts were tailored according to the activities of each component.

Local Economic Development Research. Due to the extensive knowledge of the locations and conditions of state-owned enterprises throughout the country, the staff of the Restructuring and Privatization component continued economic research on particular geographic economic activity and on the SME sector in general at the request of USAID. The M&E department collaborated on these efforts by conducting interviews to construct snapshots of economic activity in Baghdad neighborhoods prior to the surge, commented on survey instruments and methods, and assisted in reviewing draft reports.

Microfinance Institution Reporting. The Izdihar project provided over \$25 million to organizations providing microfinance loans in all 18 governorates of Iraq. Initially, three large grants were provided to international NGOs, several of whom had previously received funding from other sources. Several months into managing the first round of these grants, it became apparent that grantees were providing slightly different *types* of information, which made industry tracking and comparative evaluation impossible. During this time, the microfinance component pioneered the development of indigenous Iraqi microfinance institutions (IMFIs), which were started from scratch in collaboration with US military civil affairs officers. These young organizations did not initially have the management information resources and capacity of the large grantees necessary to produce reliable, regular, detailed reports. Hence, M&E cooperated with the MF team to develop a monthly outreach and efficiency format and a quarterly financial format which were vetted by USAID and introduced to the industry at the first-ever Iraq Microfinance Summit in November 2006. Since that time, all partners have used this standard format. The format was designed to contain standard indicators of "sustainability" as well as additional demographic

data of interest to USAID to allow a richer picture of the industry outreach to emerge. Since Izdihar has largely focused on developing best practices for the industry's sustainability, this has been the focus of M&E efforts. In the year since the first Summit, microfinance partners have realized the benefits of consistent reporting which have allowed Izdihar to press the case for the importance of microfinance to Iraq, and have become more open to share information which will allow further development of the industry. In addition to continual analysis of industry-wide information, a large task for future projects will be to conduct *impact* evaluations to test that microfinance has been successful at supporting business growth, employment generation, and economic stability – elements of development not typically associated with microfinance, but which are nevertheless critical in the Iraqi context.⁵ In addition to collecting and publishing regular microfinance industry reports, the M&E team advocated for and attended regular, quarterly counterpart meetings, and conducted periodic interviews with counterparts to document the initiation and development of the Iraqi microfinance industry.

Business Development Services. Early in the project, this component focused on developing the capacities of Iraqi business associations. The M&E department encouraged the development of standard diagnostics and tracking of progress through the training series. Mid-way through the project, effort shifted from a focus on associations to a narrower focus on creating small business development centers (SBDCs) at selected partner NGOs. The limited pilot project, starting in October 2006 with five SBDCs, quickly became a success. Institutional development followed a focused and clear path and M&E reported on progress along that path. As SBDCs became functional, a training tracker which included following the number of trainees who obtained access to capital was developed by the BDS component in close collaboration with the M&E team. A year into the effort, a more comprehensive monitoring form has been deployed, and staff of the SBDCs supported and trained in the system – the importance of tracking this basic information, development of computer skills and internal records systems as a part of good business practice, and introduction of techniques to gather follow-up information on trainees to track the impact the training and technical assistance can have in the long term. Results are beginning to be returned now as the project ends. The SBDCs are also a perfect field counterpart to gather information about local economic and business conditions, although conducting such research is a drain on their own resources. However, at the Baghdad SBDC partner, the M&E team was able to send a staff member to conduct a regular survey of training participants aimed at understanding more about the participants, their businesses, and basic

⁵ For further information, refer to The Iraq Microfinance Strategy, a paper prepared following the first Iraq Microfinance Summit by Izdihar's microfinance, legal and M&E departments together with key experts, setting out the condition of the industry at that time and recommendations for future development. Although great strides have been taken in the subsequent year, many of the recommendations remain valid and necessary.

environmental indicators such as the amount and cost of electricity, cost of rent, incidence of violence, and access to capital.

Accounting and Auditing. Another valuable monitoring effort was conducted in collaboration with the Accounting and Auditing team. A survey of 735 professional and student participants in a nation-wide course was developed, implemented, and results collected and analyzed. The survey, paired with information on registration cards, aimed to gather demographic information, responses to the content and usefulness of the course, and attitudes and information about economic activity in the areas. Since the data can be matched with registration cards, it can also be tracked with the component's regular student and professor testing and evaluation systems. A second survey round will collect follow-on information to gauge the impact of past courses delivered by the project. Due to the geographical scope of these training efforts and several months' duration of the course, a survey of this extensive nature was feasible. Finally, the M&E component has also cooperated with the Audit function of the component in support of audits of microfinance institutions – given the limited ability to conduct beneficiary surveys, the auditor will spot-check the impact on borrowers receiving microfinance loans, although due to a lack of a control group the evaluation will be limited.

SME Bank Lending. Following an initial emphasis on providing direct training to bankers, which was monitored through the training tracker and (limited) feedback on whether new loans had been awarded using the methodology, the project focused intensively on creating and developing the Iraq Company for Bank Guarantees (ICBG). After the ICBG was established by the founding shareholders, the project incubated the ICBG on Izdihar's premises, support administrative, technical, and Board development. The M&E department worked closely with component staff on elements of the ICBG's management information system which should be included, such as outreach information about the recommending bank, location of the borrower, size (employment) of the borrower, purpose of the loan, sector of the business, and other information which would be of interest to donors and shareholders but which would be difficult to quickly assemble if not regularly recorded. In time, the M&E department has also insisted that the component track the "approval rate" of applications in order to gauge the quality of ICBG's technical assistance in developing bankable loans eligible for guarantees.

LIFE SUPPORT AND SECURITY

MESSAGE FROM SALLYPORT GLOBAL SERVICES

Following the almost simultaneous award of the *Iraq Private Sector Growth and Employment Generation, Econ II Program* as well as the *Iraq Vocational Education and Training Contract (USAID 267-C-00-04-00417-00)*, Louis Berger Group recognized that the unique operating environment of Iraq called for a concerted approach to both security and “life” support services. LBG also determined that combining and sharing these services between the two projects would yield significant operational synergies and cost savings for the US Government and help ensure the success of both projects. LBG conducted a “bake-off” between the security and life support contractors from each project and selected Sallyport Global Services “SGS” to provide services for both projects.

On November 12, 2004 SGS began leasing and securing a four block, 18-building mixed use compound in the Al Mansour district of Baghdad to provide the base of operations for both projects to work from. Over the first five months of this project, SGS recruited and hired approximately 250 support personnel, managed over a dozen sub-contractors to create fully furnished accommodations for over 120 client and support personnel, built out a vehicle maintenance site, created a full-service kitchen, recruited, hired and equipped forty highly trained Personnel Security Detail members, and recruited, hired and equipped approximately 100 Local National and Third Country National static security guards. This rapid mobilization of both life-support and security services was a key component of the early success and ensured no delays in project deliverables or staffing occurred.

Over the past 42 months, SGS has performed over 7,000 PSD missions across Iraq without loss of life, has served over 280,000 high-quality meals without any health issues in an extremely challenging environment and has successfully maintained the security of the largest non-military compound outside of the International Zone in Iraq.

Security and Life Support services have averaged approximately 30% of project costs since 2005. The shared-services approach taken by LBG as well as the approach of combining Life Support and Security Service providers has allowed LBG to expend more resources for the program objectives than originally intended by USAID which has furthered the accomplishments of the project as well as the cause of the Coalition in Iraq. Two additional USAID projects are now located on the compound and the continuation of the Izdihar project will also reside and operate predominantly from this location. The longevity of the projects as well as utilization rates allowed for full depreciation of the assets on the compound and has greatly increased the return on investment of the US Government.

VI. APPENDICES

LIST OF ABBREVIATIONS AND ACRONYMS

AACSB	Association of Accredited Schools of Business	IT	Information Technology
ACC	Accession (WTO term)	ITAO	Iraq Transition Assistance Office
ACDI/VOCA	Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance	ITG	Iraq Transitional Government
ACSI	Access to Credit Services Initiative	ITIC	Iraq Trade Information Center
ADS	Automated Directive System	IUAA	Iraqi Union of Accountants and Auditors
AEDO	Ardh Al-Ata'aa Economic Development Organization	KRG	Kurdistan Region Government
AMC	AL Murshed Center (Kirkuk)	JCC-I	Joint Contracting Command -Iraq
AmCham	American Chamber of Commerce in Iraq	JEAP	Joint Economic Action Plan
AMS	Aggregate Measure of Support	JWG	Joint Working Group
AUAA	Arab Union of Accountants and Auditors	LAP	Legislative Action Plan
BA	Business Association	LoA	Letter of Agreement
BCED	Babylon Center for Economy Development (Hilla)	MEA	Marketing, Education and Awareness
BCOC	Baghdad Chamber of Commerce	MENA	Middle East and North Africa
BCT	Brigade Command Team	MFI	Micro Finance Institution
BDS	Business Development Services	MFTR	Memorandum on Foreign Trade Regime
BFF	Brighter Future	MIM	Ministry of Industry and Minerals
BMS	Business Management Services	MIS	Management Information System
BMST	Business Management Services Training	MNF-I	Multi National Force - Iraq
BOD	Board of Directors	MOLSA	Ministry of Labor and Social Affairs
CBAT	Certified Business Accounting Technician	MOA	Ministry of Agriculture
CBI	Central Bank of Iraq	MOF	Ministry of Finance
CBT	Computer Based Training	MOP	Ministry of Planning
CEDAW	Convention on the Elimination of all forms	MOT	Ministry of Trade

	of Discrimination Against Women		
CEDID	Centre for Development and Economic Dialogue	MOU	Memorandum of Understanding
CERP	Commander's Emergency Response Program	MPC	Ministry of Industry's Privatization Committee
CF	Coalition Forces	MSME	Micro, Small and Medium Enterprise
CGAP	Consultative Group to Assist the Poor	MSO	Microsoft Office
CA	Civil Affairs	NASD	National Association of Security Dealers
CHF	Cooperative Housing Foundation	NBFI	Non-banking Financial Institution
CIBA	Certified Iraqi Business Advisor	NCoC	Nasiriyah Chamber of Commerce
CMA	Certified Management Accountant	NEDC	Ninewah Economic Development Council
COSIT	Central Office for Statistics and Information Technology	NGO	Nongovernmental organization
COSQC	Central Office for Standardization and Quality Control	NIC	National Investment Commission
CPA	Coalition Provisional Authority	OECD	Organization for Economic Cooperation and Development
CPE	Continuing Professional Education	OPA	Office of Provincial Affairs
CPSS-IOSCO	Committee on Payments and Settlements Systems - International Organization of Securities Commissions	PBA	Participating Bank Agreement
CTO	Cognizant Technical Officer	PBI	Private Bankers of Iraq
DAC	District Advisory Council	PCAOB	Public Company Accounting Oversight Board
DFAC	Dining Facility	PDT	Performance Data Table
DfID	Department for International Development	PFD	Public Food Distribution
DG	Director General	PMP	Performance Monitoring Plan
DOD	Department of Defense	PRT	Provincial Reconstruction Teams
EU	Engineers Union	POC	Point of Contact
FDI	Foreign Direct Investment	POE	Points of Entry
FOB	Forward Operating Base	PSDD	Private Sector Development Directorate
FOG	Fixed Obligation Grant	PVO	Private Voluntary Organizations
FRAGO	Fragmentary Order	QRF	Quick Response Funds
FY	Financial Year	REO	Regional Embassy Office
G&A	General and Administrative Costs	RFA	Request for Applications
GATS	General Agreement on Trade in Services	RFP	Request for Proposals

GATT	General Agreement on Tariffs and Trade	RI	Relief International
GOI	Government of Iraq	SBDC	Small Business Development Centers
GTC	Genral Taxation Commission	SEC	Securities and Exchange Commission
HACCP	Hazard Analysis and Critical Control Point	SEDO	Sahara Economic Development Organization
HS	Harmonized System	SME	Small to Medium Enterprise
IACCI	Iraqi American Chamber of Commerce	SPS	Sanitary and Phytosanitary
IAEDC	Iraqi Association of Economic Development Centers	SO	Strategic Objectives
IAS	International Accounting Standards	SOE	State Owned Enterprise
IASD	Iraq Association of Securities Dealers	SOIT	State Organization for Information Technology
IBA	Iraqi Businessmen's Association	SOPD	Society of Oil and Petroleum Products' Distributors
IBC	Iraqi Business Council	SQL	Structured Query Language
ICBC	Iraq Commercial Banking Center	SRO	Self Regulating Organization
ICBG	Iraqi Company for Bank Guarantees	TA	Technical Assistance
ICBS	International Core Banking Software	TBC	Tal'Afar Business Center
IBMU	Iraqi Business Men Union	TBD	To Be Decided
ICSD	Iraq Central Securities Depository	TBT	Technical Barriers to Trade
ICSP	Iraqi Commission to Study Privatization	TEDC	Tal'Afar Economic Development Center
ICT	Information Communication Technology	TERF	Training Event and Request Form
IEDC	Iraq Economic Development Center	TFBSO	Task Force to Improve Business and Stability Operations (a/k/a "The Brinkley Group")
IFC	International Finance Corporation	TOT	Training of Trainers
IFI	Iraqi Federation of Industries	TRIMS	Trade-Related Investment Measures
IFAC	International Federation of Accountants	TRIPS	<i>Trade-Related Aspects of Intellectual Property Rights</i>
IFRS	International Financial Reporting Standards	TPMA	Trade Promotion and Market Access Component
IIPA	Iraq Investment Promotion Agency	TSBC	Tal'Afar Small Business Center
IJMAA	Iraq Business Association Alliance (<i>trans.</i>)	UAE	United Arab Emirates
ILRC	Iraqi Learning Resource Center	UIIE	Union of Iraqi Importers and Exporters
IMC	Inter- Ministerial Committee on Privatization	UNCTAD	United Nations Conference on Trade and Development
IMF	International Monetary Fund	USAID	United States Agency for International Development
IMMDF	Iraq Middle Market Development Fund	USG	United States Government

IMFI	Indigenous (Iraqi) Micro Finance Institution	USPTO	United States Patent and Trademark Office
IMEB	Iraqi Middle East Investment Bank	USTR	United States Trade Representative
IPBL	Iraq Private Bankers League (formerly PBI)	VAS	Voucher Administration System
IPA	Investment Promotion Agency	Voc Ed	Vocational Education
IPR	Intellectual Property Right	VSAT	Very Small Aperture Terminal
IQC	Indefinite Quantity Contract	WB	World Bank
IRAP	Iraq Rapid Assistance Program	WEO	Women Empowerment Organization (Erbil)
IRMO	Iraq Reconstruction Management Office	WCO	World Customs Organization
ISC	Iraq Securities Commission	WID	Women in Development
ISO	International Standards Organization	WTO	World Trade Organization
ISX	Iraqi Stock Exchange	YEBA	Young Entrepreneurs Business Association

KEY COUNTERPARTS AND DELIVERABLES

MSME DEVELOPMENT: SUSTAINABLE MICROFINANCE

Key Counterparts

- **International Microfinance Institutions. Three International NGOs** delivering microfinance products with a broad geographical base throughout the country. Through these three organizations, microfinance services in 17 of Iraq's 18 governorates.
- **Indigenous Microfinance Institutions.** Support to Al Aman IMFI in Kirkuk, Al Bashair IMFI in Baghdad, and Al Takadum IMFI in Al Qaim. Support includes, training, technical assistance, and loan capital grants.
- **U.S. Military/MNF-I Civilian Military Operations (CMO) office and Civil Affairs Officers.** This collaboration will leverage both parties' capabilities and funds to develop local Iraqi microfinance institutions in connection with business centers at various locations throughout the country. The project will provide microfinance expertise, loan capital, and familiarization of microfinance issues to both MNF-I officers and Iraqi staff. MNF-I civil affairs officers will facilitate local support to the start-ups in connection with business centers they already support, including providing funds for initial start-up and operations.

Deliverables

Project Year 1: Oct-04 – Sep-05

- Through awarded and pending grants, funding will continue to the two existing programs as well as establish seven (7) additional International and Indigenous MFIs in FY 2006. The Large Grants program alone resulted in the receipt of and response to 43 Expressions of Interest, submission of 13 applications, and pursuit of award of four grants worth nearly \$12 million.
- Facilitated six CGAP training on a variety of topics (Principles, Financial Analysis, Delinquency Management & Control, and Operational Risk Management) to 439 microfinance practitioners (21% female) as of the end of September, the end of the FY 05 training plan. A plan is in place to develop a cadre of Iraqi CGAP certified MF trainers in FY 2006 (recruiting is underway).
- Initiated an innovative new collaboration with U.S. Military Civilian Military Operations (CMO) and Civil Affairs Officers, in which CMO will contribute operational start-up funds to new Iraqi micro-finance institutions affiliated with CMO-supported business centers,

while Izdihar will provide technical training to Iraqi staff and to CMO officers providing on-the-ground oversight and assistance, as well as loan capital to the new MFIs.

- As part of the Izdihar-CMO collaboration, development of a pilot site in Kirkuk is underway (the IMCC has filed all registration papers, developed organizational and governing documentation, and identified and hired or approved Board members, management and staff), and the

Project Year 2: Oct-05 – Sep-06

- Selected three international NGOs to receive grant moneys to support microfinance activities across Iraq. The grantees are ACDI/VOCA, CHF International, and Relief International. A fourth NGO, Women for Women International declined to participate in the program.
- Established two indigenous microfinance institutions (IMFIs). The IMFIs are located in Kirkuk (Al Aman MFI) and Baghdad (Al Bashair MFI).
- Support to IMFIs has included procurement of sites and equipment, assistance in development of business plans, provision of loan and operational capital, and technical assistance and training.
- Provided training to Microfinance practitioners through CGAP programs in Amman, Jordan and Beirut, Lebanon. Participants were drawn from the employees of the large grantee NGOs and IMFIs.
- CGAP training has involved a “Microfinance Boot Camp” designed to quickly start up effective microfinance institutions and a Training of Trainers program, designed to create a self-sustainable pool of microfinance practitioners in Iraq.
- Provided training to IMFIs and Large Grantees on the use of Loan Performer bookkeeping software. This software makes it possible for microfinance organizations to track and report on their accounts and is becoming an Iraq-wide microfinance bookkeeping standard.
- The component has coordinated closely with the US military to develop microfinance and other non-bank financial institutions as stabilizing forces for local economies.

Project Year 3: Oct-06 – Sep-07

Q1 2007

- Overall, the microfinance industry in Iraq currently maintains a total outstanding portfolio of 21,761 loans worth \$30,889,844. Since the inception of the microfinance industry, all MFIs have provided 59,819 loans, worth \$125,644,263 in all 18 governorates of Iraq.

- The component hosted the first Iraqi National Microfinance Summit from November 13 – 16 in Erbil. This major international conference brought over 100 microfinance industry practitioners to Iraq for discussion on the most promising applications of microfinance in Iraq.
- As a follow-on to the Microfinance Summit, the Izdihar project produced the *Iraq Microfinance Strategy*. The Strategy is a roadmap for future microfinance development, laying out specific plans for further strengthening the industry.
- A new reporting format for USAID/IZDIHAR grantees was developed by the project to standardize industry reporting by all grantees, to include loan portfolio and financial performance indicators. The report format is supplemented with recommendations on accounting and reporting standards.
- The component has hosted quarterly microfinance retreats throughout the year in order to promote network-building and information sharing among MFIs. These retreats also allow MFI and SBDC partners to meet and better understand each other's products, and build relationships within the overall SME community.
- Izdihar has procured Loan Performer Software for all IMFIs and training on Loan Performer was conducted for IMFIs and Relief International to improve their ability to reliably track and oversee their loan portfolios, and provide timely reporting.
- Al Aman MFI registered with Kiva, a person-to-person lending program (www.kiva.org). Al Aman published its first entrepreneur on the website and was funded in less than two hours. Association with Kiva provides Al Aman with an additional source of loan capital, and helps promote longer-term sustainability for the organization.
- In coordination with the Accounting and Auditing component, the component has conducted internal audits of both Al Bashair and Al Aman. The findings of these audits will help those organizations prepare for external audits, required before the end of the Izdihar project.
- Conducted a site assessment and operational audit of the Ninewah Business Center's (NBC) ongoing microfinance operations. The component will continue to provide technical support to the NBC in order to bring their operations in line with best practices.
- The large grantees started providing IZDIHAR with quarterly reports in the format that was presented to them at the Microfinance Summit in November. This includes loan portfolio and financial performance indicators. The report format is supplemented with recommendations on accounting and reporting standards. Monthly and Quarterly Reports have been received from the grantees.

- IZDIHAR-sponsored microfinance lending currently supports \$20,866,328 outstanding in 17,001 loans. This is a significant milestone in the Iraqi microfinance industry.
- Monthly and Quarterly Reports have been received from the grantees and submitted to USAID, in addition to weekly reports on lending in Baghdad, by district.
- Al-Bashair hired four new loans officers at the Karada DAC in Baghdad.
- Relief International has started using Loan Performer and inputting their data into the system. Loan Performer is also being introduced to the IMFIs.
- A Microfinance Strategic Retreat was held in Kurdistan and attended by all the MFIs and SBDCs working in Kirkuk and Kurdistan as well as two of the banks working in Kurdistan: Emerald Bank and Kurdistan Investment Bank.
- 18 potential Al-Bashair employees completed the Microfinance Basics course in Baghdad. The graduation ceremony was attended by Izdihar, USAID and IRMO.
- Attended the Southern Iraq Women's Conference on Promoting Stability and Prosperity held in Basra that was organized by the Basra PRT, Basra USAID and Basra British Consulate and US Consulate. A presentation was delivered on Microfinance and its role in developing countries.
- Al-Bashair hired seven new loans officers at the following DACs: Thawra (2); Rasheed (2); Adhamiya (2) and Kadhimiya (1). Currently Al-Bashair has a total of 14 loan officers working in Baghdad.
- Relief International is continuing to input loan data into Loan Performer.
- A proposal was presented to the Mosul PRT to assess the microfinance program at the NBC in Mosul. The actual assessment will take place in May.
- A proposal was presented to MOLSA and USAID to assist the Bearing Point-led initiative with microfinance technical assistance and training.
- Met with Al-Qaim US military and USAID at the Izdihar compound to present and discuss an aggressive timeline and detailed implementation plan for developing a MFI in Al-Qaim, to be initiated with a site visit on May 10.
- The Accounting & Auditing lead visited the Al-Aman MFI in Kirkuk and conducted a comprehensive assessment of the financial management. A report was issued and distributed to local MFI management, the Kirkuk PRT oversight team, and the Izdihar backstop technical support team. The review was positive with recommendations. In phase II, Al-Aman's financial statements will be generated and an opinion provided.

Q2 2007

- The component met with the TOT trainers in Amman to finalize the microfinance training delivery to the MFIs over the period of March – May 2007.
- Finalized the first draft of microfinance assessment at the NBC in Mosul. A second assessment visit will take place at the end of June.
- Three members of Izdihar microfinance component traveled to Al-Qaim to start a microfinance program in cooperation with the US military and USAID. Five board members were selected and staff was hired. The MFI name was selected as Madinat Al-Takadum Organization in Al-Anbar. The NGO registration is in process by Izdihar's lawyer and the first loan is anticipated to be disbursed in July 2007.
- Al-Aman MFI registered with Kiva, a person-to-person lending program (www.kiva.org). Al-Aman published its first entrepreneur on the website and was funded in less than two hours. A total of eight entrepreneurs were funded by Kiva in May.
- A quarterly grantee meeting was held in Erbil June 9. Grantees presented an overview of their progress, IZDIHAR provided an analysis of the industry with initial comparisons to benchmarks of other middle east and global microfinance industries, a discussion of the main challenges for the Iraqi microfinance industry was conducted – including how to support the surge, and MFIs and SBDC leaders discussed how to better coordinate.
- The microfinance assessment of the NBC MFI in Mosul has been finalized. Presentation of the assessment to the NBC management and staff will take place in July in Erbil.
- Establishment of the MFI in Al-Qaim is underway. The NGO registration is in process by Izdihar's lawyer under the name "Madinat Al-Takadum Organization in Al-Anbar." The first loan is anticipated to be disbursed by August 2007. Two Izdihar Iraqi staff members are on-site delivering start-up technical assistance and training.
- As a follow-up to the quarterly grantee workshop in June, the IMFI website was launched and populated (www.imfi.org).
- The TOTs who graduated from the Track III training program in June have started providing trainings in Najaf governorate, in addition to Erbil and Babil governorates.
- A meeting with representatives of the Ninewah Business Center (NBC) was conducted in Erbil. At the meeting a presentation of the NBC assessment was made to management and staff, and participants discussed the possibility of an Izdihar grant to NBC.

Q3 2007

- Continued technical assistance and grant support to two MFIs – Al Bashair in Baghdad, and Al Aman in Kirkuk. In August 2007, Izdihar and the US Military cooperated to establish a third MFI, Al Takadum Organization in Al Qaim, in Al Anbar province, with Izdihar providing loan capital and MNF-W providing operational capital. Al Takadum has plans to expand to Ramadi and Fallujah, as well. Through Year 3, Izdihar has provided \$1,000,000 in loan capital grants to MFIs.
- Oversaw grants for three International PVOs – CHF International, ACDI/VOCA, and Relief International – to provide microfinance across Iraq. At the end of Year 3, \$12,187,722 in loan and operational capital grants have been approved by USAID for large grantees.
- Visited Relief International's offices in Suleimaniya to conduct an assessment their Iraq microfinance operations.
- The first tranche of \$100,000 (of a total additional \$250,000 for each) has been released to Al-Bashaer and Al-Aman MFIs.
- Negotiations have been finalized for the opening of two new branches of Al-Bashaer MFI in Mahmoudiya and Rusafa.
- The first drafts of the Accounting Manual and Internal Control Policy Manual have been completed.
- Al-Takadum MFI in Al-Qaim opened on August 21st, 2007: the first tranche of the loan capital grant (\$150,000) was disbursed to Al-Takadum, and eight loans worth \$20,200 were disbursed by Al-Takadum to borrowers in Al-Qaim.
- The following policy documents for MFIs were completed: a) Internal Control Policy, b) HR Policy, and c) Credit Policy.
- Intensive, on-site training to potential MFI staff for Al-Takadum Ramadi and Falluja conducted in Ramadi.
- Al-Aman posted 24 businesses on Kiva.org, bring the total posted businesses to 77, with 74 funded in the amount of \$51,590.
- Al Bashair has opened new credit offices in Mahmoudiya and Rusafa. Repayment rate remains at 100%.
- Completed Al-Intilaq MFI NGO registration in Tikrit, Salah Ad Din. The MFI anticipates launching operations in October.
- Released first tranche of loan capital to CHF in the amount of \$300,000.

- Received USAID approval of additional capital to Relief International in the amount of \$800,000.
- The following documents were translated to Arabic:
 - Internal Control Policy for MFIs
 - National Microfinance Strategy.

Project Year 4: Oct-07 – Mar-08

Q4 2007

- QRF application to the US Military for loan capital fund for West Adhamiya and Sadr City districts of Baghdad
- Microfinance and SBDC assessment of Tal' Afar Business Center conducted by the MF component.
- Conducted site visits to Tikrit, Al Qaim, Fallujah, and Ramadi.
- Conducted the Third Microfinance Partners Workshop.
- Izdihar conducted a Financial Assessment to Relief International.
- A QRF Application submitted to US Military for loan capital fund for Adhamiya and Sadr City.
- Grants approved by USAID:
 - Al Takadum Center in Fallujah: \$500,000.
 - Al Takadum Center in Ramadi: \$500,000.
 - Al Intilaq Organization in Tikrit: \$500,000.
 - Al Takadum Center in al Qaim: \$250,000.
 - CHF International Loan Capital and operational fund amendment: \$2,500,000.
 - ACIDI/VOCA Al Thiqa Support Microfinance Grant amendment for additional loan capital and operational fund: \$1,975,000.
 - NEDC Loan Capital Grant: \$250,000.
- Established a new branch of Al-Takadum MFI in Fallujah and the disbursement of the first tranche of loan capital grant in the amount of \$150,000. 16 loans have been approved and will be disbursed in early November.
- Disbursement of \$150,000 in loan capital to Al-Bashair to continue its operations in Baghdad.
- Disbursement of loan capital fund for Al- Intilaq in the amount of \$150,000.

- Meetings were held between Izdihar's Al Bashair program manager and all Al Bashair loan officers.
- Al-Bashair has appointed a new operations manager.
- Al Intilaq IMFI was opened in Tikrit, Salah ad Din. Izdihar conducted several site visits to Tikrit to provide technical assistance and training. In November Al Intilaq disbursed 31 loans worth \$72,000.
- The Fallujah branch of Al Takadum IMFI opened and began distributing loans. During November, The Fallujah branch awarded 23 loans valued at \$51,600
- Over 80 microfinance practitioners and partners attended the third microfinance workshop in Suleimaniya on November 17. Awards were given to the best performing loan officers in each MFI and best performing MFI.
- Microfinance and SBDC assessment of Tal' Afar Business Center conducted by the MF component.
- Izdihar conducted a Financial Assessment to Relief International for the second week of December.

Q1 2008

- The COPs of the three large MFI grantees, and with the managers of Al Bashair, Al Aman and Al-Takadum MFIs met in Baghdad for consultative meetings with Izdihar, Inma, USAID, DAI (re: QRF), and the US Embassy.
- Al-Bashair IMFI signed a contract with Taji PRT to open a new credit office in Taji.
- In order to promote sustainability, TEDC has approved increasing the interest rate on its loans to 12% per annum and charging \$10 loan application fees starting from February.

MSME DEVELOPMENT: SME BANK LENDING

Key Counterparts

- **Private Banks.** Izdihar works with Iraq's 19 private banks directly as well as through technical assistance to the Iraq Company for Bank Guarantees and the Iraq Private Bankers League and the. MOUs with 5 banks were signed during Project Year 1 to provide Izdihar support to partner-bank cash-flow based lending.
- **The Iraq Company for Bank Guarantees (ICBG):** A consortium of 11 private Iraqi banks that have launched a corporation to provide guarantee coverage on loans issued by the participating banks. The ICBG has become the key counterpart of Izdihar's banking outreach programs.
- **Iraq Private Bankers League (IPBL) (formerly Private Bankers of Iraq).** This association is a key partner, providing outreach to Iraqi private bankers to gather feedback the during the development of the Iraq Company for Bank Guarantees, and is anticipated to be the host partner for a Financial Services Training Center to support upgrading of the Iraqi banking sector to reflect international best practices.
- **Ministry of Finance.** Participated on the Advisory Committee for the development of the ICBG. A key counterpart for banking sector reform in Iraq.
- **Central Bank of Iraq.** Participated on the Advisory Committee for the development of the ICBG. A key counterpart for banking sector reform in Iraq.

Deliverables

Project Year 1: Oct-04 – Sep-05

- Identified the need to reduce bank risk by developing a Loan Guarantee Corporation, allowing banks to pool risk, as well as to leverage official national, bi-lateral and multi-lateral funding. Consensus on the need for such a facility was reached following a significant meeting between private bankers and representatives from the Ministry of Finance, Central Bank, and USAID in August 2005, hosted by Izdihar.
- Established a strong partnership with the Private Bankers of Iraq Association (PBI) who supported Izdihar's lead in the development of a Loan Guarantee Company and who will host a Bankers Training Center.
- Signed Memoranda of Understanding with four private banks, formalizing their commitment to begin cash-flow based lending to SMEs. Provided training in Managerial

Accounting and Credit Analysis. The first “cash flow based” loans and first loans to women made in four of five banks which received training.

- One female professional who received training from the project was appointed as the new credit department Manager at the Middle East Bank. She began redesigning the bank’s credit dept in line with the Izdihar/SME bank lending approach.
- Developing the Integrated Computerized Banking System (ICBS) software to facilitate improved MIS for portfolio tracking and risk management at Iraqi private banks, including developing and translating materials. Training in the Core Lending Program, PEARLS credit monitoring system, and MIS information has been provided.

Project Year 2: Oct-05 – Sep-06

- Facilitated the incorporation of the Iraqi Company for Bank Guarantees (ICBG). The ICBG now has a permanent staff, a board of directors, bylaws and regulations, and operating budget. In March, the ICBG was registered as an LLC with equity capital of \$3,336,000 provided by 11 participating domestic banks.
- The ICBG developed a standardized Participating bank Agreement in order to standardize and publicize the rights and responsibilities of ICBG participating banks. The ICBG has also completed several of the tools necessary for loan guarantee operations to begin, including:
 - A Guarantee Policy Manual
 - Analytical spreadsheets
 - A Chart of Accounts
 - An MIS Handbook
- Hosted the General Assembly meeting of the Private Bankers of Iraq association (now the Iraq Private Bankers' League), at which the majority of member banks endorsed the business plan developed with Izdihar support, and committed to support the PBI financially.
- In June, a Memorandum of Understanding was signed between the board of the IPBL & Izdihar on the development of the association and implementation of the work plan was completed.
- A concept paper was prepared laying out the necessary steps for establishing a Financial Services Training Center to serve as a hub for banking training in Iraq.

Project Year 3: Oct-06 – Sep-07

Q1 2007

- Provided support to the ICBG for institutional strengthening, business development, and loan portfolio growth. This support has included:
 - Development of all ICBG policies, manuals, and procedural documents.
 - Assistance to ICBG employees in developing balance sheets and financial statements.
 - Facilitated the election of ICBG's first chairman and committee heads.
 - Facilitation of monthly ICBG board meetings, including board approval of new loan guarantee applications.
 - Facilitation of semi-annual general assembly meetings to outline ICBG strategic objectives.
 - Facilitation in the development of a loan guarantee pipeline, including possible association with a large manufacturer of farm equipment in order to guarantee a steady flow of applications.
 - Ongoing outreach to PRTs, regional bank branches, and other interested parties to educate the finance community about the ICBG and its products, and promote the loan guarantee corporation.
- Facilitated the approval of a grant agreement between ICBG and USAID to disburse USD 5 million to support the guarantee fund. Began collecting and reviewing necessary documentation for the release of the first tranche. The component also oversees ICBG's compliance with the conditions of this grant.
- Prepared and presented a comprehensive set of IAS / IFRS compliant Accounting Policies for the ICBG. These policies include accounting for revenue, accounting for grants, contingency planning and recovery.
- Participation by SME component advisors and ICBG staff in the Karada District Council's Economic Forum "Iraqi Financial Institutions and their Role in Economic Reconstruction" at the council hall.
- Hosted an orientation session with participating bank staff on the forms, applications, and approval process of the ICBG.
- Completion of the MOU between the ICBG and an important distributor of tractors, harvesters, and generators for Iraq regarding use of the ICBG guarantee program to assist up a potential 75 qualifying Iraqi agri-businesses to obtain asset financing from the Iraqi Banks.
- Participation in an on-the-job training program and workshop at the offices of the Jordanian Loan Guarantee Corporation for a group 11 Iraqi participating bank officers and ICBG staff members.

- Presentation at a conference in Baghdad on proposed changes to Central Bank monetary policy in order to encourage the banks to increase lending to the MSME sector.
- Signing of the ICBG USAID grant agreement in the amount of USD 5 Million to support the guarantee fund;
- Facilitated the second annual General Assembly Meeting of the ICBG shareholders.
- Reviewed all documentation prepared by the ICBG management and Board and facilitated its submission to USAID in application for the release of the First Tranche of Grant funds.

Q2 2007

- Organized the first Iraqi banking and finance conference: Banking in Iraq: The 21st Century Challenge, in Amman, Jordan on April 4-5, 2007, which was co-sponsored by the USAID Economic Governance II project and attended by over 200 Iraqi and international bankers and experts. Produced two supporting papers: "An Overview of the Iraqi Banking System," and "The Future of Banking."
- The development of the following tools for participating bank credit officers "Financial Analysis Guide for SME Lending" and an "Excel-based Loan Repayment /Interest Calculator".
- Facilitated an ICBG Board of Directors Meeting in Amman on April 3rd.
- Facilitation of the ICBG Board of Directors Meeting in Baghdad on May 8th.
- Finalization, translation and distribution of the Summary of Proceedings and Recommendations from the first Iraqi Banking and Finance Conference, Banking in Iraq: The 21st Century Challenge.
- Consent letter issued by USAID on July 25th authorizing the release of the first tranche of grant funds to the ICBG's Treasury Management Account (preconditions of tranche per grant agreement met).
- Facilitated advisors from the Iraq Housing Fund (IHF) and Econ Governance II project with an IHF Introduction to the Iraqi Bankers from Baghdad and Erbil on July 7th with the subsequent preparation and distribution of a summary paper of participants' comments and recommendations.
- Facilitated two meetings between the ICBG External Auditor and the ICBG Accountant to finalize the ICBG'S IAS compliant audited financial statements for the period six months to June 30th.

- Credit appraisal review of the Ashur Bank SME borrower's application "Shajwan Bottling Plant" in the amount of US\$150,000.
- Disbursement of the first tranche release of grant funds in the amount of USD 500,000.

Q3 2007

- Delivered a presentation on the use and features of the ICBG loan guarantee program to participants at the Baghdad SBDC training held at the IASD on July 11th.
- A further presentation on the use and features of the ICBG loan guarantee program was made to SME owner and operator participants at the SBDC Baghdad held at the IASD on July 19th.
- Participation in a Retail Banking Group Meeting at the Palace on July 29th organized by Dale E. Hill, Banking/Microfinance, ePRT, Al Asad, Anbar-3 to advocate for the expansion of lending and other services of public and private banks in Iraq.
- Participation by SME component advisors and ICBG staff in the Karada District Council's Economic Forum "Iraqi Financial Institutions and their Role in Economic Reconstruction" at the council hall on Saturday July 21st.
- The development of job descriptions for the roles of a permanent Director General and Credit Analyst for the ICBG to be advertised locally and regionally.
- Completion of a reporting structure for management accounting and financial control with the production of the first IAS/IFRS compliant financial statements for the ICBG.
- Receipt, cataloguing and configuration of the ICBG's server and IT equipment.
- Drafted an MOU between the Business Development Center of Jordan (BDC) and ICBG to increase mutual cooperation, agreement and implementation of technical assistance programs to be supported by IFC.
- Revised the concept paper and prepared a draft grant agreement for the proposed Inma Agribusiness project funded Pilot Program "Increased access to credit financing for agribusiness".
- Drafted concept papers on the establishment of an IFC funded Credit Line to augment SME lending in Iraq and Technical Assistance program for both Bank officer and SME Entrepreneur training.
- Prepared IAS/IFRS compliant financial statements for the ICBG for the period eight months to 31 August 2007.
- **ICBG TRACKER SUMMARY**

ICBG "At a Glance"	Number	Total Loan Value
Guarantees approved	18	657,485,000 ID (= \$813,988 at \$1:1,250 ID)
Loans disbursed	10	605,610,000 ID (= \$484,488 at \$1:1,250 ID)

Project Year 4: Oct-07 – Mar-08

Q4 2007

- Developed training case study material and a loan officers training guide for on-site presentation to participating bank credit analysts and loan officers.
- Submitted concept papers to the IFC on the IFC's proposed credit line and technical assistance program from the IFC US\$70 million small business development fund for Iraq
- Submitted the quarterly financial statements for the 3rd quarter of 2007 as per the USAID grant reporting requirements.
- The preparation and submission of a draft concept paper on "the establishment of a Bank On-lending facility to assist Iraqi Private Health Care Providers obtain bank financing."
- Developed training case study material and a loan officers training guide for on-site presentation to participating bank credit analysts and loan officers.
- Component participation in the Iraq Private Bankers' Roundtable Forum, organized by the Brinkley Group/ Business Transformation Agency Task Force.
- The first meeting of the Bank Controller's Club took place on Dec 9th with Izdihar assistance.
- ICBG has approved 18 loan guarantees worth appx. \$814,000
- Issued guarantee coverage for 4 SME borrowers were totaling US\$216,000 in guarantees and supporting a loan value of: US\$288,000.
- Submitted the quarterly financial statements for the 3rd quarter of 2007 as per the USAID grant reporting requirements.
- Submitted concept papers to the IFC on the IFC's proposed credit line and technical assistance program from the IFC US\$70 million small business development fund for Iraq.
- Conducted a site visit at the location of an SME borrower in Suleimaniya.

- Developed training case study material and a loan officers training guide for on-site presentation to participating bank credit analysts and loan officers.
- An information presentation on the ICBG loan guarantee program was also delivered to the SME business owners from the Nasiriya Chamber of Commerce / Traders Association.
- Presentation on the use and features of the ICBG’s loan guarantee program at the PRT economic conference, Tikrit – Balad and Dujayla.
- The preparation and submission of a draft concept paper on “the establishment of a Bank On-lending facility to assist Iraqi Private Health Care Providers obtain bank financing” to the Baghdad PRT’s Targeted Development Program.
- Field visits were conducted to the participating banks in the Kurdistan region with instructions to the loan officers on the calculation of loan interest and to help develop loan repayment schedules.
- The first meeting of the Bank Controller’s Club took place on Dec 9^h with key players from the management teams from the Iraqi Middle East Investment Bank and the Investment Bank, where presentations on the features of annual financial reporting requirements under IFRS was discussed.
- Component participation in the Iraq Private Bankers’ Roundtable Forum, organized by the Brinkley Group/ Business Transformation Agency Task Force, held in Amman on Dec 4th -5^h.

• **ICBG TRACKER SUMMARY**

ICBG "At a Glance"	Number	Total Loan Value
Guarantees approved	18	1,017,485,000 ID (= \$813,988 at \$1:1,250 ID)
Loans disbursed	10	605,610,000 ID (= \$484,488 at \$1:1,250 ID)

Q1 2008

- Preparation of a draft agenda for the MSME Summit scheduled for March 2-3 2008.
- Developed training case study material and a loan officers training guide for on-site presentation to participating bank credit analysts and loan officers.
- Facilitation of the ICBG January Board Meeting at the Izdihar compound, Erbil on January 24th where four loan guarantees were approved in the amount of USD 96,677 supporting an loan value of USD165,569.

- Finalization of the ICBG Annual Report for 2007, and approval of its content of by the Board.
- Finalization of the ICBG annual financial statements for the year 2007.
- Provision of component inputs on private banking issues to the AmCham organized discussion group on the formulation of issues for inclusion US-Iraq Business Dialogue submission paper.
- Conducted Credit analysis reviews of two SME borrower applications from Ashur Bank and Bank of Baghdad for presentation at the Board Meeting for guarantee coverage.

BUSINESS MANAGEMENT SERVICES: ACCOUNTING AND AUDITING

Key Counterparts

- **Iraqi Union of Accountants and Auditors (IUAA).** Partnering and developing capacity of this professional association through the development of working groups, training of trainers, and roll-out of continuing professional education programs.
- **Baghdad University and Mustansyria University.** Working together to update curricula, introduce new courses, and modernize facilities.
- **Ministry of Education, Accounting Curriculum Standards-Setting Board.** Working to promote International Accounting Standards throughout Iraqi higher education.
- **Board of Supreme Audit.** The project is lending support to this official entity through provision of materials and invitation to training events.

Deliverables

Project Year 1: Oct-04 – Sep-05

- Implemented a nationwide learning resource building program which is creating an environment for development of a modern common body of knowledge in a comprehensive and phased manner.
- Direct instruction to practicing professionals through an on-going nationwide network of seminars, educating thousands of individuals in International Accounting Standards as well as Professional Ethics. Additionally, these individuals are becoming acquainted with modern teaching practices. In this effort, 35 trainers and 760 professional accountants have received training, reaching all 18 governorates of Iraq in the first coordinated country-wide continuing professional education event in the history of Iraq.
- Established working relationships with the Board of Supreme Audit and the Ministry of Education (Accounting Curriculum Setting Board), advocating for the inclusion of an International Accounting Standards class in the university curriculum.

Project Year 2: Oct-05 – Sep-06

- Extensive work with the Iraqi Union of Accountants and Auditors (IUAA) to upgrade and modernize their facilities and training techniques. Notable activities include:
 - Reaching agreement with the regional Arab Union of Accountants and Auditors bring the committee seat to Iraq. The AUAA represents over 180,000 accountants and auditors throughout the Middle East.

- Conducted a survey of assets and critical needs at several IUAA chapters across Iraq. Upon completing the needs assessment, the component assisted the IUAA in updating its pursuing renovations of facilities and technological upgrades.
- Launched English Language courses through the IUAA to improve accountants' ability to engage more learning resources not available in Arabic.
- Developed an Auditor's Toolkit with resources for auditors. This is the first Arabic Language tool kit of its type produced in Iraq.
- Coordinated with business and accounting departments at universities across Iraq to implement modern pedagogic practice to the accountancy sector. This has included:
 - Published the first modern Iraqi textbook, *The Uses of Excel in Modern Iraq*. This text will upgrade students' understanding of both accounting concepts, and how to use technology in accounting.
 - Conducted the 60 hour course "International Accounting Standards and Ethics" at eight universities, all outside of Baghdad. The course reached 437 university students.
 - General institutional capacity building at Iraqi universities, including curriculum development, examination development skills, and provision of educational technology.
- Founded 44 Izdihar Learning Resource Centers at Universities and IUAA chapters throughout Iraq. The ILRCs are libraries of accounting and auditing materials available to Accounting and Auditing practitioners. By end of period, approximately 11,000 books, pamphlets and other resources in English and Arabic had been distributed through the ILRC system.
- Developed an accounting "Info Sheet" program. This program produces approximately 10 pamphlets each month on topics that will be of use to accountants. These include topics ranging from "How to Send an Email," to "What is the Board of Supreme Audit."
- Established the Accounting and Financial Reporting Technical Working Group to support and assist in the implementation of securities reporting requirements and contribute to regulations development in Iraq's capital markets.
- Established the Committee for the Revitalization of the Iraqi CPA exam to undertake benchmarking and gap analysis of the current exam and exam development processes with an aim toward reestablishing the preeminence of the Iraqi CPA exam
- Worked with the BMS-Business Development Services component to provide training to entrepreneurs regarding accounting and bookkeeping for small businesses.

Project Year 3: Oct-06 – Sep-07

- The course Auditing Methods, Methodology and Standards was rolled out at 17 locations across Iraq, including 10 Universities and 7 IUAA chapters. This 60 hour course covered important issues in bringing the Iraqi auditing community up to the levels of international standards. A total of 643 students and professionals participated in the course. As part of the course materials, participants received an Auditing Toolkit containing practical audit programs, internal control questionnaires and other materials.
- A Cost and Management Accounting TOT was completed in Amman, Jordan with 19 participants from across Iraq. The suite of seminars included Basic Accounting, Basic Financial Accounting, and Basic Management Accounting. A review of participant evaluations found overwhelming praise of the content and style of presentation and the global perspectives of the seminar. The TOTs would deliver additional CMA training across Iraq.
- The Mid-term exam for the course ‘Auditing Methods, Methodology and Standards’ was launched successfully. Over 797 persons from the accounting profession and university accounting departments participated in the examination at 17 locations across Iraq.
- The low-cost info sheet “News You Can Use” program continued forward. By the end of the period, there were 100 individual topical sheets in circulation – each featuring a unique, quick-read topic of useable information. These items are also now made available to all members of the ICBG group.
- Continued support to the network of 45 ILRCs throughout the country by providing topical literature not previously available to Iraqi accountants and auditors.

BUSINESS MANAGEMENT SERVICES: BUSINESS DEVELOPMENT SERVICES

Key Counterparts

- **5 Small Business Development Centers:** The five SBDCs are business training associations working closely with Izdihar and their local communities to deliver the seminar *How to Start-up or Improve a Business*.
 - Iraq Association of Securities Dealers – Baghdad
 - Babylon Center for Economy Development – Hillah
 - Al Murshed Center – Kirkuk
 - Women’s Empowerment Organization – Erbil
 - Tal’Afar Economic Development Center – Tal’Afar
- **PRTs and ePRTs:** The component acts as the key point of contact for all of Izdihar’s PRT outreach initiatives.

Deliverables

Project Year 1: Oct-04 – Sep-05

- Provided one-on-one technical assistance to strengthen strategic business or professional associations, concentrating on the development of business plans, adaptation of model by-laws, adoption of codes of ethics, and advocacy strategies. Worked in varying degrees with 16 business associations.
- Collaborated with the SME Development component to work intensively with strategic partners in the banking sector to advocate for new lending to the SME sector, as well as to develop a training facility within the partner organization. Prepared a draft concept paper and presentation on Loan Guarantee Corporation schemes, and a paper on the Status of the Banking Industry.
- Provided intensive one-on-one technical and strategic assistance to a professional association related to the Insurance industry, including facilitating contact and information-sharing with neighboring counterpart organizations.
- Advocated the activities and objectives of all Izdihar components to the private sector, including support of component outreach activities with business associations and their members. Specific efforts include collaborating with the Trade Policy component to raise awareness of trade-related issues within the Iraqi business community, and planning a roundtable on the Status of Iraqi Industry.

Project Year 2: Oct-05 – Sep-06

- Strengthened six key associations, operating in key markets in order to jump start private sector activity in important sectors. Assistance included development of business plans for sustainability, updated bylaws and governance procedures, and tailored assistance in core mission areas. The six “Tier 1” associations are:
 - The Iraq Associations of Securities Dealers (IASD)
 - The Private Bankers of Iraq (PBI)
 - The Iraqi Union of Accountants and Auditors (IUAA)
 - The Iraq Company for Bank Guarantees (ICBG)
 - The Society For Oil and Petroleum Distributors (SOPD)
 - The Center for Development and Economic Dialogue (CEDID)
- Provided training and technical assistance to several other Iraqi business associations. The “Tier 2” associations receive general training in association management, organizational development, and sample templates for several important documents. The Tier 2 Association program is designed to provide broad outreach to the private sector in order to build credibility in business associations throughout the country. Specific assistance to Tier 2 Associations included:
 - Development of a business plan for the Baghdad Business Center.
 - Assisted the Association of Women Entrepreneurs (AWE) to develop a plan to support the grassroots handicraft industry to promote employment and income generation among Iraqi women.
 - Developed a compilation of internet resources for use by business associations, especially those focusing on the needs of women.
 - Distribution of literature to associations on topics such as Codes of Ethics, Public Relations, and Association Advocacy.
 - Delivery of seminars to members on topics in other Izdihar component specialties. These seminars also served to support the outreach and public awareness efforts of the project.
- Assisted in the establishment of the Iraq Business Associations Alliance (IJMAA), consisting of 20 business associations. IJMAA will act as an umbrella organization for business associations in Iraq that will coordinate efforts among associations to restore the Iraqi private sector to a sustainable level. IJMAA will also serve as a clearinghouse of information and materials for business associations to use for training, institutional development, and outreach.

Project Year 3: Oct-06 – Sep-07

Q4 2006 - Q1 2007

- Participated in the Women in Business Conference: A Promise for Economic Progress. This conference brought together 83 participants from Iraq's business community to discuss expanding the role of women in the Iraqi private sector economy. Members of the Trade and the Microfinance components also attended.
- Established five Small Business Development Centers (SBDCs) in strategic locations across Iraq. These SBDCs are designed to become premier business training facilities in their areas and improve businesses' access to credit, marketing outreach, and employment generation opportunities. The SBDCs are:
 - The Babylon Center for Economy Development (BCED), Hillah
 - The Iraq Association of Securities Dealers (IASD), Baghdad
 - The Women Empowerment Organization (WEO), Erbil
 - Al Murshed Center (AMC), Kirkuk
 - The Tal'Afar Economic Development Center (TEDC), Tal'Afar
- The SBDCs' core product is the course *How to Start-up or Improve a Business*, a five-day training seminar covering topics including business planning, marketing, accounting, and accessing finance. During the reporting period, the SBDCs trained 1075 people (39% female), and were able to provide referrals for 255 entrepreneurs to MFIs or banks.
- Launched the SBDC Voucher Program as a means of developing a cash flow to the SBDCs, promote sustainability, and ensure coordination and cooperation between SBDCs and PRTs. The Voucher Program allows interested parties to purchase training vouchers from the SBDCs and send their own nominees to the training. This program has helped to strengthen ties between the SBDCs, the PRTs, and the local communities. The Voucher Program was piloted in Baghdad, and expanded to Hillah. Currently, all training carried out at those two SBDCs is supported by voucher purchases.
- Launched the website www.sbdc-iraq.com to support the informal SBDC network. The website provides contact information for the SBDCs, training schedules, and product information.
- The component and counterparts carried out the "Vision Forward" Conference in Erbil. This strategic seminar was a forum for all SBDC leaders, their selected trainers and stakeholders to determine how to build stronger synergies with Microfinance Institutions and Banks, and to exchange views about the state of Iraqi business development services. In addition, four Master Trainers were certified and can now deliver the TOT course independently of Izdihar.
- In order to provide intensive support to the PRTs in Iraq, the component launched the Izdihar-Iraq Knowledge Portal (www.izdihar-iraqknowledgeportal.com), a website

designed to be a clearinghouse of economic information about Iraq for use by PRTs. The Knowledge Portal is populated with timely reports regarding Izdihar activities and general provincial economic data.

- Undertook a number of projects requested by various PRTs, including:
 - Participation in the Southern Iraq Women's Conference on Promoting Stability and Prosperity held in Basra that was organized by the Basra PRT, Basra USAID and Basra British Consulate and US Consulate. Also attended a similar conference in Hillah hosted by the Hillah PRT. One of the major results of the conference was the finding that the training program **Chrysalis: Leadership Training for Women**, could potentially be developed into a TOT for SBDC leaders. The program could be offered throughout Iraq to address gender inequality, leadership issues and empowerment for women.
 - Substantial cooperation with 2nd Brigade Combat Team (2/1ID)/ePRT for Mansour and Kadhamiyah regarding enterprise-level assistance, business development services, and access to finance. This includes visiting market traders in these regions, recommending specific stabilizing interventions, and developing an enterprise questionnaire to more accurately pinpoint major roadblocks to commerce.
 - Coordination with the North Babil ePRT with regards to SBDC training available, and about the feasibility of forming agricultural co-ops or unions in the region.
 - Babylon Center for Economic Development made a proposal, accepted by the North Babil PRT, for the initiation of small business development training in Iskanderiya to be followed by the identification of two candidates to become trainers. BCED has agreed to train 200 people through the voucher program.
- All SBDCs signed new Procurement Orders following recommendations from Izdihar's Procurement Department.
- Provided a briefing to PRT Hilla regarding Business Association Development and the role of associations in the economic development process.
- Held a Voucher Rollout Video Conference with all SBDC leaders. The vouchers will help the SBDCs to reach sustainability by generating new revenue, while providing a mechanism to support PRT community outreach. The conference was also an opportunity to discuss experiences, community demands, challenges and successes.
- Completed **Voucher Program Procedures Manual** and PowerPoint presentation.
- Provided technical assistance to the Women Empowerment Organization in Erbil and an in-depth briefing about BDS for the Izdihar-North director.
- Technical Legal Assistance to northern SBDCs to assist them to register their centers at the NGO Assistance Office of the State Ministry of Civil Society.

- Participated in a discussion related to developing job placement services at SBDCs and development of an explanatory concept paper.

PRT Engagements:

- Responded to approximately 15 inquiries from PRT representatives in 9 provinces regarding Izdihar's operations and services. There was substantial interest in the SBDC Voucher program, microfinance activities, and job placement agencies.

Q2 2007

Small Business Development Centers (SBDCs):

- The five active SBDCs delivered 12 iterations of "How to Start-up or Improve a Business", with six courses supported by the voucher program (in Baghdad and Hilla). Overall, 148 entrepreneurs received training (106 male and 42 female).
- Referrals and loans: seven participants were referred to MFIs and three were referred to banks. Two participants received microfinance loans and one received a bank loan.
- Launched the Voucher Program in Baghdad and Hilla.
- Printed vouchers for other locations and met with PRT, BCT and USAID partners to explain the program.
- Uploaded the SBDC website to the internet: www.sbdc-iraq.com. Baghdad focused on new program development and the launch of the first Voucher Program course. The pilot Voucher Program course is set to begin in Baghdad July 1st, with a class for 15 entrepreneurs recommended by the Karada DAC.
- New sets of the vouchers were printed and distributed to the five Small Business Development Centers.
- The Babylon Center for Economy Development (BCED) signed a Memorandum of Acceptance with the North Babil PRT for 200 Vouchers in Al-Iskandryia.
- The BCED worked with the North Babil PRT to start the Voucher Program.
- Successfully conducted the "Vision Forward" Conference in Erbil. This strategic seminar was a forum for all SBDC leaders, their selected trainers and stakeholders to determine how to build stronger synergies with Microfinance Institutions and Banks, and to exchange views about the state of Iraqi business development services. In addition, 4 Master Trainers were certified and can now deliver the TOT course independently of Izdihar.
- Al Murshed SBDC in Kirkuk delivered 5 agriculture training courses at the villages around Kirkuk. Topics included modern agricultural techniques, new irrigation methods,

and the development of olive groves. These courses were not directly sponsored by Izdihar, but are indicative of the SBDC's improved ability to deliver training as a result of their association with Izdihar.

PRT Engagements:

- PRT database was updated weekly.
- Announcement and/or newsletters were sent out weekly to the Knowledge Portal registered users.
- Knowledge Portal statistical report was developed.
- Intensive PRT coordination continued.

Q3 2007

- The five active SBDCs delivered 12 iterations of "How to Start-up or Improve a Business", with six courses supported by the voucher program (in Baghdad and Hilla). Overall, 148 entrepreneurs received training (106 male and 42 female).
- New sets of vouchers (200 for each Baghdad and Hilla) were delivered.
- Babylon Center for Economy Development (BCED) signed a new Memorandum of Acceptance with North Babil PRT for 16 more vouchers in Al-Askandryia to support the leaders of three agriculture unions, and delivered the course (August 26-30).
- BCED signed a new Memorandum of Acceptance with North Babil PRT for organization and facilitation of the August 23 Agriculture Development Conference.
- Concluded Arabic translation (and rechecking of translation) for the Global Entrepreneurship Monitor (GEM) 2006 Report on Women and Entrepreneurship – next month the GEM report will be electronically distributed to all SBDCs.
- Produced a new concept paper and proposal for Major Steve Hart from C9 entitled: Procurement and Contracting Training which focuses on launching new SBDCs courses on: How to Grow a Business through Contracting.
- Provided technical Assistance to the IASD/SBDC to develop their PRT proposal entitled: Procurement and Contracting Training Proposal.
- The Voucher Program courses continued in Baghdad and in Hilla. Began development of Voucher Update Report for PRTs.
- BCED worked with the Agricultural Unions through the PRT to collaborate with Izdihar in order to help them to complete their NGO registration.

- Prepared the TERF and budget for the IT TOT to be held in Erbil in November. This training program is intended to certify new master trainers to expand SBDC course content.
- Concluded an agreement between BCED and the Babil PRT to buy 15 vouchers to implement the "How to Improve Business" course through the SBDC.
- Conducted a meeting with two representatives from PRT of Wasit Province to discuss the ability of expanding BCED programs to Wasit Province.
- An agreement was made with the North Babil ePRT for the BCED SBDC to implement new training courses in the Jurf Al Sakhar subdistrict.
- Conducted an IT TOT session in Baghdad. The course resulted in the graduation of one master trainer, one advanced trainer, and four trainers.
- Drafted a proposal for a new program in conjunction with the IFC for training the SBDC leaders.

Project Year 4: Oct-07 – Mar-08

Q4 2007

- 35 offerings of the course "How to Start-up and Business" or "How to Improve a Business" were completed in the first quarter.
- An agreement was made with the North Babil ePRT for the BCED SBDC to implement new training courses in the Jurf Al Sakhar subdistrict.
- Planned expansion of SBDC courses to include "How to Grow a Business through Contracting". Concept paper and proposal was developed and submitted to C-9.
- In coordination with the Dhi-Qar PRT, Izdihar provided technical assistance to open an SBDC in Nasiriya. A field visit to the governorate took place between 30th Sept and 7th October.
- Concluded an MOU with the Salah ad Din PRT to develop an SBDC in Tikrit.
- The IASD and Al Rasheed ePRT sponsored a conference on the development and employment generation in the Al Rasheed district of Baghdad at the IASD facility in Karada.
- Continued to develop and populate the Izdihar-Iraq Knowledge Portal.
- Continued the Voucher Program courses in Baghdad and in Hilla. Worked on developing Voucher Update Report for PRTs. The Voucher Program began in Erbil in order to facilitate the training of new trainers at the proposed start-up SBDCs.

- In response to a request from the Dhi Qar PRT that Izdihar assist them in opening an SBDC in Nasiriya, a visit to the governorate took place between 30th Sept and 7th October. Field visits took place to the Iraqi Businessmen's Union and a local slaughterhouse. The PRT selected several individuals to attend TOT training in Erbil. Further technical assistance was provided.
- The Tal'Afar SBDC hosted a meeting on regional banking between representatives of the Rafidain Bank and Agricultural Bank.
- An agreement was made with the North Babil ePRT for the BCED SBDC to implement new training courses in the Jurf Al Sakhar subdistrict.
- Conducted a joint meeting with Diyala PRT and the microfinance component to discuss overall development plans for SBDCs.
- Concluded an MOU with the Salah ad Din PRT to develop an SBDC in Tikrit.
- The IASD and Al Rasheed ePRT sponsored a conference on the development and employment generation in the Al Rasheed district of Baghdad at the IASD facility in Karada. The **Al Rasheed Economic Conference-1**, the first in a series of three conferences, covered the problems of employment generation, investment, and economical rejuvenation in the district.
- The Dhi-Qar PRT selected several individuals to attend TOT training in Erbil. Further technical assistance was provided.
- IASD/SBDC Baghdad and Al Rasheed PRTs sponsored a conference on development and employment generation in the Al Rasheed DAC. The roundtable was the second in a series of three conferences addressing the problem of employment generation, investment, and economic rejuvenation in the district.
- AMC/Kirkuk signed a contract with Kirkuk PRT to develop a six-month training pipeline for delivery of its "How to Start-up or Improve a Business." The first course was on Jan 20th.
- With independent coordination with the North Babil ePRT, BCED arranged for graduates of its courses to be made eligible for grants funded by the ePRT. By end of period, 15 such grants had been awarded to BCED participants.
- One BDS employee traveled to observe and oversee training procedures in Hilla, Kirkuk and Tal'Afar over the course of January and February in order to monitor their progress.

TRADE POLICY AND MARKET ACCESS

Key Counterparts

- **Ministry of Trade, WTO Unit.** The unit has been established but support is hindered by lack of direct communication.
- **Ministry of Planning, Central Organization for Standardization and Quality Control (COSQC).** Training and collaboration is ongoing.
- **Ministry of Finance, Customs Service, and Ministry of Interior, Customs Police.** Training and collaboration is ongoing, including project facilitation of GOI participation in international meetings.
- **Various Ministries.** Introductory and specialist training has been provided to the Ministry of Culture (TRIPS-related subjects), Ministry of Agriculture, and others.

Deliverables

Project Year 1: Oct-04 – Sep-05

- Assisted the Government of Iraq in submitting a request for accession to the WTO and in submitting the Memorandum on the Foreign Trade Regime to the WTO Secretariat (which provides a detailed summary of Iraqi's current trade regime).
- Facilitated participation of two representatives from the GOI as the official Iraqi Delegation at the 36th Harmonized Committee Meeting of the World Customs Organization in Brussels
- Conducted a comprehensive training program within the GOI on WTO issues and on matters related to regulatory review and reform. Topics included trade-related issues such as Tariffs and Customs, Intellectual Property, and Trade in Services.
- More than 200 representatives from the private sector received awareness-raising training on trade-related topics.

Project Year 2: Oct-05 – Sep-06

- Supported the GOI on trade policy coordination matters, including managing the World Trade Organization (WTO) accession process, by supporting the GOI to establish and assisting a ministerial-level central trade policy body (the Inter-Ministerial Commission) with sufficient authority and resources to coordinate trade policies among the sometimes competing and conflicting interests of the various government departments and the private sector.

- Provided support to the Inter-Ministerial Commission and GOI staff on all levels (Director Generals, regulators, technicians, etc.) to implement trade policy and international trade agreements. Support the establishment of, and provide skills training to, a Ministry of Trade WTO Working Unit which can implement the decisions and policies of the WTO Inter-Ministerial Commission.
- Assisted drafting of documents for submission to the WTO, training and capacity building within the ministries, and undertaking needs assessments and impact studies to facilitate Iraq's accession to the World Trade Organization. Assisted draft development and encourage passage of laws and regulations to help bring the Government of Iraq's trade regime into conformity with WTO rules.
- Supported development and implementation of a WTO Public Awareness Campaign to increase public awareness on WTO and trade-related issues.
- Provided technical assistance to the Iraq Trade Information Center to establish ITIC as a world-class resource for those interested in importing to and exporting from Iraq. (Taken over from Investment Promotion in May 2006).

Project Year 3: Oct-06 – Sep-07

Q4 2006

- Completed a report on WTO Accession Issues of Copyright Conformity of Iraqi Intellectual Property Rights regimes with the TRIPS. December 2006.
- After the First Working Party Meeting, began assisting the GOI to lay the groundwork for the Second Working Party Meeting. Necessary milestones included: a Legislative Actions Plan, submission of ACC documentation, and responding to questionnaires from various WTO member states.
- Conducted a weeklong training session in Erbil with representatives of the Ministry of Agriculture regarding the calculation of agricultural subsidies for the Aggregate Measure of Support (AMS) documentation required for the completion of ACC4.
- A WTO Services Inter-Ministerial Working Group, recommended by Izdihar, was approved by the Ministry of Trade. The component explored methods of engagement with the working group in order to maximize the committee's effectiveness.
- Completed draft customs legislation, in coordination with the USTR, receipt and incorporation of relevant USG comments on the draft law, to be submitted in final form to MOF once Arabic translation is complete.
- Completed the draft TBT law.

- Completed and submitted to USAID, USG and USTR of final version of Iraq's comprehensive Intellectual Property Law.
- Completed Iraqi Tariff including tariff rates and drafted according to World Customs Organization classification principles as required by the WTO. Subject to GOI acceptance, the tariff shall also serve as the basis for Iraq's initial goods offer to the WTO in the context of bilateral tariff negotiations.
- Completed a review of Iraq's WCO Harmonized Schedule-compliant tariff and tariff schedule and recommended its final approval to the GOI.
- Completed a manual for the GOI on drafting a WTO-compliant services schedule.
- Completed a side-by-side legal comparison document of the Kurdish and National Iraqi Investment laws, respectively.
- Completed research and comparison document of Georgia, Malaysia and Saudi Arabian investment laws.
- Completed and launched the enhanced ITIC website in both English and Arabic. Additional content will continue to be uploaded by ITIC staff, with project support as needed.

Q1 2007

- Submitted the draft Customs Law to the GOI. January 2007.
- Prepared a memo on The Trade Climate in Iraq. February 2007.
- Completed the Customs Valuation Manual (English). March 2007.
- Completed the Customs Valuation Manual (Arabic). March 2007.
- Completed a major four-day training event in Amman to prepare the Iraqi WTO negotiating delegation for the first Working Party Meeting. The event included a "mock" Working Party Meeting simulating the experience of the negotiations.
- Determined the optimal organization of responsibilities and roles for Iraq's WTO accession delegation during the WTO Working Party training event. This includes the selection of Iraq's spokesman for the WTO delegation, delegation of responsibilities for each subject covered in the accession talks, and protocol issues.
- Completed incorporation of additional comments and observations on draft IP law.
- Completed seminar in Hilla designed to inform the Babil PRT and local business community on Iraq's trade policy reforms and WTO accession progress.
- Delivered Customs Valuation Manual to GOI.

Q2 2007

- Prepared a briefing on Agricultural Subsidies and Draft SPS Law. April 2007.
- Completed an assessment of WTO Accession and the Agreement on TBT. April 2007.
- The Chief Senior Chemist at COSQC participated in a WTO training event on TBT issues in Bahrain. His participation was initiated, facilitated and sponsored by TPMA component. April 2007.
- The WTO Negotiating Committee successfully held the First WTO Working Party meeting in Geneva, Switzerland. Twelve bilateral negotiations were conducted as well. The First Working Party Meeting represents a major step forward toward WTO Accession for Iraq. May 2007.
- Prepared a Memo on the legality of importing nitric acid. June 2007.
- Completed the draft Iraqi Tariff Schedule. June 2007
- Completed and submitted to USAID, USG and USTR the final version of Iraq's comprehensive Intellectual Property Law. Completed the Draft Intellectual Property Law for GOI approval. July 2007.
- Submitted the draft SPS Law to the GOI. July 2007.
- Completed Iraqi Tariff including tariff rates and drafted according to World Customs Organization classification principles as required by the WTO. Subject to GOI acceptance, the tariff shall also serve as the basis for Iraq's initial goods offer to the WTO in the context of bilateral tariff negotiations.

Q3 2007

- Completion of comments on US questionnaire to MOT.
- Completion of Erbil technical assistance meetings towards completion of outstanding data on ACC4 and SPS WTO requirements.
- Finalization of the Human Resources Manual for Customs
- Intellectual Property: Completed and reviewed the final Arabic translation of the IP law.

Project Year 4: Oct-07 – March-08

Q4 2007

- Intellectual property: Assisted the Ministries of Trade, Culture, Planning, and Industry and Minerals to meet with US Patent and Trade Office trainers and representatives in Amman, Jordan

- Completed a side-by-side comparative analysis of the Investment Laws of Iraq, Kurdistan and select other countries.
- Completed an Impact Assessment of Intellectual Property Rights on Foreign Direct Investment in Iraq.
- Received approval by the Interministerial Committee of the final drafts of ACC8 (SPS portion) and ACC9 (Intellectual Property) for submission to WTO. ACC8 and ACC9 will be submitted to WTO as soon as possible with questionnaire responses.
- Prepared for IP USPTO conference in Amman.
- Completed and conducted final reviewed of Arabic translation of ACC/8. Provided to MOT.
- Completed review of comments on ACC/9 and final document. Provided to MOT.
- Conducted a meeting with MOT regarding changes to WTO questionnaire responses per GOI negotiation.
- Completed WTO questionnaire responses from USA, EU, Canada and India and submitted to the GOI hardcopies printed in WTO format.
- Handed over to the GOI completed WTO documentation for onward submission by the GOI to the WTO: ACC4, ACC8, ACC9.

Q1 2008

- Conducted a meeting with MOT regarding changes to WTO questionnaire responses per GOI negotiation.
- Facilitated the completion of responses to questionnaires from USA, EU, Canada and India and submission to the GOI of hardcopies printed in WTO format.
- Handed over to the GOI completed WTO documentation for onward submission by the GOI to the WTO: ACC4, ACC8, ACC9.

INVESTMENT PROMOTION

Key Counterparts

- **Ministry of Planning.** A key counterpart for establishing the Iraq Investment Promotion Agency (8 initial female staff seconded from various ministries).
- **Ministry of Trade.** The Iraq Trade Information Center has been established under MoT's auspices with 17 seconded staff.
- **Iraqi Economy Development Center (IEDC)/ Najaf Tourism Center.** A civil organization based in Baghdad.
- **The National Investment Commission.** The newly formed investment promotion entity linked to the PM Office directly.
- **The Kurdistan Investment Board.** The regional investment entity formed according to the Kurdistan Region Investment Law No. 4 and not according to the Federal Investment Law No. 13.

Deliverables

Project Year 1: Oct-04 – Sep-05

- Successfully formed the Iraq Investment Promotion Agency (IIPA) and the Trade Information Center (ITIC), including drafting a proposed Law to formally establish the IIPA as an independent agency.
- Facilitated IIPA and ITIC development including staff selection and training (staff seconded from the Ministries of Planning, Industry and Minerals, and Trade), physical renovation, and on-going technical and strategic assistance including development of procedures and proposed legal regimes.
- Awarded a grant to an Iraqi organization to develop a tourism-related business and training center in Najaf.
- Researched and began drafting the Investor Roadmap, Iraq Competitiveness Analysis, and a new Iraqi Investment Law.

Project Year 2: Oct-05 – Sep-06

- Conducted a study tour to Dubai for the staff of the Iraq Trade Information Center (ITIC. December 2005)
- Competitiveness Study completed and accepted by USG and GOI as the basis of future investment strategies.

- Completed the sector study: The Potential for Food Processing in Iraq. March 2006
- Completed the Investor Roadmap of Iraq (English and Arabic). Presented its findings to the USG and GOI. Began working with the GOI to implement the Roadmap's recommendations. April 2006.
- Gave a presentation at the Erbil Investment Conference. April 2006
- Completed the sector study: Business Models for Aquaculture in Iraq. April 2006
- Completed the Iraq Competitiveness Analysis. May 2006 (English and Arabic)
- Participated in the 2006 Rebuild Iraq Exhibition & Conference. May 2006
- Contributed comments to Kurdistan Investment Law. May 2006
- Hosted or attended the following major investment expos and trade missions:
 - The IIPA Investment Mission to Istanbul, Izmir, and Adana, Turkey (April 16 – 30, 2006).
 - The Rebuild Iraq Conference and Trade Expo in Amman, Jordan (May 8 – 11, 2006).
 - The Gaziantep Iraq Trade Fair and Investment Mission in Gaziantep, Turkey (June 7– 21, 2006).
- Completed a grant to the Najaf Investment Development Center with the goal of bringing investment to the tourism industry.
- Completed the sector study: The Dairy Market in Iraq. July 2006
- Completed the sector study: Small Ruminant Animals in Iraq. July 2006
- Provided additional comments on Kurdistan Investment Law. July 2006
- Completed the sector study: Vegetable Oils in Iraq. August 2006.
- The GOI and Izdihar began working on a program to execute reforms in line with the findings in the Investor Roadmap of Iraq. Work was cancelled due to political impasse with the GOI.
- Completed draft Investment Commission regulations and bylaws and submitted them to the Commission. These documents require a Commissioner to be appointed before any further action can be taken.

Project Year 3: Oct-06 – Sep-07

- In October 2006, the Iraqi Parliament passed the new National Investment Law, which contains a provision for the creation of a National Investment Commission. The IIPA was then converted into that organization.

- Completed the sector study, “The Poultry Industry in Iraq”. November 2006.
- Prepared initial draft of the National Investment Commission (NIC) Bylaws and discussed with ministerial sub-committee at MoPDC. November 2006.
- Drafted the Implementing Regulations of the Investment Law No. 13 for 2006 and discussed with the ministerial sub-committee. December 2006.
- Hosted or attended the following major investment expos and trade missions:
 - A mission to Dubai for meetings regarding possible investment in the dairy sector.
 - The Annual DBX Kurdistan Trade show in Suleimaniya.
 - Conducted an investment mission to Turkey in conjunction with the IIPA, including factory visits and meetings of Turkish and Iraqi companies that intend to establish a cooperative venture in the area of industrial baking.
- Attended the Iraq – UAE Business Exchange in Dubai, in coordination with the military and PRTs.
- Provided technical assistance to the KRG Investment Board regarding the proper establishment of an investment promotion body.
- Completed the final draft of the National Investment Commission (NIC) Bylaws, January 2007 (English and Arabic). Continued to provide technical assistance to the NIC in the implementation of the regulations and bylaws.
- Completed the final draft of the Implementing Regulations of Investment Law No. 13 for 2006. (English and Arabic)
- Completed the sector study: The Bottled Water Market in Iraq, January 2007.
- Sector study: “Tomato Paste in Iraq.” February 2007.
- Completed the sector study: Pharmaceutical and Medical Products in Iraq, April 2007.
- Completed revision and amendment of Bylaws of the Kurdistan Investment Board, June 2007 (English and Arabic).
- Completed the Implementing Regulations of the Kurdistan Region Investment Law No. 4, June 2007 (English and Arabic).
- Completed the sector study, “The Tourism Industry in Iraq”, July 2007.
- Gave a presentation at the Kurdistan Region Investment Future Conference in Suleimaniya, August 6, 2007.
- Completed updating of National Investment Commission Web portal

RESTRUCTURING & PRIVATIZATION

Key Counterparts:

- **Inter-Ministerial Committee for Reform and Rehabilitation of State-Owned Enterprises.** Created at the initiative of Izdihar, chaired by the Minister of Planning; includes Minister of Finance, Minister of Industry and Minerals, Governor of the Central Bank, President of the Board of Supreme Audit and a representative of the Prime Minister.
- **Ministry of Industry and Minerals.** Close working relationship, including working with the Central Committee for Transferring State Companies to Shareholding Companies (CCTSCSC) to set up nine technical and support desks. MIM has short-listed eight SOEs under its' control to be considered for privatization
- **Central Organization for Statistics and Information Technology (COSIT).** COSIT is Iraq's chief statistical agency, and, as such maintains important sources of economic information. The R&P component is developing a close working relationship with COSIT in order to ensure timely information sharing between Izdihar and the GOI.

Deliverables

Project Year 1: Oct-04 – Sep-05

- Completed a Survey instrument for SOE database (Arabic & English). May 2005.
- Finalized the IPC Draft Privatization Law. May 2005.
- Produced an Excess Employment Study providing recommendations and costing of various strategies for coping with labor redundancy in State-Owned Enterprises. August 2005.
- Finalized a draft Order to Create an Iraqi Privatization Agency. August 2005.
- Fostered formation of Inter-Ministerial Committee on Privatization in September 2005. The project drafted a Cabinet Order, and provided on-going technical assistance at the Chairman's request, including drafting the key recommendations of the IMC, all of which were reportedly approved by the IMC in some form.
- Worked intensively with the Ministry of Industry and Minerals (MIM) in the formation of a Privatization Working Group including other Ministries, formation of technical sub-units within the Ministry to support privatization, and continued progress toward preparing eight selected SOEs for privatization including work on two cement companies that MIM would like to privatize immediately.

- Assisted MIM to develop a framework for Commercialization of SOEs. Completed 58 profiles of State-Owned Enterprises to form the initial content of a database to facilitate privatization efforts.
- Completed an Options Paper for SOE Employees (Social Safety Net Options concept paper). September 2005.

Project Year 2: Oct-05 – Sep-06

- Conducted meetings with the Interministerial Committee and provided a report. October 2005.
- Completed “Method of Appraisal of State Property under Privatization in Iraq.” October 2005.
- Completed “Changing the Governance Structure of State Owned Enterprises” (Corporatization). October 2005.
- Completed “Report and Recommendations of the Inter-Ministerial Committee on Reform and Rehabilitation of State Owned Enterprises.” October 2005.
- Presented to 240 business association members: “Privatization Worldwide”. November 2005.
- Distributed a Memorandum to MIM entitled “Share distributions in privatized companies”. November 2005.
- Cabinet Order No.: U f/8/1/15/1787 (12/20/2005) “Reform and Rehabilitation of SOEs” passed with Izdihar facilitation. December 2005.
- Prepared brief entitled “Quality, Productivity, and Profitability of the Cement Sector in Iraq” (brief note). December 2005.
- Provided on-going technical assistance to the IMC at its Chairman’s request, including drafting the key recommendations for the work of the IMC, all of which were considered approved by the IMC in addition to its own recommendations. This was a manifesto for best practices privatization, the first time that the government ever proposed a best-practices program.
- The Cabinet approved the above IMC recommendations on December 20, 2005 in order No. 1787, a significant policy step forward.
- Continued Intensive work with the Ministry of Industry and Minerals (MIM) resulted in the formation of a MIM Privatization Committee (MPC) including other Ministries, formation of technical sub-units within the Ministry to support privatization, and continued progress toward preparing eight selected SOEs for privatization under the IMC’s supervision,

including work on two cement companies that MIM wished to privatize immediately as pilot/model transactions. Provided on-site training and capacity building to the MPC.

- Built consensus among MPC and IMC for transparent privatization through a single, duly-empowered agency and provided technical assist to create such (both MPC and IMC took decisions calling for an agency to be created and began work to realize its creation).
- Procured hardware and developed web-based intranet needed by MIM in the area of IT to better manage SOE data, in order to assist MIM in better financial management and accountability.
- Updated the Excess Employment Study providing recommendations and costing of various strategies for coping with labor redundancy in State-Owned Enterprises to make adjustments based on passage of the new pension law.
- Held several public awareness events on privatization, including a seminar attended by over 250 Iraqi business persons. As a result of this, and of Izdihar's building consensus with counterparts, the press has become very active discussing privatization, with many previously-unseen articles discussing the concepts and expected steps. Previously, there was very little informed commentary earlier.
- Substantially augmented a draft law on privatization originally prepared by the Iraq Privatization Study Commission. Prepared a Draft Law on Privatization and presented for comment to the Parliamentary Committee on Finance (most of the MPs were expected to return after elections).
- Began developing draft legal provisions for redundancy.
- Proposed organizational structure and key staff functions for a privatization agency.
- Provided support to the IMF consultations process.
- Migrated the SOE database to Izdihar's server, tested and refined software, and entered 58 companies into the data base in English and in Arabic.
- Completed the study entitled "Sinjar Privatization File". February 2006.
- Completed an Organization Chart for the Iraqi Privatization Agency and a Description of the Organization Chart of the Privatization Agency. February 2006.
- Completed a preliminary "Privatization Law Draft." February 2006.
- Completed the "Ninewah Privatization File." March 2006.
- Completed a description of the Organization Chart – Divisions and Sections. March 2006.

- Privatization Component's Final Report. March 2006.
- Completed a description of the Organization Chart – Divisions and Sections. April 2006
- Submitted the Privatization Component's Final Report. April 2006
- Gave a presentation to HIC Working Group titled "The Al-Hateen Industrial Complex: A Case for Innovative Financing and Restructuring" May 2006
- Gave a presentation to IRMO and the US Military regarding Restructuring and Privatization of SOEs. June 2006
- Completed a study entitled "Excess Employment in SOEs in Iraq." June 2006.

Project Year 3: Oct-06 – Sep-07

- Presentation at the Embassy on Privatization Issues. October 2006.
- Completed the study "Performance of publicly listed private and mixed companies." February 2007.
- Completed the model document "Lease Contracts for State Owned Enterprises." February 2007.
- Completed the Best-practices Manual for Public Tenders. March 2007.
- Began a program of cooperation with COSIT (Ministry of Planning and Development Cooperation) to assist them with the task of surveying the state enterprise sector.
- The Companies Database, previously developed by the component to target specific areas for economic assistance, was handed over to COSIT for their use. The component provides ongoing facilitation of modifications to the database, in order to maintain the most up-to-date information possible. COSIT will include and track additional categories of information beyond what was deemed necessary for Izdihar.
- Completed several draft policy and procedure manuals and templates for use by SOEs as they move toward privatization. These include an alternative standard leasing contract for SOEs and best-practices manual for public tenders as part of assistance to GOI to develop legislation and implementing processes.
- Researched the provisions in existing Iraqi law for public firms to sell assets to the private sector and/or form joint venture agreements. In the absence of a true Privatization Law, this is necessary information with regards to the interaction between the public and private sectors.

- Prepared a list of economic information on companies operating in various sectors of the economy in order to compare the performance of large private, mixed, and public companies. This study of economic effectiveness covers the period of 2002-2004.
- Prepared a memorandum on Cooperative Agricultural Bank – its legal status and conditions of operating as implicit in the CAB law of 1974, subsequent amendments and the State Companies Law adopted in 1997.
- Continued to promote the recommendations included in the previously completed Excess Employment study, containing description of the current employment situation in SOEs, policy suggestions to address redundant employment, and costing of possible redundancy schemes.
- Ongoing meetings and presentations with USAID and the USG to promote reengagement with the GOI with regards to privatization issues.
- In order to assist the USG and the military to advance their development strategies as part of the Surge, the component worked with local staff and MF partners to prepare a report on the situation in retail trade and enterprises in various Baghdad neighborhoods.
- Briefings on the extent of underutilization of labor in state enterprise sector prepared for JSPA.
- Standard leasing contract was finalized and submitted to USAID.
- Ad hoc research tasks and briefings for USG agency activities: JEAP, Al Anbar Commerce Corridor Activity.
- Updating lists of private and state owned enterprises and plants by regions.
- Preparing a comparative table of company financials for the 2002-2004 period by cross-checking between Izdihar Enterprise Profiles and Companies' Database.
- Drafting material on the best ways to facilitate the employment of recent graduates and VOCED training courses.
- Briefing for the Embassy commenting on the proposed “Anbar Province Commercial Corridor.” April 2007.
- SOE enterprise and plant Location List finalized and posted to the IZDIHAR Knowledge Portal.
- Reviewed materials prepared in connection with the Anbar Commerce Corridor Security.
- Drafted questionnaires for enterprises and for wholesale, retail and service establishments.

- Prepared materials for the meeting with 2nd Brigade Combat Team (2nd BCT)/ePRT (Baghdad).
- Best-practices manual for public tenders (the requirements of tender notices, tender packages, notifications, negotiations, due diligence procedures, standard sale and share transfer contracts) submitted to USAID.
- Prepared a report on the situation in retail trade and enterprises in Mansour and Kadhamiyah based on the meeting with the microfinance loan officers of Al-Bashair and Iraqi local staff.
- SOE enterprise and plant Location List updated and posted to the Izdihar Knowledge Portal.
- Organized a focus group of local private businessmen in Amiriyah and Hateen in order to discuss prevailing local economic conditions; drafted a report of the proceedings.
- Distributed and collected questionnaires for wholesale, retail and service establishments in Hateen, Mansour and Kadhimiyah.
- Translated, compiled, and analysed the answers to the questionnaires. A summary report about the most commonly cited obstacles to operating private businesses and preconditions for expanding/resuming operations drafted and distributed.
- Drafted a concept paper on Baghdad agricultural produce markets.
- Report on the outcomes and findings of a PRT-sponsored SOE conference. July 2007.
- Presentation on wholesale agricultural markets in Baghdad. September 2007
- A report about the most commonly cited obstacles to activities of distributors and preconditions for expanding/resuming their operations distributed.
- Attended a meeting with Baghdad PRT representatives about the IZDIHAR/INMA agricultural market refurbishment initiative to exchange ideas and prepare for the meeting with the Chairmen of District Advisory Councils on August 9.
- Translated and processed in a summary form (in an Excel spreadsheet) answers to questionnaires distributed to retailers and wholesalers (18 cases). A report about the most commonly cited obstacles to activities of distributors and preconditions for expanding/resuming their operations distributed.
- Translated and processed in a summary form (in an Excel spreadsheet) answers to questionnaires distributed to manufacturers (25 cases). A report about the most commonly cited obstacles to operating manufacturing enterprises and preconditions for expanding/resuming operations was drafted and distributed.

- Organized DAC/PRT/Inma/Izdihar meeting on Sept. 2nd regarding the agricultural markets' refurbishment initiative.
- Prepared summary material cataloguing major retail and wholesale produce markets in Baghdad for the impending meeting; further research suspended pending the resolution of security issues.

Project Year 4: Oct-07 – March-08

- Finished a province-by-province maps of enterprise locations.
- Submitted draft proposal and scope of work for the small and medium enterprises' survey to USAID.
- Assisted the Industrial Statistics Section in COSIT regarding hardware procurement and training in MSO Excel.
- Izdihar SME study: Questionnaires, sampling frames, explanatory notes dealing with individual questions, and instructions on conduct for the interviewers have been finalized and translated into Arabic; an outreach for the distribution has been organized, received the first batch of filled-in questionnaires.
- Distributed 1200 questionnaires to Basra, Najaf, Baghdad and Suleymaniyah governorates to assess changes in SME performance over the period 2004-2007 and to investigate changes taking place during 2007 in the business environment facing SME entrepreneurs.
- Provided assistance to ePRTs with the institutional arrangements after the completion of the new markets in Doura and 9th Nissan: helped with registration of NGOs.
- SME study: 600 responses from Najaf and Baghdad were received during this period. As the contractor proved unable to do the initial inputting, this task was taken over by Izdihar.
- SME study: Coding sheets were written; for open ended questions the first iteration was prepared after translating the first 75 survey responses and a second iteration after another 75 questionnaires had been translated.