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# Annual Report FY2011

## USAID/Iraq Financial Development Project October 15, 2011

October 2011

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# USAID-AECOM

Annual Report, FY2011  
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**DISCLAIMER**

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

# TABLE OF CONTENTS

<b>I. EXECUTIVE SUMMARY .....</b>	<b>1</b>
<b>II. QUARTERLY PROGRESS, MONITORING, AND EVALUATION REPORT 6</b>	
A) Component 1: Enhance Advocacy Capacity of the Private Financial Sector .....	6
B) Component 2: Improve the Development of the Financial Sector through Institution Building and Targeted Reforms.....	18
C) Component 3: Improve the Quality and Availability of Finance and Business Education .....	29
D) Cross Component Activities/Synergies.....	37
<b>III. GRANTS MANAGEMENT .....</b>	<b>39</b>
<b>IV. MONITORING AND EVALUATION.....</b>	<b>40</b>
<b>V. OPERATIONS AND ADMINISTRATION .....</b>	<b>53</b>

## Annexes:

- A) 2012 Project Activities Schedule
- B) Grants Forecast
- C) Results Framework
- D) PMP Indicator Tracker

\* Annexes C and D are combined into one “Revised PMP” annex, submitted separately from this document

## ACRONYMS

AACSB	Association to Advance Collegiate Schools of Business
ACH	Automated Clearinghouse
ADB	Asian Development Bank
AUB	American University of Beirut
BSA	Board of Supreme Audit
BIBF	Bahrain Institute of Banking and Finance
BIS	Bank of International Settlements
BTI	Bank Training Institute
CBI	Central Bank of Iraq
CDR	Centralized Data Repository
CIB	Credit Information Bureau
COP	Chief of Party
CoR	Council of Representatives
CPA	Coalition Provincial Authority
DCD	Deputy Component Director
DCOP	Deputy Chief of Party
DFID	Department for International Development
DQA	Data Quality Assessment
EBBP	Electronic Bureau of Payments and Procurement
FSDTF	Financial Sector Development Task Force
FSVC	Financial Services Volunteer Corps
GATS	General Agreement on Trade and Services
GCBP	Governorates Capacity Building Project
GDA	Global Development Alliance
GDP	Gross Domestic Product
GoI	Government of Iraq
GSRS	Government Securities Registration and Settlement System
HCED	Higher Committee for Educational Development
IASD	Iraq Association of Securities Dealers
ICBG	Iraqi Company for Bank Guarantees
ICDL	International Computer Driving License
ICF-SME	Iraqi Company for Financing SMEs
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
ILSP	Iraq Legislative Strengthening Project
IMF	International Monetary Fund
INI	International Negotiation Institute
INIC	Iraqi National Investment Commission
IOSCO	International Organization of Securities Commissions
IPBL	Iraqi Private Bankers League
ISC	Iraqi Securities Commission
ISX	Iraqi Stock Exchange
IT	Information Technology

KRG	Kurdistan Regional Government
L&RA	Legal and Regulatory Advisor
MENA	Middle East and North Africa
MFI	Microfinance Institution
MOU	Memorandum of Understanding
MoF	Ministry of Finance
Mol	Iraqi Ministry of Interior
MoHE	Ministry of Higher Education
MSME	Micro, Small and Medium Enterprise
MUCIA	Midwest Universities Consortium for International Activities
NBFI	Nonbank financial institution
NGO	Non-governmental organization
OAA	USAID/ Office of Acquisition and Assistance
OSB	American University of Beirut Olayan School of Business
PM	Prime Minister
PMU	Project Management Unit
PRT	Provincial Reconstruction Team
REP	American University of Beirut Regional External Programs
RFI	Request for Information
RFP	Request for Proposal
RPS	Retail Payment System
RTGS	Real Time Gross Settlement
SBDC	Tijara Small Business Development Center
SGS	Sallyport Global Services
SME	Small and Medium Enterprise
TFBSO	Task Force to Improve Business and Stability Operations
TOT	Training of Trainers
UAB	Union of Arab Banks
USAID	United States Agency for International Development
USD	United States Dollar
USG	United States Government
US SEC	United States Securities and Exchange Commission
XBRL	eXtensible Business Reporting Language
WB	World Bank
WTO	World Trade Organization

## I. Executive Summary

The Financial Development Project having completed its first fiscal year continues to make progress on activity implementation as well as operational/procedural establishment at the end of the Project's fourth quarter. A breakdown of Project progress related to deliverables and reporting can be found within the Component sections.

### ***Component 1***

#### *The Federation of Iraqi Private Banks*

The Iraqi private bankers have made significant progress in their effort to establish a results-oriented banking association that will combine high-level private-public dialogue with legal/regulatory changes. To assist with achieving their goals, the Project has begun to guide their organization, the Federation, from the planning/registration-phase into the operational-phase.

On July 20, 2011, the Office of the Registrar of the Ministry of Trade issued a Certificate of Establishment in the name of "Federation of Iraqi Private Banks Company for Banking Development Services/LLC," giving the Federation legal standing as an Iraqi Limited Liability Company. The Organizational Meeting to appoint the Managing Director, Attorney and Accountant, as required by Law, was held August 4, 2011. Subsequently, the Project assisted the Managing Director to address the lengthy but routine matters required to finalize the registration process. With the successful registration completed, an additional four private banks have expressed interest in joining the group. The Federation intends to welcome new members and to support the interests of all Iraqi private banks.

A second meeting of the Federation's General Assembly August 27, 2011 facilitated review and approval of several key action documents including: the Advocacy Training Plan, Communications Plan, the Letter of Cooperation between the Federation and select Universities, and the Letter of Cooperation between the Project and the Federation. The last document concerns the Project's technical assistance and support for the Federation as well as the Federation's cooperation in pursuing financial sector development objectives. The approval of these documents laid the legal and strategic groundwork necessary to commence the Federation's public outreach, advocacy, and educational efforts.

To set the stage for operation, the Project drafted and is assisting the Federation in the finalization of a Plan of Administration (or Governance Plan) which delineates the procedures that must be observed to ensure compliance with applicable law and the Federation's Company Contract. Additionally, the Federation has undertaken the design and preliminary efforts for renovating the premises to be used for the enterprise. Ultimately the space will accommodate three offices, four 30-person meeting rooms, a conference room and a General Assembly convening room. With the assistance of the Project, the Federation has begun establishment of regional and international linkages with banking associations and other financial institutions.

#### *Private Financial Sector Development Task Force*

The Project met with non-bank private sector organizations and government officials to enlist their involvement in the Financial Sector Task Force which is designed to foster the development of the Iraqi financial sector. In preparation for Task Force launch, the Project commissioned a white paper highlighting three case studies that demonstrate the positive aspects of good financial sector policy and

implementation. It also points out pitfalls of failing to implement measures favorable to private sector development, in particular the private financial sector.

With the formation of the Federation, the private bankers are positioned to participate in the Task Force. Meetings with both private sector and government stakeholders confirmed that there is a strong interest among them in seeing improvements in the financial sector in Iraq. The Project plans to use the results from introductory meetings with government and private sector representatives to begin Task Force sessions fostering a positive dialogue among them about critical policies and a supportive framework essential to a strong private financial sector. Using the paper as a focal point for discussion, the first meeting of the task force will be convened in early December.

### *Legal and Regulatory*

A legislative and regulatory reform “Snap Shot” was prepared to assist the Federation in developing an achievable reform agenda. From it, the legal team has identified a short-list of targeted policy, legal, regulatory and/or administrative reforms to be pursued by all aspects of the Project. This required the review and analysis of multiple laws and regulations, and meetings with a number of other projects working on reform. Selection of items to include on the short list was based on impact on current reformation efforts and achievability, and tentatively includes: “umbrella” regulation for the retail payments system; policy and procedures for the credit information bureau; non-bank financial institutions regulations; and the removal of policy restrictions for private banks for doing business with the government and state owned enterprises (SOEs) The Legal Team is also hoping to collaborate with the International Finance Corporation (IFC) with respect to the legal framework on the secured transactions and leasing regimes.

The legal team has been integral to the Project’s creation or review of legal or legally-based documents and positions. In particular, it drafted a Letter of Cooperation between the Federation and the Project setting forth the terms and conditions of the Project’s assistance to the Federation and the Federation’s agreement to cooperate with the Project in Financial Sector Reform. It authored the Plan of Administration (Governance Plan) to facilitate the Federation’s operational compliance with Company Law No. 21 and the Federation’s Company Contract. It also drafted the Letter of Cooperation between the Federation and selected universities’ business schools.

The team also assisted the Federation in meeting all the requirements of Company Law No. 21 for registration. It clarified critical points about Company Law No. 21 to ensure the registration and functioning of the Federation met all legal requirements. Then, it helped the Federation work through the registration process.

The legal team has also worked extensively with Component 2. In connection with the establishment of the Bankers’ Training Institute (BTI), Conduct in-depth evaluation of Law No. 36 of 1999 “Center for Banking Studies” and prepared “Business Risk” Analysis of issues raised by revitalization of Bank Training Institute by the Central Bank of Iraq. Analysis included re-translation of law, review of similar laws issued by the prior regime, significant consultation with local attorney and a review of the draft Banks Training Institute Implementation Plan

In the area of payment systems, the legal team had conducted reviews of the various versions of the RFP, the draft Licensing Agreement, and all of the draft supporting legislation and regulation. The legal team has provided input regarding the proposed procurement approach and is currently working on the drafting of a “super-regulation” to provide better structure and clarity to the retail payments systems in Iraq. In connection with the Credit Information Bureau, the legal team assisted in the drafting of a credit

information customers' rights charter, which proposed data protection standards regarding consumer financial information.

## ***Component 2***

### *Credit Information Bureau (CIB)*

Project efforts in Year 2 will focus on i) developing a comprehensive regulatory framework for credit information sharing, ii) implementing a credit information sharing public awareness campaign, iii) increasing data records held by the CBI credit registry and iv) building the capacity of CBI credit registry and commercial bank staff to implement recommended credit information practices.

During the last Quarter of this implementation year, the Project developed and presented to CBI and the Credit Information Steering Committee credit information customer rights charter. The charter lays the foundation for developing a customer service function and accompanying processes at the CBI registry and is integral to the credit information public awareness campaign the Project is intent on undertaking. The development of a credit bureau for Iraq accompanied by a public awareness campaign will have a direct impact on the private banks' ability to do loans. Currently the banks do not loan or do small lending to known customers.

In July, the Project organized and conducted a study tour for Fifteen Iraqi financial sector professionals representing CBI, commercial banks and the Iraqi Microfinance Network. The Iraqi delegation visited the Central Bank of Lebanon, 12 commercial banks, and the Lebanese Bankers Association as part of the tour program. The study tour succeeded in raising the awareness of participants to credit information uses and the factors that will influence credit information sharing development in Iraq. The event also provided a forum for discussions between CBI and the Lebanese Central Bank to determine modes of cooperation between the two regulators including knowledge and information technology transfer.

### *Bank Training Institute (BTI)*

During the period July 1 through September 30 the primary focus of work in the area of the establishment of the Bank Training Institute was planning. A detailed implementation plan with road map for progress towards establishment of the Iraqi Bank Training Institute was prepared. This document took information from the Foundational White Paper for the establishment of an Iraqi Bank Training Institute and organized to provide a structured pathway for creation of the BTI. It selected elements and approaches most appropriate for the Iraqi environment.

Also during this period work started on development of the core curriculum for the bankers training institute. Both the commercial and central bankers were surveyed for their thoughts and opinions of the subject matter to be taught. As a result of this work a review was made of existing materials created by other donor programs and materials available commercially. A selection was made from both and work was started on materials specific to the Iraqi environment.

The period October 1<sup>st</sup> 2011 – December 31<sup>st</sup> 2011 will be filled with a number of activities. Curriculum development will begin to take form, with the creation of course work materials for both technically orientated course and for the gateway knowledge subject – English Language skills. It is envisioned that a range of local and regional parties will be engaged to create course work materials. It is planned to develop English language training materials for test use late in December or early in January.

Also to be undertaken during the period will be the building of linkages to other bankers training institutes, both those serving commercial banks as well as central banks. The possibility of a study tour to

one or more will be explored. It is planned that the Steering Committee will visit the Institut Bank-Bank Malaysia and the Omani College of Banking and Financial Studies. Furthermore it is to open up an exchange of information dialogue with other institutes serving both commercial and central banks.

The other major activity during the period will be working on the framework of the BTI. In this regards, the Implementation Plan for the creation of the Bankers Training Institute provides a solid road map for working through issues surrounding the structure and organization of the BTI. To be addressed will be the policies and procedures of the BTI as they relate to internal operations and how they interact with their constituency. Specific models will be used to develop the Iraqi institute, including those of the IFS School of Finance and practices in use in the EU.

Work was started on the core compendium of courses for the BTI. This compendium will address both the needs of the Central Bank of Iraq and commercial bankers. Development of courses for retail banking has started and work has is in progress with assembling resources for the Central Bank. Materials for approximately 30% of the Core Compendium for the commercial banks core course has been created, efforts for the central bank are at the assessment stages. In addition to these efforts a program of English language training has been identified and is in the process of mobilization.

Location of facilities to temporarily house the Iraqi Bank Training Institute was a central theme of Steering Committee activities. A number of possible sites have been identified and are under current evaluation. These include: 1) co-locating with the Higher Institute of Studies in Accounting and Finance 2) Co-locating with the Iraqi Union of Accountants and Auditors, 3) Taking over the “Old” North Bank Headquarters 4) Co-locating with the Federation of Iraqi Private Banks Company for Development of Banking Services

#### *Retail Payments System (RPS)*

A retail payments system is critical to a functioning modern economy. In Iraq’s case, it will attract foreign investors because businesses and individuals outside and within Iraq will be able to make safe, transparent, and reliable payments. Less reliance on cash creates a more attractive market for trade and investment as transactions can be made quickly with greater security benefits for customers. During the quarter, the RFP for the Retail Payments System national switch and mobile system operator was drafted in a collaborative process with staff members of the Central Bank of Iraq. The activity included meetings with the CBI Payment Department and Legal Department representatives to identify with the Governance and Legal Framework recommendations and to discuss the content and procedure for the Retail Payments RFP process. Additional meetings held with Mobile Network Operators (MNOs) focused on potential Mobile Payment System interoperability and security of mobile transactions those MNOs would provide.

In order to facilitate the review of RFPs from prospective bidders, the Project developed a Business Modeling Tool based on Microsoft Excel, to be used in the evaluation of Business Proposals from Bidders in the Retail Payments Systems Infrastructure tender. Two workshops were held with the Payment Department team to introduce the concepts of the Business Model.

The draft RFP was completed and delivered to CBI Payment Department and Legal Department staff members, and at the time of this writing, is under their review.

### ***Component 3***

#### *GAPS Report*

The Project completed a comprehensive assessment of finance and banking education in Iraq. The report entitled, “Finance and Banking Education in Iraq: A Skills Gap Analysis and the Way Forward” includes benchmarking of current university curriculum with international standard accredited university programs in the U. S., UK, Australia, and the Middle East. The report also includes a proposed model curriculum for consideration by the MoHE. The report includes data and an analysis of Ten (10) Iraqi University programs with corresponding data input from 21 private Iraqi banks and their regional branches. The report provides a roadmap, through AACSB accreditation, to establish an international standard finance and banking program at one or more Iraqi universities. The report was formally presented to H. E. the Minister of Higher Education on September 21, 2011.

#### *MoHE*

A letter of cooperation was signed by the Minister of Higher Education and Scientific Research on October 2, 2011 authorizing the three designated partner university programs (Baghdad University, Al Mansour University College and Al Mustansiriyah University to work with the Iraq Financial Development Project with regard to their application for AACSB membership and in partnering with U. S. and regionally accredited university programs in finance and banking and with the Joint Council. The Joint Council is a mechanism designed for the Colleges of Management and Economics (with their respective deans as their representatives) to engage with the newly established Federation of Iraqi Private Banks Company.

#### *Grants for AACSB Membership*

Grant awards have been structured and applications completed for Baghdad University, Al Mansour University College, and Al Mustansiriyah University for membership in the AACSB. Applications with the accompanying membership fees will be sent directly to the AACSB executive offices. Each university, with technical support from the Project, has completed a comprehensive self-evaluation of its teaching and administrative practices. Portions of this self-evaluation will accompany each membership application.

#### *University Partnerships and Initiatives for Student Opportunity*

The Project received three applications and proposals for fixed obligation grant awards. Grant applications and proposals were received from Shippensburg University of Pennsylvania, James Madison University (Virginia), and the University of Dubai. All three universities are AACSB accredited. Shippensburg University of Pennsylvania has proposed conducting workshops for Iraqi faculty from the Colleges of Management and Economics on “teaching excellence.” Shippensburg University has also proposed serving as a mentor to Baghdad University in pursuit of AACSB accreditation. The University of Dubai has proposed conducting workshops for deans and faculty from Iraqi Colleges of Management and Economics on “internships and career development” and to mentor Al Mansour University College in pursuit of AACSB accreditation. James Madison University has proposed introducing Iraqi Colleges of Management and Economics to the concept of “entrepreneurship and its role in the modern business school and in community and national economic development.”

## II. Quarterly Progress, Monitoring, and Evaluation Report

### A) Component I: Enhance Advocacy Capacity of the Private Financial Sector

#### I) Deliverables- Narrative

##### *Private Bankers' Association*

#### D 1.1.1 Strategic Plan for institutional development, strengthening and sustainability of one or more industry associations

- *Implement course of action to establish/strengthen organization*

#### **Completed during this quarter:**

In response to the needs of the Iraqi private banks, the Project assisted in the establishment of a new organization, the Federation of Iraqi Banks (the Federation), and supported its registration as a legal entity on July 20, 2011.

The Project held briefings on the Advocacy Training Plan and the Communications Strategy to ensure Federation membership understands the two primary focus areas for the Federation and how the Project will support them. Members provided constructive feedback on how to expedite mastering these areas.

#### **Upcoming during next quarter**

The Project will assist the Federation to set up its premises, hire staff, and initiate operations. It will help build a detailed Start-up Communications Plan and begin executing it. Assistance will also help the Federation connect to regional organizations beginning with the Union of Arab Banks and international banking resources in a Project supported conference.

- *Negotiate Engagement Agreement with Association for technical assistance*

#### **Completed during this quarter**

A Letter of Cooperation (LoC) agreement, setting forth the terms and conditions for the Project to provide technical and other assistance to the Federation, was considered and approved at the General Assembly meeting held August 27, 2011. Specific areas of proposed support include: assistance in the drafting of policies, procedures and plans; advocacy training; development of results-oriented communications and public out-reach strategy; prioritized agenda of financial sector reform; linkages with other organizations nationally and internationally and other assistance as may be necessary to meet the mutual goals. It also defined the agreement of the Federation to cooperate with and support the Project's reform efforts.

- *Assist in developing Governance Plan, with annual review*

#### **Completed during this quarter**

The Project has drafted a "Plan of Administration" (Governance Plan). The Plan of Administration serves to establish the rules and procedures that govern the management and operation of the Federation, and is intended to ensure compliance with applicable Law as well as the Federation's Company Contract. The Plan sets forth the rights and obligations of those entities and persons that direct and implement the

activities of the Federation, including the General Assembly, Shareholders, Managing Director, Staff and Advisory Personnel. The Contract, created with Project assistance, calls for the Plan to have yearly updates.

#### **Upcoming during next quarter**

After a review by the Federation’s Managing Director and Legal Counsel, the Plan of Administration will be submitted for discussion, revision, and approval by the General Assembly.

- *In consultation with association, design basic Strategic Plan, with annual update*

#### **Completed during this quarter**

During organizational meetings over the past year, the initial work of strategic planning with the private banks has begun and yielded mission and vision statements. Now that the Federation is duly registered, the Members can focus on the various tasks necessary to develop a full Strategic Plan.

#### **Upcoming during next quarter**

Commencing next quarter, the Project will help the Federation conduct a strategic planning “SWOT” analysis whereby the Federation consider its “Strengths, Weaknesses, Opportunities and Threats” as a basis for developing a basic Strategic Plan.

- *Formally present Strategic Plan to organization board and gain approval*

#### **Completed during this quarter**

See above

### **D 1.2.2 Communications Strategy for Association(s) and Related Products and Events**

#### **Completed this quarter**

Communications Strategy document was created, reviewed with Federation, and adopted. This completes creating a strategy for communications. The Project moves its assistance to implementation of the strategy by creating a detailed communications plan and beginning to execute it. See “Implementing the Communications Strategy” below.

### **D 1.2.3 Advocacy Training Plans Implemented**

- *Implement measures of advocacy training plan*

#### **Completed during this quarter**

The Advocacy Training Plan was created, reviewed with the Federation, and approved. In addition, the “Introduction to Unified Advocacy” first course was presented at the Federation meeting August 27, 2011. This course showed the members the value of advocacy using “one voice” from all instead of their previous singular efforts. In addition, that the Project help the Federation to secure an invitation to the WB/IFC conference in Beirut, where representatives will be able to observe the donor reform process, and possibly participate in finalizing a reform agenda.

#### **Upcoming during next quarter**

Using an example issue, the team will provide a workshop to Federation shareholders. The primary objective is to use a discussion format to bring the various perspectives together to create the “one voice”

on the issue required for effective advocacy. The example issue will be identified with the Legal/Regulatory Committee of the Federation before the workshop is conducted.

### **D 1.3.1 A Prioritized development agenda developed by Associations**

- *Create action plans, including specific tasks, clear roles, defined responsibilities and timelines to address selected barriers*

#### **Completed during this quarter**

Initial work on the agenda was begun. Building on the work of the previous three (3) quarters, the Project used the “business constraints,” identified by the Federation membership as a basis for preparing a “Snap Shot” of necessary legislative and regulatory reform. By including certain “business constraints” (now referred to as “reforms”) along with other necessary reforms culled from industry reports and meetings with other financial sector projects, the Snap Shot is designed to give the Federation a better understanding of how reform concerns fit within a larger financial sector agenda.

The Federation Advisory Committee memberships were assigned and the groups began operation. The Committees are designed to build member expertise in key areas, interface with external organizations in working in their subject areas, and develop recommendations for the activities of the shareholders and staff.

#### **Upcoming during next quarter**

Next Quarter, the Federation will begin researching and prioritizing reforms then developing action plans. The Project will work closely with the Advisory Committees to develop reformation objectives, providing a variety of technical assistance in the process. Additional advocacy training will accompany this assistance.

### **D 1.3.2 GoI champions for association reform agenda identified and engaged**

- *Develop tailored approach and cultivate relationships with potential champions for private financial sector development within key GoI and private sector entities*

#### **Completed during this quarter**

The Project team is creating a Private Financial Sector Task Force to define requirements for and support private financial sector development. It continued the process of securing and cultivating participation for the Task Force by GoI ministries, legislators, private sector institutions and representative organizations. This process has secured the willingness of participation from the core legislative and government ministries responsible for directing financial services. Recruitment of non-bank private sector organizations continues.

#### **Upcoming during next quarter**

With the Federation established, there can be informed representation of private banking on the Task Force. The Task Force membership will be refined and solidified. Then the first Task Force meeting will be held to initiate a partnership and analytical discussions of what action is needed.

- *Convene Private Sector Development Task Force, consisting of key GoI and private financial sector stakeholders with goal of achieving long-term sustainability of group*

### **Completed during this quarter**

The Project completed planning for the Task Force Inaugural meeting inclusive of approval of funding

### **Upcoming during next quarter**

The inaugural meeting for the Financial Development Task Force is scheduled to take place in December, 2011.

- *Jointly construct Blueprint for private financial sector development, based on reform agenda created by the Association*

### **Completed during this quarter**

Analysis of the private bank development/reform targets as proposed by the private bankers was conducted to ensure that the joint construct represents a realistic reform agenda. The objective is to ensure it is grounded in strengthening of the private banking sector's contribution to Iraq's financial sector development.

The initial list of target legal reformation opportunities includes:

1. Credit reporting policies and procedures.
2. Retail payments "super regulation."
3. Secured transactions on movable property and registry.
4. Removal of policy restrictions for private banks on doing business with the government and state-owned enterprises.
5. Change to policy limiting the issuance of letters of credit by private banks.
6. Creation of a concept paper on deposit insurance.

### **Upcoming during next quarter**

The Project will revise and complete the draft Blueprint during the upcoming quarter.

### **D.1.3.3 Communications Plan implemented including the launch of a public education campaign to inform public about the role of banks in the economy**

- *Take action to implement communications plan*

### **Completed during this quarter**

In addition, an initial basic communications plan was created to begin generating awareness. The Federation logo was designed and adopted. A simple brochure was created to explain the Federation and remind contacts of meetings and commitments. Outreach to the Union of Arab Banks led to Federation membership in the Union representing Iraq private banking.

### **Upcoming during next quarter**

To drive this, a short term communications advisor will assist the Federation design a complete plan this quarter. In a phase the following quarter, the advisor will help the Federation implement the plan using Iraqi market research and public relations resources as needed.

- *Create marketing tools and promotional materials*

**Completed during this quarter**

Logo designs solicited from Iraqi public relations experts and a logo representing the banks coming together to grow the private banking sector was picked. Business cards, stationery, an official stamp, and signage were created. Additionally both a brochure and a fact sheet were designed and produced. The Federation Managing Director was assisted to get a Federation email and explore setting up a Federation domain for other email and, longer term, a Federation website.

**Upcoming during next quarter**

A membership recruiting package will be built. A press release showcasing the Federation initiation and its first activities will be formulated and released. At the November annual conference of the Union of Arab Banks, the Federation will sponsor a booth showcasing Iraqi private banking and the goals of the association. The booth will be a focal point for members to meet with regional banking representatives and other financial institutions during the Conference.

- *Determine communication procedures with members and affiliates*

**Completed during this quarter**

The Project team analyzed the communications processes involved in pursuing the steps to Federation Registration. The lack of effective communication between the Federation attorneys' staff and the private bankers extended the process by several weeks. Through conversations with the bankers and others, ways to ensure use of email and phone calls instead of personal visits were explored.

**Upcoming during next quarter**

Communicating beyond the members requires a base of internal communication to support it. With support of the short term communications advisor, agreements about expeditious communication must be reached with members and procedures established by Managing Director.

- *Create public awareness campaign to educate public, investors and the financial community about Association(s)' activities*

**Upcoming during next quarter**

A public awareness campaign to begin educating the public and the financial community about the activities of the Federation will be designed by the short term advisor.

**D 1.4.1 Regional and International Linkages Established With Other Associations and Industry Groups**

- *Visits to regional banking organizations to profile international best practices and foster linkages*

**Completed this quarter**

To begin setting up UAB membership for the Federation, the Managing Director initiated contact with the Iraq Representative of the Union of Arab Banks established in 1974 to create a support system for the banks of the Arab states. Preliminary UAB response to Federation membership has been extremely positive. An application was prepared and fees negotiated and paid.

**Upcoming next quarter**

The Project is assisting the Managing Director with arrangements for a Federation delegation to visit the UAB headquarters in Beirut, Lebanon in October to finalize membership. The Federation with Project

assistance will also sponsor a booth at the UAB annual conference in November to showcase Iraqi private banking and the goals of the Federation.

#### **D 1.4.2 Association Linkages to University Programs Established**

- *Tap universities with focused banking and finance programs to link with private banking association and Task Force to conduct research and policy papers*

##### **Completed during this quarter**

The legal team drafted and got Federation approval for a letter of Cooperation with four Colleges/Institutes of Administration and Finance in Baghdad universities in support of Component 3.

##### **Upcoming during next quarter**

The Federation with Project support will begin meetings of Federation representatives from the Federation Employee Quality Advisory Committee and University Deans to develop a joint agenda.

#### **D 1.5.1 Four to Five Targeted Policy, Legal, Regulatory and Administrative Reforms Implemented that Quantitatively and Qualitatively Expand Financial Sector Intermediations**

- *Review existing banking laws and determine areas for reform/development*

##### **Completed this quarter**

The Project prepared a “Snap Shot” of necessary legislative and regulatory reform after review of existing financial sector laws, assessments prepared by previous projects, and discussions with colleagues on other projects. The Snap Shot is organized into six (6) targeted sections: Large Scale Reforms, Entities Providing Financial Services; Funding Sources; Lending Environment; Government Policies and Insolvency. The Snap Shot will be used by the Project to help identify areas of reform and necessary development.

In the preparation of the Snap Shot, the Project reached out to other projects and donors regarding parallel reform agenda including other USAID-funded projects.

##### **Upcoming next quarter**

The Project Legal Team plans to meet and work with the CBIs Legal and Supervisory Departments to gain an understanding of the CBI’s legislative and regulatory priorities.

- *Determine legislative/regulatory process required to obtain approval*

##### **Completed this quarter**

Since the research regarding the basic legislative/regulatory processes applicable in Iraq was completed in previous quarters, the Project is now seeking a better understanding of the reality of the legislative process, specifically how Parliamentary Committees consider and advance pieces of legislation. The Project strengthened its working relationship with the USAID/Legislative Strengthening Project to gain better insight into the political aspects that affect the consideration of legislation by the Council of Representatives (CoR).

### Upcoming next quarter

The legal team and the Task Force team will continue research into the most effective ways to influence both the CoR processes and the regulatory processes of the Central Bank of Iraq and the Ministry of Finance. These are the public agencies most involved with the environment affecting banking.

## 2) Implementation Issues and Challenges Faced

**Challenge:** Because a significant role of the Federation is effective communication and public relations with a wide variety of audiences, the Federation requires extensive communications assistance and guidance.

**Solution:** The Project is seeking a short term communications advisor to set up a communications plan for the Federation and train the staff in pursuing it. This may require more than one period of time.

**Challenge:** Another key part of the Federation mission is unified advocacy. The Project can begin the training in this area but more experience in this training is needed.

**Solution:** The Project will work with the National Democratic Institute which has a good background in this capacity building to address the issue.

**Challenge:** A wider constituency for legal reform is required to drive more rapid white paper development and mobilization of the Private Financial Sector Task Force.

**Solution:** The Project will engage an international legal reform advisor to engineer this process.

## 3) Chart on Deliverables and Activities

Activities		Year 2								
		Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12
I	COMPONENT 1: Enhance the Advocacy Capacity of the Private Financial Sector									
IR 1.1: One or More Industry Associations the Represents Effectively the Interests of the Private Financial Sector and is Self-Sustainable, as Measured by Financial and functional Sustainability and Member Involvement and Satisfaction										
D 1.1.1	Strategic Plan targeting Institutional development, and sustainability of one or more industry associations(s).									
1.1.1.2	Select private banking group (existing or new) to develop as advocate for the private banking sector									
b	Implement course of action to establish/strengthen organization	Recurring Activity								
c	Negotiate Engagement Agreement Letter of cooperation with association(s) for technical assistance:									

Activities		Year 2								
		Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12
1.1.1.3	Develop Strategic Plan in tandem with Association(s)									
a	Assist in developing Governance Plan, with annual review									
b	In consultation with association, design basic Strategic Plan, with annual update									
c	Formally present Strategic Plan to organization and gain approval									
d	Design Action Plans with clear roles and responsibilities defined, with quarterly updates									
IR 1.2: Stakeholder Organization's Capacity is Developed to Conduct Policy Research, Public Private Dialogue, Advocacy, and Public Education Efforts to Achieve Targeted Priority Reforms										
D 1.2.1	Training Plan targeted to build the advocacy capacity of the industry association(s) developed									
a	Conduct gap analysis of advocacy capacity within association(s) selected for assistance									
b	Develop Training Plan and update semi-annually									
D 1.2.2	Communications Strategy for Association(s) Developed									
a	Federation approves Communications Strategy									
D 1.2.3	Advocacy Training Plans Implemented									
a	Forge strategic alliance with Iraq Financial Development Project Component 2's Bank Training Institute to develop courses focused on advocacy for association(s)									
b	Determine schedule for delivery of courses and respective locations									
c	Deliver sessions per schedule (TBD)									
d	Implement measures of advocacy training plan									
IR 1.3: A Process of Iraqi-led, Results Oriented, Private-Public Dialogue Among the Industry Association(s), the CBI, CoR, and Other GOI Entities is in Place and Sustained, as Indicated by Research Papers and Public Education Initiatives that result in Recommendations being Implemented										

Activities		Year 2								
		Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12
D 1.3.1	A prioritized reform agenda for financial sector reforms developed by Association(s)									
a	Hold regular working sessions with private bankers to identify, define and refine barriers to development of the sector	Recurring Activity								
c	Create action plans, including specific tasks, clear roles, defined responsibilities and timelines to address selected barriers									
d	Regular review and update of agenda, action plans (at minimum quarterly)									
D 1.3.2	Gol champions for association reform agenda identified and engaged									
e	Deliver and disseminate findings from White Paper and other research									
f	Develop tailored approach and cultivate relationships with potential champions for private financial sector development within key Gol and private sector entities									
g	Convene Private Sector Development Task Force, consisting of key Gol and private financial sector stakeholders with goal of achieving long-term sustainability of group									
h	Jointly construct Blueprint for private financial sector development, based on reform agenda created by the Association									
D 1.3.3	Communications plan implemented including the launch of a public education campaign to inform public about the role of banks in the economy									
a	Take action to implement communications plan									
b	Create Marketing tools and promotional materials			Recurring Activity						
c	Create and implement Public Awareness Campaign to disseminate White Papers and other relevant documents and information									
d	Determine communication procedures with members and affiliates									
e	Develop program for media relations									

Activities		Year 2								
		Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12
f	Create public awareness campaign to educate public investors and the financial community about Association(s)' activities	Recurring Activity								
IR 1.4: Regional and International Linkages with Other Such Associations Established										
D 1.4.1	Regional and International Linkages Established With Other Associations and Industry Groups									
a	Visits to regional banking organizations to profile international best practices and foster linkages									
b	Establish communications with international banking organizations									
D 1.4.2	Association Linkages to University Programs Established									
a	Tap universities with focused banking and finance programs to link with private banking association									
IR 1.5: Four to five targeted policy, legal, or regulatory reforms with all the administrative changes needed for successful implementation to expand financial sector intermediation, that the private banking industry, or private banking sector representative body (if applicable), agree will be supportive to development in the sector										
D 1.5.1	Four to five targeted policy, legal, or regulatory reforms with all the administrative changes needed for successful implementation to expand financial sector intermediation, that the private banking industry, or private banking sector representative body (if applicable), agree will be supportive to development in the sector									
a	Review existing banking laws and determine areas for reform/development									
b	Review existing NGO laws vis-à-vis industry associations									
c	Identify priorities in tandem with Association and Task Force	Recurring Activity								
d	Determine legislative /regulatory process required to obtain approval	Recurring Activity								
e	Assist association in crafting legislation, regulations, instructions for submittal to appropriate government entity	Recurring Activity								
f	Assist Association and Task Force in enlisting support of key advocates inside and outside government	Recurring Activity								

#### 4) Chart on Indicators

PMP IR #	PMP Indicator #	Indicator Title	Unit of Measure	Data Source	Frequency of Collection	Base-line	Associated Deliverable	Yr 1				Yr 2				Yr 1 Actual as % of Yr 1 Target	5 year aggregate
								Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4		
1.1	1.1.1	Number of Associations accepting USG Technical Assistance	Number of Associations [and Branches]	Project Records	Quarterly	0	D111; D112	1	0	0	1	0	0	100%	1		
	1.1.2	Bankers Association Financial Sustainability	Ratio/Percentage	Association members hip records	Quarterly	0	D111; D112	20%	0%	>60%	0%	0%	0%	600%	100%		
	1.1.3	Total Membership of all Associations accepting Project Technical Assistance	Total # of Members	Association members hip records	Quarterly	0	D111; D112	13	0	0	13*	0	0	100%	25		
	1.1.3a	Number of Men	# Men	OBSOLETE GENDER DISAGREGATION . ASSOCIATION/FEDERATION IS INSTITUTIONAL MEMBERSHIP ONLY				NA									
1.1.3b	Number of Women	# women	NA					NA									
1.1.3c	Overall Member Satisfaction of Bankers Association effectiveness	Rating	Survey	Quarterly	0	D111; D112	75%	0	0	0	69%	92%	75%				

PMP IR #	PMP Indicator #	Indicator Title	Unit of Measure	Data Source	Frequency of Collection	Base-line	Associated Deliverable	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015	Yr 1 Actual as % of Yr 1 Target	5 year aggregate
1.3	1.2.1	Number of policy research documents, public-private dialogue sessions, advocacy campaigns and public education measures	Number of documents, events, campaigns, publications	Private Financial Sector Association[s]	Quarterly	0	D131; D132; D133; D134	6	0	0	0	0	0%	104
	1.5.0	Four to Five targeted policy, legal, regulatory or administrative reforms are identified and reform efforts initiated.	Number	Project Records	Quarterly	0	D151	4-5	0	0	0	0	0%	4-5
1.5	1.5.1	Policy, Legal, Regulatory or Administrative Reform #1 Implementation Milestones	Milestones (TBD)	Project Records	Quarterly	0	D151	0	nd	nd	nd	nd	nd	100%
	1.5.2	Policy, Legal, Regulatory or Administrative Reform #2 Implementation Milestones	Milestones (TBD)	Project Records	Quarterly	0	D151	0	nd	nd	nd	nd	nd	100%
	1.5.3	Policy, Legal, Regulatory or Administrative Reform #3 Implementation Milestones	Milestones (TBD)	Project Records	Quarterly	0	D151	0	nd	nd	nd	nd	nd	100%
	1.5.4	Policy, Legal, Regulatory or Administrative Reform #4 Implementation Milestones	Milestones (TBD)	Project Records	Quarterly	0	D151	0	nd	nd	nd	nd	nd	100%
	1.5.5	Policy, Legal, Regulatory or Administrative Reform #5 Implementation Milestones	Milestones (TBD)	Project Records	Quarterly	0	D151	0	nd	nd	nd	nd	nd	100%

\* No Data Available (nd): 2010 data has been published and used to establish baseline data for the project. 2011 data is not expected until mid 2012.

\*\* This indicator has been redefined for institutional rather than individual membership. There are 13 institutional members of the Federation of Private Banks as of 6-30-11 and 9-30-11. Indicator will be revised in 1st QTR of FY 2012

## **B) Component 2: Improve the Development of the Financial Sector through Institution Building and Targeted Reforms**

### **I) Deliverables- Narrative**

#### **Credit Information Bureau**

##### **D 2.1.4: Legal and Regulatory Requirements for Credit Bureau Identified and Recommendations for Needed Changes Drafted**

- *Draft and approve registry subscriber code of conduct*

#### **Completed during this quarter**

The CBI Legal Department has completed review of the Credit Information Legal Assessment and is in the process of preparing a written response to the Assessment. Discussions with the CBI legal team indicate that CBI is willing to adopt comprehensive credit information regulation that will be drafted by the Project. CBI has indicated its preference that the credit information subscriber code of conduct be packaged as part of the comprehensive credit information regulations and not as a standalone document. Developing comprehensive credit information regulations was also discussed during the September, 2011 Credit Information Steering Committee meeting. The Committee is in agreement that comprehensive regulations should be adopted and requested that the October Steering Committee meeting be dedicated to presenting a vision for the proposed regulations by the Project and the CBI legal team.

- *Draft and approve CBI regulations to govern credit information sharing*

#### **Upcoming during next quarter**

The Project will develop comprehensive CBI-issued regulations to govern the collection, processing, reporting and utilization of credit information sharing in Iraq. This regulation is the first of its kind in Iraq and is expected to compliment broader references to credit information governance under the CBI and Commercial Bank Laws. The two-tier regulation (CBI ordinance and accompanying instructions) will also address CBI's obligations towards the credit registry serviced financial institutions, treatment of data subject information and privacy rights as well as dispute resolution instructions between serviced financial institutions. The draft ordinance is expected to be completed for discussion by December, 2011 before finalization and enactment in January – February, 2012.

- *Draft and approve consumer rights' charter*

#### **Completed during this quarter**

Drafting of the consumer rights charter has been completed and is currently pending CBI and the Credit Information Steering Committee discussion and approval. The Charter was the main topic of discussion during the September, 2011 Credit Information Steering Committee meeting during which a vote is expected to be taken on CBI adoption of the Charter. The 12 point Charter highlights CBI credit registry data subject rights with regards to privacy, data accuracy, dispute resolution and access to personal data access.

### **Upcoming during next quarter**

Once adopted, the customer charter will be advertised at banks, posted on the CBI website and highlighted in credit information sharing awareness raising materials and forums.

- *Implement the use of customer consent forms with all registry subscribers*

### **Completed during this quarter**

The use of customer consent by Iraqi financial institutions before the collection and sharing of credit information with the CBI credit registry is one of the key recommendations presented in the Project published *Credit Information Sharing Legal Study*. CBI credit registry data subject consent to share credit information will permit non-bank credit providers such as microfinance institutions, telecom companies and insurance providers to receive customer credit reports from the CBI registry. A customer consent template has been developed and made available to CBI for distribution to lending institutions to include as part of their loan application process. CBI is currently not mandating the use of customer consent for credit information purposes, but has indicated its willingness to mandate the use of customer consent under new credit information regulation currently in development.

### **Upcoming during next quarter**

Based upon Project recommendations, it's expected that during the next quarter, up to five banks (United Investment Bank, North Bank, Credit Bank, Gulf Bank and Baghdad Bank) and Al-Thiqa microfinance institution will voluntarily require completed customer consent forms from new loan customers. Once customer consent is mandated as part of the credit information regulations currently under development, it's expected that all Iraqi banks will require customer consent to share credit information.

## **D 2.1.5 Public Education Campaign(s) Launched to Inform Public about the Role of a Credit Bureau in the Financial Sector**

- *Conduct Train of Trainer workshops for Registry customer care staff*

### **Upcoming during next quarter**

The Project will complete the Train of Trainers (TOT) course outline, identify and secure consultants to deliver the courses, and identify and reach out to the target group which will participate in the training. The culmination of the preparatory work done during next quarter will result in a three day training of trainers' workshop, conducted for the benefit of select CBI credit registry staff. The course is expected to be conducted in March 2012 with the enactment of CBI's credit information customer service function and procedures and will be conducted by a specialized customer service specialist trainer identified by the Project. The workshop aims enhance CBI capacity to initiate and operate a credit information customer service function to directly deal with credit registry data subjects. Graduates of the program are expected to deliver the training to other CBI staff working in customer-contact environments as well as commercial bank staff managing credit information related enquires from their customers.

- *Awareness workshops for frontline credit staff at commercial banks (three workshops 2012; two workshops annually thereafter).*

### **Upcoming during next quarter**

Preparations will be made by the Project to conduct the Awareness Workshops in conjunction with activities associated with the TOT workshops discussed above. The CBI participants trained during the

TOT workshops will be the individuals facilitating these Awareness Workshops. The three workshops will be conducted by certified CBI registry staff for the benefit of commercial bank loan officers and loan application processors. The one to two day events aim to upgrade loan officer knowledge of the credit registry processes, available information, planned future development and data subject rights. A significant portion of the training will also address credit reporting ethics and the code of conduct to be upheld by Iraqi lenders when dealing with credit information. At the end of the workshop, attendees should be able to better service their customers' credit information enquires, make better use of the credit information services availed by the CBI credit registry, appreciate the importance of reporting accurate and timely loan data to the CBI registry and be better prepared to partake in the Iraqi credit information development process. Both workshops will be led by CBI and are expected to be conducted between April and May 2012. The workshops will be organized by the Project with input and possible contribution from the Federation of Iraqi Private Banks.

- *Develop and launch CBI Registry website*

#### **Upcoming during next quarter**

A webpage for the CBI credit registry will be developed as part of the credit information public awareness raising campaign. The website will include material such as the Credit Information Customer Rights Charter, a guide on how customers can read and understand their credit report, frequently asked questions on the credit registry processes and contact information for the registry's customer service function. The webpage will be developed jointly between CBI and the Project and is expected to launch in December, 2011.

- *Initiate customer care function*

Additional discussion is necessary with the CBI in order to determine their final position on the need for this function. An update will be provided within the next Quarterly Progress Report. Notably, developing customer service procedures for the purpose of resolving data subject – registry related issues and training CBI and commercial bank staff on these procedures will be conducted regardless of a standalone customer service function/center at the CBI credit registry.

- *Develop promotional material in conjunction with CBI and commercial banks*

#### **Upcoming during next quarter**

The Project will develop a series of promotional materials as part of efforts to raise public awareness about credit information services in Iraq. The material includes brochures, pamphlets, press kits, and a webpage. All materials will be developed in coordination with CBI. Once materials templates are developed, commercial banks will be offered the opportunity to co-brand the materials in return for printing and helping distribute the materials to their customers and the general public. Material development and publishing is an ongoing activity throughout the year and will continue for the lifetime of the Project.

- *Two credit information seminars and toolkit for economic/ financial journalists*

#### **Upcoming during next quarter**

Two credit information awareness raising seminars targeting bankers and the broader financial sector community will be conducted in December 2011 and January 2012 respectively. The open-invitation will present the CBI vision for credit information services in Iraq as well raise awareness to recommended

credit information practices. The seminars will also shed light on credit information consumer rights and the rights and obligations of credit information stakeholders including CBI, banks, microfinance institutions and data subjects. The events will be conducted in Baghdad and Erbil respectively.

The seminar events will also be used to launch the journalist toolkit and information packet. Preliminarily, this ‘toolkit’ will consist of: i) background material on the Project, ii) background material on credit information, iii) status of credit information in Iraqi summary, iv) list of bankers and CBI staff willing to conduct interviews on the topic, and v) an article written by a Project paid journalist, all subject to USAID approval. This toolkit will provide background material as well as ready to publish articles on credit information services in Iraq. The toolkit will help Iraqi media outlets better communicate the value of credit information and raise awareness among the general populace to their credit information rights and obligations.

The Project is working on formulating a strategy with the assistance of Communications expert which will have the overall goal of raising awareness to the Credit Information Bureau activity. Important to note is that the Project will work with the Federation of Iraqi Private Banks in the creation of and dissemination of the CIB communications materials to the public, along with other members of the banking community.

## **Bank Training Institute**

### **D 2.2.2 Bank Training Institute Established**

- *Process through the foundational and institutional development phases of BTI Establishment*

#### **Completed during this quarter**

The Implementation plan for the establishment of an Iraqi Bank Training Institute was completed and submitted to the Steering Committee for approval. The implementation plan was developed, bringing together information in the Foundational White Paper on the Establishment of the Bank Training Institute with the current circumstances within the Iraqi banking community. The plan is structured to develop the operational, administrative and educational elements of the BTI based a selection of the most appropriate best practices of similar institution from across the world. The plan has been reviewed by the Steering Committee and accepted as the action plan to be followed. Sub-committees on Accreditation, Education and Operations have been established. The subcommittees have started to take up their responsibilities.

- *Appoint the Management Board of the BTI*

#### **Upcoming during next quarter**

BTI development efforts will focus on setting up operational and administrative policies and procedures. The objective of these activities will be to create a structure for the BTI to achieve international accreditation. In line with the implementation plan policies for training activities, trainer selection as well as roles and responsibilities of all BTI staff will be developed. In addition, international standards for training management will be reviewed and adopted for use by the BTI. Standards and guidance from the Accrediting Council for Continuing Education & Training will form one of the pillars of this activity.

### **D 2.2.3 Training of Trainers and Curriculum Development Underway**

- *Curriculum Development (continuous activity)*

#### **Completed during this quarter**

Work commenced on the development of a BTI core curriculum of courses for commercial and central bankers. The core curriculum will address current educational needs of these groups focusing in on activities such as English language and technical skills. Development of curriculum subject matter was based upon interaction with both commercial and central bankers. In addition to a survey of commercial banks, senior executive level discussions provided input to the process for this group. Proposed Central Bank subject matters were determined in coordination with the CBI. Courses which will compose the initial curriculum for the commercial banks include Trade Financing, understanding of International Financial Reporting Standards, reporting requirements for the Central Bank, and others. Courses for specifically for the Central Bank will include risk management, auditing and supervision, and central bank operations. For both groups English language training has been identified a necessity.

#### **Upcoming during next quarter**

Work will continue on the development of a portfolio of seminars for the Bank Training Institute. These efforts will be directed toward creation of a range of educational offerings at the BTI to allow for menu of learning options be available. Specific focus during the period will be English language; a range of materials from leading publishers has been selected and will be tested for used. Additionally, resources will be invested in development of course work material for Trade Financing, understanding of International Financial Reporting Standards, reporting requirements for the Central Bank, and others.

### **D 2.2.4 Regional Linkages to other Bank Institutes Established**

#### **Upcoming during next quarter**

Contacts will be made with regional and international bank training institutes. Efforts will be undertaken to develop these relationships by visits and exchanges of personal and information. The Institute Bank: Bank Malaysia and the Omani College of Banking and Financial Studies have been selected for a possible study tour. These institutes were selected because of both their forward looking approaches as well as similarities with the Iraqi environment.

### **Retail Payment System**

#### **D 2.3.2 Achievement of Phase 2 of the Retail Payment System**

- *Participate in the Selection of a National Switch and Mobile Payment System Provider*

#### **Completed during this quarter**

During the reporting quarter, technical requirements for the National Switch, the Mobile Payments System, and the infrastructure needed to support these major systems were developed, completed, and delivered to the CBI for their review. Meetings were held with CBI legal, business, and technical representatives to discuss the tender steps and schedule, after which the Project developed steps to execute the tender procedures and delivered these to CBI for review and approval. Comments from CBI were received and a further round of discussions is in progress.

In preparing to distribute the tender, the Project identified a number of potential members of Bidder consortia, including software suppliers, service providers, banks, MNOs; and held some preliminary discussions with them to gauge interest.

At the request of the CBI legal department, the Project developed synopses in Arabic of the legal and regulatory sections of the payment system RFP. Comments on these synopses are expected early in the following quarter.

Two workshops were held with the CBI Payments Team to introduce them to the business model which will be used to help assess bidder RFP responses for the Retail Payment Systems Infrastructure (RPSI).

#### **Upcoming during next quarter**

The Project will host a meeting with international and Iraqi banks, as well as Microfinance Institutions (MFI) to present the proposed RPSI changes in November, as part of the “Integrating the Banking and Financial Services Sector in Iraq” conference. The opening section of RPS bidders conference portion of this meeting is intended to inform the CBI bank participants of the payments system of the upcoming system features of the National Switch and Mobile Payments Systems, and build interest in the system. In addition, the conference will allow CBI to prequalify the bidders prior to formal launching of the tender.

Translation of all the reports related to the RPSI will be completed by mid-October and delivered to the CBI for their review. Final rounds of review on legal proposals can then be carried out, and the tender is expected to be completed and issued by the CBI to local and international systems integration firms in November.

The Project retail payments team will draft an "Instruction" for CBI to issue in order to inform payment system participants about the regulatory framework for mobile payments and retail payment systems infrastructure.

- *Enhancements of the IPS Infrastructure to Support Retail Banking*

#### **Completed during this quarter**

In March 2011, the Project made recommendations to CBI regarding the enhancement of the inter-bank settlement systems needed to accommodate the addition of the retail payment systems. These modifications are required to be in place prior to implementing the RPSI, and the Project is encouraging the CBI to contract with the software developer, Montran Corporation, who has submitted a proposal to the CBI to perform the work. The Project understands that a committee considering the enhancements has concluded that they should be carried out urgently. The Project is working with the CBI to facilitate the next steps.

#### **Upcoming during next quarter**

Encourage CBI, directly and via US Treasury representatives, to move forward quickly on the enhancements. The enhancements should be in place by Q2 FY 2012 in order to allow CBI resources adequate time to test the system changes. These same CBI resources will need to monitor and support the Retail Payment System project and CBI will be unable to manage two major software implementation projects running concurrently.

## IR 2.4 CBI has a complete Request for Proposals for a CORE system that could be used for a bid

### Completed during this quarter

Drafted a Request for Information (RFI) for obtaining information from companies who market core banking systems and delivered to CBI for their review.

Drafted and delivered to CBI IT assessment guidelines and requested that CBI staff be assigned to assist with executing an assessment of the technology and infrastructure at the CBI main and branch offices. The assessment report will contain written and digital information which will be provided to potential bidders in order that they be able to more accurately estimate their price to implement.

### Upcoming during next quarter

The Project will propose to CBI to engage the services of a local IT firm to perform an assessment of the technology and infrastructure at the CBI main and branch offices.

CBI issue a Request for Information to companies who market core banking systems, focusing on firms providing such services in the Middle East. This information will be used to pre-qualify firms, and will be used in the drafting of the proposal.

## 2) Implementation Issues and Challenges Faced

**Challenge:** Time necessary to get translations done of the substantial technical documents produced during Project Year 1.

**Solution:** Local and regional translation companies were identified and formal processes implemented to allow Project staff to submit documents for translation. Translations are currently underway.

**Challenge:** Time taken by CBI to review material and take decisions

**Solution:** This not unexpected as CBI resources are overstretched and senior management decision process is complex. Project to assist by agreeing to plans and delivery dates with CBI and monitoring execution.

## 3) Chart on Deliverables and Activities

Activities		Year 2								
		Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12
II	COMPONENT 2: Improve the Soundness of the Private Financial Sector Through Institution Building and Targeted Reforms									
IR 2.1: A Legal and Regulatory Framework for Establishing a Credit Bureau is in Place and a Credit Bureau is Operational										
D 2.1.4	Legal and Regulatory Requirements for Credit Bureau Identified and Recommendations for Needed Changes Drafted									
a	Draft and approve registry subscriber code of conduct									

Activities		Year 2								
		Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12
b	Draft and approve CBI regulations to govern credit information sharing									
c	Draft and approve consumer rights' charter									
d	Implement the use of customer consent forms with all registry subscribers									
<b>D 2.1.5</b>	<b>Public Education Campaign(s) Launched to Inform Public About the Role of a Credit Bureau in the Financial Sector</b>									
a	Initiate public awareness, customer care and media relations function within CBI Registry	Recurring Activity								
b	Conduct Train of Trainer workshops for Registry customer care staff									
c	Awareness workshops for frontline credit staff at commercial banks (three workshops 2011 - 2012; two workshops annually thereafter.									
d	Develop and launch CBI Registry website									
e	Initiate customer care hotline									
f	Develop promotional material in conjunction with CBI and commercial banks	Recurring Activity								
g	Two credit information seminars and toolkit for economic/ financial journalists									
h	Target twenty media mentions annually (press, audio, and visual)	Recurring Activity								
IR 2.2: A Sustainable Organization/Partnership for Providing Financial Sector Training and Professional Development is Established and Able to Deliver Courses Based on International Standards and In Response to Financial Sector Requirements										
<b>D 2.2.2</b>	<b>Bank Training Institute Established</b>									
a	Process through the foundational and institutional development phases of BTI Establishment									
b	Appoint the Mangement Board of the BTI									
c	Proceed through the institutionalization state of BTI Establishment									

Activities		Year 2								
		Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12
D 2.2.3	Training of Trainers and Curriculum Development Underway									
a	Curriculum Development (continuous activity)	Recurring Activity								
b	Recruit and Mobilize Trainers									
c	Begin TOT Training courses									
D 2.2.4	Regional Linkages to Other Bank Institutes Established				Recurring Activity					
IR 2.3: A Comprehensive Retail Payments System is Operational and a Solution for a National Switch Model is Proposed										
D 2.3.2	Achievement of Phase 2 tasks for the Retail Payments System									
2.3.2.1	Participate in the Selection Process of a National Switch Provider									
a	Develop a detailed statement of requirements for the National Card Switch based on the conceptual specifications									
b	Draft terms and conditions for RFP									
c	Agree RFP process with CBI									
d	Assist with preparations of a request for proposals (RFP)									
e	Refine and complete RFP document									
f	CBI Invite Proposals and Issue RFP (listed in WP but work done by CBI)									
g	Support CBI in the review of proposals from providers									
2.3.2.2	Enhancements of the IPS Infrastructure to Support Retail Banking									
a	Conduct Operational Readiness Training(s) for CBI / System Operator Management and operations team									
i	Prepare training materials									
ii	Preparing statistical data from IPS systems									

Activities		Year 2								
		Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12
viii	Business / Pricing model, setting fees and charges									
b	Grant Funded Training (subject to Grant Funding Approval)									
ii	Study tour re operational and legal aspects of retail payment systems									
IR 2.4: CBI has a complete Request for Proposals for a CORE system that could be used for bid										
a	Technical Assistance for the specifications and writing of a Request for Proposal (RFP) for the CBI to procure replacement Core Banking Software									
i	Draft Request for Information (RFI) to distribute to companies providing Core Banking Systems for Central banks to gather information regarding their systems, needed for inclusion in the RFP									
ii	Incorporate standard RFP sections already approved from review of the RPSI RFP									
iii	Issue RFI, and analyze the responses									
iv	Create IT assessment tool to determine current IT status at CBI main offices and branches, to obtain information to be included in the RFP									
v	Obtain approval from CBI to assign resources to perform the IT assessment, train the resources, and execute the assessment									
vi	Translation of the RFP (subject to timely translation service)									
vii	Submit the Arabic and English version of the RFP to the CBI to issue the solicitation.									

#### 4) Chart on Indicators

PMP IR #	PMP Indicator #	Indicator Title	Unit of Measure	Data Source	Frequency of Collection	Baseline	Associated Deliverable	Yr 1 Target	12/31/2010	3/31/2011	6/30/2011	9/30/2011	Yr 1 Actual as % of Yr 1 Target	5 year aggregate
		<b>Yr 1 Component 2 Indicators</b>						Yr 1	Qtr 1	Qtr 2	Qtr 3	Qtr 4		
2.1	2.1.2	Milestones to putting the legal and regulatory framework in place and making a credit bureau operational.	Milestones (see PIRS)	Project and Stakeholder Documents	Quarterly	0	D211; D212; D213; D214; D215; D216; D217; D218	1-3	0	0	0	3	100%	8
2.2	2.2.1	Milestones to measure the steps necessary to establish The Banker's Training Institute that is sustainable and an effective industry training mechanism.	Milestones (see PIRS)	Project Records	Quarterly	0	D221; D222; D224; D228	1	0	0	0	1	100%	8
2.3	2.3.1a	Phase I Completed	Milestones (see PIRS)	Project Records	Quarterly	0	D231	10	0	4	3	0	70%	10

## **C) Component 3: Improve the Quality and Availability of Finance and Business Education**

### **I) Deliverables- Narrative**

#### **D 3.1.1 GAPS Analysis of at Least Two Existing Business and Finance University or College Program Conducted**

##### **Completed during this quarter**

During the quarter the Project, working with its sub-contractor the United Arab Emirates University Faculty of Business and Economics, completed a comprehensive assessment of finance and banking education among Iraq's Colleges of Management and Economics. The study was the first ever to address an evaluation of the MoHE mandated curriculum in finance and banking. The study is entitled, "Finance and Banking Education in Iraq: A Skills Gap Analysis and the Way Forward." The study included an evaluation of the existing finance and banking curriculum being taught in Iraqi Colleges of Management and Economics. The study benchmarked the Iraqi curriculum in finance and banking against international standard curricula from the United States, the United Kingdom, Australia and the Middle East. The researchers then revised the existing finance and banking curriculum consistent with international standards. The model international standard curriculum is included in the report. The study included an evaluation of ten (10) university programs in finance and banking in Iraq and included substantial involvement of the private sector banks (21) in helping the researchers identify gaps in the existing curriculum and changes necessary for graduates to be more immediately employable in the Iraqi private banking sector. The report is considered a major step forward in introducing Iraqi business and finance educators to an international standard curriculum. The report closes with the way forward for Iraq's Colleges of Management and Economics through accreditation by the Association to Advance Collegiate Schools of Business (AACSB-International). The report has been summarized and is currently being translated into Arabic for wider distribution to the MoHE and the Colleges of Management and Economics. The report was formally submitted to the Minister of Higher Education on September 21, 2011.

##### **Upcoming next quarter**

During the upcoming quarter, the Project will hold a meeting with officials from the MoHE and designated universities to discuss the report and its findings. The purpose of the meeting is to introduce the findings of the report in detail and to discuss the model curriculum for an international standard finance and banking curriculum throughout Iraq. The meeting will also address the steps necessary to introduce curricular change to the existing curriculum to bring it in line with an international standard.

- *Sign MOUs with Partner Colleges*

##### **Completed during this quarter**

During this quarter three MOUs were prepared in English and Arabic with which to establish a modus operandi for working with the identified partner universities. These identified partner universities were Baghdad University, Al Mansour University College and Al Mustansiriyah University. Following guidance from USAID, the MOUs have been indefinitely tabled. Likewise a proposed MOU with the Ministry of Higher Education and Scientific Research (MoHE) was also drafted and translated to Arabic along with a Letter of Cooperation which was also requested from the Minister of Higher Education and Scientific Research. The Letter was prepared to authorize the respective University presidents to direct the deans of

their respective Colleges of Management and Economic to cooperate with the Iraq Financial Development Project. The MOU with the MoHE has been tabled indefinitely.

**D 3.1.2: Upgrade existing finance and business programs and introducing new programs. Conducting faculty training, upgrading course materials, introducing international standards for project administration and accreditation, facilitating partnerships with regional and U.S. universities**

- *Sign letter of Cooperation with MoHE*

**Completed during this quarter**

A letter of cooperation (LOC) was prepared by the Ministry of Higher Education and will be signed during the month of October, 2011. The letter authorizes Baghdad University, Al Mansour University College and Al Mustansiriyah University deans of the Colleges of Management and Economics and the dean of the Institute for Higher Studies in Accounting and Finance to engage with the Project on its activities in regard to the Joint Council, the AACSB grant applications, and the fixed obligation U. S. and regional partner university grants. Additionally, during the quarter the Project completed a solicitation and accompanying RFP for fixed obligation grants to support partnering arrangements with U. S. and regionally accredited universities to engage directly with partner Iraqi Colleges of Management and Economics. Eleven requests were received for RFPs and eventually three proposals were submitted to the Project for consideration. During the quarter the three proposals were evaluated by the Project.

**Upcoming during next quarter**

Effective with the next quarter three fixed obligation grants will be recommended to USAID for award. If approved by USAID, implementation of the partnering grants will begin by December 1. Shortly thereafter visits will be arranged for consultants from each U. S. and regional university to visit Baghdad and to meet with their respective partner College of Management and Economics. Meetings will be coordinated by the Project for the consultants to meet with the deans and faculty of each college to discuss the purpose of the grant in more detail and to outline the objectives of the grant and proposed timeline and milestones to completion. Each fixed obligation grant is envisioned to be two years in duration.

- *Propose specific upgrades in the non-mandated part of the “existing” curriculum for immediate implementation at Partner colleges to bring the former up to international standards (subsequent to the Gaps Analysis).*

**Completed during this quarter**

During the past quarter the Project completed the assessment of the MoHE mandated and non-mandated parts of the finance and banking curriculum and identified necessary upgrades to bring the overall curriculum up to an international standard. Additionally, the Project developed an “Announcement of Grant Opportunities” for partnering with Iraqi partner universities. The Project also developed an RFP for interested university respondents. This announcement was distributed to several hundred U. S. and Middle East AACSB accredited universities. The purpose of the announcement was to advise U. S. and Middle Eastern universities about the opportunity to engage with Iraqi Colleges of Management and Economics, in general, and in specific academic area. Examples of specific areas for cooperation included completing a feasibility study to establish a “Center of Excellence in Finance and Banking Education (key longer term recommendation of the Gaps Report), holding workshops on and establishing “Internships, Scholarships and Career Development Centers,” holding workshops and implementing “Centers of Teaching Excellence” and preparing and holding workshops on establishing

“Entrepreneurship and Innovation Centers.” All of these initiatives were included as recommendations in the Gaps Report. The grant awards also identify direct partnering and establishing mentoring relationships toward AACSB accreditation for Baghdad University’s College of Management and Economics and also Al Mansour University College. Approximately fifteen (15) RFPs were received. Ultimately, three (3) universities responded with initial proposals and budgets. The three universities were the University of Dubai, James Madison University and Shippensburg University of Pennsylvania. These proposals were reviewed by the Project which then drafted a comprehensive letter to each university respondent identifying how their proposal should be reconsidered consistent with the specific needs of the Iraq Financial Development Project. The deadline for receipt of revised proposals was September 20, 2011.

#### **Upcoming during next quarter**

During the next quarter, the Project team will meet to evaluate final proposals and to recommend awards to USAID. It is planned to announce awards in early October, 2011. It is also anticipated that initial implementation of the grant awards will begin on or about December 1, 2011. During the next quarter the Project will also meet with the deans of the partner Colleges of Management and Economics to disseminate the results of the curriculum assessment and to propose changes to the non-mandated part of the curriculum.

- *Begin dialogue with university administration of the Partner Colleges on requirements for international accreditation*

#### **Upcoming during next quarter**

During the next quarter, the Project will engage directly with the three partner Colleges of Management and Economics to move forward on their membership applications in the AACSB. The Letter of Cooperation (LOC) from the MoHE will also enable the deans of the respective colleges to engage with the Joint Council which is designed to provide a mechanism for cooperation between the Colleges of Management and Economics with the newly established federation of private banks.

- *Identify subject specialists to serve as trainers for incorporating curricula changes (STTA)*

#### **Completed during this quarter**

During the quarter the Project identified subject areas for improvement consistent with the results of the assessment of the finance and banking curriculum. Initially, three subject areas are in need of strengthening within the Colleges of Management and Economics programs in finance and banking. These initial areas targeted for strengthening are international finance, corporate finance, and Contemporary Issues in Finance and Banking Education. The Project distributed an announcement of STTA consulting opportunities for faculty from AACSB accredited universities to design and conduct seminars in Iraq on the identified subject areas. Over two hundred announcements were sent to AACSB accredited universities in the U. S and the Middle East. The Project contacted ten (10) university schools of business in the U. S. and the Middle East to identify the desired faculty consultants. Currently two STTA faculty consultant subject specialists have been identified and discussions are underway with each potential STTA faculty consultant.

#### **Upcoming during next quarter**

During the upcoming quarter the Project will finalize discussions with the two identified faculty consultants (STTA) and continue to identify one additional STTA faculty consultants for assignments in Iraq. The Project has established December, 2011/January, 2012 for the first STTA assignment. The second assignment is projected for March, 2012 and the third for June, 2012. However, specific dates for

these STTAs will depend on consultant faculty availability and consistent with the Iraqi higher education academic calendar.

- *Conduct TOT of selected subject specialists*

#### **Upcoming during next quarter**

During the next quarter the Project plans to have completed identification of the three subject specialists to hold seminars with selected Iraqi finance and banking education faculty. Target date for identification of the three STTA specialists (trainers) is during October, 2011. Implementation of the first of the three TOT seminars is tentatively planned for December, 2011 or January, 2012 on Contemporary Issues in Finance and Banking Education. As indicated, the Project is finalizing discussion with two proposed faculty consultants for recommendation to USAID. During the next quarter the Project team will have identified dates for the first seminar in December/January and the topic of the seminar.

#### **D 3.3.1 Mechanism for cooperation between the private sector and the Partner Colleges in Place**

- *Provide guidance and facilitate the formation of the Strategic Advisory Joint Council*

#### **Completed during this quarter**

Letter of Cooperation establishing Joint Council between the newly established federation of Iraqi private banks and the respective partner university Colleges of Management and Economics has been drafted.

#### **Upcoming during next quarter**

Anticipate signing of Letter of Cooperation establishing the Joint Council in early October, 2011.

- *Closely monitor the work of the Joint Council associated with the Partner Colleges*

#### **Upcoming during next quarter**

The Project will attend a meeting of the newly established federation of Iraqi private banks to introduce representatives of Colleges of Management and Economics and to discuss rationale for Joint Council.

- *Facilitate the setting up of the “Career Development Centers” within the Partner Colleges*

#### **Completed during this quarter**

The Project received initial grant proposal from the University of Dubai to pursue an initiative to introduce partner Colleges of Management and Economics to the importance of supporting student opportunities through “Internship, Scholarships and Career Development.” The Project responded to University of Dubai with suggestions for improving the proposal and better targeting the initiative. The Project requested that the University provide further information on holding workshops on Internships and Career Development and method of implementation of one or more centers for “Internship, Scholarships and Career Development.” The University of Dubai restructured their proposal according to the guidelines proposed by the Project and resubmitted the proposal and a detailed budget for final review. Both the Shippensburg University and University of Dubai fixed obligation grant proposals have been submitted to USAID for approval.

#### **Upcoming during next quarter**

During the next quarter it is anticipated that a grant will be awarded to the University of Dubai to introduce Iraqi colleges to the importance of centers for “Internships, Scholarships and Career

Development.” Centers are planned for Baghdad University and Al Mansour University College. It is also anticipated that Shippensburg University team will make an initial visit to Iraq for an assessment of the University of Baghdad’s College of Management and Economics.

- *Facilitate contacts between financial institutions and the Partner Colleges through the Joint Council*

### **Completed during this quarter**

During the current quarter the Component 1 and 3 team members worked together regarding the progress with the formation of the new federation of private banks and the progress in having the MoHE sign the letter of cooperation authorizing the Colleges to engage with the Joint Council.

### **Upcoming during next quarter**

The Project will meet periodically with the deans of Colleges of Management and Economics and the newly established federation of Iraqi private banks to facilitate interaction among the representatives of the Joint Council.

## **2) Implementation Issues and Challenges Faced**

**Challenge:** Letter of Cooperation signed by Minister. Numerous visits to the MoHE were made by the Project to receive a Letter of Cooperation authorizing the partner Colleges of Management and Economics to work with the Project particularly in regard to the AACSB membership grants and the Joint Council.

**Solution:** Through persistence, a meeting with the Minister of Higher Education was held on September 12, 2011 where the Project presented the final Gaps report to the Minister of Higher Education, outlined the accomplishments of the Project during its first year and requested that the minister sign a letter authorizing the deans of the Colleges of Management and Economics to engage directly with the Project. The minister agreed to do this. The letter will be signed during the month of October, 2011.

**Challenge:** Responses to the request for RFPs by U.S. and regional universities were extremely limited. Due to the unfortunate incident in June, 2011 and its wide dissemination among the international education community and ongoing security concerns in Iraq generally, there was hesitancy by universities to engage with the Project.

**Solution:** Persistent effort to contact universities both with published advertisements and direct university contact by the Project resulted in three universities sending initial proposals to partner with specific universities through fixed obligation grants. The Project responded to each university with detailed instructions on tailoring proposals to Project deliverables and recommendations of the Gaps Report. Two final proposals and budgets were submitted on September 20, 2011. A third from James Madison University was submitted on September 30, 2011. It is anticipated that final recommendations for these fixed obligation grants will be made to USAID for awards on or about October 1, 2011.

### 3) Chart on Deliverables and Activities

Activities		Year 2								
		Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12
III	COMPONENT 3: Improve the Quality and Availability of Finance and Business Education									
IR 3.1: Two or More Business Schools/Universities Offering Business and Finance Degrees Based on International Standards										
D 3.1.1	Gap Analysis of At Least Two Existing Business and Finance University or College Programs Conducted									
j	Sign MOUs with Partner Colleges									
D 3.1.2	Upgrade existing finance and business programs and introducing new programs. Conducting faculty training, upgrading course materials, introducing international standards for program administration and accreditation, facilitating partnerships with regional and US universities									
b	Sign an letter of cooperation with the MoHE (elaborating the composition and responsibilities of the Steering Committee to facilitate the implementation of Component 3 of the Program)									
f	Propose specific upgrades in the non-mandated part of the 'existing' curriculum for immediate implementation at Partner Colleges to bring the former up to international standards (subsequent to the GAPS Analysis)	Recurring Activity								
h	Propose new curricula/programs for Colleges to the MoHE Curriculum Committee for approval, pending approval by the MoHE	Recurring Activity								
i	Discuss with Partner Colleges the need for upgrading current faculty skills consistent with the proposed curricula/program changes in Activity 3.1.2	Recurring Activity								
l	Begin dialogue with university administration of the Partner Colleges on requirements for international accreditation	Recurring Activity								
m	Identify upgrades to existing administrative practices at the Partner Colleges	Recurring Activity								
n	Identify subject specialists to serve as trainers for incorporating curricula changes									
o	Conduct TOT of selected subject specialists									
p	Monitor the dissemination of acquired training by Subject Specialists to the rest of the faculty									
r	Facilitate the introduction, and monitor the implementation of the proposed changes by the Partner Colleges									
Result 3.3: Sustainable Mechanism in place for University Collaboration with Private Business and Financial Organizations										

Activities		Year 2								
		Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12
D 3.3.1	Mechanism for cooperation between the private sector and at least two existing business and finance University or Colleges in place									
a	Provide guidance and facilitate the formation of the Joint Council									
b	Facilitate the setting up of the “Career Development Centers” within the Partner Colleges									
c	Facilitate contacts between financial institutions and the Partner Colleges through the Council									

#### 4) Chart on Indicators

PMP IR #	PMP Indicator #	Indicator Title	Unit of Measure	Data Source	Frequency of Collection	Baseline	Associated Deliverable	Yr 1 Target	12/31/2010	3/31/2011	6/30/2011	9/30/2011	Yr 1 Actual as % of Yr 1 Target	5 year aggregate
3.1	3.1.2	4.3.2-1: Number of Financial Sector Professionals trained on international standards this year with USG assistance.	# professionals	Project Records/ University Records	Annual	0	D312	40	0	0	34	0	85%	79
	3.1.2a	Number of Men	#Men	University Records	Annual	0	D312	35	0	0	31	0	89%	61
	3.1.2b	Number of Women	#women	University Records	Annual	0	D312	5	0	0	3	0	60%	18
	3.1.4	Number of Iraqi Colleges and Financial Institutions surveyed for the GAPS Analysis	Number of Financial institutions	Project Records	Quarterly	0	D311	11	0	0	31	0	282%	11
	3.1.4a	Number of Colleges of Economics and Administration included in the Gaps Analysis	Number of Colleges	Project Records	Quarterly	0	D311	8	0	0	10	0	125%	8
3.2	3.1.4b	Number of financial institutions included in the Gaps Analysis	Number of banks	Project Records	Quarterly	0	D311	3	0	0	21	0	700%	3
	3.1.5	Number of Deans/program administrators trained in accreditation	Number of deans/administrators	Implementing Partners, project records	Quarterly	0	D312	40	0	0	34	0	85%	40
	3.2.4	Number of partnership agreements between Iraqi Partner Colleges and Regional/international educational institutions	Number of LOC Signatory Universities	Implementing Partners, project records	Quarterly	0	D321	2	0	0	0	2	100%	2

## D) Cross Component Activities/Synergies

As part of ongoing Federation-related activities, the private bank members of the Federation are serving on the following Component 2 initiated Steering Committees:

1. Bank Training Institute—A private bank deputy managing director from the Federation Employee Quality Committee is assigned to attend meetings to represent private banking needs and report issues back to the other members for discussion and action.
2. Retail Payments System—The Federation representative to this steering committee also serves on the Federation Technology Committee which is designed to promote banking improvements and Federation effectiveness through technology.
3. Credit Information Bureau—This steering committee is related to the work of the Federation’s Products and Services Advisory Committee. The representative will report progress back to the Federation Committee for discussion and recommendations.

Four bankers from the Employee Quality Committee also work with Component 2’s Joint Council of Private Banks and Universities for the improvement of Colleges of Administration and Finance.

The Project’s legal advisor continues to work across all three Components providing guidance and direction on pertinent legal, regulatory, and legislative concerns. In addition to the items mentioned within the Component 1 Activities section above, other items of note include:

Assistance to Component 2:

- Legal issues surrounding establishing the Credit Information Bureau, the Bank Training Institute, and the Retail Payment Systems project were addressed.
- Specifically, a Code of Conduct, regarding consumer privacy rights was prepared and presented to the CBI Credit Bureau Steering Committee.
- A Business Risk Analysis was prepared for the proposed BTI, based on an in-depth analysis of Law No. 36 of 1999, “Center for Banking Studies.”
- Finally, a thorough legal review and extensive comments were made on the RFP and draft Licensing Agreement for the Retail Payment Systems proposal.

Assistance to Component 3:

The legal team refined the Letter of Cooperation between Universities and the Federation. This is to be signed by the deans of banking and finance departments of four Iraqi universities and the Federation.

At the Project level, research was conducted with respect to reform sequences in other Arab countries, specifically as they related to deposit insurance, reserve requirements and credit bureaus.

Component Director for Higher Education (Component 3) has worked closely with Component Director for Institutional Strengthening of Private Banks (Component 1) during entire first year of Iraq Financial Development Project. The objective of that cooperation was to establish a “Joint Council” comprised of the Deans of the three partner university Colleges of Management and Economics. The purpose of the “Joint Council” is to provide a vehicle of communication (a bridge) between the academic community engaged in

finance and banking education with the private banking community through active engagement of the Deans and the private banking sector on issues of curriculum, internships, scholarships and career development. Component Director for Higher Education (Component 3) has also attended meetings of the working group to establish the new federation of Iraqi private banks on several occasions.

Additionally, the Component 3 Director has met with Component 2 team members on several occasions to discuss interaction with the universities, the Bankers Training Institute and in regard to the overall Gaps Report. Most recently Higher Education Component Director has engaged directly with Component 2's Financial Sector Continuing Education Specialist regarding to discuss a "Center of Excellence in Finance and Banking Studies." Existing Iraqi law includes provision for a "Center for Banking Studies" to be linked to the Central Bank of Iraq. The Component 3 Gaps Report expressly recommends a feasibility study to establish a "Center of Excellence in Finance and Banking Education." Therefore, this is an area where the two components share interest and expertise.

### III. Grants Management

USAID/Iraq designated \$5 million of the total activity budget for grants to be awarded during the contract years that would support the activities under all three Project components. The grants project is designed to encourage competition when appropriate and to support Project counterparts through various activities including but not limited to trainings, conferences and workshops, policy research and analysis, public education campaigns, additional stakeholder events, scholarship and internship programs, and the establishment of career development and entrepreneurship centers, and a university linkages project.

The Grants Director arrived in April to begin working on a grants strategy and staff training. All three components have been working on listing promising grants ideas, and further refining existing one. These have been coupled with meetings reviewing the process proposed in the grants manual, receiving feedback from USAID which has been incorporated in the revised grants manual and developing tracking and filing systems for grants. (See Grants Summary Sheet Attached, Annex B).

An Iraqi Grants Manager joined the Project 1 June and by 30 June the Project had 33 grants under development across the three sectors with an estimated total value of \$5,965,880 with a projected grantee cost share valued at \$1,295,014.

Six total grants were approved through 30 September 2011 bringing the total number of cleared grants to 6 with an estimated value of \$449,010 and a grantee contribution of \$167,865.

#### **Component 1:**

All four prospective grants in this component are targeted to support The Federation of Iraqi Private Banks, now registered as a Limited Liability Company (LLC). Although the company is legally registered and formed, it is in its start-up period and as such is not yet fully operational which may delay distribution of certain grants. Two of the four grants were approved by the end of September.

#### **Component 2:**

There are sixteen prospective grants in this component, one of which has been cleared by the Grants Committee and the USAID COTR in June and will be completed in August. This is the Study Tour of CBI and Private Bank Members of the Credit Information Bureau which will be hosted by the Lebanese Central Bank. This grant will assist the CBI and CIB members as they get established and functioning here in Iraq.

The other fifteen grants under development are all focused on supporting the new groups and associations that are being formed and started and will be further developed during the next two quarters as the business plans and implementation plans for these groups, which are being formulated now, will be completed. It is anticipated that this will be in the upcoming two quarters when USAID resolves the internal debate regarding needed waivers in order to allow the Project to support these activities.

#### **Component 3:**

There are eleven grants under development and three were cleared by the Grants Committee and the USAID COTR in this year. Component 3 has developed three small starter grants of \$12,000 each to assist the three selected Universities of Baghdad, Al Mansour and Al Mustansiriyah register as AACSB members and begin

the process of self- assessment. These were forwarded to USAID for review on 5 June 2011 and approved on 24 June.

The solicitation for Universities in the Region and the USA to submit grant proposals was finalized and run in the Chronicle of Higher Education on 20 May and 3 June. The following seven universities responded requesting full details and these details were sent out on 07 June in a detailed Request for Proposals.

1	Institute of International Education	New York, USA
2	American University of Cairo	Cairo, Egypt
3	University of North Texas	Denton, Texas
4	University of Dubai	Dubai, UAE
5	Indiana University Kelly School of Business	Bloomington, Indiana, USA
6	George Washington University	Washington DC, USA
7	James Madison University	Harrisonburg, VA, USA

A second mailing was made to over 200 AACSB member Universities regarding the opportunity to submit proposals and mailed out in a separate mailing, in addition to the advertisement in the Chronicle of Higher Education.

Questions regarding the proposals have been received and were answered on 30 June 2011. Final proposals were due 15 August and the Project anticipates awarding several grants in late September or early October.

Review of the received solicitations has resulted in the selection of two grants which were put forward for USAID review and approval on 22 September. The Project anticipates receiving a response soon in order to award these grants in October. Details of these awards will be included in the next quarterly report.

## IV. Monitoring and Evaluation

### Monitoring and Evaluation

The table below provides a snapshot of overall progress of Project activities as measured by the sixteen indicators with initial year 1 targets. However, during the year it was necessary to reschedule the targets for two indicators, 1.2.1 and 1.5.0. due to circumstances beyond the control of the Project. This situation is explained in the over-view section along with all indicators. A complete list of these indicators can be found in the Monitoring and Evaluation Indicator Tracking Sheet, Annex D, along with the six Long Term and Project Impact indicators.

Table 1: Project activity progress report

Activity:	PMP Indicator Number:	Actual % of Target Met	Score (max 100%)	Meets or Exceeds Targets	Significant Progress	Acceptable Progress	Unacceptable progress
				100%	80%-99%	60%-79%	0-59%
<b>Project:</b>	<b>1.1.1</b>	<b>100%</b>	<b>100%</b>	<b>1</b>			
	<b>1.1.2</b>	<b>600%</b>	<b>100%</b>	<b>1</b>			
	<b>1.1.3</b>	<b>100%</b>	<b>100%</b>	<b>1</b>			
	<b>1.1.3c</b>	<b>92%</b>	<b>92%</b>		<b>1</b>		
<b>rescheduled</b>	<b>1.2.1</b>						
<b>rescheduled</b>	<b>1.5.0</b>						
	<b>2.1.2</b>	<b>100%</b>	<b>100%</b>	<b>1</b>			
	<b>2.2.1</b>	<b>100%</b>	<b>100%</b>	<b>1</b>			
	<b>2.3.1a</b>	<b>70%</b>	<b>70%</b>			<b>1</b>	
	<b>3.1.2a</b>	<b>89%</b>	<b>89%</b>		<b>1</b>		
	<b>3.1.2b</b>	<b>60%</b>	<b>60%</b>			<b>1</b>	
	<b>3.1.4</b>	<b>100%</b>	<b>100%</b>	<b>1</b>			
	<b>3.1.4a</b>	<b>125%</b>	<b>100%</b>	<b>1</b>			
	<b>3.1.4b</b>	<b>700%</b>	<b>100%</b>	<b>1</b>			
	<b>3.1.5/3.1.2 (F 4.3.2-1)</b>	<b>85%</b>	<b>85%</b>		<b>1</b>		
	<b>3.2.4</b>	<b>100%</b>	<b>100%</b>	<b>1</b>			
	<b>Average =&gt;</b>	<b>173%</b>	<b>93%</b>	<b>9</b>	<b>3</b>	<b>2</b>	<b>0</b>
<b>Number met / total number of Indicators-----&gt;</b>				<b>64%</b>	<b>21%</b>	<b>14%</b>	

The progress report for each component can be found in the overview section of each component.

### Long Term USAID and Project Objectives

During the second quarter of the first year of the Project, the following Impact Indicators for USAID's Long Term Objectives (LTO) were approved by USAID<sup>1</sup>:

- LT1: Increased Loans to the private Sector as a % of GDP;
- LT2: Loans from Private Banks to the Private Sector as a % of all loans to the private sector by the commercial banking sector;
- LT3: Interest Rate Spread (%); and,
- LT4: Credit extended by the Private Banks by sector as a % of total credit provided by the private banks.

<sup>1</sup> USAID Long Term and Project Impact Indicators are used to monitor macro-economic impact of project interventions based on the development hypothesis of the Iraq Financial Development Project. However, movement of these indicators, either in positive or negative directions, is based upon a multitude of economic factors which are not associated with and outside the scope of Project interventions.

Also during the second quarter of the Project’s first year the following Impact Indicator for the Project was approved to monitor the impact, if any, of Project interventions and intermediate results:

- P1: Loans by Private Banks to the private sector as a percent of total private sector deposits held by the Commercial Banking sector (Loan to Deposit Ratio).

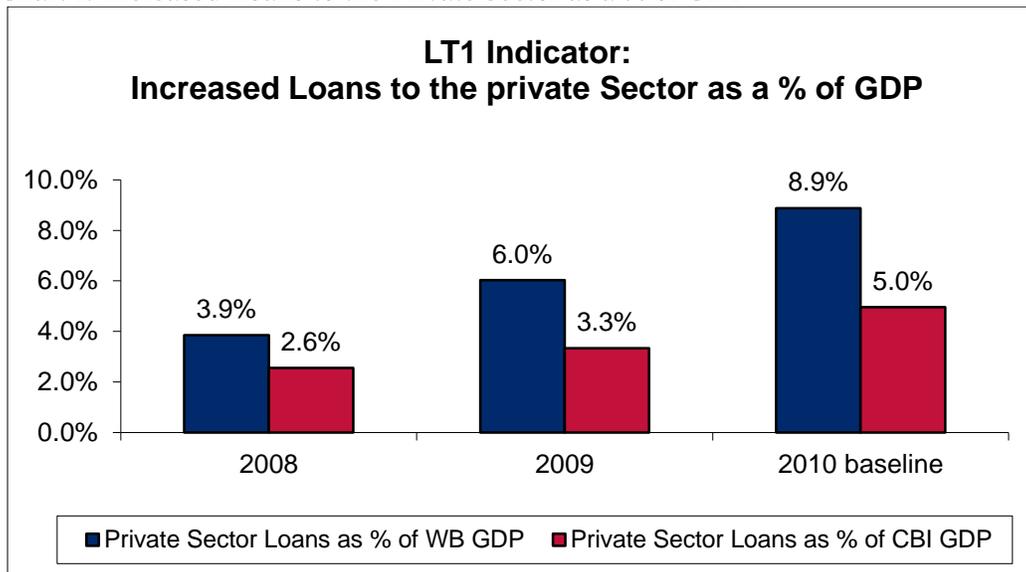
**Updated Baseline Data**

The initial Baseline data figures for all of these impact indicators were estimated using World Bank and Central Bank of Iraq data as of December 31, 2009, six months prior to the start of the Project activities. Now, at the end of the first Project year, the baseline data figures have been updated with current data as of December 31, 2010. Using the 2010 data provides a more logical baseline since Project interventions for the first year until after the baseline period. Each of the updated indicators are discussed below.

**LT1: Increased Loans to the private Sector as a % of GDP**

The volume of commercial bank credit to the private sector relative to GDP is a primary indicator of whether banks and other financial institutions are successfully mobilizing funds to finance private sector business. A low value for this indicator relative to the benchmarks is a sign of a weak banking system or a large diversion of financial resources to the public sector or both. This indicator uses the Total Credit to the private sector provided by state owned and private banks. The RED CBI GDP data is shown for comparison only. Indicator measurement uses the BLUE World Bank GDP data. Targets are estimated at 5% over the 2010 baseline year<sup>2</sup>.

**Chart 1: Increased Loans to the Private Sector as a % of GDP**



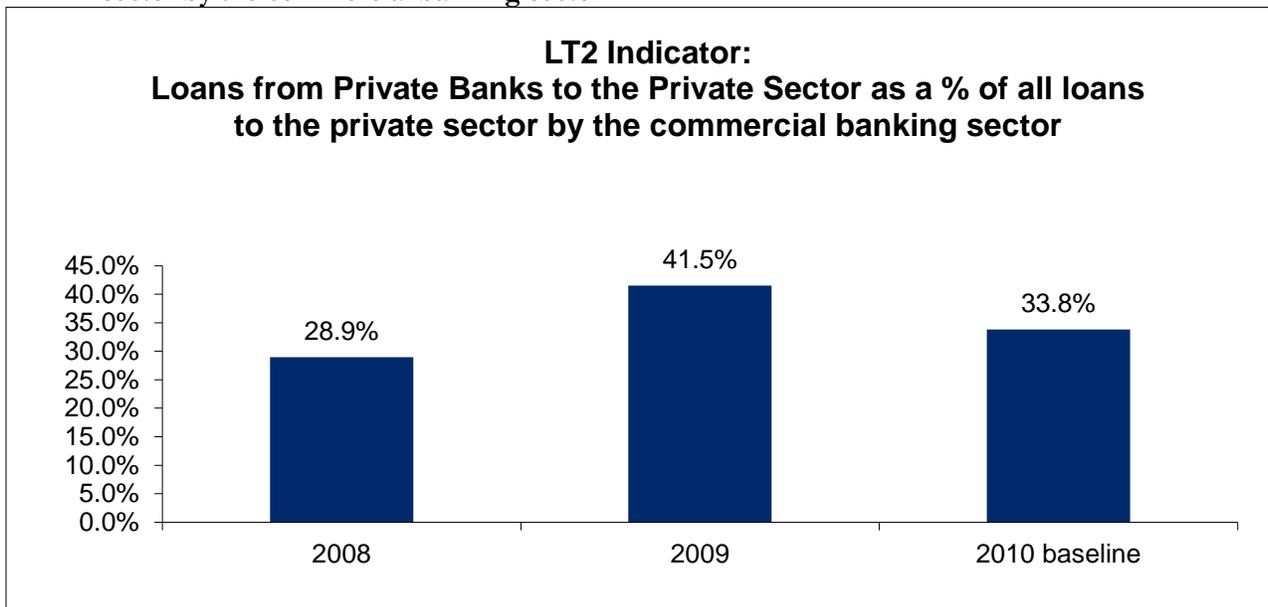
<sup>2</sup> All targets for Long Term Objective Indicators assume similar increasing security and political stability and barring a repeat of the world wide crisis as occurred in 2008. These factors could positively or adversely affect the future trends and targets.

**LT2: Loans from Private Banks to the Private Sector as a % of all loans to the private sector by the commercial banking sector.**

This is a disaggregated indicator that shows the contribution that the private banking sector makes to the primary indicator by excluding the state owned banks. Values below 50% signifies that private banks are not lending; have little influence in the credit markets due to size; or, both. Values above 50% is a sign that private banks are lending more than state banks and play a larger role in providing credit to the private sector. This disaggregated Indicator also provides a secondary reference to the contribution the private banks make to other credit indicators.

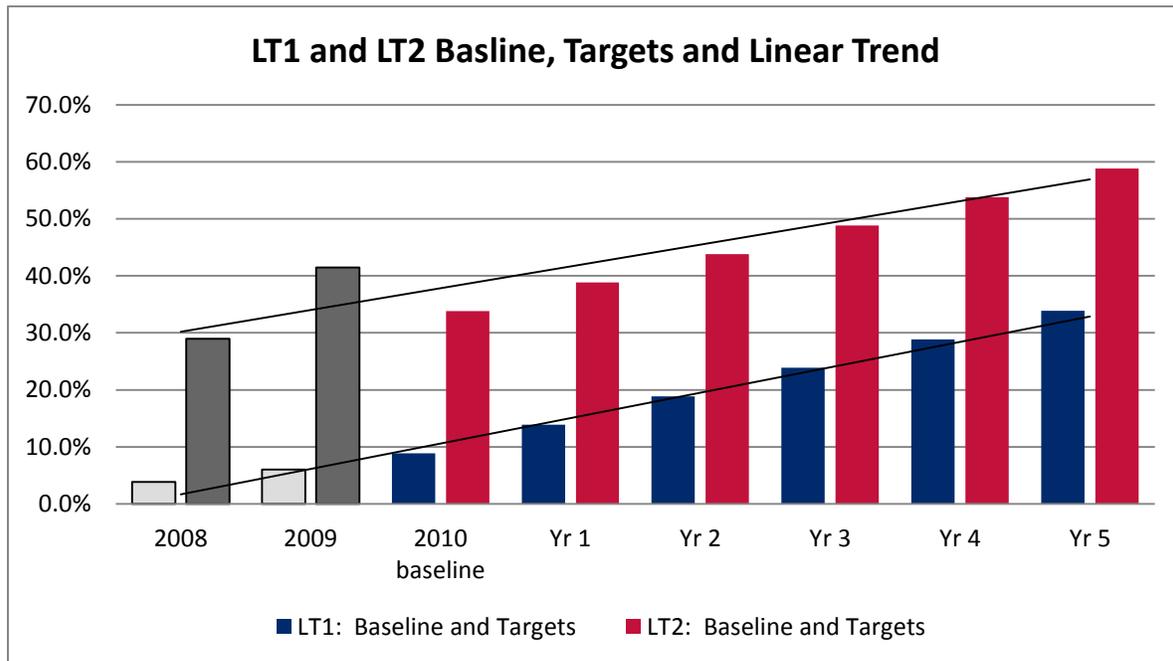
A significant drop from 2009 to 2010 is shown in Chart 2 below, yet the 2010 baseline figure is still above 2008, to indicate a continued slight trend. Targets are estimated at 5% over the 2010 baseline year.

**Chart 2: Loans from Private Banks to the Private Sector as a % of all loans to the private sector by the commercial banking sector**



Seen together in Chart 3, both the LT1 and LT2 indicators

**Chart 3: LT1 and LT2 Baseline, Targets and Linear Trend**



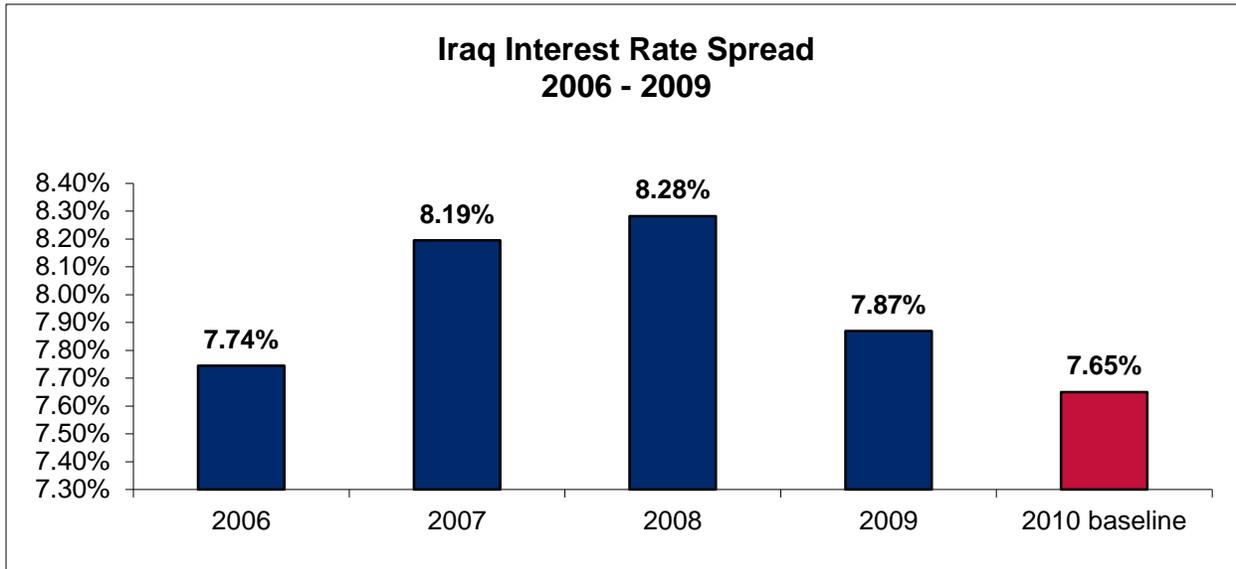
### **LT3: Interest Rate Spread (%)**

The interest rate spread is the difference between the average interest rate on loans to prime customers and the average interest rate on deposits in the banking system. This indicator reflects the combined effects of five factors: innate lending risks due to structural characteristics of the economy; the cost of bad debts due to poor lending decisions, perhaps resulting from political pressures or corruption; uncertainty due to weak credit information systems or collateral mechanisms; market power in the banking system, reflecting a lack of effective competition in the financial markets; and, high operating costs in intermediating deposits into loans. Relatively high values are a sign of inefficiency in the banking system or poor institutional foundations for the development of the financial markets.

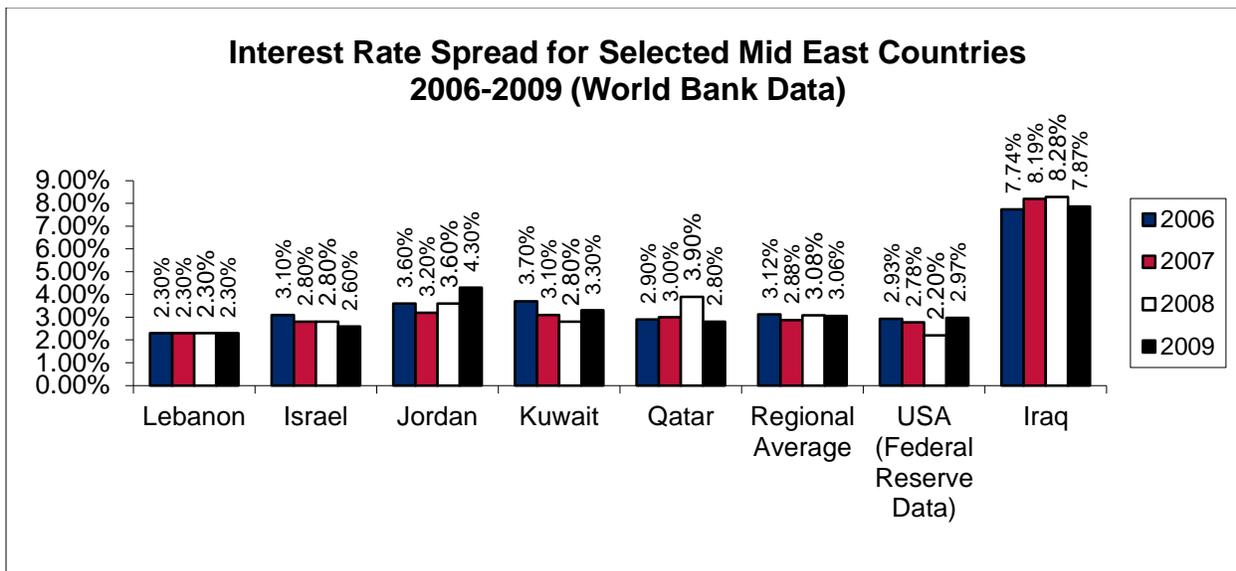
The spread in Chart 5 below shows the difference between the average loan rates charged on all loan types by commercial banks and the interest rates paid on all types of deposit accounts. It appears the trend is declining but it is still substantially higher than in developed countries and from Iraq’s Middle-East Neighbors, shown for comparison in Chart 6.<sup>3</sup>

<sup>3</sup> Data for Chart 5 comes from World Bank for other countries; Iraq Data comes from CBI 2010 Annual report. The 2009 data is the only data available for regional countries as of the 2010 reports.

**Chart 4: Iraq Interest Rate Spread**



**Chart 5: Iraq Interest Rate Spread for Select Middle East Countries**

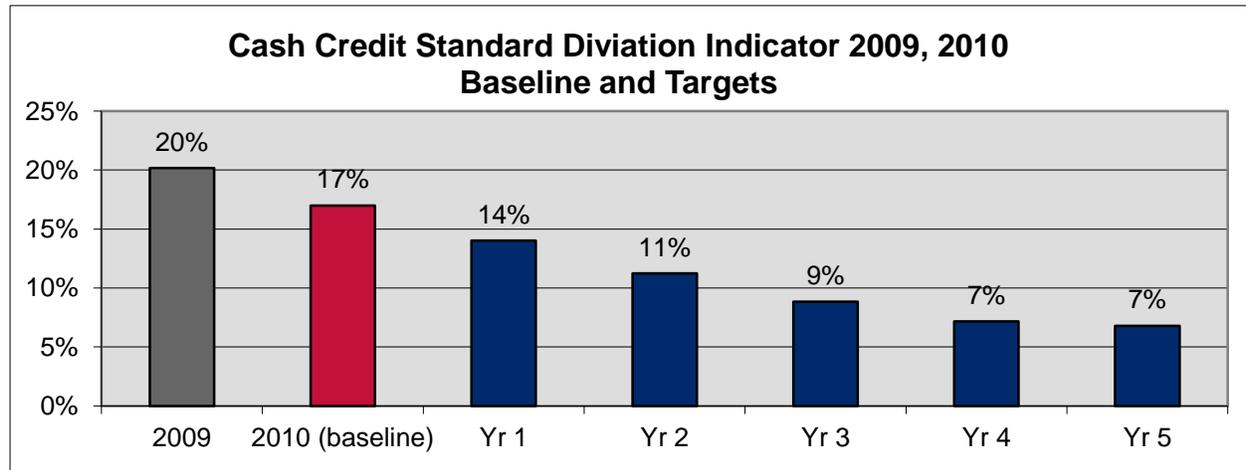


**LT4: Credit extended by the Private Banks by sector as a % of total credit provided by the private banks.**

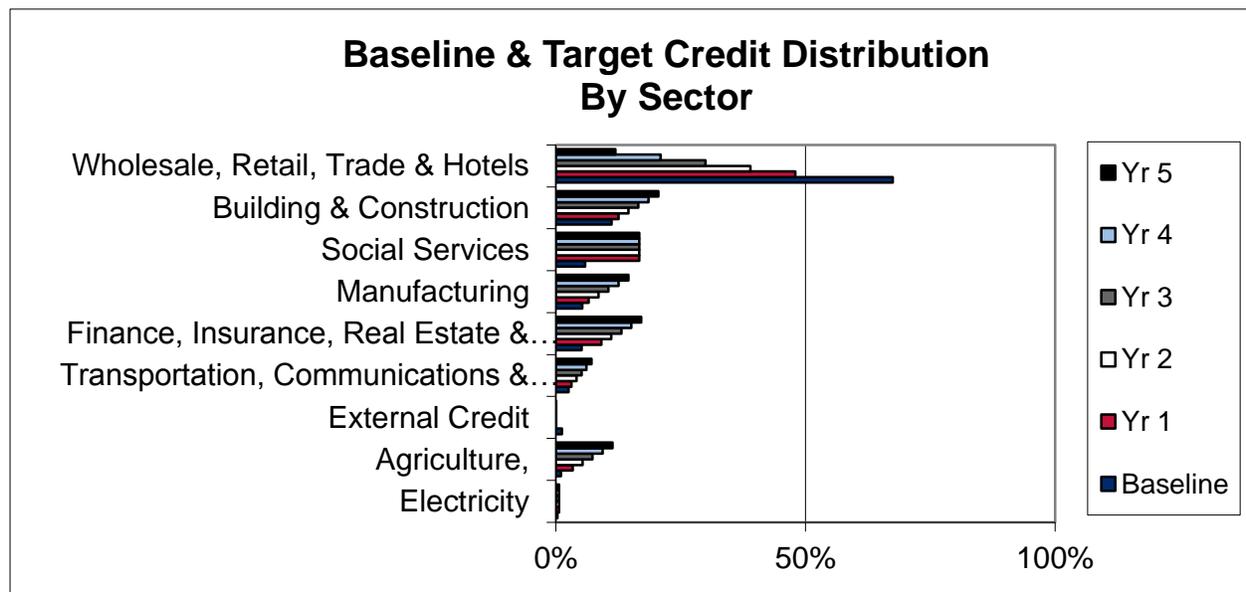
This indicator illustrates what sectors credit is being provided by the private banks and reveals any concentration of credit. High concentrations of credit in a particular sector subject the Private Banking sub-sector to the risks associated to the particular sector where the credit is concentrated. (i.e. high concentrations of credit in the agriculture sector subject lenders to the same risks such as crop loss from weather, disease and insects and market price risks). Rather than measure individual economic sectors, this indicator measures the

standard deviation across all economic sectors. As the standard deviation measure decreases, the distribution of credit becomes more equal across all sectors as illustrated in Chart 6 and 7.

**Chart 6: Cash Credit**



**Chart 7: Credit Distribution by Sector**

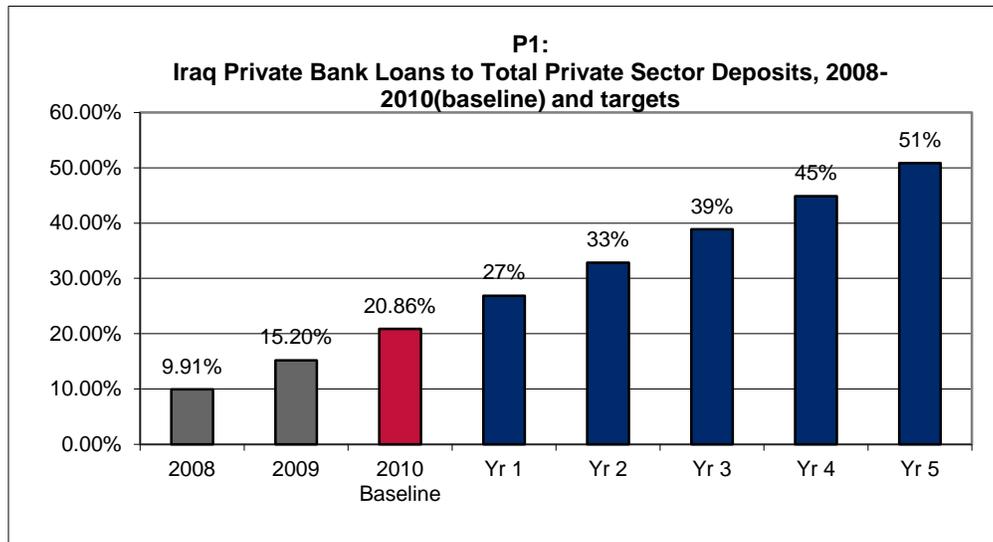


**P1: Loans by Private Banks to the private sector as a percent of total private sector deposits held by the Commercial Banking sector (Loan to Deposit Ratio).**

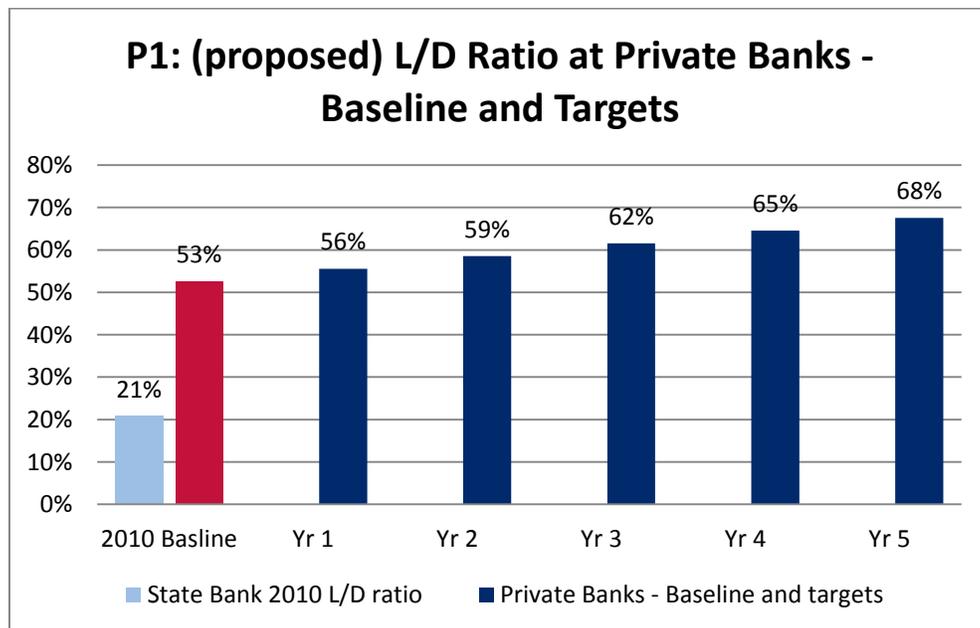
This is a very strong indicator that reflects the actual financial intermediation (converting deposits to loans) that is taking place in the Commercial Banking sector. In western, developed countries a loan to deposit ratio of 65-70% is considered an acceptable level. A low loan to deposit ratio relative to regional or international benchmarks directly correlates to ineffective financial intermediation.

The initial P1 indicator used a disaggregated numerator (amount of Private bank cash loans for the reporting period) and the aggregate private sector deposits at both state and private banks. The new annual report from the Central Bank of Iraq now disaggregates state bank deposits and private bank deposits. With this new disaggregation of deposits it is now possible to establish a baseline using ONLY private bank sector data and over time compare that with the state bank Loan to Deposit ratio. By doing so, the differences in financial intermediation between State Owned and Private Banks can be compared. The charts below in Chart 8 and 9 illustrate the differences between the current calculation and proposed change:

**Chart 8: Current P1 indicator baseline and target chart**



**Chart 9: Proposed P1 indicator baseline and target chart, with the 2010 State Owned bank L/D ratio shown for comparison.**



## Overview of Component 1

There are two primary expected results of component 1 during the first year of the Project: identify a/an existing Private bankers association(s) or assist an Iraqi-Led group of private bankers to establish a new entity; build the advocacy capacity of the association(s); and, assist private bankers to identify 4-5 policy, legal, regulatory or administrative reforms that will improve the private banking sector ability to perform financial intermediation. For each of these results there are six PMP indicators with year 1 targets: 1.1.1, 1.1.2, 1.1.3, 1.1.4, 1.2.1 and 1.5.0.

Table 2 provides a summary of the performance results of year 1 against PMP indicators.

**Table 2: Component 1 Performance Results for year 1**

Activity:	PMP Indicator Number:	Actual % of Target Met	Score (max 100%)	Meets or Exceeds Targets	Significant Progress	Acceptable Progress	Unacceptable progress
				100%	80%-99%	60%-79%	0-59%
<b>Comp 1:</b>	<b>1.1.1</b>	<b>100%</b>	<b>100%</b>	<b>1</b>			
	<b>1.1.2</b>	<b>600%</b>	<b>100%</b>	<b>1</b>			
	<b>1.1.3</b>	<b>100%</b>	<b>100%</b>				
	<b>1.1.3c</b>	<b>92%</b>	<b>92%</b>		<b>1</b>		
<b>Rescheduled</b>	<b>1.2.1</b>						
<b>Rescheduled</b>	<b>1.5.0</b>						
	<b>Average =&gt;</b>	<b>223%</b>	<b>98%</b>	<b>2</b>	<b>1</b>	<b>0</b>	
<b>Number met / total number of Indicators-----&gt;</b>				<b>40%</b>	<b>20%</b>	<b>0%</b>	<b>0%</b>

### Indicator 1.1.1: Number of Associations accepting USG Technical Assistance

Through persistent and on-going technical assistance from the Iraq Financial Development Project in year 1, thirteen private banks have taken the initiative to register themselves as an LLC, the Federation of Iraqi Private Banks Company for Development of Banking Services, and contributed initial capital of 1.3 billion Iraqi Dinar (USD \$1.1 million). Legal teams from banks are providing pro bono services to register the company and permanent office space has been provided as well. Options to contribute initial capital temporarily ceased on May 30, 2011 so that the registration process could proceed without delay; however, because of growing interest by non-founding banks new shareholders will be allowed to join the federation after registration is completed. Bankers have accepted USG Technical assistance to form the Federation of Iraqi Private Banks Company for Development of Banking Services.

The original vision for this indicator was that the association would be formed as an NGO. With the necessary change to an LLC, it has become necessary to modify several associated indicators to more accurately measure performance. For example, the PMP Indicators for the NGO model is based on individual membership but the new Federation is an institutional shareholder company. This renders the

definition, measurement and rationale of indicator 1.1.3 moot. Also, changes in the definition and measurement of functional and financial sustainability of the company have also been modified.

#### **Indicator 1.1.2: Bankers Association Financial Sustainability**

As of September 30, 2011, the new Federation of Private banks has verified paid in cash from its shareholders of approximately \$1.1 million USD. After deducting startup costs (\$66,000), the budgeted operating expenses for the first year are expected to be \$173,000. Sources and amounts of future cash income have not yet been projected in the initial budget. Therefore, calculating using only the cash on hand, the operational sustainability for the first year is *estimated* to be >600%. This estimate greatly exceeds the target of 20% in the first year. Nevertheless, financial monitoring of the start-up year will be necessary to accurately monitor this indicator.

The significant cash payments made by member banks without any donor operational support means that future monitoring of this indicator will depend upon the Federation's willingness to submit accurate financial statements over the life of the Project. Any future grants made to the organization for any reason must include provisions for accurate financial statement submission on at least a quarterly basis.

#### **Indicator 1.1.3: Total Membership of all Associations accepting Project Technical Assistance**

By changing from an individual membership basis to institutional shareholder company this indicator, as approved by USAID, has been made irrelevant due to the revised legal form of the Federation. The revised PMP now shows the title for this indicator as: The number of Institutional Owners of the Federation of Private Banks. Target for the year was changed to 13 and an anticipated 12 more owners are expected to join the Federation in 2012, bringing the total number to 25 for the life of the Project.

#### **Indicator 1.1.4: Overall Member Satisfaction of Bankers Association effectiveness**

To date, the Federation of Private bankers has made limited progress towards achieving any activity goals other than organizing and funding the startup company in the first year of the Project. However, it must be noted and recognized that the member banks have put up significant funds to support the future activities of the company. As a group and as individuals, their satisfaction can be monetarily measured by their confidence to invest: one point one million dollars in an untested company. This represents a considerable amount of satisfaction.

However, with the change to a for-profit LLC, it has become necessary to modify this indicator to measure owner satisfaction. The change is in the method of measurement from a satisfaction survey to an active participation in the management of the Federation. (See PMP PIRS).

#### **Indicator 1.2.1: Number of policy research documents, public-private dialogue sessions, advocacy campaigns and public education measures**

The Federation's primary focus in year one has been to get organized and legally registered. The real work of the Federation will not begin until year 2 of the Project. Therefore, the targets originally set for this indicator must be re-established based on the operational plans of the Federation. The operational plan is expected to

be developed prior to the second quarter of FY 2012 and targets will be re-established when the plan is completed.

**Indicator 1.5.0: Four to Five targeted policy, legal, regulatory or administrative reforms are identified and reform efforts initiated.**

Here again, during the first year of the Project the banks' focus was to organize under a legally registered entity. Efforts to definitively target and initiate reforms have been moved to year two of the Project and will be included in their strategic plan. Nevertheless, through the series of private bank working groups, 36 priorities have been identified and included in the Prioritized agenda. It is expected that from these 36 priorities, PMP indicators for the top 4 or 5 or more will be added to the PMP in in the first half of year two.

**Overview of Component 2**

There are three indicators with targeted progress in year 1 of the Project for component 2 that are associated with: establishing an Iraq Credit information bureau, a Iraqi Bankers Training Institute and completing phase 1 of an efficient retail payment system. Each of the indicators being tracked in this regard are discussed below:

Table 3 provides a summary of the performance results of year 1 against PMP indicators.

**Table 3: Component 2 Performance Results for year 1**

Activity:	PMP Indicator Number:	Actual % of Target Met	Score (max 100%)	Meets or Exceeds Targets	Significant Progress	Acceptable Progress	Unacceptable progress
				100%	80%-99%	60%-79%	0-59%
<b>Comp 2:</b>	<b>2.1.2</b>	<b>100%</b>	<b>100%</b>	<b>1</b>			
	<b>2.2.1</b>	<b>100%</b>	<b>100%</b>	<b>1</b>			
	<b>2.3.1a</b>	<b>70%</b>	<b>70%</b>			<b>1</b>	
	<b>Average =&gt;</b>	<b>90%</b>	<b>90%</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>0</b>
<b>Number met / total number of Indicators-----&gt;</b>				<b>50%</b>	<b>0%</b>	<b>25%</b>	<b>0%</b>

**Indicator 2.1.2: Milestones to putting the legal and regulatory framework in place and making a credit bureau operational.**

There are 8 milestones toward achieving a fully functional Iraqi credit information bureau spread across the first three years of the Project. In year 1, milestones 1-3 are expected to be completed:

1. Public-private Steering Committee for Design of Credit Bureau Established
2. GoI Commitment Confirmed
3. Iraqi Driven Credit Bureau Business Plan and Model Developed

The Public-Private steering committee was officially established through a collaborative effort between the private banks and the central bank of Iraq. The first meeting of the committee was held on June 14, 2011. The meeting agenda included introductions of committee members to CBI staff, committee terms of reference and Credit Information Bureau practices.

GoI commitment was confirmed by official letter from the CBI regarding the establishment of the Credit Information Bureau as well as support for the development of the Iraq Retail Payment system.

The Business Plan was completed in the fourth quarter of FY 2011 which includes an IT capability assessment as well as a market survey and signifies achievement of the 3<sup>rd</sup> and last milestone target for the year.

**Indicator 2.2.1: Milestones to measure the steps necessary to establish The Bankers Training Institute that is sustainable and an effective industry training mechanism.**

Establishing the Bankers Training Institute (BTI) has 8 milestone indicators, only one of which was targeted for completion in year 1: D2.2.1 Business Plan and Model for Bank Training Institute completed. In this reporting period the steering committee has been formally approved by the CBI. The Business plan and supporting documents (Implementation plan and white paper) have been revised based on input from the BTI steering committee. The final document incorporated recommended changes and represents the foundation of the work aimed at completing the milestone targets in year two.

**Indicator 2.3.1: Phase I Completed (RPS)**

Phase 1 of the Retail Payment System is comprised of 10 milestones:

1. Examine existing laws and regulations to identify problems, weaknesses and gaps
2. Review similar regulations used in other countries
3. Identify topics to put into law versus those which should be left open for CBI to regulate
4. Identify technical standards that need to be mandated in regulations
5. Develop recommendations for corrective action in consultation with CBI legal department
6. Examine current governance situation and advising on the form of a national payments council in inter-bank working groups for the future development of IPS
7. Draft revised regulations as necessary
8. Review and modify draft regulations based on input from CBI legal department and expert payment systems lawyers and CBI payments department
9. Arrange for translation of drafts into Arabic and agree with CBI legal department
10. Review implementation and report to CBI

The Project has completed all the work it is capable of doing and is now dependent on the resources and input of the CBI to complete the final three tasks of phase 1. As the CBI works to provide their input and Arabic translations are being completed the Project activities have moved forward to work on the year two milestones of Phase II of the Iraq Retail Payment System.

### Overview of Component 3

Component 3 activities for the first Project year were measured by three indicators, 3.1.4, 3.1.5 and 3.2.4. Measurable progress for the year on each of these indicators is discussed below. Indicator 3.1.4 is also separately measured by an F Indicator shown in the PMP as 3.1.2. Except for the disaggregation by Gender, this indicator is duplicated in the PMP for management purposes.

Table 4 provides a summary of the performance results of year 1 against PMP indicators.

**Table 4: Component 1 Performance Results for year 1**

Activity:	PMP Indicator Number:	Actual % of Target Met	Score (max 100%)	Meets or Exceeds Targets	Significant Progress	Acceptable Progress	Unacceptable progress
				100%	80%-99%	60%-79%	0-59%
<b>Comp 3:</b>	<b>3.1.2a</b>	<b>89%</b>	<b>89%</b>		<b>1</b>		
	<b>3.1.2b</b>	<b>60%</b>	<b>60%</b>			<b>1</b>	
	<b>3.1.4</b>	<b>100%</b>	<b>100%</b>	<b>1</b>			
	<b>3.1.4a</b>	<b>125%</b>	<b>100%</b>	<b>1</b>			
	<b>3.1.4b</b>	<b>700%</b>	<b>100%</b>	<b>1</b>			
	<b>3.1.5/3.1.2 (F 4.3.2-1)</b>	<b>85%</b>	<b>85%</b>		<b>1</b>		
	<b>3.2.4</b>	<b>100%</b>	<b>100%</b>	<b>1</b>			
	<b>Average =&gt;</b>	<b>180%</b>	<b>91%</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>0</b>
<b>Number met / total number of Indicators-----&gt;</b>				<b>57%</b>	<b>29%</b>	<b>14%</b>	<b>0%</b>

#### Indicator 3.1.4: Number of Iraqi Colleges and Financial Institutions surveyed for the GAPS Analysis

Engaging the University of the United Arab Emirates (UAE) to conduct the gaps analysis represents significant progress towards measurable results for year 1. Eleven Universities and four financial institutions have been identified to be surveyed as part of the gaps analysis and the test surveys have been drafted. The surveys were completed during the reporting period and results tabulated. The measurements for this indicator exceeded targets.

#### Indicator 3.1.5: Number of Deans/program administrators trained in accreditation

This indicator feeds into F indicator 4.3.2-1 Number of Financial Sector Professionals trained on international standards this year with USG assistance. As planned, a seminar was hosted by the Ministry of Higher Education in June and was attended by 32 deans and administrators and 5 MoHE representatives. The numbers in attendance were unexpectedly below the target of 40; however, the event was considered a success by Iraqi counterparts and the number present represent and acceptable 80% of the estimate. Most important is that the event resulted in four universities applied for accreditation by the AACSB.

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