

## Independent Evaluation Report

# IRAQ

### Combined Independent Evaluation of: Enterprise Development through Information and Communication Technology (EDICT) and Investment Promotion for Iraq (IPI)

UNIDO Project Numbers: FB/IRQ/09/007 and TE/IRQ/09/010



UNITED NATIONS  
INDUSTRIAL DEVELOPMENT ORGANIZATION



**UNIDO EVALUATION GROUP**

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## Table of Contents

Acknowledgements .....	iv
List of Acronyms .....	v
Glossary of evaluation related terms .....	vi
Executive Summary .....	ix
I. Introduction .....	1
II. Scope and Methodology .....	3
III. Project Factsheets .....	7
The Projects .....	9
IV. Project implementation .....	15
EDICT .....	15
IPI .....	16
V. Purpose of the Combined Evaluation .....	19
VI. Iraq Country Context .....	21
Background .....	21
Economic Indicators .....	45
VII. Project planning and management .....	49
Project Formulation .....	51
Project Management .....	54
Management Structures .....	54
Coordination .....	55
Monitoring Structures .....	56
Financial Implementation .....	56
Cross-Project Collaboration .....	57
VIII. Outputs and Outcomes .....	59
Site Visits .....	64
Survey Results .....	66
IX. Assessment .....	73
Relevance .....	73
Ownership .....	74
Efficiency .....	75
Effectiveness .....	75
Sustainability / Prospects for Development Impact .....	77
Cross-Cutting Issues .....	79
X. Conclusions .....	81
XI. Recommendations .....	83
XII. Issues with Regard to a Possible Next Phase .....	85
XIII. Lessons Learned .....	87
Annex A: List of Individuals Interviewed .....	89
Annex B: Questionnaires .....	91
Annex C: Terms of Reference .....	102
Annex D: Bibliography .....	151

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## List of Acronyms

ARCEIT	Arab Regional Centre for Entrepreneurship and Investment Training
COMFAR	Computer Model for Feasibility Analysis and Reporting
EDICT	Enterprise Development through Information and Communication Technologies
EDC	Enterprise Development Centre (formerly EDU)
EDU	Enterprise Development Unit (replaced by EDC)
GOI	Government of Iraq
INIC	Iraqi National Investment Commission
IPI	Investment Promotion in Iraq
IPPA	Investment Project Preparation and Appraisal
IT	Information Technology
ITPO	Investment and Technology Promotion Office
ITU	Investment and Technology Promotion Branch (UNIDO Headquarters)
IZ	Industrial Zone
KRG	Kurdistan Regional Government
MDG	Millennium Development Goals
MIM	Ministry of Industry and Minerals
MoF	Ministry of Finance
MoP	Ministry of Planning
NDP	National Development Plan
PIC	Provincial Investment Council
PMAC	Prime Minister's Advisory Council
PMU	Project Management Unit (Amman)
PSC	Project Steering Committee
SME	Small- and Medium- Enterprises
SPX	Supplier Development and Subcontracting Partnership Exchange
UN	United Nations
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organisation

## Glossary of evaluation related terms<sup>1</sup>

Term	Definition
Conclusions	Conclusions point out the factors of success and failure of the evaluated intervention, with special attention paid to the intended and unintended results and impacts, and more generally to any other strength or weakness. A conclusion draws on data collection and analyses undertaken, through a transparent chain of arguments.
Effectiveness	The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.
Efficiency	A measure of how economically inputs (funds, expertise, time, etc.) are converted to results.
Impacts	Positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended.
Indicator	Quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect the changes connected to an intervention, or to help assess the performance of a development actor.
Institutional development impact	The extent to which an intervention improves or weakens the ability of a country or region to make more efficient, equitable, and sustainable use of its human, financial, and natural resources, for example through: (a) better definition, stability, transparency, enforceability and predictability of institutional arrangements and/or (b) better alignment of the mission and capacity of an organization with its mandate, which derives from these institutional arrangements. Such impacts can include intended and unintended effects of an action.
Lessons learned	Generalizations based on evaluation experiences with projects, programs, or policies that abstract from the specific circumstances to broader situations. Frequently, lessons highlight strengths or weaknesses in preparation, design, and implementation that affect performance, outcome, and impact.
Logframe	Management tool used to improve the design of interventions, most often at the project level. It involves identifying strategic elements (inputs, outputs, outcomes, impact) and their causal relationships, indicators, and the assumptions or risks that may influence success and failure. It thus facilitates planning, execution and evaluation of a development intervention. Related term: results based management.
Outcome	The likely or achieved short-term and medium-term effects of an intervention's outputs. Related terms: result, outputs, impacts, effect.
Outputs	The products, capital goods and services which result from a development intervention; may also include changes resulting from the intervention which are relevant to the achievement of outcomes.

<sup>1</sup> Based on a glossary prepared by OECD's DAC working party on aid evaluation, May 2002



Term	Definition
Recommendations	Proposals aimed at enhancing the effectiveness, quality, or efficiency of a development intervention; at redesigning the objectives; and/or at the reallocation of resources. Recommendations should be linked to conclusions.
Relevance	<p>The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, global priorities and partners' and donors' policies.</p> <p>Note: Retrospectively, the question of relevance often becomes a question as to whether the objectives of an intervention or its design are still appropriate given changed circumstances.</p>
Results	The output, outcome or impact (intended or unintended, positive and/or negative) of a development intervention. Related terms: outcome, effect, impacts.
Sustainability	The continuation of benefits from a development intervention after major development assistance has been completed. The probability of continued long term benefits. The resilience to risk of the net benefit flows over time.



# Executive Summary

## Projects under Evaluation

As part of the Independent Country Evaluation of its activities and involvement in Iraq, UNIDO commissioned an evaluation of *Enterprise development through information and communication technology* (EDICT), (FB/IRQ/09/007) and *Investment Promotion for Iraq* (IPI), (TE/IRQ/09/010), along with a third project that is the subject of a separate report.<sup>2</sup> Given the complementary objectives and shared resources of the two projects, this evaluation combines the assessment of EDICT and IPI. Together, the projects aim to promote domestic and foreign investment in the SME sector to create employment opportunities, to help build the capacity of Iraqi institutions to provide enterprise-development services, and to increase the competitiveness of existing SMEs by a variety of means, including by facilitating their linkages with foreign markets.

## Evaluation

The evaluation was conducted by Ms. Ginger Cruz, international evaluation expert, Dr. Riadh al-Allaf, national evaluator, and Mr. David Gairdner, international evaluation expert, in accordance with the Terms of Reference available at Appendix 3. The evaluation took place from September 2011 to February 2013. Information was gathered through extensive document review, research, field missions to Erbil, Baghdad, and Thi Qar, stakeholder interviews conducted in person and via telephone in Vienna, Amman, Bahrain, Rome, and Iraq, and an independent evaluation survey.

## Project Context

In general, Iraq is one of the most difficult countries in the world for doing business, and years of wars and sanctions have held back information-technology progress. Overall Internet access is less than 20%, and fewer than 12% of Iraqis have computers. SMEs, while many, are generally very small and family owned, and a flood of cheap imports and a lack of access to finance remain major hurdles for Iraq's private sector.

At the local level, however, conditions vary greatly. At each of the three project sites, unique economic, political, social, linguistic, and security factors had at least some effect on project implementation. Erbil is in a semi-autonomous Kurdish speaking region of Iraq that is generally safe but still suffers from international perceptions that apply to Iraq in general. While historically under-resourced and poverty stricken with low levels of education, Erbil has seen a major spurt in development activity and international exchange in the last five years. The heavily populated capital of Baghdad is still plagued with security incidents, but hosts a more experienced level of entrepreneurs. But many of these entrepreneurs have often had less engagement with the outside world than their counterparts in Erbil. Finally, Thi Qar is largely agricultural and the most isolated of the three locations with a high unemployment rate and poor infrastructure.

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<sup>2</sup> The third report, detailed more in the TOR at Appendix III, is *Enhancing investments to Iraq through industrial zone development* (IZ) (TE/IRQ/10/006).

### **Project Planning**

Project plans were strongly anchored in the successes gained from a precursor project, EDIP, which established the Enterprise Development Centres (EDCs) in the three locations. Training and counseling capabilities were strengthened, an experiment with project financing was trimmed, and instead, a new focus was placed on bringing Iraq into the computer age through the installation of modest amounts of modern equipment and the introduction of internet-based tools. EDCs were also engaged more heavily in the active promotion of networking and the fostering of linkages with potential domestic and foreign partners.

The core functions of the EDCs proved to be essential to the continued programme, but the more complex communications and information-technology tools proved to be more challenging, especially given the current environment. Among the planning assumptions that provided the biggest challenge to outcomes were language requirements, general technology barriers in Iraq, and security constraints. Gender issues were not a focus of program design.

### **Project Implementation: Management**

Management structures within each of the two projects were complex, spreading execution and oversight responsibility between UNIDO Headquarters in Vienna, the PMU office in Amman, national coordinators in Thi Qar and Erbil, and a stakeholder coordinator in Baghdad. Counterpart entities chosen primarily because of their creation during the precursor UNIDO project EDIP, were selected based on their commitment and willingness to contribute financially to the project as well as having the mandate for supporting SMEs. Thus, the counterparts belonged to different entities, including a federal ministry, a provincial chamber of commerce, and a regional government. This raised the reliance on the Steering Committee structure as well as UNIDO management to build the project's national cohesion. Major involvement by subcontractors further added to the complexity. Despite these challenges, overall satisfaction with the project's management was rated very high in surveys of both end user beneficiaries and trainers.

### **Project Implementation: Monitoring**

Good levels of communication were maintained between UNIDO project managers and EDC staff. Monitoring data maintained by the PMU was maintained in multiple formats and platforms. Information was maintained on the characteristics of entrepreneurs and the nature of their goals with the program. Many of the end-user beneficiaries had accessed more than one component of the EDICT and IPI programmes. The system utilized for monitoring data while focused on project line outputs, did not easily support the tracking of an entrepreneur through the process at an EDC. Co-financing of project elements – sharing cost of personnel between EDICT and IPI, for example – made tracking of outputs against financial inputs more complicated. Independent monitoring systems had yet to be established.

## **Project Implementation: Components**

### **eLearning**

The technical components to facilitate eLearning and improved internet and videoconferencing capacity at the EDCs were successfully installed, of good quality, and in excellent working order at all three EDCs. Significant investment was made in adapting the EDIP curriculum and SPX modules into an internet-based, distance-learning platform, with some staff trained to operate the software. However, much more training is needed. Furthermore, the 9 lessons completed on the eLearning module are currently only available in English, limiting their usefulness to Iraqi entrepreneurs. At the time of publication of this evaluation, efforts were underway to complete translation of a set of lessons into Arabic and upload them to the eLearning platform.

### **Training of Trainers**

Counselors and trainers report 78% satisfaction with overall achievements of the programme. More traditional training got higher marks, while training on the more complicated computer-based elements of the programmes (COMFAR and UNINETTUNO) received significantly lower scores, with trainers saying that much more training was needed before they would be proficient on the tools. There is inherent complexity to financial feasibility analyses and given the nascent state of Iraqi institutions, there are significant amounts of training and familiarity that will be necessary in order for project beneficiaries, especially the INIC, to be credible vis-à-vis large foreign investors and position themselves as facilitators to structure investment deals for Iraq. COMFAR-Light is currently designed to address the concerns of more small scale companies, but the commitment of INIC to send the right trainees on a consistent basis, and utilize the tools, will be necessary to achieve outcomes.

### **Training/Counseling of Entrepreneurs**

Beneficiaries reported very high satisfaction - over 90% - with both the training and the counseling received through the programme. More than 270 current and prospective entrepreneurs received assistance in a wide range of areas from accounting to marketing to management. Many entrepreneurs cited improvements in operational efficiencies, assistance in securing loans, and/or assistance with business plans as having directly contributed to the expansions of their business. Survey results aligned with monitoring data that indicates approximately 1040 new jobs have been created as a result of the programme.

### **SPX Programme**

The SPX programme has reached a level where EDC staff is sufficiently trained in utilizing the tools, and over 300 businesses have provided data necessary to populate a database from which subcontracting opportunities can be developed. Program managers note that this is the stage at which more outcomes can be expected. The EDCs are now equipped to promote matchmaking efforts for supplier-buyer engagement. Initiatives either through PMU where delegations of SMEs had opportunity to meet major buyers in the construction sector and EDC initiatives to bring Iraqi entrepreneurs to fairs are beginning to show signs of success. As more time is required for these connections to show impact, this evaluation is not able to determine outcomes.

### **Networking/Matchmaking**

Five missions were organized, four outside of Iraq, to introduce Iraqi entrepreneurs to the international business community and expose them to modern technology and equipment. The goal was to build subcontracting opportunities and spur foreign investment in Iraq. Incremental gains were achieved, including several instances of upgrading of equipment, general information exchange, buyer-supplier interactions and the signing of 35 letters of intent between Iraqi businesses and foreign partners. It is still too early in the process to judge how much actual business will result from those exchanges. It is also noted that the project considers business activity the project outcome, and final deals or financial gains, while expected, are beyond the scope of the project. The networking components were highly rated by end user beneficiaries, and the demand for more assistance in engagements with international business was likewise high.

### **INIC Capacity**

Efforts to strengthen the capacity of the Iraq National Investment Commission have produced limited results. While staff at the INIC was sent to training and an international expert has been made available to provide assistance, the COMFAR tool is not currently being used by the organization. INIC did not send the same individuals to the two trainings, limiting the skill building necessary for these complex tools. Security limitations also impacted UNIDO's ability to locate full time staff to work with INIC.

### **Bank Capacity Strengthened**

26 bankers were successfully trained. Satisfaction levels for the training were good and participants generally stated that more training was needed. One particular indicator of success was the willingness of banks to pay travel costs for participants in the second round of training.

### **Relevance**

Overall, the project was strongly relevant to Iraq's national and provincial priorities. It was also highly correlated with global priorities (MDG goals) and UN country team outcomes for Iraq. Evidence of relevance includes the 2012 passage of a law providing modest no-interest loans to qualified SME owners, as well as commitments by the KRG to fund similar SME loan programmes – addressing a key challenge identified by programme participants.

The project was a clear demonstration of the success of the shift in philosophy of UNIDO from straight humanitarian assistance to more participatory, longer-horizon, post-conflict programmes. These two programmes also provided ample examples of cost sharing on the part of the EDC host institutions and beneficiary entrepreneurs.

### **Ownership**

Ownership of the basic EDC programmes was clearly evidenced at the end of 2012 with the commitment of all three EDC host institutions to maintain and expand the EDC services as part of their organic operations. Despite the lack of specific line-item budgets, which require up to one year advance planning, financial commitments have been made to maintain and, in many cases, expand the training and mentoring staff.

Ownership of the information-technology components of the programmes, however, is currently at risk. As structured, the eLearning platform, which exists only in English and lacks fully trained tutors and committed budgets for continued operations and maintenance, will likely continue to depend upon UNIDO support in order for it to become operational. Low levels of enrollment and tentative commitment to run eLearning classes in Erbil are further evidence of the need to build stronger ownership. Program managers acknowledge the challenges and have begun to address the situation with translations of parts of the e-learning courses into Arabic. Program staff anticipate that they will be uploaded to the platform by the end of February. Likewise, SPX and COMFAR will require continued support from UNIDO as ownership among EDCs is low.

### **Effectiveness**

The main component of the EDICT programme, the eLearning platform, has yet to yield results. While 45 user names and passwords have been issued for the system through the Erbil EDC, the tutors surveyed did not have the necessary skills to adequately guide students. Further, all lessons currently are available only in English, despite the fact that just 15% of surveyed beneficiaries indicated they were proficient in English. As stated above, efforts were underway by February 2013 to translate key lessons into Arabic. Another key component, the SPX programme, likewise has over 300 businesses populating its database, but the site is has yet to link local SMEs with international or domestic contractors.

Support to trade missions has been effective at exposing entrepreneurs to the global business environment. This support has resulted in some tangible connections, such as the purchase of new equipment to upgrade facilities and the introduction of new methods or business partners to improve operations.

The more traditional services offered by the EDCs, classroom training and one-on-one counseling, have produced very high levels of satisfaction – over 90%. Entrepreneurs reported increased employment and economic productivity as a result of the EDC support. Survey figures support programme monitoring data findings that 1040 jobs were created as a result of the projects.

### **Sustainability**

Potential sustainability of the EDCs is strong. All three host institutions have made commitments to maintain or expand the operations at current locations using current staff. Future funding plans are also in the works. An overwhelming number of beneficiaries noted in the survey that they would be willing to pay for the service, which all say is not available anywhere else.

Sustainability, however, could be improved through more robust public relations initiatives and better national coordination among the EDCs.

### **Conclusion**

Overall support for this program in Iraq is high. It brings much needed information technology and a focus on investment into a country that is just emerging from years of isolation. While some outstanding issues remain to be

tackled, overall prospects for development impact are good. 100% of the beneficiaries surveyed said there was no similar service available and 90% said they would be willing to pay for the services at the EDC. Suggested rates generally ranged from \$100-\$500 for training classes, and as high as \$3,000 for the package of services provided through the EDC. As the host government considers long-term operation of these EDCs, thought could be given to developing a schedule of fees to help sustain the programme.

## **Recommendations**

### *Recommendations to UNIDO*

1. *Take eLearning Across the Finish Line* – ensure that the eLearning materials are fully translated into Arabic, training is completed for tutors at all EDC sites, and provisions are made to sustain the platform.
2. *Harness the Power of IT* – establish a robust monitoring database that will track beneficiaries in a unified way and identify all elements that are being accessed so as to provide more useful feedback for the programme.
3. *Identify an SPX Champion* – select a high-level national focal point (be it an official or an institution) to oversee the implementation of the SPX programme across the EDCs and move the programme forward to achieve actual linkages with foreign companies.
4. *Strengthen ties with the Iraqi National Investment Commission* – investment promotion falls within the ambit of the INIC and associated Provincial Investment Commissions. An enhanced relationship will ensure better coordination among the EDCs and improved outcomes through the improved exchange of information specific to the business environment in Iraq.

### *Recommendations to UNIDO and the Government of Iraq*

5. *Execute a Public Relations Programme* – build on current public relations efforts, invest more resources, and elevate the importance of integrating a broad public relations campaign to promote the services at the EDCs.
6. *Actively Seek Local Input* – incorporate more input from stakeholders into the design of the programme from top to bottom. This includes input on a training curriculum that address the key needs of Iraqi entrepreneurs and input from trainers and tutors on prioritizing the most important lessons for posting on the eLearning system.

### *Recommendations to UNIDO and the Donor*

7. *It's All About the Language* – Every effort should be made to ensure that training, counseling, eLearning modules, written materials, web-enabled tools, and other elements of engagement with Iraq are available, at a minimum, in Arabic. Special efforts should be made to conduct official meetings, such as PSC meetings and meetings with Donors, utilizing simultaneous translation.

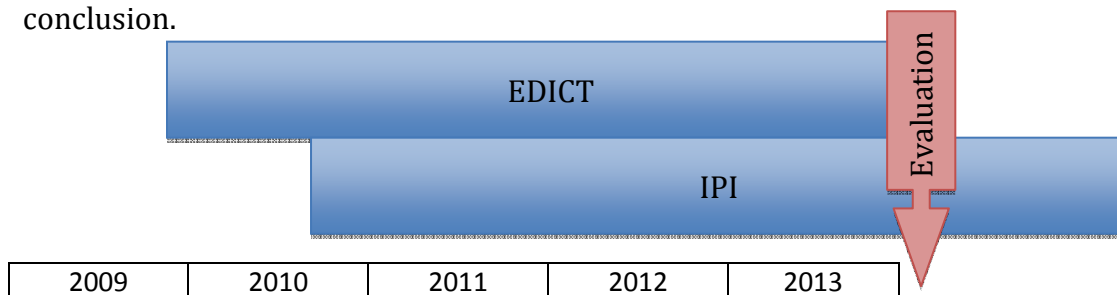


# I. Introduction

This is a combined evaluation of two projects FB/IRQ/09/007, *Enterprise Development Through Information and Communication Technology* (EDICT) and TE/IRQ/09/010 *Investment Promotion for Iraq* (IPI). The projects have been implemented in three different governorates, one in the north - Erbil, one in central Iraq – Baghdad, and a third in the south – Thi Qar. Both projects were originally designed for two years, but EDICT was extended by 16 months and IPI has been extended by 21 months with additional funding and an expansion of its scope to include a fourth southern governorate – Basrah.

The decision to conduct a joint evaluation was made by the Senior Evaluation Officer in accordance with the Project Manager due to the close association between the projects in terms of anticipated outputs, outcomes, and activities. Both projects were also very important to the Iraq Country Evaluation that was conducted in parallel from July 2012 to February 2013. During the planning of the evaluation, a second phase evaluation of both projects was anticipated<sup>3</sup>. During the realization of the evaluation however, it was decided to conduct the evaluation as a final one for both projects.

The duration of the two projects overlap, with the EDICT project concluding at the end of 2012, and the IPI project concluding at the end of 2013. As a result, the findings of this evaluation provide a fairly complete look at EDICT performance and a mid-term review of IPI progress to date. Since this is the final evaluations of both projects, recommendations are tailored to provide programme managers with input to help improve project outcomes prior to conclusion.



A team of three evaluators conducted the evaluation. The team lead, Ms. Ginger Cruz, is an international evaluator who was responsible for the evaluation design, including the preparation of survey questionnaires, conducting many of the stakeholder interviews, analysis and reporting. Dr. Riadh al Allaf is the national evaluator based in Iraq. Dr. Riadh was primarily responsible for beneficiary and trainer surveys and for site visits. A third team member, Mr. David Gairdner, international evaluator, provided quality control for this evaluation. The evaluation was conducted from September 2012 to February 2013. The terms of reference are found in Appendix III. UNIDO project management in Amman and Vienna provided all requested assistance to carry out this evaluation.

<sup>3</sup> See TOR at Appendix 3. The TOR reflect the initial planning with two phases of evaluations which was changed during the actual realization of the evaluation (see explanation above).



## **II. Scope and Methodology**

The evaluation combined document review, field interviews, telephone interviews, site visits, research, review of project reporting and monitoring data, and evaluation surveys to reach its conclusions. To the extent possible, findings were triangulated using the widest available range of data under tight budget and security constraints.

### **Inception Phase**

The evaluation began with a desk review of project documents, monitoring and evaluation reports, steering committee minutes, progress reports, and other sources of information and analysis, relevant to the project and the context. A list of the main documents reviewed is available at Appendix V.

The evaluators also met with stakeholders in Vienna, Amman, Rome and Baghdad. A list of persons interviewed is available at Appendix I.

An approved Inception Report, including a plan for implementation of the field work in Erbil, Thi Qar, and Baghdad Governorates, finalization of the stakeholder list for interviews, and an integrated survey design (composition of the sampling and the interview and survey tools) was submitted in November 2012.

### **Field Study**

The field study was conducted from November 2012 through January 2013.

- Thi Qar Site Visit – 16-23 November, 2012
- Baghdad Site Visit – 14-21 December, 2012
- Erbil Site Visit – 9-10;19-24 January, 2013

The field study was preceded by finalization of the project sampling, confirmation of the logistics for meetings with the stakeholders, beneficiaries, and SMEs in cooperation with the CTA and the members of the PSC. A planning session with the evaluation team to review the project content, the survey methodology and tools, and the procedures for conducting the survey was conducted over the internet (email and Skype).

The field study was conducted by the national evaluator who had responsibility for the overall coordination and execution of field study activities, and for site inspections and survey activities, as relevant. The national evaluator also conducted stakeholder interviews at the EDC locations. In addition to the site visits, semi-structured interviews with beneficiaries and key project stakeholders were held via phone and teleconference by both the national evaluator and the team lead.

The national evaluator completed a full site inspection of EDC facilities in Baghdad, Thi Qar and Erbil. Inspections included verification of installation of technological poles, and confirmation of quality, use, relevance, and sustainability of facilities. Inspections also included a review of the quality and

completeness of data input into computer based programmes (SPX), and records maintained at the facilities (such as counseling reports). A summary of site survey findings is included in section V of this report.

Interviews with beneficiaries of the project training activities, using the field survey questionnaires were completed as were interviews with trainers and counselors, also using the field study questionnaires.

### **Interviews**

In parallel with the field study, Project Steering Committee members and primary subcontractor representatives were interviewed by the team lead during a PSC meeting held in Rome in October 2012. In addition, interviews were conducted with stakeholders and UNIDO personnel in Iraq, Amman, Rome, and Vienna at UNIDO Headquarters. Telephone interviews were also conducted of ARCEIT representatives in Bahrain.

### **Evaluation Surveys**

The composition and design of surveys of beneficiaries included a random and representative sampling of the project beneficiaries, ensuring adequate coverage of the three project locations, evaluation of the distinct tools utilized by the two projects (specifically the UNINETTUNO e-learning module, the SPX module, COMFAR and IPPA), gender, and other relevant factors. The survey also took into account project status, timing, and resource constraints.

Due to the challenges posed by security and movement at the various EDC sites, selection of beneficiaries was coordinated with UNIDO staff, and where randomly selected survey candidates were not available, alternate choices were made of beneficiaries who were available to meet at EDC locations or be available at their worksite. The challenges of conducting an evaluation in Iraq often include the limitation on truly random sampling of survey candidates, which may result in bias through the selection of beneficiaries that maintain more positive relations with the EDC staff and thus are more likely to be available for interview. To the extent possible, this evaluation corrected for that phenomenon by utilizing contact lists of all beneficiaries and randomly contacting a second set of beneficiaries via phone with a smaller set of questions to verify that the results being seen from the set selected by the national evaluator at the EDCs were in line with overall results. In all cases, results were found to be highly similar in terms of feedback and observations, lending to the credibility of the findings from the sampling chosen for the actual survey.

Due to the length of the survey (between 1 and 2 hours), there was a limit on the number of beneficiaries and trainers/counselors that could be interviewed. A total of 93 individuals completed the full surveys, an additional 22 beneficiaries from the three locations were interviewed by telephone.

Surveys were tailored to the role of the group surveyed. Within the EDICT and IPI projects, surveys were conducted of EDC and INIC staff; trainers who conducted off-line training for entrepreneurs; business advisory counselors; tutors on the e-learning system; SPX experts and profilers; and bankers and credit officers provided specialized training. Survey questionnaires are available at Appendix II.

## **Interim Report**

In January, 2013, the team leader made a presentation in Vienna to Project Managers and staff and counterparts. The presentation included raw survey results from Baghdad and Thi Qar, a summary of the work undertaken, the main findings and identification of issues requiring further information and/or clarification. Feedback from programme managers has been incorporated into this report.

## **Limitations of the Evaluation**

Monitoring and reporting documentation available for the projects includes qualitative reporting of achievements and quantitative reporting focused at the activity and output level. The database maintained by the PMU was based on Project outputs and documents activities and results. The database was prepared with the objective of measuring the deliverables under the project outputs. Discussions of challenges and bottlenecks are covered very briefly. The quality of databases was mixed, with several of the data extractions requiring more detail to enable robust analysis.

Security and budget limitations on the evaluators constrain the team's ability to spend significant time at the field sites. The evaluation compensated for this through the increased use of telephone interviews with stakeholders and a stronger reliance on surveys to assess progress toward expected project outcomes.

Budget limitations allowed for only one national field evaluator and constrained the ability of the evaluation team to provide an IT expert to conduct a technical evaluation of the technology poles in the EDCs. However, since the national evaluator is an engineer, evaluation of the operational status and infrastructural adequacy is part of the evaluation.

Finally, the inclusion of three projects with multiple sub-tasks and varying beneficiary pools into a single evaluation under a limited budget allowed for only one national evaluator to conduct the field survey interviews. To ameliorate the possibility that one individual's viewpoint may inadvertently shape the data collected through the field interviews, the Lead Evaluator also contacted via telephone a small cross-section of the survey sample to gain first-hand perspectives from beneficiaries and balance the perspective of information gathered from the field.



### III. Project factsheets and basic project information

<b>Project Title</b>	<b>Enterprise Development through Information and Communication Technology (EDICT)</b>
Project No.	FB/IRQ/09/007
Duration	September 2009 – December 2012 (16 month extension)
Budget	\$2,940,000 (UNDG-ITF, Italian Development Cooperation)
Executing Agency	UNIDO
Project Manager	UNIDO HQ Vienna
International Project Coordinator	PMU UNIDO Amman, Jordan
National Project Coordinators	Thi Qar and Erbil
National Counterparts	Ministry of Industry and Minerals
Implementing Partners/Counterparts	Baghdad – Ministry of Industry and Minerals, Federation of Iraqi Industries  Erbil – KRG Prime Minister’s Office, KRG Board of Investment, Erbil Chamber of Commerce, KRG Ministry of Trade and Industry Thi Qar – Thi Qar Provincial Council, Nassariyah Chamber of Commerce
Project Location	Baghdad, Thi Qar and Erbil Governorates
Development Objective	To encourage the establishment of Small and Medium Sized Enterprises (SMEs) in Iraq and the creation of employment opportunities through the promotion of domestic and foreign investment in the productive sectors of the economy.
Key Immediate Objectives	<ol style="list-style-type: none"> <li>1. Enhanced capacities of Iraqi institutions to provide enterprise development services with the use of information and communications technology.</li> <li>2. Facilitate the creation of new enterprises and increase the competitiveness of existing enterprises in selected governorates in order to provide employment and income generating opportunities for the people of Iraq.</li> </ol>
Outputs	<ol style="list-style-type: none"> <li>1. Enterprise Development Centres (EDCs) will have increased capacity to deliver training modules to local entrepreneurs with the installation of technological infrastructure at three locations, the recording of at least 4 training courses and the training of 700 entrepreneurs (500 on-line and 200 off-line).</li> <li>2. Enhanced capacities at EDCs to provide business advisory services to existing and new enterprises with 100 counseling reports prepared, 6 mentoring visits conducted by technical experts, 15 EDC staff provided with mentoring support, and 300 enterprises provided with business advisory services.</li> </ol>

<b>Project Title</b>	<b>Investment Promotion for Iraq (IPI)</b>
Project No.	TE/IRQ/09/010
Duration	March 2010 – December 2013 (21 month extension)
Budget	\$3,480,000 (UNDG-ITF, Italian Development Cooperation) (additional funding provided with extension to add Basrah EDC)
Executing Agency	UNIDO
Project Manager	UNIDO HQ Vienna
International Project Coordinator	PMU UNIDO Amman, Jordan
National Project Coordinators	Thi Qar and Erbil
National Counterparts	Ministry of Industry and Minerals, Iraq National Investment Commission
Implementing Partners/Counterparts	Baghdad – Ministry of Industry and Minerals, Iraq National Investment Commission, Federation of Iraqi Industries  Erbil – KRG Prime Minister’s Office, KRG Board of Investment, Erbil Chamber of Commerce, KRG Ministry of Trade and Industry  Thi Qar – Thi Qar Provincial Council, Nassariyah Chamber of Commerce  Basrah – Iraq Federation of Industries
Project Location	Baghdad, Thi Qar, Erbil and Basrah Governorates
Development Objective	To increase the competitiveness of existing SMEs in Iraq and facilitate linkages with foreign markets for the acquisition of technology, finance and international partnership.
Project Components	<ol style="list-style-type: none"> <li>1. Capacity building of the local private sector, particularly SMEs, through business advisory services using the EDIP methodology following by efforts to provide sub-contracting opportunities for the Iraq private sector using UNIDO’s SPX platform.</li> <li>2. Support to the Iraq National Investment Commission (INIC) through constant on-the-job training and mentoring support through an international expert placed within INIC as well as technical assistance to the KRG Board of Investment.</li> <li>3. Direct support to two identified sub-sectors (construction and food processing).</li> </ol>
Outputs	<ol style="list-style-type: none"> <li>1. Enterprise Development Centres have an increased capacity to provide existing and new enterprises with investment promotion services. EDCs will receive training on counseling and investment promotion; investment project preparation and</li> </ol>



	<p>appraisal/COMFAR; constant mentoring; and will receive operational plans for self-sustainability of the EDCs.</p> <ol style="list-style-type: none"> <li>2. Enhanced institutional capabilities in foreign investment promotion through the training of 20 counterpart personnel on how to prepare investment project profiles; training of 20 counterpart personnel on investment project preparation and appraisal (IPPA) techniques; placement of an international consultant within INIC and provision of advisory services; 3 project promotional missions with the support of UNIDO's ITPO network.</li> <li>3. EDCs enhanced capabilities in facilitating the development of linkages between local subcontractors and foreign buyers through the training of EDCs on the SPX model, UNIDO's benchmarking system, 2 linkage sessions/meetings organized between local subcontractors and foreign buyers, 5 partnership/matchmaking events/missions to fairs organized by the EDCs.</li> <li>4. Enhanced competitiveness of selected enterprises and promotion of linkages with the foreign market through capacity building exercises, preparation of 10 IPPs, support to at least 10 companies for study tours, fairs and promotional missions.</li> <li>5. Training of 30 credit officers on proper evaluation and assessment of investment projects.</li> </ol>
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## Basic project information

The EDICT and IPI projects follow and build upon the *Enterprise Development and Investment Promotion (EDIP)*, a project started in June 2007 that served as the foundation for the current work. EDIP established the three Enterprise Development Centres (EDCs) in Erbil, Baghdad and Thi Qar. The centres are hosted and staffed by counterpart institutions of the Government of Iraq. Some support funding for EDC operations is provided by UNIDO<sup>4</sup> with the bulk of support being mentoring and capacity building. EDICT and IPI leverage the facilities, relationships, expertise and systems established through the EDIP project.

The projects are carried out in three very different locations of Iraq and each EDC has a unique character and distinct challenges and benefits. The three governorates are:

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<sup>4</sup> A July 2012 status report indicates the average contribution of the GOI to infrastructure is 26% with the average value of infrastructure of the three EDCs being US\$48,000. It is also estimated that the host institutions contribute one third of running expenses. Baghdad funds 3 EDU staff, while Erbil and Thi Qar each fund one.

Baghdad – The capital of Iraq, Baghdad is home to nearly one-fourth of the entire population of Iraq (7.1 million). While there have been improvements in the security situation since 2007, there continue to be significant incidents of violence in and around Baghdad that have kept security concerns at the forefront. Political turmoil, the emergence of new groups, and the continued threats from the terrorist group al-Qaida in Iraq affect nearly every aspect of daily life. Checkpoints still choke transportation, foreign companies and organizations continue to operate at the highest security levels. Baghdad is the closest governorate to meeting the MDG goals by 2015<sup>5</sup> with unemployment levels reportedly at 12%, which is below the national average of 15%.<sup>6</sup>

Thi Qar – Thi Qar is located in Southern Iraq and is the site of several ancient Sumerian cities. The capital is Nassariyah and it has a population of approximately 1.8 million. Security in Thi Qar is relatively calm with very few incidents recorded in recent years. A majority Shia governorate, political structures within Thi Qar are relatively stable and homogeneous. The Local Development Plan for 2009 ranks the strengthening of the private sector, promotion of industrial facilities, and promotion of investment among its key priorities.<sup>7</sup> 32% of the population lives below the poverty line and education levels in the province are low. As a result unemployment is estimated at 31%, twice the national average.

Erbil – Erbil is the northern capital of the Kurdistan Region – an autonomous region of federal Iraq. Ethnically Kurdish, the city has 1.6 million residents, most of whom speak Kurdish. While living standards have risen faster recently in the KRG region, poverty and low levels of education are still pervasive. The governorate today is very secure, as it has been throughout the recent post-conflict period. However, Erbil's location within Iraq results in perceived security conditions that have a chilling impact on tourism and foreign investment.

A fourth governorate has been added for the continuing phase of the IPI project, Basrah. Basrah is located in southern Iraq and is a hub for international business given its strategic location as the main point of export for oil and the primary sea port through which most goods enter and leave Iraq. Security is generally stable, however security precautions remain high in this province.

The overall goal of the family of projects is to support private sector development by upgrading existing and creating new small- and medium-sized enterprises (SMEs) in Iraq. Much of the work of EDICT and IPI uses complimentary ITU tools and methodologies. Project outcomes are expected to help stimulate employment and address poverty thus addressing National Development Strategy (2007-2010) goals for Iraq and the International Compact for Iraq (2007) benchmark of creating an enabling environment for private investment and job creation.

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<sup>5</sup> UN IAU, Governorate Profiles, 2012.

<sup>6</sup> COSIT Data, 2011.

<sup>7</sup> Thi Qar Provincial Development Strategy, 2007-2009.

For EDICT, the *Project Document (2009)* defines one outcome with the following associated outputs:

- a. Outcome 1: Iraqi institutions providing enterprise development services in Baghdad, Erbil and Thi Qar are promoting local investment.
  - i. Output 1: EDCs have increased capacity to deliver training modules to local entrepreneurs
  - ii. Output 2: Enhanced local capacities of EDCs to provide business advisory services to existing and new enterprises

EDICT utilizes the services of a subcontractor, the International Telematic University UNINETTUNO, to transform its training courses (primarily EDIP and SPX) into an e-learning platform to be available at the EDCs and on satellite television.

For IPI, the *Project Document (2009 and amended 2012)* and the TOR indicate the intended outcomes of the projects as:

Outcome 1: Iraqi institutions providing enterprise development and investment promotion services in Baghdad, Erbil and Thi Qar are promoting foreign investment.

- iii. Output 1.1: EDCs have increased capacity to provide existing and new enterprises with sustainable investment promotion services
- iv. Output 1.2: Enhanced institutional capabilities in foreign investment promotion.
- v. Output 1.3: EDC's enhanced capabilities in facilitating the development of linkages between local subcontractors and foreign buyers
- vi. Output 1.4: EDC in Basra functional and providing enterprise development services to local enterprises.<sup>8</sup>

Outcome 2: The industrial private sector is contributing to the diversification and growth of the Iraqi Economy

- vii. Output 2.1 Enhance the competitiveness of selected enterprises and promote linkages with the foreign market
- viii. Output 2.2: SME credit officers in the three governorates have enhanced knowledge in credit assessment and loan management in favour of SMEs.

IPI utilizes the SPX methodology that includes a suite of interventions made available at the EDCs for potential and prospective entrepreneurs. Services include a full range of assistance from assessing, benchmarking and mentoring businesses, to helping them network and identify potential investors, partners,

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<sup>8</sup> This fourth output was added in the amended project document in 2012 and was accompanied by an increase in funding of 450,000 EUR.

and subcontracting opportunities. IPI incorporates components developed by UNIDO and applied in several countries around the world for several decades to support benchmarking, matchmaking, investment promotion, business plan development, subcontracting and assessment.

The two projects, EDICT and IPI are closely related with complimentary goals and approaches. For beneficiaries, the distinction between the projects is not readily apparent – by design. The idea is to popularize the activities of the EDC in a holistic fashion. Prospective and current entrepreneurs seeking training, counseling or mentoring support show up at an EDC and may receive any of a range of supporting activities from e-learning classes to standard classroom trainings, they may be included in study tours or investment promotion trips, or they may be assisted with business assessments and establishing linkages with main contractors and suppliers through a more standard UNIDO tool such as SPX or COMFAR.

A graphic presentation of the combined approach of the EDICT and IPI projects was presented by the UNIDO project manager during the Steering Committee meeting in Rome in October 2012 (see Figure 1 below).

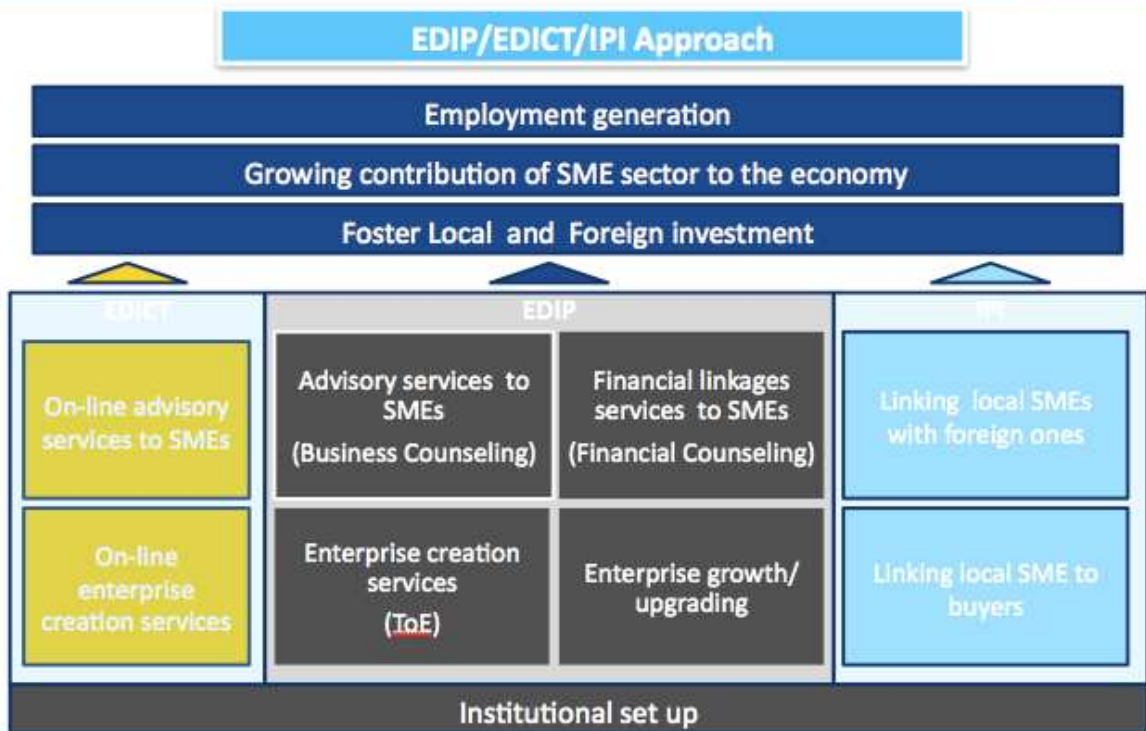


Figure 1

Taken together, EDICT and IPI provide the following menu of services to existing and prospective entrepreneurs through the EDCs:

- b. Business Management Training (topics include entrepreneurship skills, enterprise management, financial management, marketing, international partnerships) and will be delivered through two means:

- i. Off-line traditional training at the EDCs – trainings last 15-20 days and usually comprise 15-30 individuals.
  - ii. On-line training through the e-learning platform developed in cooperation with subcontractor UNINETTUNO
- c. Business Counseling Services (financial counseling, marketing assistance, development of a range of entrepreneurship skills, assistance with development of business plans)
- d. Investment matchmaking through UNIDO methodologies including the preparation of company profiles with investment needs specified and subsequent promotion using the UNIDO network. The SPX component focuses on:
  - i. Buyer-supplier matchmaking
  - ii. Benchmarking assessments
  - iii. Assistance with subcontracting opportunities
- e. Business mentoring for EDC counselors and trainers who subsequently use the new skills to assist new and prospective entrepreneurs
- f. Organizing of missions/business entrepreneurial delegations to fairs, trade shows and exhibitions.



## IV. Project implementation

### EDICT

From its inception in December 2009 through October 2012, EDICT trained 271 entrepreneurs in classrooms in Baghdad (91 trainees), Erbil (65), and Thi Qar (115)—71 more than its 200-trainee target. Of these, 222 were men and 49 were women. Moreover, 94% of these trainees passed the training assessment, exceeding the initial goal of 80%. As of January 2013, at least 58 entrepreneurs had enrolled in online training courses - 13 in Thi Qar and 45 in Erbil.<sup>9</sup>

The subcontractor UNINETTUNO has completed the set-up of “technology poles” (12 computers with high-speed internet access and a video-conferencing system in each of the three governorates) within the three EDCs. As of October 2012, 9 courses had been recorded that will be delivered through e-learning facilities.<sup>10</sup>

EDICT has also provided face-to-face business-advisory services to 213 enterprises—56 in Baghdad, 59 in Erbil, and 98 in Thi Qar. According to self-assessment data, 97% of recipients expressed satisfaction with the advisory services delivered by EDICT.<sup>11</sup>

Among the major activities undertaken by EDICT to date have been:<sup>12</sup>

- setting up the aforementioned technology poles within the EDCs in the Ministry of Industry and Minerals in Baghdad, Nassiriyah Chamber of Commerce in Thi Qar, and KRG Ministry of Trade and Industry in Erbil
- having UNIDO-mentored business counselors provide 748 counseling sessions to 213 entrepreneurs that led to the creation of 51 business plans
- delivering several training sessions to EDC national staff on a variety of topics relevant to EDICT goals and objectives, including using of e-learning platforms and providing in-person business counseling
- conducting monitoring missions to Erbil (5 missions) and Baghdad (1) sites to assess mission activities (security concerns precluded a visit to the Thi Qar location)
- convening Steering Committee meetings in 2011 and 2012 that were attended by representatives from UNIDO and the GOI

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<sup>9</sup> Enterprise Development through Information and Communication Technologies (EDICT), Steering Committee Progress Report, 10/2012, p. 16-17 for Thi Qar information; the 45 registered number for Erbil came from the evaluation site visit in January 2013.

<sup>10</sup> Enterprise Development through Information and Communication Technologies (EDICT), Steering Committee Progress Report, 10/2012, p. 17.

<sup>11</sup> Enterprise Development through Information and Communication Technologies (EDICT), Steering Committee Progress Report, 10/2012, p. 17-18.

<sup>12</sup> Enterprise Development through Information and Communication Technologies (EDICT), Steering Committee Progress Report, 10/2012, pp. 18-24.

- launching the Erbil EDC e-learning programme in July 2012
- completing the ICT operational platform and uploading 130 video lessons that are now accessible from the EDICT-UNINETTUNO portal

## IPI

Since the start of programme activities in March 2010, IPI reports progress on all three of its deliverable components: sub-contracting and partnership exchange services (SPX); investment-promotion services; and developing the capacity of the INIC. Each EDC has now established an SPX centre on its premises, staffed by a team of profilers trained by a UNIDO consultant in analyzing supplier companies in the construction and food-processing sectors.

As of October 2012, 302 companies have been profiled. The second phase of the SPX component, which is benchmarking suppliers, commenced in April 2012 with a training programme conducted by a UNIDO consultant for selected EDC officials. Subsequently, one person from each governorate was recruited as bench-marker to review supplier companies, with 47 suppliers having been benchmarked as of October 2012.<sup>13</sup>

The investment promotion component has almost completed its deliverables. IPI has conducted number of capacity building trainings in investment-promotion profiles. UNIDO's Project Management Unit in Amman, with support from EDCs, has done extensive investment promotion of SMEs from the three governorates. Moreover, 105 Iraqi SMEs have participated in UNIDO missions to international exhibitions and business events, more than ten times the original target of 10 companies. UNIDO has also facilitated the signing of 35 partnership agreements between Iraqi companies and international firms. Additionally, 739 business bilateral talks have been arranged within the framework of the investment promotion component of the IPI project.<sup>14</sup>

A UNIDO consultant has also been assisting the INIC, providing advice and hands-on mentoring support on investment promotion. INIC officials have been exposed to international investment- promotion methodology, particularly with UNIDO trade-promotion networks.<sup>15</sup>

Since October 2010, IPI has organized, or arranged for Iraqi participation in, several training sessions, exhibitions, and conferences, including:<sup>16</sup>

- a forum for young entrepreneurs in Tunisia focusing on best practices in enterprise creation and development

<sup>13</sup> Investment Promotion for Iraq, Steering Committee Progress Report, 10/2012, pp. 16-17.

<sup>14</sup> Investment Promotion for Iraq, Steering Committee Progress Report, 10/2012, pp. 16-17.

<sup>15</sup> Investment Promotion for Iraq, Steering Committee Progress Report, 10/2012, p. 17.

<sup>16</sup> Investment Promotion for Iraq, Steering Committee Progress Report, 10/2012, pp. 25-36.



- organizing a delegation of 22 Iraqi entrepreneurs to SAMOTER, one of the largest construction-equipment exhibitions in Europe
- a ten-day training session in Erbil on SPX tools that was attended by representatives from all three EDCs
- a workshop in Turkey to review the SPC work plan and confer with the Istanbul Chamber of Commerce
- three SPX awareness seminars in Thi Qar
- two training sessions in Jordan for EDC and INIC officials that focused on project-promotion tools, such as UNIDO's Computer Model for Feasibility Analysis and Reporting (COMFAR)
- specialized training on operations management, marketing management, and accounting
- a study tour of a food and beverage fair held in Turkey where eight Iraqi entrepreneurs from the Thi Qar and Erbil studied best practices and met with foreign companies to discuss potential partnerships
- two five-day training courses (Beirut and Amman) funded by the Italian Cooperation for Development organization for Iraqi banking executives on lending practices as they pertain to SMEs
- missions to trade fairs in Baghdad, Erbil, and Basra to promote EDC services, such as the SPX
- a week-long investment matchmaking event in Erbil, focusing on meetings with Kurdish officials, field visits to various companies, and conferences with foreign firms
- a two-day trade and investment forum in Italy attended by more than 20 Iraqi officials and 30 Iraqi companies that featured over 400 meetings between Italian and Iraqi firms
- a two-week training session in Erbil where 11 representatives from the Ministry of Industry and Minerals, KRG Ministry of Trade and Industry, and Nassiriyah Chamber of Commerce were introduced to the UNIDO SPX Benchmarking Tool
- a supplier-buyer matchmaking event in Erbil attended by 35 suppliers, most of which were from the Kurdistan Region
- a two-day training session for EDC staff on how to identify buyers for SPX-profiled companies



## V. Purpose of the Combined Evaluation

UNIDO commissioned a combined evaluation of the EDICT, IPI projects, to take place between October 2012 and February 2013. The purpose of the evaluation is to assess:

- a. *Relevance* to the priorities and policies of the Government of Iraq, the UNDG-ITF, and UNIDO;
- b. *Effectiveness* in terms of the outputs produced and the outcomes achieved;
- c. *Efficiency* of implementation, focusing on the quantity, quality, cost and timeliness of UNIDO and counterpart inputs and activities;
- d. Prospects for development *impact*; and
- e. Prospects for long-term *sustainability* of the results and benefits.

The evaluation was also directed to provide the necessary analytical basis and make recommendations to the Government, to the donor and to UNIDO:

- g. For EDICT specifically regarding a possible next project phase or replication,
- h. For IPI specifically regarding recommendations to help guide the remaining duration of the projects,

and to draw lessons of wider applicability for replication in other projects.

Within the framework of accepted UNIDO evaluation policies and the broad indicators above, the evaluation of the projects systematically and objectively assesses:

### Programme Design

- i. How the project was identified, and the degree to which stakeholders were involved
- ii. Relevance of the project design to beneficiary needs
- iii. Appropriateness of the means selected for project delivery
- iv. Adequacy of consideration of the broad environment in which the project is executed
- v. Identification of assumptions and risks
- vi. Cost effectiveness of project design
- vii. Selection and participation of beneficiaries

### Programme Management

- viii. Roles and contributions of counterparts
- ix. Effectiveness of management structure
- x. Effectiveness of monitoring and evaluation
- xi. Adequacy of coordination with associated parties
- xii. Degree to which previous and related recommendations were considered

xiii. Analysis of budget effectiveness

Outcomes

- xiv. Analysis of the metrics gathered/available to assess outputs
- xv. Systematic assessment of outputs to date
- xvi. Quality of outputs
- xvii. Prospects for achieving sustainable outcomes

# VI. Iraq Country Context

## Overview

The IMF projects that Iraq's GDP grew by 10.2% in 2012, down slightly from its initial 2012 projection of 12.6%.<sup>17</sup> For 2013, the IMF projects that Iraqi GDP growth will accelerate to 14.7%, three times that of the next fastest growing economy in the region, Qatar.<sup>18</sup> But notwithstanding efforts by the Government of Iraq (GOI) to diversify its economy, Iraq remains a petrostate. Approximately 95% of its foreign-exchange income and more than 90% of its budget revenue is derived from the sale of crude oil on the world market.<sup>19</sup> Tellingly, this summer Iraq overtook Iran as the second-largest producer of oil in OPEC.

Iraq's oil wealth has already led to significant economic distortions, including expensive energy subsidies that approached 30% of GDP in 2012.<sup>20</sup> Not surprisingly, there is also a geographic concentration of economic activity. Baghdad, the southern oil fields, and the northern Kurdistan Region account for most of Iraq's gross domestic product, with more rural provinces, such as Thi Qar, generally lagging behind. While SMEs have sprouted up across Iraq since 2003, there are often undercapitalized and disconnected from many of the benefits of modern technology. These businesses, however, have the potential to change the face of the Iraqi economy, moving it away from a state-centered, oil-dominated structure and toward a more sustainable and diverse economic model. For this to occur, the GOI, its private-sector partners, and the international community must continue to address the challenges posed by bloated public sector, corruption, an aging and dilapidated infrastructure, outdated laws, and still-fragile security and political situation.

## Background

### Recent History

Iraq has a long history of regional prominence in education, health, business, and tourism that peaked in the 1970s. Over the past three decades, however, the costs resulting from dictatorship, war, sanctions, and mismanagement rapidly

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<sup>17</sup> IEA, Oil Market Report, 8/10/2012, p. 15, [omrpublic.iaea.org/omrarchive/10aug12full.pdf](http://omrpublic.iaea.org/omrarchive/10aug12full.pdf), accessed 10/1/2012; Platts Commodity News, "Iraq Produced Record 3.051 Million b/d of Crude in July: Ministry," 8/29/2012; GOI, Ministry of Oil, "Production, Export & Consumption of Crude Oil and Associated Gas," 8/2012, [www.oil.gov.iq/moo/domestic.php?lang=en&page\\_name=domestic](http://www.oil.gov.iq/moo/domestic.php?lang=en&page_name=domestic), accessed 9/28/2012; IMF, Regional Economic Outlook: Update, "Middle East and North Africa: Historic Transitions under Strain," 4/20/2012, p. 11, and "Iraq and the IMF," [www.imf.org/external/country/IRQ/index.htm](http://www.imf.org/external/country/IRQ/index.htm), accessed 10/16/2012.

<sup>18</sup> IMF, *World Economic Outlook*, 2012, 10/13/2012, p. 81, [www.imf.org/external/pubs/ft/weo/2012/02/pdf/text.pdf](http://www.imf.org/external/pubs/ft/weo/2012/02/pdf/text.pdf), accessed 10/17/2012.

<sup>19</sup> IMF, Country Report No. 11/75, "Iraq: Second Review Under the Standby Arrangement, Requesting Waiver of Applicability, Extension of the Arrangement and Rephrasing of Access," 3/2011, pp. 17, 22.

<sup>20</sup> USAID, USAID-*Tijara*, "Assessment of Current and Anticipated Economic Priorities in Iraq," 10/4/2012, p. 13, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

eroded that success, isolating Iraq at exactly the time that the rest of the world underwent rapid technological advancement. Living standards have fallen dramatically since the 1980s, with about 23% of Iraq's population of approximately 32 million people now living in poverty—a figure that rises to almost 40% in the rural hinterlands.<sup>21</sup> Further compounding the effects of this disconnect from technology were the declining quality of education, rising levels of illiteracy, and the emigration of many of Iraq's best and brightest citizens. Superimposed on this continuum was the fact that Iraq operated as a centralized socialist economy from the late 1950s until 2003, with private-sector activities occurring only fitfully and then only under the auspices of a totalitarian police state. For more than four decades, economic systems were built around this model, and many of these systems, though inconsistent with a capitalist free-market economy, linger today.

Since the U.S.-led coalition deposed the Ba'athist regime in 2003, Iraq has seen significant changes in its governance. With the introduction of democracy and a concomitant move to open up the country to private businesses, the challenges of converting one a centralized, state-dominated economy into a free-market one in the midst of ongoing violence has been frustratingly slow and difficult. These challenges may be exacerbated if the GOI fails to integrate Iraq's young people—the 64% of the population that is less than 24 years old—into the workforce.<sup>22</sup> Although notoriously hard to calculate, the UN estimates that at least 23% of young Iraqis are currently unemployed.<sup>23</sup>

It is against this backdrop that UNIDO has worked to employ its expertise for the benefit of the Iraqi people. In the case of the projects under evaluation here, they could be described as “second-generation” projects, with first-generation projects identified more as emergency intervention measures for the most vulnerable poverty-stricken individuals and families.

## Current Political Situation

The Iraqi polity is less than a decade into working out the proper balance of power among the GOI, the semi-autonomous KRG, the provincial governments, and local governments. One of the central political issues facing Iraq today is the festering dispute between the GOI and the KRG. In brief, the border between the two is unclear, with each side attempting to alter the “facts on the ground” by moving troops into oil-rich, disputed territories running roughly southeast from

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<sup>21</sup> USAID, USAID-*Tijara*, “Assessment of Current and Anticipated Economic Priorities in Iraq,” 10/4/2012, pp. 42-43, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

<sup>22</sup> USAID, USAID-*Tijara*, “Assessment of Current and Anticipated Economic Priorities in Iraq,” 10/4/2012, pp. 42-43, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

<sup>23</sup> UN, IAU, “Labor Force Factsheet,” 12/2011, <http://reliefweb.int/sites/reliefweb.int/files/resources/LB%20Factsheet-English.pdf>, accessed 10/31/2011; GOI, COSIT, “Unemployment Rate among the Population Aged 15 Years and Over by Governorate, Urban/Rural and Gender for the Year 2008,” [cosit.gov.iq/english/AAS2010/section\\_2/2-12A.htm](http://cosit.gov.iq/english/AAS2010/section_2/2-12A.htm), accessed 12/7/2011; EIU, *Country Report: Iraq*, 3/2012, p. 14; USAID, Agricultural Policy Dialogue Series #10, “Unemployment Threatens Democracy in Iraq,” 1/2011, p. 3, [www.inma-iraq.com/index.php?pname=resour\\_repts&doctype=21&image\\_id=264&&limit=12&page=1&component=&doctype=21&pagetitle=](http://www.inma-iraq.com/index.php?pname=resour_repts&doctype=21&image_id=264&&limit=12&page=1&component=&doctype=21&pagetitle=), accessed 7/15/2012.

the Turkish border to the Iranian border and contain vast, largely unexploited oil reserves. Further complicating this situation are the heterogeneous populations of these lands (Arabs, Kurds, and Turkmen) and the fact that each side maintains well-armed security forces. In addition, both the GOI and the KRG are aggressively seeking foreign investment—while simultaneously attempting to secure what each views as their historically legitimate claims to disputed lands, people, and hydrocarbon resources. The amicable resolution of the myriad issues straining relations between the two—or at least the tacit willingness of each side to treat the other with benign neglect—will weigh heavily on Iraq’s future stability. With provincial elections slated for April 2013 and parliamentary polls scheduled for 2014, these issues appear likely to dominate Iraqi politics in the near term.

These elections will occur against the backdrop of continued infighting among high-ranking members of the GOI. In December 2011, the GOI issued an arrest warrant for Vice President Tariq al-Hashimi, a Sunni Arab member of the al-Iraqiya bloc and a political opponent of Prime Minister Nuri al-Maliki, for his alleged involvement in multiple assassination plots. Recently, al-Hashimi was sentenced to death by an Iraqi court, but he remains at large, having fled Iraq in December 2011 before he could be arrested. The ongoing rivalry between the Prime Minister’s supporters in the State of Law (SoL) Coalition and the various Sunni parties united, to a degree, in the al-Iraqiya bloc will shape the contours of the upcoming elections, as will the disputatious relationship between SoL and the backers of Shia cleric Moqtada al-Sadr. As of late January 2013, 11 of the federal ministries were run by acting ministers in the face of a political boycott by parties opposed to the Prime Minister.<sup>24</sup> At the moment, the Prime Minister lacks an outright majority in the 325-seat Council of Representatives (COR), making it difficult to pass controversial legislation and leaving him vulnerable to a no-confidence vote of the sort that he barely averted in the spring of 2012.

### **Historical Relationship between the Government and the Private Sector**

Until about 1950, Iraq’s private sector occupied a dominant position in the national economy, with large landholders, business owners, and manufacturers playing a central role in the economic life of the state. Primarily, this was a consequence of the fragile state of public-sector finances. Still, many private businesses derived substantial benefits from various forms of financial support provided by the state. The private sector’s relative strength began to diminish around mid-century, when the state’s financial situation improved markedly with the signing of profit-sharing agreements with international oil companies. The role of the public sector increased further still in 1964 when the government nationalized the banking system. With the subsequent nationalization of the oil industry in 1974, the public sector came to dominate most aspects of the Iraqi economy, reaching its zenith in the early 1980s when it constituted approximately 83% of Iraq’s GDP.<sup>25</sup>

As the Iran-Iraq War demanded an ever-larger share of the state’s resources during the 1980s, the private sector experienced a resurgence. Midway through

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<sup>24</sup> Evaluators analysis of open-source Arabic media sources, January 30-February 2, 20123.

<sup>25</sup> GOI, *National Development Plan for the Years 2010-2014*, pp. 170-171.

the decade, the government announced an “open door” policy to private enterprise and ceased its direct involvement in the agricultural sector. This trend continued in 1987 when the government adopted a series of privatization measures, including selling farms and factories, liberalizing the labor market, encouraging investment from other Arab countries, and cutting support for some state-owned enterprises (SOEs). By 1990, the private sector’s share of GDP (46%) had reached near parity with that of the state.<sup>26</sup>

After the imposition of international sanctions on Iraq following its invasion of Kuwait in 1990 and the maintenance of many of these sanctions after its defeat in 1991, the private sector’s relative position in the economy was further enhanced. The Ba’athist regime, desperate to sustain itself, promoted private-sector deals with other countries and adopted more liberal trade laws. Accordingly, by 1995 private-sector activities comprised about 93% of GDP. However, Iraq lacked an adequate legal and financial framework to sustain such policy changes. Consequently, the attempt at liberalization resulted in rampant inflation and other economic distortions, leading to a retrenchment that included the reinstatement of certain price controls and industrial subsidies.<sup>27</sup>

Throughout the twentieth century, Iraq’s private sector was generally dominated by small organizations with investors selecting activities that guaranteed near-term profits by prioritizing projects in which the capital-repayment period was short. Moreover, Iraqi businesses often depended greatly on government support and were largely shielded from foreign competition by import restrictions. As GOI itself concluded in 2010, “the private sector became more like a contractor for the public sector . . . and the latter kept the private sector’s role marginal in the country’s overall economic performance.”<sup>28</sup>

After 2003, the deteriorating security situation and a flood of cheap imports caused the flight of both businessmen and capital from Iraq. By 2005, the IMF estimated that total private investments in the Iraqi economy totaled a mere 3.5% of GDP. Cognizant of the need to strengthen non-state economic activity, the GOI began to articulate a strategy for private-sector revitalization with its development plan for 2007-2010. But despite setting of a series of goals and benchmarks, the GOI’s initial strategy largely foundered due, in part, to the ongoing violence and the lack of state capacity.<sup>29</sup>

## **The GOI and the Private Sector**

The post-2003 Iraqi economy has been unable to provide individuals with sufficient opportunities and incentives to take economically promising risks. The dominant role of the state stifles initiative, leaving individuals without viable means of improving their lot and depriving them of the market signals necessary to make rational decisions about their future. Flawed price signals, confusing

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<sup>26</sup> GOI, *National Development Plan for the Years 2010-2014*, p. 170.

<sup>27</sup> GOI, *National Development Plan for the Years 2010-2014*, pp. 170-171.

<sup>28</sup> GOI, *National Development Plan for the Years 2010-2014*, p. 171.

<sup>29</sup> GOI, *National Development Plan for the Years 2010-2014*, p. 171.



laws, state monopolies, rampant corruption, and protectionist regulations have led to what some analysts have called “economic incoherence.”<sup>30</sup>

An October 2012 U.S. Agency for International Development (USAID) report on the state of the Iraqi economy concluded that the “burgeoning size of the public sector, and the costs of its sustainment crowd out the private sector and much needed capital investment.”<sup>31</sup> Two major items account for the outsized nature of the Iraqi state: public employment and support for SOEs. In the first instance, the number of public employees has increased sharply in recent years. The GOI employed about 28% of the working population in 2005, a figure that grew to 43% by 2008.<sup>32</sup> Public-employee salaries accounted for 38% of GOI operating expenses in 2008, but are projected to constitute more half (51%) of operating expenses in 2012.<sup>33</sup> By late 2012, USAID estimated that the GOI maintained a payroll of more than 3.4 million employees—or just fewer than 10% of Iraq’s *entire* population of approximately 32 million people.<sup>34</sup> In addition, numerous reforms to the compensation packages of state employees have driven government operating costs still higher and, to date, the GOI has lacked the political will to resist using the public payroll as an expedient substitute for private-sector-led employment growth.<sup>35</sup>

As for SOEs, the GOI provided \$2.4 billion in direct financial support in 2011.<sup>36</sup> In the short term, this is unlikely to change, as the restructuring of these entities is proceeding slowly.<sup>37</sup> For 2012, USAID projects that direct support to SOEs will top \$3 billion over and above the indirect subsidies they receive through low energy prices.<sup>38</sup> Taken together, these policy choices exemplify how “[c]urrent GOI management of the economy often perpetuates state-centric approaches to economic management . . . meaning that in most cases a more liberal economic

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<sup>30</sup> USAID, USAID-*Tijara*, “Assessment of Current and Anticipated Economic Priorities in Iraq,” 10/4/2012, p. 72-73, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

<sup>31</sup> USAID, USAID-*Tijara*, “Assessment of Current and Anticipated Economic Priorities in Iraq,” 10/4/2012, p. 6, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

<sup>32</sup> USAID, USAID-*Tijara*, “Assessment of Current and Anticipated Economic Priorities in Iraq,” 10/4/2012, p. 1, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

<sup>33</sup> USAID-*Tijara*, “Assessment of Current and Anticipated Economic Priorities in Iraq,” 10/4/2012, p. 60, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

<sup>34</sup> USAID, USAID-*Tijara*, “Assessment of Current and Anticipated Economic Priorities in Iraq,” 10/4/2012, Executive Brief, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

<sup>35</sup> USAID, USAID-*Tijara*, “Assessment of Current and Anticipated Economic Priorities in Iraq,” 10/4/2012, pp. 1 and 60, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

<sup>36</sup> USAID, USAID-*Tijara*, “Assessment of Current and Anticipated Economic Priorities in Iraq,” 10/4/2012, Executive Brief, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

<sup>37</sup> USAID, USAID-*Tijara*, “Assessment of Current and Anticipated Economic Priorities in Iraq,” 10/4/2012, Executive Brief, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

<sup>38</sup> USAID, USAID-*Tijara*, “Assessment of Current and Anticipated Economic Priorities in Iraq,” 10/4/2012, pp. 1 and 12, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

policy intent is merely being sprinkled on top of legacy (and often moribund) statist structures.”<sup>39</sup>

## **National Development Plan for 2010-2014**

This liberal policy intent is given voice in the GOI’s NDP for 2010-2014. The NDP calls for \$186 billion in investment—\$100 billion from the GOI and the rest from the domestic and international private companies (private-investment goals that USAID has described as “unrealistic”).<sup>40</sup> The NDP prioritizes investment in construction and services (17% of the total value of the NDP ), oil (15%), regional development (12.5%), electricity (10%), and transportation (9%).<sup>41</sup> Following what has become a standard GOI budgetary practice, the NDP assumes that 17% of funds will be dedicated to projects in the Kurdistan Region.<sup>42</sup> The NDP also calls for reducing unemployment by 15% and the creation of between 3 million and 4.5 million new jobs, although it is unclear as to the mechanism through which these new positions are to be created.<sup>43</sup>

## **Progress on Implementing the NDP**

In 2010 and 2011, the IMF reported that private investment in Iraq fell significantly beneath the NDP’s optimistic targets for those years. According to the IMF, private investment for 2010 amounted to just 26% of the NDP annual target. Similarly, in 2011, private investment totaled just 32% of the NDP goal for that year.<sup>44</sup>

The inherent vagueness of the NDP makes it difficult to discern the GOI’s progress on implementing it. With the NDP about three-fifths of the way to its conclusion, however, it is possible to make some preliminary observations about certain ministries’ progress:<sup>45</sup>

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<sup>39</sup> USAID, USAID-*Tijara*, “Assessment of Current and Anticipated Economic Priorities in Iraq,” 10/4/2012, p. 6, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

<sup>40</sup> USAID, USAID-*Tijara*, “Assessment of Current and Anticipated Economic Priorities in Iraq,” 10/4/2012, p. 4, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

<sup>41</sup> USAID, USAID-*Tijara*, “Assessment of Current and Anticipated Economic Priorities in Iraq,” 10/4/2012, p. 4, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

<sup>42</sup> USAID, USAID-*Tijara*, “Assessment of Current and Anticipated Economic Priorities in Iraq,” 10/4/2012, p. 4, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

<sup>43</sup> U.S. Department of Commerce, “2012 Country Commercial Guide, Iraq,” pp. 4-5, <http://export.gov/iraq/doingbusinessiniraq/index.asp>, accessed 11/1/2012; USAID-*Tijara*, “Assessment of Current and Anticipated Economic Priorities in Iraq,” 10/4/2012, Executive Brief and p. 4, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

<sup>44</sup> USAID-*Tijara*, “Assessment of Current and Anticipated Economic Priorities in Iraq,” 10/4/2012, p. 18, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

<sup>45</sup> USAID-*Tijara*, “Assessment of Current and Anticipated Economic Priorities in Iraq,” 10/4/2012, pp. 20-29, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

- The Ministry of Electricity has not achieved many of its objectives, making little progress rationalizing energy-usage rates or setting monitoring mechanisms to improve efficiency.
- The Ministry of Agriculture is resisting allowing the private sector to increase its role.
- The Ministry of Transportation retains monopolistic control of all GOI-shipped commodities despite having a shortage of trucks to fulfill its obligations. The Ministry's efforts to rehabilitate Iraq's ports and roads are also significantly behind schedule.
- The Ministry of Health is moving forward with quality-management measures, but it has made little progress coordinating its activities with those of private-sector health-services providers.
- The Ministry of Water Resources appears to lack the political will to move forward with reducing subsidies to encourage more efficient usage, thereby calling into question the sustainability of newly constructed infrastructure projects.
- Although education funding has risen somewhat in recent years, the Ministry of Education has failed to implement institutional reforms and there remains a shortage of schools. Additionally, the Ministry remains a centralized bureaucracy that is not responsive to input from its constituent parts. Curricula remain outdated, and the Ministry has not started the process of developing new ones.

While outlining a path for economic reform, the NDP does not delineate clear roles for the public and private sectors, nor does it provide specific plans for achieving its goals.<sup>46</sup> In sum, since the NDP represents something less than a formal economic-development policy, many ministries have merely paid lip service to its objectives while continuing to operate in a centralized, state-centric fashion.<sup>47</sup>

## **The Next NDP**

In 2012, the GOI completed a draft of its NDP for 2013-2017, which would allocate \$200-\$250 billion to development and investment projects. The draft NDP acknowledges the need to diversify the Iraqi economy by improving non-hydrocarbon sectors, such as agriculture, industry, and tourism. At the moment, Iraq is second only to Angola in terms of the dominance of oil in its economy, making diversification essential to continued economic development.<sup>48</sup>

According to the draft, the GOI would provide more than 50% of the funding for the new NDP, with the private sector—both domestic and international—contributing the remainder. However, this draft must still be approved by the

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<sup>46</sup> USAID-*Tijara*, "Assessment of Current and Anticipated Economic Priorities in Iraq," 10/4/2012, p. 3, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical Reports), accessed 11/5/2012.

<sup>47</sup> USAID-*Tijara*, "Assessment of Current and Anticipated Economic Priorities in Iraq," 10/4/2012, p. 5, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical Reports), accessed 11/5/2012.

<sup>48</sup> USAID-*Tijara*, "Assessment of Current and Anticipated Economic Priorities in Iraq," 10/4/2012, p. 31, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical Reports), accessed 11/5/2012.

CoR and the Council of Ministers (CoM), making it likely that at least some elements will be revised.<sup>49</sup>

GOI officials have cited seven key factors were cited as essential requirements to achieve the draft NDP's objectives:<sup>50</sup>

- improved security
- well-planned investments spanning all sectors of the economy
- supportive fiscal policies, including a reduced budget deficit and a reformed system of government subsidies
- sound monetary policies, including low interest rates, minimal inflation, a stable exchange rate, the maintenance of the CBI's reserves, and a reformed banking sector
- reduced corruption and improved governance
- enhanced GOI management capacities
- comprehensive monitoring and assessment of projects

## **Major GOI Institutions Affecting the Economy**

### **The Iraqi National Investment Commission (INIC) and Provincial Investment Commissions (PICs)**

Under Investment Law Number 13 of 2006, an investor is required to apply to the INIC or to a PIC for a license to start a business in Iraq. Established in 2006, the INIC and the PICs are designed to be “one-stop shops” for investors looking to obtain investment licenses, appropriate tax exemptions, and other services, including the screening of potential local business partners. The INIC's Chairman, Dr. Sami al-Araji, is also involved in interagency efforts to reform Iraq's commercial code and eliminate regulations that make it difficult for foreign investors to operate in Iraq. He regularly meets with foreign businessmen and government officials, including representatives from Sweden, the People's Republic of China, Canada, and Kuwait.<sup>51</sup>

Established at the same time as the INIC, the 15 PICs approve investment licenses for projects in their respective jurisdictions (the KRG provinces maintain a separate investment structure). For example, in July 2012, the Thi Qar PIC approved an investment license for a \$60 million housing project being developed by a U.S. firm.<sup>52</sup> As of late September 2012, the Thi Qar PIC was also in discussions with an Italian consortium about the construction of a pharmaceutical factory and a hotel in Nassiriyah.<sup>53</sup>

As of the end of 2010, more than 350 companies had filed for investment licenses with the INIC or with a PIC since their establishment. These figures

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<sup>49</sup> Notes on the MOP's 5-year plan, released from an Economic Meeting in London, 9/17/2012.

<sup>50</sup> Notes on the MOP's 5-year plan, released from an Economic Meeting in London, 9/17/2012.

<sup>51</sup> GOI, NIC website, 2012, <http://www.investpromo.gov.iq/index.php?id=3&page=1>, accessed 11/6/2012.

<sup>52</sup> Iraq Business News, “U.S. Firm Wins \$60m Affordable Housing Project in Thi Qar,” 7/19/2012, <http://www.iraq-businessnews.com/tag/dhi-qar/>, accessed 10/29/2012.

<sup>53</sup> Iraq Updates, “Thi Qar to Establish Pharmaceutical Factory, Floating Hotel,” 9/25/2012, accessed 11/1/2012.

exclude the firms filing for licenses with the KRG. In 2010, the KRG granted 107 licenses with an estimated potential value of approximately \$4.7 billion—100 to domestic investors, mostly from outside the Region, while granting the other seven (valued at about \$960 million) to foreign companies.<sup>54</sup>

Among the projects the NIC is either accepting bids for or assisting with in 2012 are: a Baghdad housing development of 20,000 units, the conversion of the Al-Rasheed military base to commercial use, a massive South Korean-led housing project east of Baghdad, a monorail in Kerbala, and the development of a residential complex in Baghdad's Karrada district.<sup>55</sup> However, according to a 2012 report by the U.S. Department of Commerce, both the INIC and PICs “often lack training and expertise and are still building an effective ‘One-Stop Shop’ for investors to ease their entrance into the Iraqi market.”<sup>56</sup>

### Other Key Entities

Adding to the complexity of the Iraqi economic and political scene are an array of other institutions that hold substantial, if sometimes vague and overlapping, authorities. These include the:<sup>57</sup>

- **Ministry of Planning (MoP).** In addition to providing statistical information on the population and economy, the MoP takes a leading role in drafting Iraq's five-year development plans and overseeing long-term capital projects requiring the involvement of multiple GOI agencies, international organizations, and/or foreign investors.
- **Ministry of Industry and Minerals (MIM).** The Ministry is responsible for orienting industrial- and (non-hydrocarbon) mineral-related activities under GOI's industrial policy. MIM is charged with increasing the output of Iraq's industrial and mining sectors and expanding the role of the private sector in industrial development. MIM also oversees at least 70 SOEs in these sectors.
- **Prime Minister's Task Force for Economic Reform.** One of this group's primary duties is moving forward with reforming SOEs. In recent months, it allocated \$65 million to various GOI ministries to prepare 30 SOEs to become more attractive to foreign investors. The funds are expected to be used to engage international consultants to develop reform initiatives. The World Bank, the UN, and USAID intend to support this effort.
- **Provincial governments.** To date, provincial budgets have been determined based on the estimated population of the province, even though the GOI has not held a truly national census in more than two decades. The GOI budget for 2011 allocated a combined \$3.7 billion for

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<sup>54</sup> U.S. Department of Commerce, “2012 Country Commercial Guide, Iraq,” p. 79, <http://export.gov/iraq/doingbusinessiniraq/index.asp>, accessed 11/1/2012

<sup>55</sup> GOI, NIC website, 2012, <http://www.investpromo.gov.iq/index.php?id=3&page=1>, accessed 11/6/2012.

<sup>56</sup> U.S. Department of Commerce, “2012 Country Commercial Guide, Iraq,” p. 69, <http://export.gov/iraq/doingbusinessiniraq/index.asp>, accessed 11/1/2012.

<sup>57</sup> Evaluator analysis of open-source information from GOI websites and U.S. government reports, 2012.

the provincial councils' capital budgets.<sup>58</sup> Inevitably, allocating appropriations based on population estimates has resulted in Baghdad province having the largest budget. In 2009, the provincial budget for Baghdad was about \$550 million compared to \$143 million for Thi Qar province.<sup>59</sup> In the coming months, the composition of the provincial governments will change, as provincial elections (excluding the KRG and probably Tameem province) are scheduled for the spring of 2013. But uncertainty over what law will govern their conduct may force them to be delayed. Any such delay could cause the delay of national elections that are currently scheduled for 2014. In the past, elements within some provincial governments, such as those of oil-rich Basrah and predominantly Sunni Salah al-Din, have sought to use the Regions Law to obtain governance and economic powers equivalent to those of the KRG, Iraq's only region. If Basrah, for instance, achieved the status of a region, it would fundamentally alter the Iraqi economy, as local Basrawi politicians would almost certainly maneuver to keep a greater share of the oil profits for use in their home province. But the GOI would have to accede to such a move, and that accession has not been forthcoming.

- **Higher Judicial Council (HJC).** The HJC, led by Chief Justice Medhat al-Mahmoud, renders final decisions on matters of Iraqi law. In a landmark development, the HJC established the First Commercial Court of Iraq in late 2010. This court is a specialized body with jurisdiction over disputes involving foreign investors with a presence in Baghdad. As of mid-2012, the HJC was planning to open branches in Basrah, Ninewa, and Babil provinces.<sup>60</sup>
- **Commission of Integrity (COI).** The COI is Iraq's primary anticorruption agency. While nominally having broad investigatory powers, its performance has been hampered by undertrained staff and the unwillingness of many within the GOI to view it as a legitimate Iraqi entity because of its American provenance.

Doing business in Iraq requires extensive interaction with the government agencies at almost every step. The significance of GOI institutions to economic activities has led USAID to conclude that a close relationship with the government is “*the* critical enabler for investment success” in Iraq (emphasis added).<sup>61</sup>

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<sup>58</sup> GOI, CoM, “Draft Law of the Republic of Iraq (GOI) Federal Budget for the 2011 Financial Year,” 11/30/2010; GOI, Presidential Council, “Federal Public Budget Law for the Fiscal Year 2010,” 2/10/2010.

<sup>59</sup> SIGIR, Quarterly Report to the U.S. Congress, 10/30/2009, [http://www.sigir.mil/files/quarterlyreports/October2009/Report\\_-\\_October\\_2009.pdf#view=fit](http://www.sigir.mil/files/quarterlyreports/October2009/Report_-_October_2009.pdf#view=fit), accessed 11/1/2012.

<sup>60</sup> Evaluator analysis of U.S. and GOI reporting, 2012; U.S. Department of Commerce, “2012 Country Commercial Guide, Iraq,” p. 66, <http://export.gov/iraq/doingbusinessiniraq/index.asp>, accessed 11/1/2012.

<sup>61</sup> USAID-*Tijara*, “Assessment of Current and Anticipated Economic Priorities in Iraq,” 10/4/2012, p. 10, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

## **GOI Interface with International Organizations in 2013**

Since this project began in 2009, there have been significant developments among the counterpart organizations in Iraq. With the gradual decline of foreign influences over the Government of Iraq, a new sense of ownership among the GOI for all projects, including those led by international organizations, has grown. In 2012, the International Partnership Committee (IPC) was formed, with Deputy Prime Minister Roysch Shaways named as its Chairman. Developed in reaction to the Paris Declaration on Aid Effectiveness, this committee has taken on coordination of efforts by development partners including all UN agencies, donor countries and Iraqi institutions. The IPC now acts as a high level steering committee that follows up on implementation of all projects and ensures an effective and transparent utilization of funds. Efforts are being stepped up to ensure that staffs from Ministries and governorates interact with development partners in the planning and designing phases of projects, and all projects are subject to approval by the IPC. The GOI has stated<sup>62</sup> that in 2013, it will be moving from a direct execution modality by UN agencies, to a national execution project implementation arrangement, including a strong push to see regional offices (such as the Amman PMU) relocated to Iraq. Additionally, the GOI has again budgeted Iraqi funds to jointly fund programmes that receive IPC approval under the condition that UNIDO put its share of funds into the account of the GOI ministry of governorate where the project is occurring<sup>63</sup>.

## **Types of Enterprises and Penetration of Technology**

### **State-owned Enterprises**

There are about 176 SOEs in Iraq.<sup>64</sup> Collectively, they absorb 3-5% of the GOI budget and employ approximately 700,000 individuals.<sup>65</sup> In 2010, the GOI began the lengthy process of reforming SOEs based on a “Road Map” setting forth steps to assist them with developing business plans and gradually operating in more market-friendly fashion.<sup>66</sup> As of mid-2012, a small number of SOEs had international partners, U.S. officials reported that they expected this number to grow over the next decade.<sup>67</sup> For instance, a Turkish firm recently agreed to invest \$120 million in a state-owned steel mill.<sup>68</sup> But, justifiably trepidations

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<sup>62</sup> Written response to evaluators from Chief of Staff to Iraq Deputy Prime Minister Shaways, January 6, 2013.

<sup>63</sup> A limited pool of matching funds is available for projects subject to approval by the IPC and subject to regulations of the Iraq Ministry of Finance.

<sup>64</sup> U.S. Department of Commerce, “2012 Country Commercial Guide, Iraq,” p. 70, <http://export.gov/iraq/doingbusinessiniraq/index.asp>, accessed 11/1/2012; Iraq Partners Forum (which includes, among others, Canada, Denmark, the EU, Japan, Italy, et al.), “The Iraq Briefing Book: Executive Summary,” p. 6.

<sup>65</sup> U.S. Department of Commerce, “2012 Country Commercial Guide, Iraq,” p. 70, <http://export.gov/iraq/doingbusinessiniraq/index.asp>, accessed 11/1/2012; Iraq Partners Forum (which includes, among others, Canada, Denmark, the EU, Japan, Italy, et al.), “The Iraq Briefing Book: Executive Summary,” p. 6.

<sup>66</sup> U.S. Department of Commerce, “2012 Country Commercial Guide, Iraq,” p. 69-70, <http://export.gov/iraq/doingbusinessiniraq/index.asp>, accessed 11/1/2012.

<sup>67</sup> U.S. Department of Commerce, “2012 Country Commercial Guide, Iraq,” p. 69-70, <http://export.gov/iraq/doingbusinessiniraq/index.asp>, accessed 11/1/2012.

<sup>68</sup> The World Bank, “Guide to State-owned Enterprise Restructuring and Reform: the Ministry of Industry and Minerals Experience,” 12/31/2011.

about raising the already-high unemployment rate, the GOI continues to support SOEs (including financial transfers that accounted for 4.8% of its 2009 budget).<sup>69</sup> Over the long term, such a strategy is unsustainable, as it produces fiscal pressure while simultaneously stunting the growth of underdeveloped private-sector firms.<sup>70</sup>

In a recent analysis, the Iraq Partners Forum described Iraqi SOEs as “a major impediment to economic growth and improved productivity.”<sup>71</sup> In addition to their actual operating costs, GOI support for SOEs distorts the economy in several other ways. The Council of Ministers has mandated that SOEs attempt to contract first with other SOEs, a trend that is particularly prevalent in the oil industry. The GOI supports SOEs indirectly by not charging them rent, offering many of them \$2 per barrel oil, and providing them with access to cheap funds through state banks. GOI policies also operate to inhibit private firms from competing with SOEs by enforcing licensing and permitting rules that are often arbitrary.<sup>72</sup>

At the end of 2011, the World Bank presented the GOI with the results of a McKinsey & Company study of about 70 SOEs controlled by the MIM, recommending that the MIM establish a specialized group specifically tasked with reforming SOEs. The World Bank is also involved with a reform initiative focusing on SOEs overseen by the Ministry of Housing and Construction, endeavoring to attract international investors interested in joint ventures. Despite these positive steps, SOEs continue to suffer from excess staff and inefficient production techniques. Moreover, the COR has thus far failed to pass a bill that would permit private-equity investments as part of public-private-partnerships with SOEs.<sup>73</sup>

### **Small- and Medium-Sized Enterprises**

As has long been the case throughout much of the Arab world, SMEs are beginning to occupy a vital niche in the broader Iraqi economy. While still a relatively new phenomenon in Iraq, evidence from other Arab countries illustrates the benefits of a thriving SME sector. SMEs often contribute significantly to reducing unemployment and making income distribution more equitable because they tend to employ more labor-intensive production processes. SMEs also smooth the transition from predominantly agricultural economies to more urban, industrial economies by providing for accessible value-adding processing activities. In addition, SMEs can serve as an entry point for foreign investors. But while the role of SMEs in fostering economic cohesion

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<sup>69</sup> USAID, USAID-*Tijara*, “Assessment of Current and Anticipated Economic Priorities in Iraq,” 10/4/2012, p. 60, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

<sup>70</sup> USAID, USAID-*Tijara*, “Assessment of Current and Anticipated Economic Priorities in Iraq,” 10/4/2012, p. 60, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

<sup>71</sup> Iraq Partners Forum (which includes, among others, Canada, Denmark, the EU, Japan, Italy, et al.), “The Iraq Briefing Book: Executive Summary,” p. 6.

<sup>72</sup> USAID, USAID-*Tijara*, “Assessment of Current and Anticipated Economic Priorities in Iraq,” 10/4/2012, p. 33, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

<sup>73</sup> Evaluator analysis of U.S. and GOI reporting on SOEs, 2006-2012.



is important, their role in promoting social cohesion is at least as important. By reducing economic disparities and spreading economic gains throughout society, healthy SME sectors act as steadying influences, making economies more resilient in the face of commodity price shocks and other destabilizing events.<sup>74</sup>

There may be 1 million informal businesses in Iraq,<sup>75</sup> the overwhelming majority of which are SMEs. In 2009-2010, USAID surveyed the owners of 11,800 SME owners from 15 provinces, finding that:<sup>76</sup>

- 76% were less than 10 years old, highlighting their relative novelty in Iraq
- the average SME was less than 5 years old
- 83% of the businesses surveyed fell into the category of “small” enterprises, having 1-10 employees
- about 14% were classified as “medium-sized” enterprises, having 11-30 employees
- the majority of SME owners rented their business locations
- less than 10% used email or the internet
- 10% had a business plan
- 54% relied on word of mouth to obtain customers, with only 2% using the internet to do so

The bulk of SMEs then in operation were valued at less than \$80,000, and more than half of those were valued at less than \$8,500. Most SME owners financed operations either through sales revenue or personal savings, with only about 4% obtaining funding from banks. When asked about the amount of a loan needed to get an SME started, respondents said about \$15,000.<sup>77</sup>

Asked about the type of information they felt they needed, SME owners prioritized: general information on start-up companies (63%), information on suppliers (61%), and information on foreign businesses (41%). When asked what services they thought a business association should provide, SME owners said market research (61%), credit and banking assistance (56%), data on potential investors (47%), assistance with business planning (44%), and seminars and exhibitions (28%).<sup>78</sup>

Other studies of SMEs have largely concurred with USAID’s findings, noting that:<sup>79</sup>

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<sup>74</sup> Elasrag, Hussein, Egyptian Ministry of Industry and Foreign Trade, “The developmental role of SMEs in the Arab countries,” 8/11/2012, <http://ssrn.com/abstract=2127954>, pp. 9-11, accessed 11/1/2012.

<sup>75</sup> Iraq Partners Forum (which includes, among others, Canada, Denmark, the EU, Japan, Italy, et al.), “The Iraq Briefing Book: Executive Summary,” p. 7.

<sup>76</sup> See generally USAID-Tijara, USAID, *Market Assessment: Business Constraints and Opportunities at the Business Enabling Environment and Firm Level in Iraq*, 6/2010, [http://www.sbd-iraq.com/files/USAID-TIJARA\\_Market\\_Assessment\\_Summary\\_IRAQ.pdf](http://www.sbd-iraq.com/files/USAID-TIJARA_Market_Assessment_Summary_IRAQ.pdf).

<sup>77</sup> See generally USAID-Tijara, USAID, *Market Assessment: Business Constraints and Opportunities at the Business Enabling Environment and Firm Level in Iraq*, 6/2010, [http://www.sbd-iraq.com/files/USAID-TIJARA\\_Market\\_Assessment\\_Summary\\_IRAQ.pdf](http://www.sbd-iraq.com/files/USAID-TIJARA_Market_Assessment_Summary_IRAQ.pdf).

<sup>78</sup> See generally USAID-Tijara, USAID, *Market Assessment: Business Constraints and Opportunities at the Business Enabling Environment and Firm Level in Iraq*, 6/2010, [http://www.sbd-iraq.com/files/USAID-TIJARA\\_Market\\_Assessment\\_Summary\\_IRAQ.pdf](http://www.sbd-iraq.com/files/USAID-TIJARA_Market_Assessment_Summary_IRAQ.pdf).

<sup>79</sup> SAIDS, Iraq guidance, late 2010, <http://www.saideas.com/Iraq>, accessed 11/5/2012.

- many SMEs are informal and, for better and for worse, do not comply with GOI laws and regulations
- security matters affect the operations of SMEs, including the obvious threats of terrorist activity and organized crime (which particularly affects jewelers and other SMEs with valuable, portable merchandise), and the more subtle disruptions caused by large-scale military and police sweeps and intrusive checkpoints
- access to markets is a major obstacle to the success of many SMEs
- access to venture capital, banking, and business-support services are also obstacles
- there is a low-level of awareness among many entrepreneurs about the kinds of business services that are actually available
- inputs necessary to fabricate products are difficult to obtain
- imported goods are often expensive and of poor quality
- government corruption continues to be a concern

These findings are in accord with a recent Council on Foreign Relations working paper that cited several major challenges faced by SMEs operating in other countries, including their generally inadequate access to capital, markets, business networks, and financing.<sup>80</sup> In 2009, the World Bank noted that less than 5% of SMEs in Iraq received bank loans and fewer than 10% had a bank account.<sup>81</sup> Furthermore, alone among the countries in the Middle East and North Africa region, Iraq has not established a credit-reporting system.<sup>82</sup>

In an effort to encourage entrepreneurship, the GOI recently launched a \$128 million initiative to support SMEs through interest-free government loans to unemployed individuals who want to start their own businesses. The programme will cover 12,000 persons per province (exclusive of the KRG provinces) and be administered by the Ministry of Finance.<sup>83</sup>

### **Internet Usage**

Internet usage in Iraq is among the lowest of any country in the Middle East. The U.S. Department of Commerce estimates that perhaps only 1-4 million of Iraq's citizens use the Internet on a regular basis.<sup>84</sup> A 2008 study by the MoP produced similar findings, placing regular Internet usage at about 5.9% of the population (approximately 1.5 million individuals).<sup>85</sup> A 2010 survey conducted by a U.S. polling firm concurred, finding that only 6% of Iraqis use the internet "daily or

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<sup>80</sup> Lemmon, Gayle Tzemach Lemmon, "Entrepreneurship in Postconflict Zones," CFR working paper, 5/2012, pp. 2-10.

<sup>81</sup> World Bank, "Iraq Financial Sector Review," 2009, [http://siteresources.worldbank.org/INTMENA/Resources/Financial\\_Sector\\_Review\\_English.pdf](http://siteresources.worldbank.org/INTMENA/Resources/Financial_Sector_Review_English.pdf), pp. 25-26.

<sup>82</sup> World Bank, "Iraq Financial Sector Review," 2009, [http://siteresources.worldbank.org/INTMENA/Resources/Financial\\_Sector\\_Review\\_English.pdf](http://siteresources.worldbank.org/INTMENA/Resources/Financial_Sector_Review_English.pdf), pp. 25-26.

<sup>83</sup> Al-Shorfa, "Iraq launches incentive loans for the unemployed," 10/1/2012.

<sup>84</sup> U.S. Department of Commerce Publication, <http://www.trade.gov/iraq/> accessed September 2012.

<sup>85</sup> GOI, MoP, Information Technology and Communications Use Survey, 2008.

almost every day” while 72% do not use it at all.<sup>86</sup> While the Ministry of Communications does not currently maintain statistics on Internet usage, it recently posted a request for proposals to start tracking this data.

Decades of sanctions and strife have put Iraq in the position of playing catch-up in the global telecommunications revolution. Although cellular-telephone technology quickly caught on after 2003 (27 million subscriptions, as of 2012,<sup>87</sup> with many Iraqis owning more than one phone), the Internet, due to its cost and complexity, has been much slower to take hold. An April 2010 poll of 2,000 Iraqis in all 18 provinces found that only 28% use the Internet at all.<sup>88</sup> Of those who do use it, the most popular tasks performed are checking email (87%), downloading music (65%), reading the news (63%), blogging or participating in chat rooms (54%), and using Twitter (56%).<sup>89</sup> The survey also found that the top sites visited by participants included Yahoo (88%), Google (67%), Al-Jazeera (34%), Al-Arabiya (33%), and BBC Arabic (32%).<sup>90</sup>

Most Iraqis access the Internet via satellite, either in cafes (454 reported in Iraq in 2007<sup>91</sup>) or through neighborhood providers, but bandwidth remains limited. One survey found that 43% of users access the Internet at cafes versus 34% who access it at home.<sup>92</sup> Those with higher incomes can pay for faster service, but at \$60-\$100 per month, very few small businesses can afford even basic Internet subscriptions.<sup>93</sup> In addition, MoP data indicate that only 11.8% of families own a computer.<sup>94</sup> There are also distinct variances by region in computer usage. Of the three EDC locations in these UNIDO programmes, Baghdad has the highest rate of families that own a computer at 21%, followed by Erbil at 18.2%, and Thi Qar at 5.2%.<sup>95</sup> As of early 2010, the overwhelming majority of Iraqis were not using their cellular phone to obtain information from the Internet.<sup>96</sup>

The 2010 USAID survey determined that only 8% of SME owners used email to conduct business, while only 9% used the Internet. Less than 5% of SMEs had a website. The lack of Internet access was even more pronounced in the more underdeveloped provinces. For example, SME owners surveyed in Thi Qar indicated that lack of knowledge, poor infrastructure (such as lack of reliable power and bandwidth), and prohibitive start-up costs had prevented them from incorporating technology into business improvements. Less than 1% of SME

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<sup>86</sup> Iraq Research & Exchanges Board, D3 Systems, IREX-Iraq Media Survey W1, 4/2010, pp. 10-11.

<sup>87</sup> Paul Budde Communication, <http://www.budde.com/au> accessed November 4, 2012

<sup>88</sup> Iraq Research & Exchanges Board, D3 Systems, IREX-Iraq Media Survey W1, 4/2010, pp. 10-11.

<sup>89</sup> Iraq Research & Exchanges Board, D3 Systems, IREX-Iraq Media Survey W1, 4/2010, pp. 10-11.

<sup>90</sup> Iraq Research & Exchanges Board, D3 Systems, IREX-Iraq Media Survey W1, 4/2010, pp. 10-11.

<sup>91</sup> MOP, COSIT, information provided to Evaluator, 10/2012.

<sup>92</sup> Iraq Research & Exchanges Board, D3 Systems, IREX-Iraq Media Survey W1, 4/2010, pp. 10-11.

<sup>93</sup> AFP, “Iraqi officials venture into world of the Internet,” 10/21/2012.

<sup>94</sup> MoP data provided to the Evaluator, 10/2012.

<sup>95</sup> MoP data provided to the Evaluator, 10/2012.

<sup>96</sup> Iraq Research & Exchanges Board, D3 Systems, IREX-Iraq Media Survey W1, 4/2010, pp. 10-11.

owners in Thi Qar said they invested in technological training and only 4% used a computer in their business. Figure 2 below compares data on Internet and email usage by SME proprietors in the Baghdad, Erbil, and Thi Qar provinces:<sup>97</sup>

	Use Internet	Use Email
<b>Baghdad SMEs</b>	8%	6%
<b>Thi Qar SMEs</b>	4%	3%
<b>Erbil SMEs</b>	16%	18%

Figure 2

Signs of progress, however, are beginning to emerge. Broadband Internet subscribers are growing steadily, and industry experts point to the current deployment of optical-fiber networks with connections to more than 50% Iraqi households.<sup>98</sup>

## Hydrocarbons

### Oil Production

According to GOI data, oil production for July and August 2012 averaged 3.11 million barrels per day (MBPD), a 15% increase over the same period in 2011. August's output of 3.17 MBPD was the highest monthly production level in more than two decades. The recent growth in production is attributable to improved output from several southern fields, including al-Rumaila (BP), West Qurna-1 (Exxon, for now), and al-Zubair (Eni). Halfaya, which came on line in June 2012, also increased production to 86,000 barrels per day (BPD) and expects to reach 100,000 by the end of the year. As it is not bound by OPEC production quotas, Deputy Prime Minister (DPM) Hussein al-Shahristani has stated that, at least in the near-term, Iraq will continue to produce as much oil as possible.<sup>99</sup>

### Oil Exports and Development Challenges

For the three-month period ending on September 30, 2012, the GOI reported record exports that averaged 2.56 MBPD, 4% higher than last quarter and 19% more than the same period in 2011.<sup>100</sup> While this was slightly below the 2.60

<sup>97</sup> See generally USAID-Tijara, USAID, *Market Assessment: Business Constraints and Opportunities at the Business Enabling Environment and Firm Level in Iraq*, 6/2010, [http://www.sbdci-iraq.com/files/USAID-TIJARA\\_Market\\_Assessment\\_Summary\\_IRAQ.pdf](http://www.sbdci-iraq.com/files/USAID-TIJARA_Market_Assessment_Summary_IRAQ.pdf).

<sup>98</sup> Former Minister of Communications Allawi, in an interview with Evaluator, noted that the almost total lack of communications infrastructure in much of Iraq prior to 2003 meant that now even the most remote villages are being wired with some of the newest technology.

<sup>99</sup> GOI, Ministry of Oil, "Production, Export & Consumption of Crude Oil and Associated Gas," 8/2012, [www.oil.gov.iq/moo/domestic.php?lang=en&page\\_name=domestic](http://www.oil.gov.iq/moo/domestic.php?lang=en&page_name=domestic), accessed 9/28/2012; *Platts Commodity News*, "Iraq Will Not Reduce Output Even if OPEC Decides To Cut Quotas: Shahristani," 6/30/2012; *Platts Commodity News*, "Iraq Produced Record 3.051 Million b/d of Crude in July: Ministry," 8/29/2012, and "Iraq Halfaya Field Producing 86,000 b/d, Rising to 100,000 b/d by Year End," 7/18/2012; MEES, *Weekly Report*, Vol. 56 No. 37, 9/7/2012.

<sup>100</sup> GOI, Ministry of Oil, "Iraq Oil Exports for September Elevates to 2.6 Million Barrels per Day," 10/13/2012, [www.oil.gov.iq/moo/feeds.php?lang=en&page\\_name=news&id=491](http://www.oil.gov.iq/moo/feeds.php?lang=en&page_name=news&id=491) accessed 10/13/2012, and "Crude Oil Exports," [www.oil.gov.iq/moo/page.php?lang=en&page\\_name=export](http://www.oil.gov.iq/moo/page.php?lang=en&page_name=export), accessed 10/2/2012, and

MBPD assumption contained in the GOI's 2012 budget, high prices generated receipts that ran ahead of budget projections.<sup>101</sup> A series of persistent problems, however, continue to present significant obstacles the development of the oil industry:<sup>102</sup>

- **Lack of a hydrocarbon law.** Currently, the hydrocarbon sector is governed by a confusing mix of pre-2003 laws, the 2005 Constitution, and various *ad hoc* political arrangements. The lack of a modern, agreed-upon legal regime leaves uncertain relationship between the GOI and the KRG and provides no guidance on the distribution of oil revenue to the provinces.
- **Inadequate storage capacity.** Of the 8 million barrels of storage capacity planned for in and near al-Faw in southern Iraq, less than half of such facilities have been built.
- **Substandard pumping-station capacity.** This prevents the new single-point moorings from operating at full capacity and limits the amount of oil that can be delivered to offshore tankers.
- **Aging pipelines.** Many of Iraq's pipelines and associated infrastructure are a decade beyond their planned operating lives.

Iraq's reliance on oil revenue makes it vulnerable to price shocks. A sustained drop in the world price of oil could deprive the GOI of much-needed funds needed to finance its ongoing reconstruction. Notwithstanding these risks, USAID still projects that annual oil revenue could approach an annual average of about \$300 billion by 2022.<sup>103</sup>

## Oil Projections

Despite multiple public statements by DPM al-Shahristani and other high-ranking officials, Iraq seems unlikely to achieve its goal of producing 9.5 MBPD by 2017 (an optimistic outlook already reduced from an earlier GOI projection of 12 MPBD). In October 2012, the International Energy Association (IEA) released its Iraq Energy Outlook whose "central," or moderate-growth, scenario

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"Domestic Consumption,"

[www.oil.gov.iq/moo/domestic.php?lang=en&page\\_name=domestic&id=38](http://www.oil.gov.iq/moo/domestic.php?lang=en&page_name=domestic&id=38), accessed 7/5/2012; *Platts Commodity News*, "Iraqi Oil Exports at 2.598 Million b/d Set New Post-1990 Record: SOMO," 10/2/2012; GOI, CoR, Federal Public Budget Law for the Fiscal Year/2012, 2/23/2012, Article 1.

<sup>101</sup> GOI, Ministry of Oil, "Iraq Oil Exports for September Elevates to 2.6 Million Barrels per Day," 10/13/2012, [www.oil.gov.iq/moo/feeds.php?lang=en&page\\_name=news&id=491](http://www.oil.gov.iq/moo/feeds.php?lang=en&page_name=news&id=491) accessed 10/13/2012, and "Crude Oil Exports,"

[www.oil.gov.iq/moo/page.php?lang=en&page\\_name=export](http://www.oil.gov.iq/moo/page.php?lang=en&page_name=export), accessed 10/2/2012, and "Domestic Consumption,"

[www.oil.gov.iq/moo/domestic.php?lang=en&page\\_name=domestic&id=38](http://www.oil.gov.iq/moo/domestic.php?lang=en&page_name=domestic&id=38), accessed 7/5/2012; *Platts Commodity News*, "Iraqi Oil Exports at 2.598 Million b/d Set New Post-1990 Record: SOMO," 10/2/2012; GOI, CoR, Federal Public Budget Law for the Fiscal Year/2012, 2/23/2012, Article 1.

<sup>102</sup> Evaluator analysis of open-source information, 10/2012.

<sup>103</sup> USAID-*Tijara*, "Assessment of Current and Anticipated Economic Priorities in Iraq," 10/4/2012, p. 13, [https://tijara-](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical Reports)

[iraq.com/?pname=resources\\_tech&doctype=21&t=Technical Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical Reports), accessed 11/5/2012.

estimated that Iraq's oil production will grow from 6.1 MBPD in 2020 to 8.3 MBPD in 2035, as output from the large fields around Basrah surges.<sup>104</sup>

Among the structural issues that the GOI must overcome to meet IEA projections are low ministerial capacities that are exacerbated by byzantine bureaucratic procedures. These factors have led to delays in several key infrastructure projects, such as the Common Seawater Supply Project (CSSP). The GOI was supposed to put the CSSP out for bid about two years ago, but not until May 2012 did it invite 10 companies to bid on project. Work on the initial phase is slated to be completed by 2013.<sup>105</sup>

### **Upcoming Hydrocarbon Bidding Rounds**

Iraq's fourth petroleum licensing round, held in May 2012, yielding disappointing results. Of the 39 prequalified companies, no bids were received for 9 of the 12 exploration blocks on offer, and no major Western firm won an exploration license. The Ministry of Oil has yet to announce plans for a fifth licensing round, but it is expected to revise the contract terms on offer to make them more economically enticing to international oil companies.<sup>106</sup>

### **Gas Sector**

Iraq appears poised to take advantage of its long-underdeveloped natural gas resources. According to DPM al-Shahristani, the \$17 billion Shell-led project to capture associated gas flared at three major southern fields is "on schedule." A recent estimate by the IEA projected that Iraq could produce about 90 billion cubic meters (BCM) of natural gas per day by 2035. The IEA noted that this could rise to 115 BCM by 2035, if Iraq's northern gas fields are developed sufficiently.<sup>107</sup>

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<sup>104</sup> MEES, Weekly Report, Vol. 55 No. 26, 6/25/2012, p. 1; IEA, "Iraq Energy Outlook," [www.iea.org/termsandconditionsuseandcopyright/](http://www.iea.org/termsandconditionsuseandcopyright/), 10/9/2012, p.11; Middle East Institute forum, "Oil and Politics in Iraq," Washington, DC, 8/17/2012.

<sup>105</sup> Middle East Institute forum, "Oil and Politics in Iraq," Washington, DC, 8/17/2012; MEES Weekly Report, Vol. 55 No. 26, 6/26/2012, p. 1; MEED, "Firms Short-listed for Seawater Plant Deal: Treatment Facility and Pipeline Critical to Country's Future Oil Development (IRAQ)," 7/20/2012, [business.highbeam.com/409213/article-1G1-299345426/firms-shortlisted-seawater-plant-deal-treatment-facility](http://business.highbeam.com/409213/article-1G1-299345426/firms-shortlisted-seawater-plant-deal-treatment-facility), accessed 10/8/2012

<sup>106</sup> Dunia Frontier Consultants, Iraq Market Tracker, "Kurdish Oil Stoppage Looms—Where To Next?" 9/3/2012; Iraq Oil Report, "Lukoil, Pakistan Winners in Underwhelming Four Bid Round," 6/1/2012.

<sup>107</sup> GOI, Ministry of Oil, "Production, Exports and Consumption of Crude Oil and Associated Gas," [www.oil.gov.iq/moo/domestic.php?lang=en&page\\_name=domestic](http://www.oil.gov.iq/moo/domestic.php?lang=en&page_name=domestic), accessed 9/28/2012; *Platts Commodity News*, "Iraq Has 3 TCM of Non-Associated Gas Reserves: Shahristani," 6/29/2012; IEA, Iraq Energy Outlook, 10/9/2012, p. 72, [www.iea.org/publications/freepublications/publication/WEO\\_2012\\_Iraq\\_Energy\\_OutlookFINAL-1.pdf](http://www.iea.org/publications/freepublications/publication/WEO_2012_Iraq_Energy_OutlookFINAL-1.pdf).

# Investing in Iraq

## Foreign Investment

The overwhelming percentage of foreign investment in Iraq flows into the hydrocarbon sector. In 2010, the International Trade Centre, a joint venture between the UN and the WTO, reported that more than \$1.4 billion of foreign-direct investment (FDI) flowed into Iraq.<sup>108</sup> Overall, “foreign commercial activity” (a much broader category than FDI that includes, for example, the estimated value of military sales) reportedly increased by 40% in 2011 to nearly \$56 billion, with much of this coming in housing and other non-hydrocarbon sectors.<sup>109</sup>

Examples of international investments in 2012 include:<sup>110</sup>

- South Korea’s Posco and KNOC signing a \$700 million power deal with the KRG
- U.K.-based Pell Frischman signing an \$85 million water deal for work in Anbar province
- Turkey’s UB Holdings signing a \$500 million contract to build a steel plant in Basrah
- Malaysia’s Ho Hup Group signing an \$85 million water deal for work in Baghdad

Deals further from completion include a possible \$20 billion joint venture between Chevron and ConocoPhillips to build a petrochemicals plant in Basrah, however Chevron’s involvement in the politically sensitive Kurdistan Region makes its participation uncertain.<sup>111</sup> This is just one of several long-discussed potential refinery and petrochemical plant deals that have yet to be signed, leaving Iraq with suboptimal refining capacities. At least four new refineries are planned, but it may be several years before any of them come on line.

Among European countries, Italy maintains the most extensive economic ties with Iraq, with Italo-Iraqi trade valued at more than 3.3 billion euros in 2011.<sup>112</sup> Indicative of this close relationship, in December 2011 the Italian government established a credit line of 100 million euros for projects relating to the development of Iraq’s agriculture sector.<sup>113</sup>

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<sup>108</sup> U.S. Department of Commerce, “2012 Country Commercial Guide, Iraq,” p. 64, <http://export.gov/iraq/doingbusinessiniraq/index.asp>, accessed 11/1/2012.

<sup>109</sup> Dunia Frontier Consultants, 2011 Iraq Year in Review,” p. 5, <http://duniafrontier.com/products-page/transaction-results?sessionid=5311351878744>, accessed 10/29/2012.

<sup>110</sup> U.S. Chamber of Commerce/Dunia Fronter Consultants, “Iraq Commercial Activity & Business Development Opportunities,” 7/2012, p. 17; Dunia Frontier Consultants, Iraq Market Tracker, “Iraq Awards Two Housing Deals Worth \$365 Million,” 9/17/2012, p. 8.

<sup>111</sup> Evaluator analysis of open source information , 9/2012-11/2012.

<sup>112</sup> Italian Ministry of Foreign Affairs, “Italy-Iraq: 3<sup>rd</sup> Mixed Commission,” 10/18/2012, [http://www.esteri.it/MAE/EN/Sala\\_Stampa/ArchivioNotizie/Approfondimenti/2012/10/2012\\_1018\\_Italia\\_Iraq\\_TerzaCommissioneMista.htm](http://www.esteri.it/MAE/EN/Sala_Stampa/ArchivioNotizie/Approfondimenti/2012/10/2012_1018_Italia_Iraq_TerzaCommissioneMista.htm), accessed 11/1/2012.

<sup>113</sup> Italian Ministry of Foreign Affairs, Task Force Iraq, “Line of Credit to Agriculture,” 12/15/2011, <http://www.italyforiraq.esteri.it/ItalyForIraq/EN/News/viewnews.asp?idx=7>, accessed 11/1/2012.

## Investor Challenges

One of the primary difficulties faced by domestic and international investors operating in Iraq is the lack of reliable electricity from the national grid. Although the supply of electricity reached a record high during the July-September 2012 period, averaging about 7,300 megawatts (MW), this was still not enough to provide the average Iraqi residing outside the Kurdistan Region with more than 10-12 hours of power each day.<sup>114</sup> By 2015, the Ministry of Electricity hopes the capacity of the national grid will reach 22,000 MW, as it continues to construct more than 40 new power plants.<sup>115</sup> Additional challenges investors confront include:

- **Corruption.** With relatively weak anticorruption institutions, such as the COI and the ministry Inspectors General, GOI state institutions are struggling to implement the provisions of the UN Convention against Corruption.<sup>116</sup> In 2011, the World Bank found that, compared to other countries in the region, companies operating in Iraq are more likely to have to bribe government officials to obtain construction permits, get import licenses, and acquire operating permits.<sup>117</sup>
- **Coordination.** With the multiplicity of GOI organizations involved in economic development and investment, the lack of coordination among them is often an issue. The situation at Iraq's southern ports is one example, with the Ministries of Trade, Transportation, and Interior just three of the many entities playing a role in unloading and processing imported goods.<sup>118</sup>
- **Security.** While the security situation in Iraq has improved greatly since 2007, isolated large-scale attacks are still possible and GOI officials continue to be singled out for assassination. For the first ten months of 2012, the number of Iraqis killed in terrorist attacks averaged 272 (a figure arrived at by taking the average of the GOI-reported casualties—an average of 180 monthly deaths, likely a low estimate—and the totals reported by a U.S. think tank—an average of 364 monthly deaths). Security also presents an issue for foreigners operating in Iraq, as moving from site to site often requires costly guards and convoys. Moreover, the GOI has recently imposed restrictions on security companies, limiting the types of services they offer.<sup>119</sup>
- **Infrastructure.** The GOI has inaugurated several new airports in recent years, is continuing the lengthy process of modernizing its port facilities, and maintains an adequate highway system. Yet it may be several years before Iraq's ports are up to international standards and many areas of the country lack access to quality roads, reliable water, and adequate sanitation. In November 2012, the NIC Chairman stated that Iraq will

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<sup>114</sup> GOI, NMC, "Status of the Ministry of Electricity," selected reports, 9/1/2012-9/30/2012, [nmc.gov.iq/default.aspx](http://nmc.gov.iq/default.aspx), accessed various dates; Evaluator analysis of open source information, 6/2012-10/2012.

<sup>115</sup> Evaluator analysis of open source information, 10/2012.

<sup>116</sup> Evaluator analysis of open source information in English and Arabic, 6/2012-10/2012.

<sup>117</sup> The World Bank, IFC, "Iraq Country Profile: 2011, Enterprise Survey" p. 9, [www.enterprisesurveys.org](http://www.enterprisesurveys.org), accessed 11/1/2012.

<sup>118</sup> Evaluator analysis of open source information in English and Arabic, 11/2011-10/2012.

<sup>119</sup> U.S. Department of Commerce, "2012 Country Commercial Guide, Iraq," p. 54, <http://export.gov/iraq/doingbusinessiniraq/index.asp>, accessed 11/1/2012.



need investments of at least \$600 billion over the next decade, but cautioned that this figure could rise to more than \$1 trillion, depending on the economic circumstances.<sup>120</sup>

- **Project Finance.** This summer, the CoR considered legislation that would allow the GOI to guarantee money owed to a contractor if the borrower defaults. The lack of such sovereign guarantees has inhibited the reconstruction of Iraq's infrastructure. While some companies are using alternate means of security, such as standing letters of credit, it remains a challenge for many projects to obtain adequate financing.<sup>121</sup>
- **Archaic legal regime.** After the U.S.-led intervention in 2003, the Coalition Provisional Authority (CPA) repealed many Ba'athist-era laws and subsequent years saw a patchwork regime of antiterrorism statutes enacted. Despite these modest reforms, many aspects of Iraqi commercial law are not conducive to the global economy. For example, land title is often unclear, leaving investors uncertain about the ability of their local partners to deliver on their promises.<sup>122</sup>

## Trade Barriers

The low quality of Iraq's industrial base has led to the market dominance of some imported goods such as apparel and a variety of manufacturing wares. This trend started in 2003 when the CPA eliminated many tariff barriers, which led to an influx of goods from Iran, Turkey, and East Asia.<sup>123</sup> In recent years, however, the GOI has begun implementing new regulations and processes that operate to restrict trade, including:<sup>124</sup>

- strict requirements on certificates of origin
- onerous inspection requirements on some products, particularly agricultural goods
- complicated import-license requirements
- a complex tariff regime

The GOI has also started enforcing anti-dumping and competition laws. These laws allow government officials substantial discretion in when and how they elect to enforce them, thereby introducing a significant amount of uncertainty into many transactions. Further complicating trade relations is the limited

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<sup>120</sup> NIC Chairman, as quotes in *Shafaq News*, "Iraq announces its need for trillion dollars for the reconstruction of infrastructure," 11/10/2012, <http://www.shafaq.com/en/news/4020-iraq-announces-its-need-for-trillion-dollars-for-the-reconstruction-of-infrastructure-html>, accessed 11/11/2012.

<sup>121</sup> U.S. Department of Commerce, "2012 Country Commercial Guide, Iraq," p. 43, <http://export.gov/iraq/doingbusinessiniraq/index.asp>, accessed 11/1/2012; GOI, NIC Chairman's remarks at DoS videoconference, "U.S.-Iraq Housing and Construction Videoconference," 9/13/2012; Evaluator analysis of open source information, 10/2012.

<sup>122</sup> Evaluator analysis of open source information in English and Arabic, 6/2012-10/2012.

<sup>123</sup> U.S. Department of Commerce, "2012 Country Commercial Guide, Iraq," p. 70, <http://export.gov/iraq/doingbusinessiniraq/index.asp>, accessed 11/1/2012.

<sup>124</sup> U.S. Department of Commerce, "2012 Country Commercial Guide, Iraq," pp. 53-54, <http://export.gov/iraq/doingbusinessiniraq/index.asp>, accessed 11/1/2012.

capacity of the GOI to manage its ports of entry in an efficient and consistent manner.<sup>125</sup>

As of late 2012, Iraq was continuing the slow process of accession to the WTO. Granted observer status at the WTO in 2004, Iraq has committed to liberalizing its trade laws, but the GOI has been slow in enacting such reforms. Therefore, Iraq's accession to the WTO remains unlikely to occur in the near future.<sup>126</sup>

## **Land Ownership**

Foreign ownership of land was banned until a 2010 amendment to the National Investment Law provided for non-Iraqis, under certain limited circumstances, to own land for the purpose of developing residential real estate projects. The amendment also attempted to clarify other rules governing the use of land. Under Iraqi law, however, the key to operationalizing this, or any, statute is not its text, but the associated implementing regulations subsequently drafted by the GOI bureaucracy. The drafting of these regulations often takes time and occurs in a non-transparent manner. That was the case here. While the GOI completed the regulations in December 2010, as of early 2012, it was still working out how they would be applied to specific cases. As a result, many projects remain stalled due to continued confusion about land-use laws.<sup>127</sup>

## **Regulatory Regime**

A law passed by the CoR and approved by the CoM goes into effect only when it is published in the *Official Gazette*. However, implementing regulations are not required to be published in any forum, thus granting significant discretion to the unaccountable—and often unknown—ministry officials who draft them. Merely delaying the drafting of these regulations can have the practical effect of rendering the law itself almost moot, as has been the case with a consumer-protection law passed in 2010. The opacity of this process, especially as it pertains to the issuance of regulations affecting foreign investment, remains one of the most significant challenges to operating in Iraq.<sup>128</sup>

## **The World Bank on the Ease of Doing Business in Iraq**

In late 2012, the World Bank released its annual survey doing business in 185 countries. Iraq ranked 165<sup>th</sup>, two slots down from last year. The survey's findings highlight some of the salient difficulties faced by aspiring capitalists in Iraq, including difficulties starting businesses, resolving contractual disputes, and conducting cross-border trade. The World Bank ranked Iraq as the 177<sup>th</sup> most difficult country in which to start a business, noting that an entrepreneur

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<sup>125</sup> USAID-*Tijara*, "Assessment of Current and Anticipated Economic Priorities in Iraq," 10/4/2012, p. 33, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

<sup>126</sup> U.S. Department of Commerce, "2012 Country Commercial Guide, Iraq," pp. 53-54, <http://export.gov/iraq/doingbusinessiniraq/index.asp>, accessed 11/1/2012.

<sup>127</sup> U.S. Department of Commerce, "2012 Country Commercial Guide, Iraq," p. 65, <http://export.gov/iraq/doingbusinessiniraq/index.asp>, accessed 11/1/2012.

<sup>128</sup> U.S. Department of Commerce, "2012 Country Commercial Guide, Iraq," pp. 68-69, <http://export.gov/iraq/doingbusinessiniraq/index.asp>, accessed 11/1/2012.

must successfully negotiate 10 separate steps (mainly obtaining various licenses and certificates) that together take, on average, 74 days. When it comes to enforcing a contract in court, it takes even longer. The World Bank found that from the time a suit is filed until the time the judgment of the court is enforced, 51 intermediate steps must occur that take about 520 days. This earned Iraq a ranking of 141 out of 185 in the category “Enforcing Contracts.” The GOI bureaucracy is equally byzantine when it comes to conducting international trade, earning Iraq its ranking as the 179<sup>th</sup> most difficult country to move goods into or out of. Among the main difficulties traders encounter is the time that it takes to finalize a deal (80-82 days, significantly higher than the regional average of 19-22 days) and the ultimate cost of a deal (importing or exporting a container of goods costs more than \$2,000 over the regional average).<sup>129</sup>

A review of Iraq’s rankings in other categories shows that it has made little progress over the past year. Of the 185 countries evaluated, The World Bank’s ranked Iraq:<sup>130</sup>

- 46<sup>th</sup> in the ease of getting electricity for businesses, up one place from last year
- 65<sup>th</sup> in the maturity of its tax regime, down 6 places from last year
- 100<sup>th</sup> in the ease of registering property, a decline of 2 places from last year
- 176<sup>th</sup> in the ease of obtaining credit, no change from last year
- 185<sup>th</sup> in resolving legal matters relating to a business’s insolvency, no change from last year

## **Banking**

Three state-owned banks—Rasheed, Rafidain, and the Trade Bank of Iraq—control about 85% of the banking sector. In addition, there are 23 private, 11 Islamic, and 8 international banks operating in Iraq. Although growing rapidly, the banking sector remains relatively small, with lending only amounting to about 10% of GDP in 2010, compared to 55% for the region as a whole.<sup>131</sup> One reason for this is that most transactions still occur in cash. The public distrusts the banks in part because the GOI does not insure deposits in the manner of the U.S. Federal Deposit Insurance Corporation.<sup>132</sup>

State-owned banks focus on providing GOI salary and pension payments and offering a limited menu of standard banking products, such as loans and deposit accounts. The GOI has been slow to reform state-owned banks, leading the

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<sup>129</sup> The World Bank, “Ease of Doing Business in Iraq,” 11/2012, <http://www.doingbusiness.org/data/exploreeconomies/iraq/>, accessed 11/7/2012.

<sup>130</sup> The World Bank, “Ease of Doing Business in Iraq,” 11/2012, <http://www.doingbusiness.org/data/exploreeconomies/iraq/>, accessed 11/7/2012.

<sup>131</sup> The World Bank, MENA Knowledge and Learning Quick Notes Series, “Iraq: Financial Sector Review,” 9/2011, p.1.

<sup>132</sup> U.S. Department of Commerce, “2012 Country Commercial Guide, Iraq,” pp 82-83, <http://export.gov/iraq/doingbusinessiniraq/index.asp>, accessed 11/1/2012; USAID, USAID-Tijara, “Assessment of Current and Anticipated Economic Priorities in Iraq,” 10/4/2012, p. 100-101, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

World Bank to describe them in late 2011 as “inefficient.”<sup>133</sup> Private banks also provide standard banking products, in addition to offering letters of credit, which play an essential part in trade finance, as well as credit cards, although the latter are not yet in common usage in Iraq. In contrast to the state banks, businesses are the primary clients of the private banks. But, according to USAID, the GOI policy of permitting state-owned banks to offer no-interest loans has undermined commercial entities offering financing at the market rate.<sup>134</sup> Additionally, private banks suffer from a dearth of skilled staff and, because of their small size, can only offer a limited range of services and are not able to finance large projects.<sup>135</sup>

## **Chambers of Commerce and Business Associations**

The EDICT and IPI projects provide significant roles for the Iraqi Chambers of Commerce and various business associations, such as Iraqi Federation of Industries. At least one recent survey points to the growing role played by these associations in advocating for the private sector. A 2011 study by CIPE found that more than half of small-business owners surveyed said that associations play an important role in business development. The survey also identified areas where additional support is needed—a list that tracks very closely with the menu of services provided through the EDICT and IPI projects. These include strengthening business relationships with peers overseas, disseminating relevant business intelligence, organizing conferences and workshops on business development, and conducting studies designed to improve products or services.<sup>136</sup>

## **Free Zones**

Under a Ba’athist-era law from the late 1990s, four geographical areas in Iraq were designated as “Free Zones” (FZs). Products and services produced or processed in FZs are exempt from all taxes and fees, except for a 5% duty on goods entering into the broader Iraqi market from an FZ.<sup>137</sup> But of the four designated FZs,<sup>138</sup> only the Ninewa/Falafel FZ had businesses operating in as of mid-2012 (several new FZs are planned for the Kurdistan Region).<sup>139</sup> U.S. officials ascribe the largely moribund nature of the FZ experiment to the lack of capacity of its governing body, the Free Zone Commission, which operates under

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<sup>133</sup> The World Bank, MENA Knowledge and Learning Quick Notes Series, “Iraq: Financial Sector Review,” 9/2011, p.1.

<sup>134</sup> U.S. Department of Commerce, “2012 Country Commercial Guide, Iraq,” pp 82-83, <http://export.gov/iraq/doingbusinessiniraq/index.asp>, accessed 11/1/2012; USAID, USAID-Tijara, “Assessment of Current and Anticipated Economic Priorities in Iraq,” 10/4/2012, p. 100-101, [https://tijara-iraq.com/?pname=resources\\_tech&doctype=21&t=Technical\\_Reports](https://tijara-iraq.com/?pname=resources_tech&doctype=21&t=Technical_Reports), accessed 11/5/2012.

<sup>135</sup> The World Bank, MENA Knowledge and Learning Quick Notes Series, “Iraq: Financial Sector Review,” 9/2011, p.2.

<sup>136</sup> CIPE Iraq Survey, 2011, page 41.

<sup>137</sup> U.S. Department of Commerce, “2012 Country Commercial Guide, Iraq,” p. 78, <http://export.gov/iraq/doingbusinessiniraq/index.asp>, accessed 11/1/2012

<sup>138</sup> Reports in late 2012 indicated, however, that only 3 FZs may still be viable: Basrah, Ninewa, and Anbar. See *Shafaq News*, “Free Zones announces signing 24 investment projects,” 11/3/2012, <http://www.shafaq.com/en/news/3950-free-zones-announces-signing-24-investment-projects-.html>, accessed 11/11/2012.

<sup>139</sup> U.S. Department of Commerce, “2012 Country Commercial Guide, Iraq,” p. 78, <http://export.gov/iraq/doingbusinessiniraq/index.asp>, accessed 11/1/2012

a Ministry of Finance that has not been interested in the FZ concept.<sup>140</sup> However, this may be changing. In early November, the Free Zone Commission announced that it had signed 24 contracts in 2012 with foreign and domestic investors looking to establish operations in one of the FZs.<sup>141</sup> But it remains to be determined whether these contracts will lead to the rejuvenation of the FZs.

## **Industrial Zones**

In late 2011, UNIDO initiated a project aimed at crafting a capacity-building programme focusing on the design and management of industrial zones and the drafting of a roadmap for their sustainable development in Iraq. On the Iraqi side, the Prime Minister's Advisory Council, the MoP, the MIM, the NIC, and private-sector representatives have all taken an active part in the initial phases of this project. On the international side, the UNDP, UNIDO, and the Italian government are playing leading roles. The project's goals include "promoting investments, activating economic life, creating an enabling business environment for international and Iraqi investors, revitalizing the private sector and, in the long run, making way for industrial development and economic diversification."<sup>142</sup>

## **Economic Indicators**

### **Unemployment**

Estimates of Iraq's actual unemployment rate vary widely. The official GOI rate ranges between 12% and 15% (as of July 2012).<sup>143</sup> The most recent UN estimate places the unemployment rate at 11%. For young Iraqis, the situation appears to be worse with an unemployment rate of about 18%—approximately 27% for young women in the work force and 17% for young men.<sup>144</sup> Thi Qar had the highest provincial unemployment rate at 17%.<sup>145</sup>

### **Inflation**

Iraq's year-on-year core inflation rate dipped to just under 5% in August 2012, slightly under the 6% level it had hovered at for most of the summer. Factors contributing to this decrease, among other things, were a decrease in the money supply's growth rate. Regardless of whether Iraq elects to implement a new

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<sup>140</sup> U.S. Department of Commerce, "2012 Country Commercial Guide, Iraq," p. 78, <http://export.gov/iraq/doingbusinessiniraq/index.asp>, accessed 11/1/2012

<sup>141</sup> *Shafaq News*, "Free Zones announces signing 24 investment projects," 11/3/2012, <http://www.shafaq.com/en/news/3950-free-zones-announces-signing-24-investment-projects-.html>, accessed 11/11/2012.

<sup>142</sup> UN, UNIDO, "Iraq Government promotes development of industrial zones with support of UNIDO," 9/19/2011, [http://www.unido.org/index.php?id=7881&tx\\_ttnews%5Btt\\_news%5D=958&cHash=6e8e025ffc4a2c207357498a0ce0067](http://www.unido.org/index.php?id=7881&tx_ttnews%5Btt_news%5D=958&cHash=6e8e025ffc4a2c207357498a0ce0067), accessed 10/20/2012.

<sup>143</sup> GOI data provided to Evaluator, 10/2012.

<sup>144</sup> UNDP Iraq, <http://www.iq.undp.org/AboutIraq.aspx> accessed November 4, 2012.

<sup>145</sup> UNDP Iraq, <http://www.iq.undp.org/AboutIraq.aspx> accessed November 4, 2012.

tariff regime—and depending on the resolution of the current crisis at the CBI—core inflations is expanded to hover at around 6% for the next five years.<sup>146</sup>

## **Currency Rate**

As of September 30, 2012, one U.S. dollar could purchase 1,166 Iraqi dinars on the official currency-exchange market.<sup>147</sup>

## **Iraqi Stock Exchange (ISX)**

The ISX foundered in 2012, off 15% from its January 2012 levels. The ISX is also underperforming the S&P Pan Arab Composite Index for the first nine months of 2012 (off by 5% to 15%). Foreigners are investing less in companies listed on the ISX, with their share of total trading volume down to about 5% in the September-October 2012 time period. This is down sharply from the 18-month span from mid-2010 to the end of 2011, when foreign investors share of the total trading volume on the ISX ranged from between 8% and 16%.<sup>148</sup>

## **Agricultural Imports**

Ministry of Agriculture and USAID officials concurred that outdated policies—including those pertaining to land-use, loans, the resolution of property disputes, irrigation, and subsidies—have left Iraq’s agricultural sector in need of revitalization. According to USAID, about 80% of Iraq’s food needs are met through imports. Despite this, the agricultural sector remains one of the largest the sources of jobs in Iraq.<sup>149</sup>

## **Poverty and Gender Issues**

According to one study, about 23% of Iraq’s population is living in poverty. There is also widespread malnutrition among the young, with approximately 20% of children under the age of five suffering from stunted growth.<sup>150</sup> Poverty and low levels of education disproportionately affect Iraqi women. The female illiteracy rate (24%) is more than twice that of the male rate (11%).<sup>151</sup> Only 14% of all women are considered part of the labor force (either working or actively seeking work), and, as of earlier this year, about 20% of them are unemployed.<sup>152</sup> Ominously, these trends appear to be worsening. According to a recent MoP survey, the number of women active in the labor force has decreased. Almost all (94%) of the women who do work have public-sector jobs.

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<sup>146</sup> GOI, CBI, home page, “Economic Data,” [www.cbi.iq](http://www.cbi.iq), accessed 10/2/2012; EIU, Country Report: Iraq, 8/2012, p. 6; IMF, Regional Economic Outlook: Update, “Middle East and North Africa: Historic Transitions under Strain,” 4/20/2012, p. 11.

<sup>147</sup> GOI, CBI, home page, “Economic Data,” [www.cbi.iq](http://www.cbi.iq), accessed 10/2/2012.

<sup>148</sup> Iraq Stock Exchange, “Indices,” [www.isx-iq.net/isxportal/portal/sectorProfileContainer.html?sectorId=1](http://www.isx-iq.net/isxportal/portal/sectorProfileContainer.html?sectorId=1), accessed 10/2/2012; Rabee Securities, Weekly Bulletin, 9/28/2012, p. 1; Evaluator analysis of open-source information, 9/2012-10/2012.

<sup>149</sup> Evaluator analysis of U.S. government reporting on Iraqi agriculture, 10/2012.

<sup>150</sup> Iraq Partners Forum (which includes, among others, Canada, Denmark, the EU, Japan, Italy, et al.), “The Iraq Briefing Book: Executive Summary,” p. 2.

<sup>151</sup> World Food Programme, CFSVA 2007

<sup>152</sup> GOI, Iraq Knowledge Network survey, 2011.

Of the few women working in the private sector, most are poorly educated agricultural laborers.<sup>153</sup>

Moreover, Iraq has very few female entrepreneurs. Almost all businesses (97.7%) are owned by men.<sup>154</sup> And while there are slight variations among the provinces—for instance, Thi Qar has far fewer female business owners than Baghdad—even in Baghdad, only 4% of businesses are owned by women.<sup>155</sup> According to various managers from the EDICT and IPI programmes both in Vienna and Amman, there were no specific efforts to target women as beneficiaries in these projects. Rather, the projects were designed “to allow women to engage on an equal participatory level.”<sup>156</sup>

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<sup>153</sup> Women in Iraq Factsheet, UN Inter-agency Information and Analysis Unit, 3/2012.

<sup>154</sup> CIPE, Iraq Survey, 2011.

<sup>155</sup> CIPE, Iraq Survey, 2011.

<sup>156</sup> IPI, Project Document, p. 8; EDICT Project Document, p. 8.





# VII. Project planning and management

## Project Identification

The project design reflected in the project documents is highly optimistic, especially given the realities on the ground. UNIDO has implemented more than \$50 million worth of projects in Iraq since 2004, with UNIDO experience in Private Sector Development dating back to 2007. As EDICT and IPI were direct follow-on projects from EDIP, there were already several years of experience in UNIDO of the environment in which SMEs in Iraq were operating – including an understanding of the severe challenges faced in regulatory, financial, and developmental capacity of the private sector.

Initial project plans talked of outcomes including creation of new enterprises in the face of severe shortfalls in access to finance; increasing competitiveness where cheap imports are unregulated and overwhelmingly cited as a bar too high for Iraqi businesses to compete against; and facilitating linkages to finance in an atmosphere where extremely high interest rates and lack of sufficient facilities trumps training for bankers and counseling of entrepreneurs. The project also aimed to look for international markets for Iraqi businesses, when simply finding domestic markets is already difficult.

Notable, too, was the desire to use this project to bring communications and information technology into the realm of private sector development. Widely recognised as a critical component that will have to be embraced in order for Iraq to succeed, these projects took an ambitious approach to incorporating the latest technological tools into investment promotion and business advisory services. However, the conditions in Iraq, including very low levels of Internet penetration and computer ownership, necessarily limited progress in this area.

Within known limitations, the project identified several components – such as SPX, COMFAR, and eLearning – that require robust training and execution elements, as well as good infrastructure and Internet penetration. While representatives of the Government of Iraq and programme beneficiaries agree that the vision of incorporating global business practices and computer driven technology tools have to begin now, the clarity of the initial steps required to achieve the vision could be better defined. For example, the causal chain of the projects contained limited detail on how the project envisioned taking beneficiaries from existing circumstances to desired outcomes through the inputs and activities outlined. More detail of short-term steps that take into consideration ground-level challenges in Iraq may help improve the road to progress and strengthen overall sustainability of outcomes.

The project design also lacks sufficient consideration of three key elements:

*Language* - there are two official languages in Iraq – Arabic and Kurdish. Project design does not account for the significant limitations resulting from language barriers<sup>157</sup> including:

- i. Difficulty in delivering complex training in a foreign language<sup>158</sup>
- ii. Lack of documentation in Arabic (for example SPX benchmarking questionnaires) limiting the effectiveness of written material
- iii. Limitations on fluid communication and understanding at the programme management level including PSC meetings and mentoring visits.

*Technology Barriers* – Iraq is just beginning to catch up in the global technology arena. Familiarity with computers is still low. That, combined with poor quality and expensive internet connectivity, impacts the technical components of the project.<sup>159</sup> The desire to utilize communications and information technology to increase the outreach of the project is welcomed by counterparts, but limited by users’ ability to access the content. As limited project finances are apportioned to project elements, consideration should be given to the cost-benefit ratio of more complex computer-based tools that, in the short-term, require high levels of investment and extensive training and support from UNIDO with lower potential for sustainability.

*Security Constraints* – Real and perceived security issues affect many aspects of project execution from the inability of UNIDO mentors to visit EDCs or spend significant time with Iraq counterparts in-country, to limitations on beneficiary entrepreneurs’ access EDCs. For instance, security measures at the EDC site at the Ministry of Industry and Minerals in Baghdad limits the access of entrepreneurs.<sup>160</sup> Consideration could be given to utilizing independent contractors who are not subject to UNIDO travel limitations, to provide more robust in-country mentoring and support for the EDCs.

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<sup>157</sup> The IPI ProDoc written in 2009 mentions “Arabic” once, at Activity 1.3.3. “SPX database established in English and Arabic.” Yet by April of 2012, SPX benchmarking training and materials were still in English with Back to Office Mission Reports recommending that questionnaires be translated to Arabic.

<sup>158</sup> SPX Training report for April 2012 notes “some of the group did not have sufficient proficiency in English to immerse themselves in training.” The trainers decided to provide “impromptu simultaneous translation,” in the absence of proper planning.

<sup>159</sup> SPX training report from April 2012 notes “insufficient level of broadband” and signals that regularly dropped out during training that prevented proper software demonstration and affected practice sessions.

<sup>160</sup> During the field visit to the Baghdad EDC, security constraints prevented the national evaluator from meeting with entrepreneurs at the site. EDC management instead arranged for phone-calls. EDC managers shared their views that security requirements had a consistent limiting impact on programme effectiveness. Surveys with beneficiaries and trainers likewise noted the problems with accessibility to the site. The SPX “Back to Office Mission” report from April 2012 also noted the limitations on programme interactions because the Baghdad EDC connected with entrepreneurs via phone rather than in-person.

## Project Formulation

The basic concepts behind the information-technology components of the project came from UNIDO Headquarters in Vienna. Programme managers wanted to incorporate existing tools such as SPX and COMFAR into the Iraq programme. They also wanted to pilot efforts to utilize eLearning to expand the reach of traditional EDIP training tools developed with ITPO Bahrain, with an eye toward extending the internet-training programme to other parts of the world.<sup>161</sup> The IT components were not selected as a result of input from Iraq stakeholders, nor did they necessarily fit the Iraq environment that, in a nutshell, is IT-challenged.<sup>162</sup>

As originally envisioned in the project document (ProDoc), EDICT was intended to “scale up” the services provided at EDCs through the use of communication and information technology. And while computers, high-speed internet, and videoconferencing capabilities were installed and do contribute to improved operations at the EDCs, the main component, the eLearning internet and satellite capability that was supposed to bring distance-learning methodologies to the programme, has yet to be achieved. The second outcome envisioned in the EDICT ProDoc was investment promotion through linking local enterprises and suppliers to large international buyers. On this count as well, the programme performance has been moderate, primarily due to external constraints.

The IPI programme more directly addresses building upon the EDIP framework with business advisory services, introducing the SPX platform to the suite of tools. A second component was aimed at supporting the INIC. A focus on promoting investment and market access for two sub-sectors (identified with the Project Steering Committee as construction and food processing – with construction being selected as the focus of the SPX program), was to be carried out. Coordination with the INIC has not materialized as envisioned – security being among the factors that prevented the placement of a full-time expert at their offices in Baghdad.<sup>163</sup> Instead, the more pertinent outcomes have been achieved through the sustained engagement of UNIDO experts and EDC staff in one-on-one business advisory services that have helped to create networking opportunities for entrepreneurs. This networking has resulted in exposing entrepreneurs to the global business environment and, in some cases, generated modest improvements in efficiency, equipment, operations, and business engagement with foreign companies. Likewise, there is high satisfaction with trips to trade fairs and business gatherings outside of Iraq, as evidenced by entrepreneurs often investing their own money in these trips.

Stakeholder involvement primarily rests upon PSC input. Steering Committee mechanisms have proven to be a very effective tool used by UNIDO to overcome security prohibitions. Members of the PSC are engaged and provide Iraqi

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<sup>161</sup> Interviews with Vienna Programme Management in September 2012 and ITPO Director in January 2013.

<sup>162</sup> See the Background Section for full discussion of computer and internet usage in Iraq

<sup>163</sup> INIC Chairman in an interview with the lead evaluator stated that “UNIDO projects were 100 percent better when they had a person here.”

perspective to help guide the progress of the projects subject to the following limitations.

- a. Engagement Barriers – UNIDO lacks high-level representation in Iraq, limiting engagement at the important policy level. Project management is scattered geographically in Iraq and in various countries. To overcome this, PSC meetings are held once per year, limiting the frequency of engagement at the strategic level. Iraqi counterparts are also generally averse to electronic communication, unlike their Western peers, preferring phone or in-person exchanges, further limiting productive exchange. Finally, security-related travel restrictions prevent UNIDO staff and experts from engaging with local counterparts at the project sites. All of these constraints serve to limit the amount of Iraqi perspective that was incorporated into the programme and the training courses.<sup>164</sup>
- b. Language Barriers - Steering Committee meetings are generally conducted in English with translation support. Language limitations can sometimes constrain the free flow of communication and input from participants. Lack of clear understandings may hamper effective follow-up on the part of Iraqi counterparts.

Selection of beneficiary entrepreneurs was driven primarily through informal solicitation of interested individuals who had some connection to the networks of partner entities associated with the projects. These included:

- c. Iraq Ministry of Industry and Minerals
- d. Iraq National Investment Commission
- e. Federation of Iraqi Industries
- f. KRG Prime Minister's Office
- g. KRG Board of Investment
- h. KRG Ministry of Trade and Industry
- i. Erbil Chamber of Commerce and Industry
- j. Thi Qar Provincial Council
- k. Nassariyah Chamber of Commerce
- l. Thi Qar Vocational Training Centre
- m. Thi Qar Engineering Union
- n. Thi Qar University

Beneficiaries, counterparts and programme staff all agreed that broader outreach would increase the number of qualified candidates participating in the programme. Once enrolled, continued participation rested on active engagement by the beneficiary that increased the quality of the project outcomes. In many cases, beneficiaries invested their own funds in their business start-up or expansion, and funded portions of their own travel to fairs and networking engagements.

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<sup>164</sup> EDICT Steering Committee Progress Report, October 2012, p.25.

Selection of trainers, counselors and tutors was generally determined through coordination with the host institutions in each of the three EDC locations. Trainers and counselors were found to have good experience and backgrounds for the training and roles they played in the project.

Limited presence in country limits UNIDO's ability to access certain key stakeholders. As a result, important connections correctly identified in Project documents were not sufficiently incorporated in the formulation or management of the project. The most important of these being the Chairman of the Iraq National Investment Commission who was singled out in the IPI ProDoc as the intended beneficiary of an international consultant to be provide him with "regular advisory services,"<sup>165</sup> something that the Chairman indicated he was not receiving.<sup>166</sup> The INIC Chairman confirmed that these projects were being coordinated with various Ministries, including the Ministry of Industry and Minerals, as they should be, and said that he sends a representative to attend meetings. However, he noted that the key coordination point for "investment" related projects is the INIC. The Chambers of Commerce and the MIM in Baghdad are not directly linked to investment coordination for all of Iraq, yet the INIC is not currently represented on the EDICT/IPI Steering Committee<sup>167</sup> although they did participate in the 2011 Steering Committee meeting. The approval process for EDICT followed the very structured approach of UNDG, which entails more than 13 review steps, including the review from former ISRB (Iraqi Steering Committee review board). Program managers indicate that INIC is not the official counterpart of the project because this was a development project to foster local and foreign investment in the SME sector and INIC was beneficiary of just one component of IPI (output 2.1). INIC remains, however the key GOI entity with oversight responsibility for investment promotion in Iraq.

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<sup>165</sup> IPI ProDoc at page 12.

<sup>166</sup> Interview with Dr. Sami al Araji, Chairman, Iraq National Investment Commission, November 12, 2012.

<sup>167</sup> Analysis of "EDICT/IPI Project Steering Committee Members" spreadsheet dated September 30, 2012.

# Project Management

## Overview

The project was highly successful at strengthening the core functions of the EDCs at the three locations. Relationships with the host institutions are strong, and the programme has successfully built the EDC capacity to operate the facilities on their own. Overall, more training and support is needed for the technical, computer-driven aspects of both projects, especially the eLearning platform and the COMFAR tool.

There exists a continued reliance on UNIDO experts in Amman to maintain linkages to international-investment opportunities, including outreach to foreign business, assistance in organizing trips to trade shows, and access to training.

## Management Structures

As with all projects executed by UNIDO in Iraq since 2004, EDICT and IPI have a three-country management structure. In addition, this project folded in separate elements that were geographically and organizationally separate from that management structure, adding to the complexity and affecting efficient implementation. Management elements include:

Iraq – a combination of national and counterpart staff have the lead, however each EDC is essentially stove-piped within separate entities that have no inherent lateral connection.

- i. Erbil is attached to the regional KRG Government and has a UNIDO Local Coordinator on site. It is primarily run through support of the KRG Ministry of Trade and Industry.
- ii. Thi Qar is attached to the Chamber of Commerce with some engagement at the provincial government level. Thi Qar also has a UNIDO Local Coordinator, and is staffed by a variety of private and government experts from the province.
- iii. Baghdad has no UNIDO Local Coordinator and is attached to a federal government ministry (MIM) who provides overall management and direction.

Jordan – throughout the evolution of the Iraq programme since 2004, Amman, Jordan has been the traditional location of the Chief Technical Advisors (CTA) and of the Country Manager for Iraq. Security conditions also make Amman the location of international experts who oversee significant portions of the portfolio through the Programme Management Unit who are not allowed to station in Iraq due to space limitations and U.N. security regulations.

Austria – Overall project implementation and supervision responsibility lies with the Investment and Technology Promotion Branch<sup>168</sup> and the Investment Promotion Unit at UNIDO Headquarters in Vienna.

Italy – For the EDICT programme, a significant amount of responsibility fell upon the main subcontractor, UNINETTUNO, to manage and implement the eLearning platform. As the “technical partner”, UNINETTUNO was charged with implementing the distance-learning component from equipping the EDCs to adapting, recording and producing training material, and delivering the course material to project beneficiaries.<sup>169</sup>

Bahrain – An additional element to the programme was the involvement of ARCEIT Bahrain who played an important role in developing course content for the eLearning component, and who retain regional expertise for the EDIP model.

## Coordination

The PSC provides a forum for all levels of project staff to convene periodically to provide strategic direction and coordinate various project components. This element of the project works well to overcome the geographic dispersion of programme management and serves to facilitate communications flow between and among the EDCs.

While highly engaged, members of the PSC represented varying levels of government and lacked a single, high-level member with the authority to speak on behalf of the Government of Iraq. Figure 3 below provides an overview of the programme management structure for the EDCs.

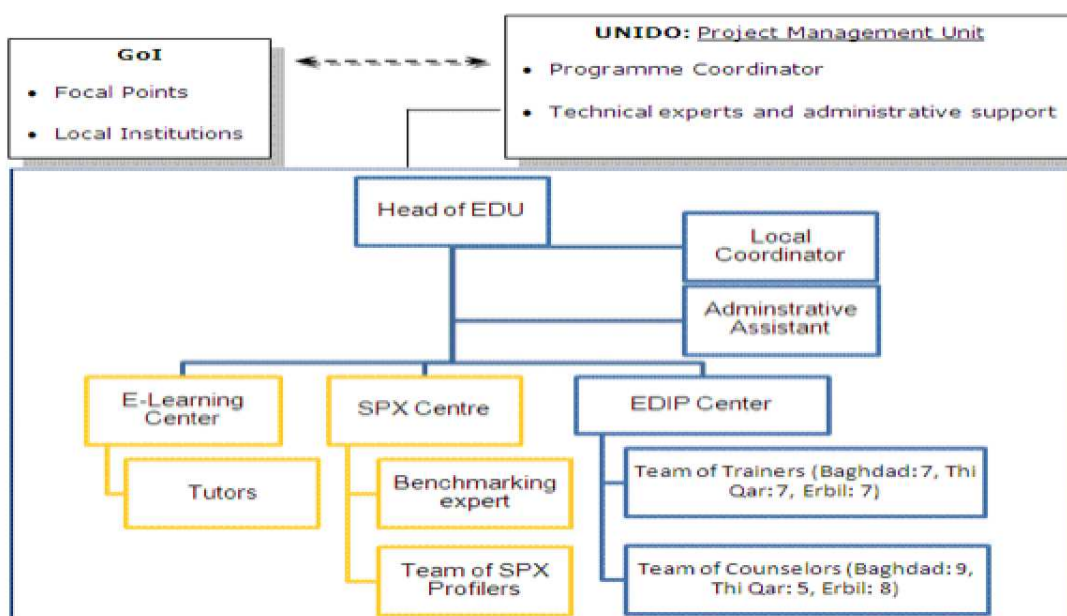


Figure 3: Extract from EDICT Progress Report 2011

<sup>168</sup> EDICT ProDoc p. 17, IPI ProDoc, p. 19

<sup>169</sup> EDICT Steering Committee Progress Report, October 2012, p.13

## Monitoring Structures

The underlying concept embedded in the projects promotes sustained engagement with a limited number of existing and prospective entrepreneurs to help them along a path toward improvement. Both EDICT and IPI have a suite of complimentary and overlapping interventions that are made available to beneficiaries. Tracking of the beneficiaries is done through databases that monitor interactions between Iraqi entrepreneurs and foreign companies with interventions tracked independently.

For example, lists are maintained of businesses counseled. These do not cross-reference to lists of those entrepreneurs receiving training. This affects the measurement of outcomes as single enterprises are counted repeatedly within an intervention or among various interventions.<sup>170</sup> A study of monitoring documentation maintained by programme management in Amman demonstrates this. Of “739 matchmaking efforts”<sup>171</sup> reported 141 businesses were affected.<sup>172</sup> Monitoring documents contained data to track achievement trends. A review of all documentation provided to evaluators gave some indication that the rate of enrollment in training courses and sign-ups for counseling or matchmaking declined over time. However, insufficient data was available to track usage trends. EDC managers attribute reduced enrollment to insufficient public relations efforts – something that they say they are actively working to improve. UNIDO managers, on the other hand, suggest that the time invested in standing up eLearning tools reduced the number of beneficiaries.

## Financial Implementation

The overlapping nature of programme elements impacts analysis of effective budgeting for the programme. A review of the project budgets contained in ProDocs for EDICT and IPI reveal overlapping funding categories that are combined to support operational costs of an EDC with a full suite of services. Figure 4 provides a comparison of an excerpt of budgeted amounts for selected categories:

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<sup>170</sup> For example, one entrepreneur can have several businesses, each of which is counted separately despite one individual receiving counseling. In other cases, one business will receive more than one course of training, multiple counseling sessions, matchmaking sessions, and be included in several trade missions – each instance counted as an output.

<sup>171</sup> IPI Steering Committee Progress Report, October 2012, p.24

<sup>172</sup> Analysis done of the matchmaking database “Matches databse-1.xlsx” provided to evaluators by the PMU found that of 364 instances of matchmaking in Erbil, there were 70 distinct entities (some matched over 10 times, one 31 times) of which 6 were not enterprises but rather government entities such as the Ministry of Interior. For Thi Qar, 199 instances covered 51 businesses of which 3 were government including the EDC itself. For Baghdad, 174 instances covered 31 entities of which 2 were associations or communities.



Category	EDICT	IPI
Office Manager Amman	\$1000/mo	\$1000/mo
CTA	\$13,000/mo	n/a
Programme Coordinator	n/a	\$10,000/mo
Local Coordinator	\$2,000/mo	\$2,300/mo
SPX Expert	\$6,000/mo	\$9,264/mo
EDIP Expert	\$6,000/mo	\$5,560/mo
EDU Running Cost	\$6,000 lump sum	\$926/mo

Figure 4

The table above reveals variances in the amounts budgeted for like categories of services. Further, there is not sufficient clarity to determine where single resources are being covered by splitting the costs between the projects.<sup>173</sup>

EDCs are also not distinguishing outcomes or outputs along UNIDO project lines, making it more difficult to evaluate outcomes against project inputs and budgets. EDIP was the precursor project with similar training and counseling components carried out at the three EDCs. All three EDCs maintain some monitoring data that combines output metrics on training and counseling conducted under EDIP with training, counseling, and assistance conducted under EDICT and IPI.

## Cross-Project Collaboration

The training programs organized by UNIDO generally include representatives from all the three EDCs, the head of the EDCs and local coordinators. Additionally the EDCs utilize the project's VTC equipment to stay connected. Despite these efforts security constraints do serve to limit overall sharing of information and physical engagement on site. While all training programs organized by UNIDO include a wide range of all the necessary stakeholders, at each of the site visits, management and trainers expressed a desire for more communication and ties between the EDC sites, which they stated would improve sharing of information.

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<sup>173</sup> In the case of Amman Office manager, the EDICT project documentation indicates that the \$1000 per month is a 50% share of cost with the IPI project. However, for most other categories, the basic project documents do not indicate where costs are shared.



## VIII. Outputs and Outcomes

A combined list of objectives/outputs and an analysis of associated outcomes for all major components of EDICT/IPI follows at Figure 5:

Objective/Output	Assessment of Outputs and Outcomes
<p>EDC technical capacity built through the installation of technological poles <b>ACHIEVED</b></p>	<p>Site visits to all three locations verified that all components of the technological poles are of good quality and in excellent working order. Despite a five month delay<sup>174</sup> due to customs and visa issues, equipment consisting of 12 computers, high-speed internet access and a video-conferencing system are operating at each site in clean, air-conditioned and appropriately sized and furnished rooms that are accessible to trainees. Staff on-site demonstrated excellent capability at operating and maintaining equipment.</p>
<p>eLearning Platform established to support on-line training <b>PARTLY ACHIEVED</b></p>	<p>Significant delays caused primarily by administrative and coordination challenges resulted in partial outputs. As of October 2013, the platform was fully functional at all 3 EDCs with 9 training modules (131 video lessons) recorded and available. However, all video lessons and the platform interface are all in English – which has limited enrollment so far to 25.<sup>175</sup> Further, input from tutors in Erbil – technically the most advanced site having conducted a formal launch of the eLearning platform in July of 2012, indicates that the tool does not function well<sup>176</sup> and that much more training was needed before tutors would be able to operate it.</p>
<p>EDC human capacity enhanced through trained trainers and counselors <b>ACHIEVED</b></p>	<p>44 individuals were trained as counselors or trainers. The survey of half of those trained indicated high levels of satisfaction with training and long-term commitment to the project largely due to the fact that their work with the EDC was done on a part-time basis, and their primary employer, the GOI, was supportive of their participation.</p>
<p>Entrepreneurs assisted through beneficiary training off-line <b>ACHIEVED</b></p>	<p>While lower numbers were trained under EDICT than EDIP, satisfaction levels were high and outcomes appear to be good.</p>
<p>Entrepreneurs assisted through beneficiary</p>	<p>Failure to complete the stand-up of the eLearning</p>

<sup>174</sup> EDICT Steering Committee Progress Report, October 2012, p.17.

<sup>175</sup> EDICT Steering Committee Progress Report, October 2012, p.16.

<sup>176</sup> Multiple tutors noted that the site times out quickly, interrupting the functionality. On-site demonstration of the use of the tool for evaluators verified that much more training was needed before tutors could utilize the site. Tutors also complained that no written material was made available during training courses which were generally brief (3 days).

<p>training on-line <b>NOT ACHIEVED</b></p>	<p>platform as of January 2013 resulted in no beneficiaries receiving on-line training.</p>
<p>Strengthen capacity of banks <b>ACHIEVED</b></p>	<p>Successful training sessions were held for 26 of a targeted 30 bankers as of January 2013 (32 were invited but 6 were unable to attend). Surveys of trainees indicate high levels of satisfaction with the training received. The success of the first session resulted in banks paying the travel costs for attendees in the second session.</p>
<p>Entrepreneurs assisted through off-line counseling <b>ACHIEVED</b></p>	<p>Entrepreneurs report extremely high levels of satisfaction (91%) with counseling and an analysis of counseling status report databases and survey feedback indicates that counseling of entrepreneurs resulted in tangible outputs from helping to improve business efficiency to drafting business plans and helping secure loans, to connecting entrepreneurs with foreign suppliers to learn new techniques and purchase modern equipment. Matchmaking efforts were also key undertakings for counselors and UNIDO international experts who, without the benefit of a fully functioning SPX capability, instead utilized more traditional one-to-one methods for assisting entrepreneurs in making connections with foreign buyers, partners and suppliers.</p>
<p>Subcontracting Partnership Exchange (SPX) Services enable business linkages <b>ACHIEVED</b></p>	<p>SPX capabilities both technical and human have been established at all three EDCs. Over 300 profiles have been uploaded to the system and 47 supplier companies had been benchmarked as of October 2012. As of January 2013, two sessions were held, one in Erbil and one in Paris.</p>
<p>Capacity of EDCs enhanced through new tools – IPPA, COMFAR <b>PARTLY ACHIEVED</b></p>	<p>Training on IPPA and COMFAR was completed and staff at each of the three EDCs was able to demonstrate capability on the systems. However, EDC management at the three locations all indicated that more training was needed for these highly technical tools to become effective.</p>
<p>Capacity of the Iraq National Investment Commission enhanced <b>ACHIEVED</b></p>	<p>Plans to provide constant on the job training and mentoring support to INIC staff through an international expert placed at INIC<sup>177</sup> have been achieved. Staff was successfully trained and an international expert visits the INIC. With regard to use of tools such as COMFAR, the INIC Chairman stated that his office was not utilizing the tools despite the trainings because it does not fit the work they are doing and they do not see the need for it.</p>
<p>Investment promotion and capacity development through trade missions and support for traveling business delegations</p>	<p>Five trips were organized for Iraqi business delegations. In addition to very high marks of satisfaction and high demand for this service,</p>

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<sup>177</sup> EDICT ProDoc, p.10

## ACHIEVED

participating businesses demonstrated ownership through cost-sharing. Tangible outcomes ranged from critical exposure to international business practices, to strategic purchases of modern equipment and contracting/partnering arrangements.

Figure 5

Outputs and selected indicators contained in the Prodoc and reported in annual progress reports were focused on quantitative measuring of inputs delivered, such as the number of persons trained. While measures of desired outcomes, such as increase in new or expansion of existing SMEs were contained in Counselling Status Reports, those were included in annual progress updates. In the case of EDICT, of the 11 indicators identified in the ProDoc at the outset of the project, 2 were met, 2 were missed, and 7 were exceeded. The selection of these metrics obscure the fact that a key component of the programme – the eLearning platform – did not train a single beneficiary.

The more important analysis of the two identified outputs indicates that Output One (*EDCs have increased capacity to deliver training modules to local entrepreneurs*) has tentatively been reached. However, the fact that the eLearning platform is as yet untested and only available in English may endanger its potential. Output Two (*Enhanced capacities of EDCs to provide business advisory services to existing and new entrepreneurs*) is likewise achieved, but also remains vulnerable pending firm commitments by the host institutions or the finding of alternate means of sustainment.

Of the 16 targets set for IPI, 8 were met, 3 were exceeded, 4 have been partly met and one is pending. Six of the targets involved tools such as SPX, IPPA, and COMFAR, which, to date, have yielded very modest outcomes (mostly self-diagnostic input) for entrepreneurs. Given that this evaluation was conducted at a point close to the completion of EDICT and in the midst of IPI, it will be important to once again measure outcomes after the project has had time to realize its objectives. Other targets, such as the placement of an international advisor at INIC, have been assessed “met,” understanding that the metric was changed to require that an advisor “visits” INIC. Programme managers changed the assignment of an advisor to regular visits due to UNAMI regulations preventing staff from being stationed out of its designated work space in Baghdad. Thus, the visits occur on a “regular basis” and the INIC leadership note the limitation of outcome from these limited engagements.<sup>178</sup> Program staff point to the facilitation of training missions as an outcome of the INIC visits.

At the higher level, Output 1.1 (*EDCs have an increased capacity to provide existing and new enterprises with investment promotion services*) has been achieved, but relies heavily on UNIDO experts to provide one-on-one support. Usage of complex tools will reportedly require additional training and EDC staff exhibit a strong preference for providing traditional in-person counseling support. Output 1.2 (*Enhanced Institutional capabilities in foreign investment promotion*) likewise rests on strong support from UNIDO experts in Amman. Output 1.3 (*EDCs enhanced capabilities in facilitating the development of linkages*)

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<sup>178</sup> Evaluator interview with INIC Chairman Dr. Sami al-Araji, November 12, 2012.

between local subcontractors and foreign buyers) has generally been achieved, but the capabilities have produced minimal outputs, with only a small number of linkages leading to improved business opportunity.

Output 2.1 (*Enhance the competitiveness of selected industrial enterprises & promote linkages with the foreign market*) is difficult to assess based on existing data. While there is evidence that entrepreneurs have improved their effectiveness and, in some cases, expanded operations, the ubiquitous challenge of unregulated cheap imports make competitiveness a high bar to reach while security challenges and a history of isolation hamper efforts to link Iraq to foreign markets. Output 2.2 (*SME credit officers in the three Governorates have enhanced knowledge in credit assessment and loan management in favor of SMEs*) was achieved. This small, isolated element involving 26 trainees is carried out in the face of the biggest challenge facing Iraqi entrepreneurs – lack of access to financing. Figure 6 below provides a complete review of progress against identified targets and indicators.

### Review of Progress Against Indicator Targets

EDICT				
Output	Indicator	Target	Current	Status
1.1	Number of technological infrastructure in place	3	3	<b>MET</b>
1.2	Number of courses recorded	4	9	<b>EXCEEDED</b>
1.3	Number of entrepreneurs trained online	500	0	<b>MISSED</b>
1.4	Number of entrepreneurs trained offline	200	271	<b>EXCEEDED</b>
1.5	% of trainees passing assessment	80%	94%	<b>EXCEEDED</b>
2.1	Number of counseling reports prepared	100	182	<b>EXCEEDED</b>
2.2	Number of mentoring visits per EDC conducted	6	6	<b>MET</b>
2.3	Number of EDC staff provided with mentoring	15	15	<b>MET</b>
2.4	Percentage of EDC staff satisfied with mentoring	80%	91%	<b>EXCEEDED</b>
2.5	Number of enterprises provided with business advisory services	300	213	<b>PARTLY MET</b>
2.6	Percentage of enterprises satisfied with business advisory services	80%	97%	<b>EXCEEDED</b>
IPI				
1.1.1	Number of EDCs trained on counseling on IP	3	3	<b>MET</b>
1.1.2	Number of EDCs receiving training on IPPA/COMFAR	3	3	<b>MET</b>
1.1.3	Existing EDCs receiving constant mentoring	YES	YES	<b>MET</b>

1.1.4	Number of Operational Plans for Self-Sustainment	3	3	PARTLY MET <sup>179</sup>
1.2.1	Number of counterpart personnel trained on IPP	20	18	PARTLY MET <sup>180</sup>
1.2.2	Number of counterpart personnel trained on IPPA	20	30	EXCEEDED
1.2.3	Number of personnel placed within INIC providing advisory services	1	1	PARTLY MET <sup>181</sup>
1.2.4	Number of promotional missions	3	3	MET
1.3.1	Number of EDCs trained on SPX	3	3	MET
1.3.2	Number of EDCs on UNIDO benchmarking system	3	3	MET
1.3.3	Number of linkage sessions organized between local subs and foreign buyers	2	2	MET
1.3.4	Number of matchmaking events/missions	5	5	MET <sup>182</sup>
2.1.1	Number of capacity building exercises at enterprise level	3	Postponed to 2013	PENDING <sup>183</sup>
2.1.2	Number of IPPs prepared	10	68	EXCEEDED
2.1.3	Number of companies participating in study tours/fairs/promotional missions	10	105	EXCEEDED
2.1.4	Number of credit officers trained	30	26	PARTLY MET

Figure 6

The results framework for both projects provides generalized, high-level outcomes. The targets and indicators selected are very detailed, but do not sufficiently measure progress toward meeting the desired outcomes. For example, providing training on specific tools such as COMFAR, IPPA, or the UNINETTUNO eLearning platform does not necessarily translate into increased

<sup>179</sup> EDICT Steering Committee Progress Report, October 2012 p.7 indicates that sustainability plans were to be provided by the end of the project in December 2012. Feedback from EDC managers in late December indicated to evaluators that they had not yet received sustainability plans.

<sup>180</sup> 20 individuals were invited to the training but illness and visa issues impacted 2 attendees.

<sup>181</sup> The expressed intent was to place an advisor at the INIC. The advisor instead is located in Amman and conducts “regular” visits to INIC. INIC feedback to evaluators indicates that the visits are of limited value and they would prefer to have an expert placed there.

<sup>182</sup> Although technically counted at 5 trips, the indicator called for “international” trips and one of the five was a fair in Erbil, Iraq.

<sup>183</sup> This indicator was not tracked. Instead, additional indicators focused on bilateral business meetings, contacts with foreign companies and linkages established, were monitored.

capacity unless the training was effective, sufficiently complete, and is being utilized at the EDCs. The results framework does not measure the latter three elements. Similarly, the number of missions or fairs attended does not directly translate into investment. Rather final translation into investment will depend on the terms of negotiation and mutual interest of the companies. However the “promotion” of investment is achieved through the fairs and subsequent networking.

A review of the data above suggests some additional indicators for future consideration could include tracking the number of entrepreneurs utilizing EDC services per month, which would provide an indication of the EDCs use of its improved capacity, and monitoring the number of foreign-investment promotion outcomes developed by EDC personnel. Monitoring data provides long lists of achievements for individual entrepreneurs from successfully helping with loans or government approvals, to assistance in securing new machinery or improving business processes. Yet, the tracked indicators do not provide the opportunity for the EDICT/IPI managers to claim success for these tangible outcomes. On the other hand, raw numbers tracked for specific outputs, such as letters of intent signed, do not accurately portray outcomes, as many of those letters have yet to result in any actual business impact for the Iraqi entrepreneurs. Consideration may be given to developing new outcome indicators that could be tracked through more robust monitoring activities.

## Site Visits

The National Evaluator visited the three EDC sites between November 2012 and January 2013. Each site visit lasted approximately one week. 25% of beneficiaries<sup>184</sup> and 48% of trainers and counselors<sup>185</sup> were surveyed. The surveys contained 40 questions and took approximately 1-2 hours each to complete. Over the course of the surveys and site visits, the evaluation team confirmed that isolating the achievements of individual UNIDO projects (EDIP, EDICT and IPI) was not possible due to the comprehensive view of the three projects taken by EDC staff, trainers and beneficiaries. Timelines, budget sources and project components were viewed in a seamless manner. For example, some entrepreneurs who first received training under EDIP in 2008 were still receiving counseling or other support under EDICT and IPI. Thus, site visit and survey results provide an assessment of cumulative inputs and achievements to date.

All of the surveys in Thi Qar were conducted on-site at the EDC and were coordinated by UNIDO and EDC staff. In Baghdad, only a few interviews were done on-site. Due to security complications, a portion of the beneficiary interviews were conducted via telephone from the EDC location. In Erbil, the beneficiaries were not available to come to the EDC, as a result all surveys were done at their location of business.

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<sup>184</sup> 68 beneficiaries total were surveyed. 21 in Baghdad, 23 in Thi Qar. and 24 in Erbil.

<sup>185</sup> 21 trainers and counselors were surveyed – 9 in Erbil, 7 in Baghdad. and 5 in Thi Qar.



## **Baghdad**

The EDC in Baghdad is located on the 6<sup>th</sup> floor of the Ministry of Industry and Minerals in central Baghdad. There are two main rooms: one used as a lecture room with a circular table that fits approximately 12 people, and the other a computer room fitted with videoconferencing capability and 12 networked computers. Both rooms are well furnished, air conditioned and kept in good condition. The Ministry has back-up generators that ensure a constant power supply. Operational costs for the facility are borne by MIM. Getting to the EDC however is somewhat of a challenge. Trips that traditionally took 10 minutes from points around the city now take 90 minutes with security checkpoints, blast-wall barriers and traffic. Once at the Ministry, there are two levels of security required to access the building and coordination is extremely complicated between ministry staff and security personnel. The EDC is staffed by Ministry employees who receive regular salaries from MIM.

Two staff members demonstrated capability to operate the SPX system and evaluators observed that the site was populated with information taken from site visits, which were conducted one year ago. The site had not been updated since. The site remains unavailable to the companies listed and is not activated yet. There were 25-30 companies listed on the SPX. As for the eLearning programme, the EDC director said they were preparing internet lines and tutors as well as advertisement packages, and they intend to advertise the programme on local and satellite TV stations. They currently plan to start the eLearning programme in early 2013.

## **Thi Qar**

Opened in 2008 in an effort to house more operations outside of government facilities the Thi Qar EDC is located on an entire floor of the Nassariyah Chamber of Commerce building. The building is in a well-established area, fronted by main roads on two sides in the heart of the provincial capital. Three air-conditioned, carpeted rooms comprise the EDC facility – two large rooms for clerical staff and a third hall that is used regularly for videoconferencing and lectures. Twelve networked computers were installed in the room and connected to high-speed internet to be used for the eLearning programme. The staff demonstrated that they were fully capable of running and maintaining the facility.

The SPX team at the facility includes three engineers and one programmer. Of 40 enterprises visited, 20 were chosen to be entered on the web-enabled SPX database. A review of data entered revealed information that had been entered within the last year. Access to the site was limited to the EDC.

## **Erbil**

The EDC in Erbil is located on the premises of the KRG Ministry of Trade and Industry in a building housing the Department of Planning. The EDC is made up of three main rooms. The first is divided into two sections: one contains a lecture room with seats for up to 40 students and a podium, while the other side of the room has a large conference table that can accommodate 12 persons. The second

room is a computer centre with 13 networked computers and videoconference equipment. The third room is a cafeteria with tables, chairs, and kitchen facilities. All of the equipment was in excellent working order and the staff demonstrated good capability to operate the facility.

EDC staff had included 130 companies in the SPX platform and a review of the site found data input to be mostly complete. However, access to the site was accomplished by accessing UNIDO India and SPX India. During the site visit, a demonstration of the UNINETTUNO eLearning site revealed that the site shut down after a few seconds of inactivity, a technical issue noted by users during the surveys. However, program staff say that the site has been tested and is fully functional.

## Survey Results

Overall, the evaluation survey found high levels of satisfaction with off-line training and counseling services. Most of the entrepreneurs that participated in the programme established a relationship with the EDC, with most utilizing more than two services (training and counseling being the most frequent, followed by support to trade fairs, assistance with business plans and SPX benchmarking.)

### Beneficiaries

Profiles of the beneficiary entrepreneurs varied between the three locations as shown in Figure 7 below:

<b>Beneficiary Profile</b>			
	<b>Baghdad</b>	<b>Thi Qar</b>	<b>Erbil</b>
Gender	100% male	83% male	88% male
Years in Business	16 yrs.	14 yrs.	14 yrs.
Ave. Employees	5 full time 4 part time  One Large with 80 full time	13 full time 34 part time  One Large with 100 full time	17 full time 7 part time  Four Large with 100- 350 full time
Net Employment Gains	+84  34% saw increase 88% attribute to EDC	+53  73% saw increase 88% attribute to EDC	+232  63% saw increase 67% attribute to EDC
Report Increased Investment	62%  \$60,000 – 50% of cap.	78%  \$500k – 30% of cap.	58%  \$8,000-400,000

Figure 7

The table also shows that many of the entrepreneurs assisted in the EDCs report some increase on employment, and a majority attribute gains to the help received. Extrapolating the survey results across the known universe of beneficiaries tracked by the PMU in Amman, it is reasonable to assert that overall employment generated by the project is as reported at 1,040.

Beneficiaries were largely operating in manufacturing and construction, followed by services and trading. Business type by location are shown in the Figure 8 below.<sup>186</sup>

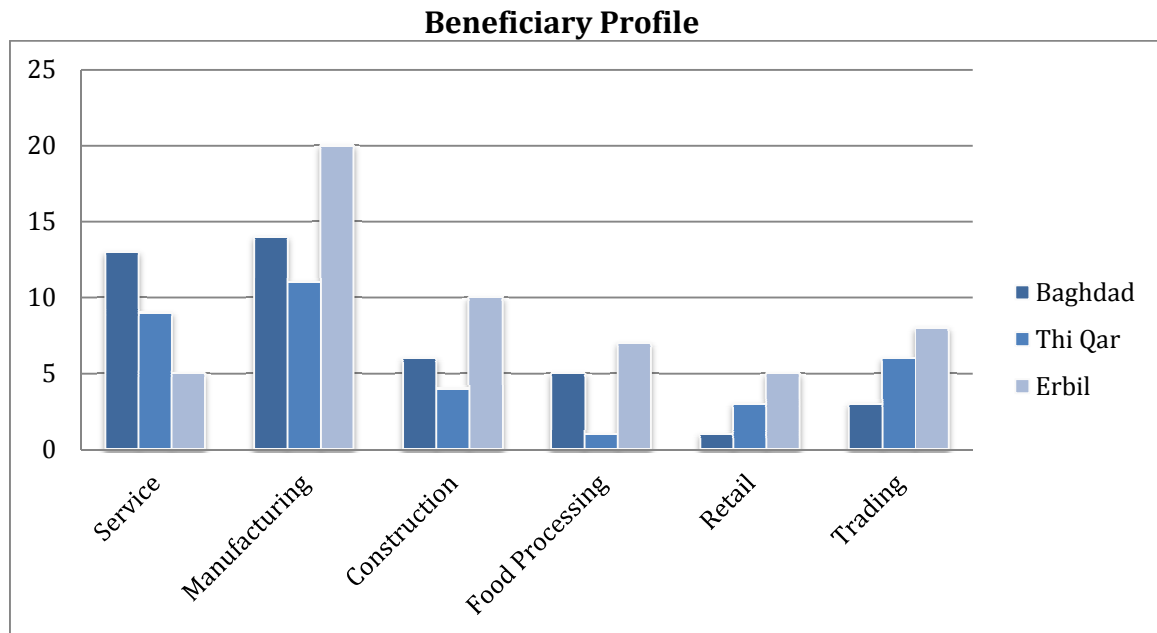


Figure 8

As the EDICT programme aimed to integrate the use of information technology into its training and service delivery platforms, and given Iraq's relatively recent entry into widespread use of computers, the surveys took a look at the beneficiaries' computer and internet access and proficiency and found that those who participated in the programme generally had computer access at home and work, with very high levels of internet access in Thi Qar and Erbil. Internet access in Baghdad lagged at just 29%.

**Beneficiary Computer Skill/Access Profile**

	Baghdad	Thi Qar	Erbil	National Average
Computer at Home & Work	66%	78%	92%	12% <sup>187</sup>
Internet Access	29%	91%	100%	28% <sup>188</sup>
Average Experience	7 years	4.5 years	6 years	n/a

Figure 9

<sup>186</sup> Entrepreneurs often registered in more than one category to describe their business.

<sup>187</sup> Data provided by MoP, 2011

<sup>188</sup> Iraq Research & Exchange Board Media Survey, 2010.

## Language

Another key element of the survey examined the language proficiency and preferences of beneficiaries to help inform recommendations on the project moving forward. The surveys clearly showed that most beneficiaries describe themselves as having fair-to-weak English skills, with only 15% of all entrepreneurs claiming proficiency in English. In Erbil, there is an added degree of complexity since many of the beneficiaries speak Kurdish and require some assistance to fully understand training in Arabic. All in all, participants overwhelmingly prefer training in Arabic. Trainers asked the same question responded 100% in support of training in Arabic.

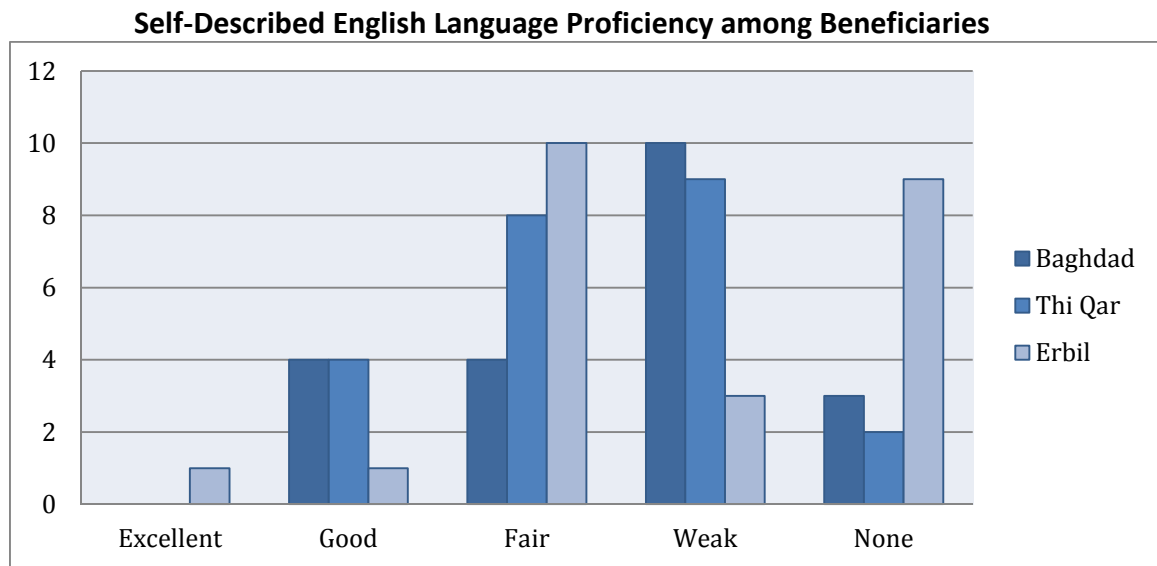


Figure 10

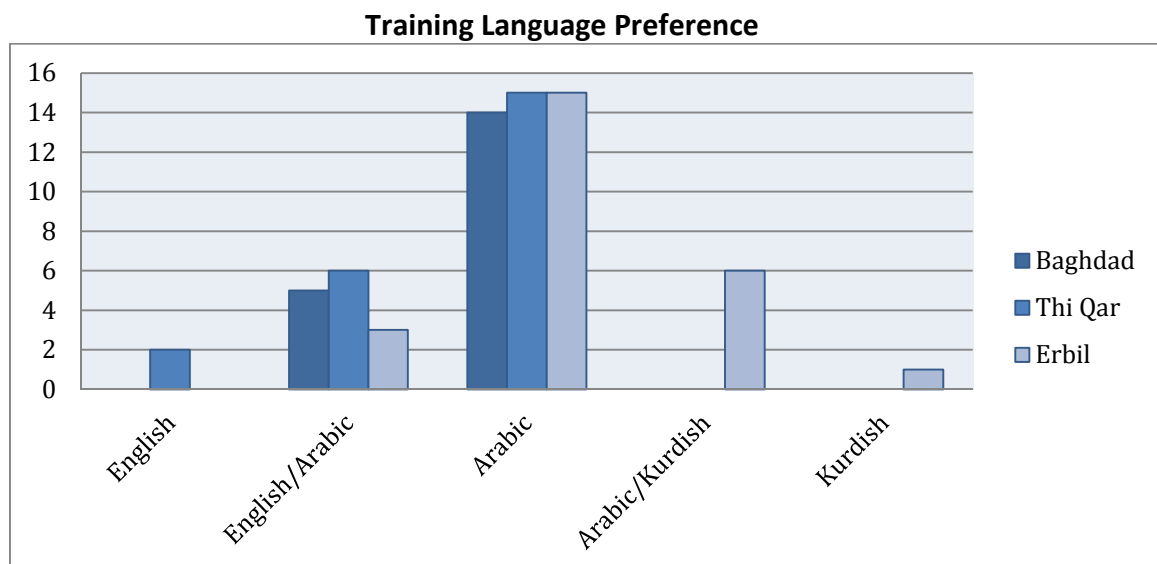


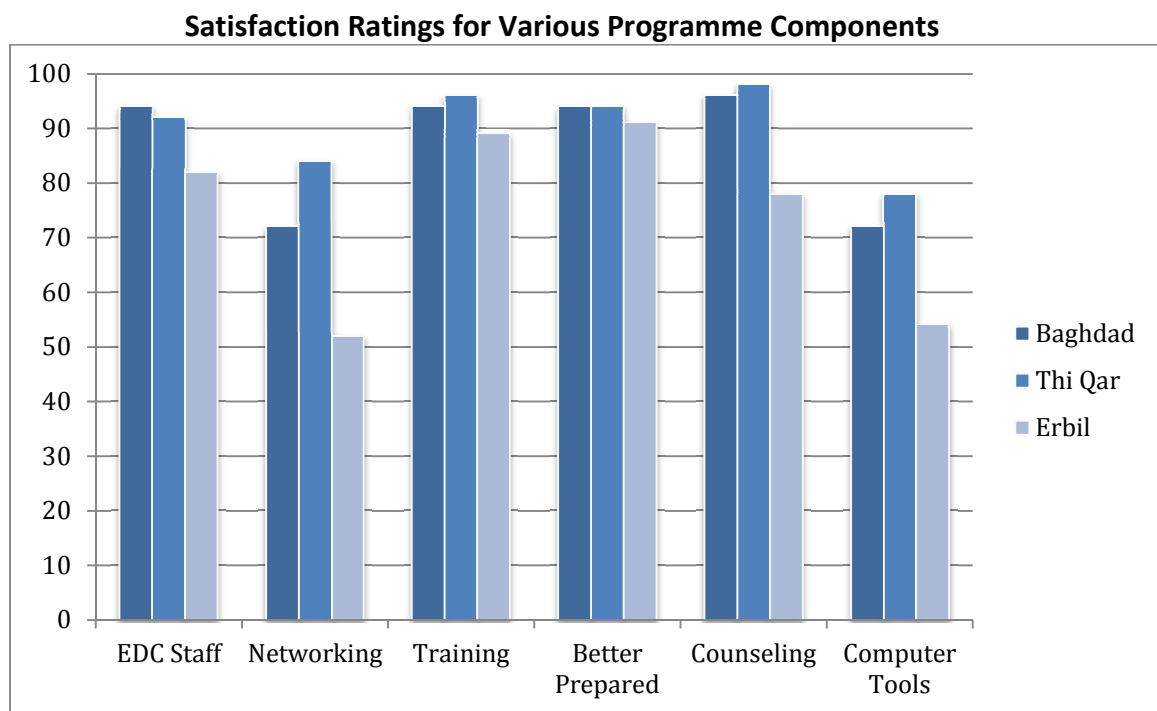
Figure 11

A comparison of site visit and survey results among Baghdad, Thi Qar and Erbil provides further insight into operational differences and their impact on outcomes.

Challenges in accessing the Baghdad EDC that is located on the 6th floor of a tightly secured ministry in downtown Baghdad has likely contributed to the lower numbers of entrepreneurs seeking counseling and other services. This fact has been noted by UNIDO which is now working to establish a satellite EDC centre outside MIM with the help of a private sector association. The lack of a UNIDO coordinator and difficulty in facilitating mentoring visits due to security considerations, may also be a factor limiting the overall outputs of the Baghdad location.

Thi Qar on the other hand is located in a building central to town with easy access from the streets. It enjoys the highest levels of interface with the public. The entrepreneurs that come to this site are comparatively less sophisticated but more enthusiastic. More new entrepreneurs have come to the site to seek training and assistance in starting a business.

Erbil is the most sophisticated of the three EDCs with beneficiaries that are harder to please. Nevertheless, all three locations enjoy extremely high satisfaction ratings from surveyed beneficiaries. In nearly all categories, satisfaction rates are well above the 80% targets set by the project.



**Figure 12**

Feedback on the usability of computer tools was especially supportive of findings that the more complicated tools have yet to yield results or garner support. Counselors in Erbil, for example, have input information from 130 companies into the SPX database, however beneficiaries demonstrated have yet to fully little understanding of the value or purpose of the programme (likewise, they also were not clear expressed doubts about the utility of the CPP and Benchmarking packages). UNIDO Erbil produced 27 CPP packages for entrepreneurs who, when interviewed about the benefits, say they see little outcome. Most of the companies interviewed who were benchmarked say they

cooperated with the EDC in providing the information, but they did not seem to fully understand the benefit of the programme.

As for the eLearning programme, only Erbil had progressed enough to gather information on its progress. The Erbil EDC has placed advertisements on local television to gather applicants and had given out 45 user names and passwords, as of the end of January 2013. Tutors complained that they were only given short training courses (generally 3 days) and lecture notes or written materials were not made available. Program staff say that written material is available and constant mentoring has been provided, however tutors are lacking constant practice. UNINETTUNO is planning a second and more advanced training to be delivered starting the end of February 2013. All of the tutors were asked to demonstrate their capability of utilizing the site, confirming that all required more training before being able to provide help or supervision with the courses. Tutors also complained that the availability of courses online at all times results in students making calls for assistance at all hours, something they found difficult to manage. EDC staff also noted that course completions were not recognized by the Ministry of Higher Education, and thus would not necessarily contribute to career advancement, affecting the desirability of the course. While this was not a requirement of the project, UNIDO staff have taken the initiative to promote eLearning with local universities and will undertake further efforts once Arabic video lessons are uploaded to the platform.

### Trainers/Counselors

The national evaluator conducted interviews of 21 trainers, tutors, and counselors. All were men, 16 held Bachelors' degrees and five held advanced degrees. Trainers had an average of 19 years of experience in government and 2 years private-sector or non-government organization experience. All of the trainers/counselors from Erbil and Baghdad work full time for the government and have authorization from their employers to provide services to the EDC, something that all said they were committed to continue. Figure 13 provides a profile of the counselors/trainers surveyed.

**Trainer/Counselor Profile**

	Baghdad	Thi Qar	Erbil
Gender	100% male	100% male	100% male
Ave Years of Experience	22 yrs. Government 2 yrs. Private Sector	21 yrs. Government 4 yrs. Private Sector	14 yrs. Government 1 yr. Private Sector
Highest Degree Obtained	57% Bachelors 43% Advanced Degree	60% Bachelors 40% Advanced Degree	100% Bachelors
Full-Time Employer	86% Government - Ministry of Industry 14% Private Institution (Estate Bank)	80% Private and Quasi- Private entities <sup>189</sup> 20% Government – Min. of Higher Ed.	100% Government (67% from Ministry of Trade and Industry)

Figure 13

<sup>189</sup> Iraqi Economists Society, Nassariyah Technical Institute, Ur General Company for Engineering (State Owned Enterprise), Agriculture Administration Office, Thi Qar Development and Investment Council

Of the 21 advisors surveyed, 4 did not receive any training. Those who were trained received most of the training in-person with the exception of the eLearning modules that were taught using a mix of trainers, internet and videoconferencing. Satisfaction rates for the internet and videoconference training were low at just 55% however this must be considered against the fact that internet training has yet to get fully underway. A few of the trainers noted that videoconferencing sometimes suffered from poor quality audio. Computers were more heavily utilized by trainers and counselors in Thi Qar. Erbil was mixed, while Baghdad trainers and counselors reported no use of information technology in their training.

Asked about the suitability of beneficiaries for the types of training and counseling received, the responses generally indicated a 70/30 split, with trainers finding 70% of their students generally capable of learning the material and 30% not having sufficient background for the courses.

Trainers and counselors had high confidence in one-on-one training and counseling. Counselors would often get repeat visits from entrepreneurs (between 3 and 7 visits on average). Confidence was much lower on the COMFAR tool. Trainers expressed only 20% confidence in using the UNINETTUNO eLearning platform. 58% felt that training fit the needs of the Iraqi entrepreneurs. Overall project accomplishment was rated at 78%.

The national evaluator also spoke with 4 of the 21 bankers trained through the programme (2 in Thi Qar and 2 in Baghdad). The 3 men and 1 woman represented a good cross-section of the banking sector (government and private institutions) and were bank managers directly involved in providing loans to businesses. Their home institutions shared some of the costs of the training. Overall, they reported 90% satisfaction with the training programme with all expressing a desire to see more training, especially since the syllabus was long and complicated and more time was needed to adequately cover all the needed areas.





# IX. Assessment

## Relevance

Government of Iraq (GOI) - the project, at its heart, addresses priorities that are highly relevant to the development initiatives of the Government of Iraq.

Evidence of the GOI's support is found in the following:

- a. The development of SMEs in Iraq is a key element of the existing National Development Plan, and features even more prominently in a draft update of the NDP that is before the Council of Representatives in 2013.
- b. In February of 2012, Law No. 10 was promulgated, providing a fund of \$130 million to provide no-interest loans of up to \$17,000 each to SMEs with less than 10 employees. This new law addresses the key challenge faced by SMEs in Iraq, and one of the most frequently cited barriers to entry and growth. The implementation and impact of the law has yet to be studied.
- c. The KRG government plans to put \$25 million into a fund to provide loans for SMEs in the Kurdish Region (Erbil, Sulaymaniyah and Dohuk). No-interest loans would be made available to SME owners for establishing new or expanding existing enterprises. Other loans of up to 75% of the value of new machinery would also be provided and secured by the assets. Additional loans of up to \$10,000 would be provided to business owners between the ages of 16 and 35. Payback terms would not exceed 10 years and guarantees could be made by securing government employees to co-sign. The Industrial Bank and the Ministry of Trade and Industry are coordinating efforts.<sup>190</sup>

UNIDO – The overall project was highly relevant to UNIDO efforts to move from humanitarian interventions to a more mature phase of engagement with Iraq focused on Private Sector Development. The longer horizon of the projects (including project extensions) was in line with a general philosophy of creating more sustainable impact on job creation to alleviate poverty. Certain components of the project, however, were of more limited relevance to Iraq given the stage at which the country is in relation to development of a robust private sector.

Millennium Development Goals – The project addressed several key elements of the MDG through its promotion of income generation, employment creation and building institutional capabilities with a focus on, MDG 1 the eradication of extreme poverty and hunger.

Counterparts – The relevance to counterparts was high due to several factors including the selection of government or private entities to host the EDCs that

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<sup>190</sup> Information provided by the DG of Planning, KRG Ministry of Trade and Industry, to National Evaluator, January 2013.

had similar objectives and who had already developed a working relationship with UNIDO through a previous project, EDIP. Staff and trainers who were already experienced in similar disciplines were readily available for added training and provided a flexible low-cost part-time work-force. The willingness of GOI agencies and private entities such as the Chamber of Commerce to share human resources contributed to increased relevance.

Beneficiaries – End user entrepreneurs surveyed for this evaluation reported extremely high levels of satisfaction with the overall relevance of the project. Training in all areas of business management is needed and appreciated. Counseling addressed many key needs and travel to trade fairs and networking opportunities provided much needed exposure to international practices and markets. Relevance of more complex tools such as COMFAR, CPP and SPX were less clear for beneficiaries. Limitations on access to computers and internet in general may impact the sustainability and replicability of this project across Iraq in the near-term. Despite these limitations, requests for replication have been forwarded to UNIDO. However, Iraqi counterparts expressed the view that internet connectivity and computer use will eventually spread, and programmes such as this one are important first steps to moving Iraqi entrepreneurs forward.

## **Ownership**

Ownership of the EDCs is high, especially ownership of the off-line training and counseling elements. By 2012, the project had successfully transitioned the majority of EDC management to Iraqi officials and site visits confirmed smooth operation at all three sites.

Ownership of the more complicated technical tools including the eLearning platform, the SPX modules and COMFAR system are less evident due to the lateness of implementation and lack of sufficient data to determine if the corresponding Iraqi institutions have sufficient knowledge and desire to maintain and operate the tools. Further complicating ownership of the technical modules is the lack of sufficient Arabic language components. As of the end of 2012, most components and support materials for the SPX and COMFAR were only available in English. It is unclear what plans Iraq has to translate the material to Arabic, how completion timelines and UNIDO funding will impact further work on translation, and what impact the lack of Arabic material has on the potential for EDC staff to take ownership of these components. Design components that build strong reliance on continued UNIDO participation in SPX and COMFAR also limit local ownership.

Ownership of the eLearning component remains a question mark. As of January 2013, the eLearning platform was installed and available at the three EDCs, but was only available in English. As a result, EDCs were having a difficult time identifying students who were sufficiently proficient in English to attend courses. The eLearning platform was installed by a private subcontractor to UNIDO, and the contract stipulate a two-year limit on technical support.<sup>191</sup> To

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<sup>191</sup> Contract No. 16001997 UNIDO and UNINETTUNO Project FB/IRQ/09/007.

date, the GOI has not made any commitments to pick up the funding required to maintain and operate the eLearning platform.

## **Efficiency**

The project achieved important efficiencies by co-locating support services at one location per governorate. Thus, the training, counseling and other components share facilities between projects and with local counterparts.

Another key efficiency was the use of part-time human resources provided in many cases by the EDC host institutions. The arrangements made with host organizations to utilize highly educated and qualified trainers, counselors and tutors as needed by the project, helped keep costs down and quality high.

Significant delays in project implementation had negative impacts on overall efficiency. Bureaucratic disagreements over the eLearning component prevented it from being completed before the conclusion of the project, despite an extension of 16 months.<sup>192</sup>

There was a high cost ratio for complex tools, nearly all of which evidence limited outcomes, compared with the low cost ratio for basic tools such as traditional training and one-to-one counseling, which received strong reviews and were generally viewed as successful.

Technical components were installed efficiently and in good working order at the time of site visits.

## **Effectiveness**

The key component of EDICT, and 50% of the budget, was the implementation of an eLearning platform through which EDIP and SPX lessons would be provided. As of January 2013, the eLearning platform had yet to start its first training session. Moreover, as of January, all of the modules on the eLearning platform were only available in English, despite the fact that Iraq is an Arabic- and Kurdish- speaking country, and despite the demonstrated capability of the subcontractor, UNINETTUNO, to provide content in Arabic,<sup>193</sup> and the well-

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<sup>192</sup> The Director of ARCEIT said that his office had offered to provide Arabic speaking staff to help record lessons, but that arrangements by the subcontractor UNINETTUNO in some cases did not comport with UNIDO regulations, delaying the process by several months. Further, the Director challenged the approach of videotaping lectures, saying that the EDIP model is meant to engage students in an exchange, and is not a good fit for passive distance learning containerization. Finally, the Director criticized the subcontractor for insisting that his staff sign statements giving copyrights to the lessons to UNINETTUNO, something that they refused to do. (It should be noted that the UNIDO/UNINETTUNO contract specifically prohibits the assigning of copyrights away from UNIDO.) UNINETTUNO representatives stated that ARCEIT failed to provide necessary input and personnel in a timely fashion, delaying the taping of lessons.

<sup>193</sup> UNINETTUNO provides a wide range of educational courses through to graduate level degrees in five languages, including Arabic, and is currently broadcasting in Arabic many Arab countries.

known Arabic expertise of ARCEIT Bahrain, which was tasked with assisting with course content and instructors. Inability of the EDCs to find candidates for the eLearning programme with suitable English skills had kept enrollment down below 50 across the three EDCs, despite programme targets for 500 individuals trained on-line.

Another key component, the SPX programme, is designed to link local SMEs with international and domestic contractors. The Steering Committee Progress Report for October 2011 reports that “[a]n SPX centre has been established and fully functional in each of the three governorates.” While the output and defined indicators for this element have been met, as of January 2013, there has been no outcome for beneficiaries. The SPX Iraq Database has been populated and the numbers of companies included in the listing is modest at 302, and strategically limited to companies in the construction and food industries. However, beneficiaries have yet to see any results from their participation in the SPX programme. By January 2013, EDC management was suggesting that the proprietary design of the programme is not meeting user expectations.<sup>194</sup>

Investment promotion services are so far producing some outcomes. Of the reported 35 international partnership agreements signed by 24 parties,<sup>195</sup> a majority of the parties to those agreements told evaluators some business had resulted from the agreements. A phone survey<sup>196</sup> of 54% of the businesses listed found the following:

- a. Erbil – They appreciated the access to international trade fairs to meet with foreign businesses. However, despite signings of letters with international companies, none of the entrepreneurs surveyed had yet to begin new business.
- b. Baghdad – A smaller number of businesses had seen results from the networking, and many found it hard to travel due to visa issues. Several had ongoing relationships with international counterparts and some were doing business as a result of the networking facilitated by the EDC.
- c. Thi Qar – Overall, the results were mixed. Many businesses had taken advantage of the trade fair missions. Some agreements had yet to result in business, and those that did saw small orders.

Most of the entrepreneurs surveyed indicated that they wanted to continue engaging in networking and linkage development components.

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<sup>194</sup> EDC managers suggest that providing information on Iraqi companies on open source internet would be more valuable and would more likely result in business opportunities with foreign and domestic partners. However, the SPX model is not designed as an open-source platform, but rather maintains control over lists to keep UNIDO/EDC staff engaged in the process of networking with a view toward improving outcome.

<sup>195</sup> IPI Steering Committee Progress Report October 2012, p.16; List of LoI and MoU signed under IPI project, Excel spreadsheet provided by PMU to evaluators.

<sup>196</sup> Phone surveys have inherent limitations, especially in Iraq. The findings are simply an indicator, but may not fully reflect the situation.

Meanwhile, off-line training and counseling received extremely high marks, 93% and 91% respectively for beneficiary satisfaction, and were credited with having expanded and enhanced the operations for most of the entrepreneurs surveyed. Satisfaction rates for Erbil were noticeably lower than those for Baghdad and Thi Qar (89% and 78%, respectively).

The project generally emphasized quality over quantity, engaging fewer, more highly motivated and qualified beneficiaries in quality interactions.

The more traditional elements of the programme – running EDCs that provided personal training and counseling to new and existing entrepreneurs – was highly successful. However the more complicated tools saw more limited outputs and outcomes. For example, the COMFAR system, described by both users and UNIDO staff as highly complex, was not widely used at the EDCs. At the Baghdad EDC, it was used on a few occasions to help prepare business plans for some companies.<sup>197</sup> However, feedback from trainers surveyed indicates that the COMFAR version of business plans is not accepted by some financial institutions in Iraq, who prefer the “usual classic” plans.<sup>198</sup> Erbil PSC members strongly recommended the need for more training in order for COMFAR to be useful.<sup>199</sup>

Finally, effectiveness was impaired by the selection of MIM as the Baghdad site, at times limiting access for beneficiaries. Stakeholder representatives from MIM suggested that they are looking at the possibility of moving the EDC to a location within a private sector organization to improve accessibility.<sup>200</sup>

## **Sustainability / Prospects for Development Impact**

The potential sustainability of the EDCs is strong. The decision to anchor the project in local institutions, locating them on host institutions premises and staffing them with individuals who were attached to the host institutions has resulted in strong commitment to maintain the programme. With the conclusion of the EDICT programme in December of 2012, the three hosts – MIM, the KRG Prime Minister’s Office and the Nassariyah Chamber of Commerce – have all given full commitments to maintain the office space, fund the local staff, and continue to provide training and counseling services.

- a. Thi Qar EDC- In Thi Qar, the Director of the Chamber of Commerce committed to keep the programme running with the same staff and capabilities. Indications were made that the Chamber is considering charging fees to companies and maintaining a high standard of services. A strong sense of ownership at the three EDCs further supports the finding that the technical equipment

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<sup>197</sup> Information gathered by the National Evaluator during the Baghdad EDC site visit.

<sup>198</sup> Information gathered from surveys of EDC Baghdad trainers.

<sup>199</sup> Interviews with Erbil EDC Head and KRG Government Representative, October 2012, Rome, Italy.

<sup>200</sup> MIM Minister Counselor Mr. Munqith al Baker said that consideration is being given to moving the EDC to a location such as the Iraqi Industrial Association which is indirectly connected to the MIM.

provided through the project has good prospects of being maintained and utilized.

- b. Erbil EDC- At the October 2012 meeting of the Steering Committee, the representative of the KRG Prime Minister's Office verbally committed to identify funds to maintain operations in Erbil. In January 2013, the Director General of Planning for the KRG Ministry of Trade and Industry confirmed that the EDC would be maintained at the same site and would be run under a section called the SME Development Centre, and said that the government was budgeting to take over operational costs in 2014.
- c. Baghdad EDC - The Director General of Industrial Development for the Ministry of Industry likewise committed in an interview with evaluators that the Baghdad programme would be maintained by his department and they would use it as the core of an SME development programme at the Ministry. He further noted that in addition to keeping the same staff running, plans were in the works to add additional staff.

Despite these individual commitments, dedicated government funding at the national level for the operations of the EDCs estimated at approximately \$280,000 per year,<sup>201</sup> has yet to be clearly identified.<sup>202</sup>

Commitment to launch, maintain and operate the eLearning platform has been given verbally, but it remains to be seen whether EDCs will be successful in sustaining this component of the EDICT project. The lack of Arabic content and the absence of a successful pilot class endanger the launch and sustainability of this component.

An interesting finding of beneficiary surveys was that 100% said there was no similar service available and 90% said they would be willing to pay for the services at the EDC. Suggested rates generally ranged from \$100-\$500 for training classes, and as high as \$3,000 for the package of services provided through the EDC. As the host government considers long-term operation of these EDCs, thought could be given to developing a schedule of fees to help sustain the programme.

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<sup>201</sup> Amount determined by UNIDO staff and presented to PSC at an October 2012 meeting in Rome.

<sup>202</sup> In order for programmes to be funded by the GOI, requests must be submitted by April of the previous year, and then approved by the Council of Ministers and the Council of Representatives. Under current budgetary regulations, programmes are not able to secure more than one year of funding at a time, leaving long-term programmes vulnerable to cuts. The EDCs have yet to be submitted for funding. Further complicating matters, each host institution has access to a different level of funding – Erbil to KRG regional funding that requires approval from the KRG parliament; Thi Qar through the provincial council which requires provincial and then federal approvals, and Baghdad through the Ministry budget. The fragmented nature of the overall programme as cited in the discussion of programme management contributes to budget uncertainty.

A key driver of sustainment is demand for the services. While support to SMEs and development of the private sector is clearly an Iraq priority, as with all governments, limited resources still must be divided among programmes. Support for EDC efforts can be strengthened through building awareness and demand via public relations efforts. The need for a public-relations effort was recognised shortly after the project started in 2010,<sup>203</sup> however little action was taken during the first two years of the programme. In February 2012, a public-relations plan was developed by the PMU. However, there is little evidence of systemic follow-through on this plan. Execution of the plan falls to the EDCs and so far, the plan has yet to be integrated in EDC operations at the three locations.<sup>204</sup> Modest efforts have been undertaken to publish brochures, which are distributed at the EDCs and at events attended by EDC staff, or partner institutions. Also, EDC staff, particularly in Thi Qar, have taken some initiative to promote the programme via the media.

UNIDO's work in this area has contributed to a sensitizing of key GOI officials to the importance of SME development and investment promotion and provided internationally recognised tools and methodologies that can now be incorporated into future plans. The capacity building achieved within the host institutions has laid the foundation for expansion of the programme to other provinces and prospects for such expansion are good, as evidenced by the mid-2012 addition of a fourth planned EDC in Basrah.

Entrepreneurs surveyed indicated that they are highly likely to continue building on the skills and advice gained through the programme to build their businesses, employ more workers, and engage with international businesses to expand their reach. The support to trade fairs has been strongly endorsed by entrepreneurs as critical to exposing them to new ideas, modern technology and partnership opportunities. Whether those events actually result in signed agreements or not, the simple opening of the aperture of these entrepreneurs can be cited as a tangible benefit for a business community that has a long history of isolation from the rest of the world.

## **Cross-Cutting Issues**

Gender - In both EDICT and IPI, gender issues were subordinated to beneficiary selection based on commitment and aptitude. The programme was "equally" open to men and women who applied and project plans called for incorporating women at every level of the project. Achievements in this programme include the selection of a woman as EDC director for Baghdad. It is also notable that 18% of beneficiaries trained were women as compared with overall female business ownership rates of 4% in Iraq.<sup>205</sup> However, no systemic efforts were incorporated into project design to target the needs of women entrepreneurs.

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<sup>203</sup> IPI Progress Report, December 2010

<sup>204</sup> Evaluators were provided with evidence of good media exposure at the Thi Qar EDC. However, the Baghdad and Erbil EDCs indicated that they were still relying on internal networks to promote the EDC services and had yet to fully utilize media or other broad distribution channels.

<sup>205</sup> CIPE Survey, 2011

Environment – The project plans called for promotion of environmentally friendly technologies within the entrepreneur engagements. Feedback from beneficiaries provides some evidence that exposure to new technologies (presumably more environmentally friendly than what previously existed in Iraq) was achieved through exposure at trade fairs and subsequent upgrading of machinery at some businesses.

Employment Generation – No baselines were established at the onset of the programme, nor was data systematically gathered in order to accurately measure employment gains. Rather, anecdotal survey data is used by the programme staff to estimate employment generation related to the project. Comparing the data provided by programme staff against an extrapolation taken from surveys conducted for this evaluation, estimates of 850-1100 jobs created are realistic.



## X. Conclusions

The development of SMEs is essential to Iraq's long-term economic development. For this to occur, Iraqi entrepreneurs require enhanced access to information technology, markets, suppliers, financing, and information about small-business best practices. In furtherance of these goals, EDICT and IPI built on services offered through previously established EDCs in Baghdad, Thi Qar, and Erbil provinces, focusing in particular on strengthening training and counseling capabilities, introducing internet-based tools, and fostering linkages among Iraqi SMEs and foreign and domestic investors. Notwithstanding the still-significant challenges inherent in operating in Iraq, this evaluation determined that EDICT and IPI advanced both the GOI's National Development Strategy, which emphasizes growing the private sector, as well as UNIDO's expressed desire to transition its Iraq efforts from short-term, humanitarian assistance to long-term, sustainable economic-development initiatives.

In general, program participants were supportive of the continued operation of the EDCs. For example, more than 90% of the beneficiaries of EDC services reported that they were very satisfied with the training and counseling aspects of the program. Service-providers, too, expressed satisfaction with the program, with 78% of trainers and counselors approving of its achievements. In particular, most of the 26 bankers trained under the program's auspices found the training useful and expressed a willingness to fund their travel expenses to a follow-on course.

Despite these achievements, program staff noted that the computer-based portions of the training initiatives were not as effective as more traditional one-on-one mentoring because both many of the trainers and beneficiaries lacked familiarity with the online tools. As currently structured, the eLearning platform, which exists only in English and lacks fully trained tutors and committed budgets, will likely continue to depend upon UNIDO support. At the time of the evaluation's field work, all eLearning lessons were available only in English, but just 15% of surveyed beneficiaries indicated they were proficient in English (although, reportedly, all lessons are currently being translated into Arabic).

With regard to the program's efforts to establish ties among Iraqi SME owners and potential investors, suppliers, and buyers, the record is mixed. While 35 letters of intent between Iraqi businesses and foreign partners were signed as a result of the five business-development trips organized by program administrators, measuring the impact of these nascent relationships it is beyond the scope of this evaluation. Similarly, the SPX programme, which is designed to provide easily accessible data on potential suppliers and buyers, has made some progress, with about 300 businesses having provided information for the database. However, the site is has yet to link local SMEs with international or domestic contractors.

Moreover, the lack of a full-time representative in country has hindered UNIDO's efforts to coordinate the program with the key GOI agency responsible for investment promotion—the Iraqi National Investment Commission. While the program is being coordinated with relevant ministries and provincial

governments, the INIC is not represented on the EDICT/IPI Steering Committee, thus depriving the program of a high-visibility champion with ready access to the GOI officials at all levels of government.

As noted above, the implementation of a modest menu of recommendations could improve the effectiveness of the program. These include translating all eLearning materials into Arabic, establishing a unified tracking system for beneficiaries, strengthening relations with the INIC, expanding outreach efforts to inform the SME community about EDC services, and seeking additional input from the trainers and beneficiaries about how to improve all aspects of the program. While the hydrocarbon industry will continue to drive macroeconomic growth in Iraq for the foreseeable future, the development of the SME sector will play a crucial role in reducing unemployment and improving the standard of living for the average Iraqi. The EDCs constitute an initial, but vital, step in strengthening SMEs and introducing Iraqi entrepreneurs to new practices, partners, opportunities, and markets.

# XI . Recommendations

The recommendations provided below are based on the findings derived through an analysis of the evidence collected through this evaluation.

## Recommendations to UNIDO

RECOMMENDATION 1: *Take eLearning across the finish line* – UNIDO should ensure that the eLearning platform materials and interface are translated into Arabic and fully operationalized. Further, UNIDO should ensure that training is sufficient to build competence and a sense of ownership at the EDCs, and develop clear written sustainment plans that will ensure a minimum of two-years of operations and maintenance from the time of the first successful class. Consideration may be given to enlisting the continued assistance of the ITPO Bahrain that has developed the EDIP material in Arabic and has UN staff familiar with the overall programme approach.

RECOMMENDATION 2: *Harness the Power of IT* – UNIDO should consider establishing a monitoring database that will track all beneficiaries in a single location and identify all aspects of the programme being accessed, as well as potential outcomes.

RECOMMENDATION 3: *Identify an SPX Champion* – UNIDO should raise the level of SPX coordination to a national level body that is well known by the international business community as a point-of-entry for investment in Iraq. Each EDC would feed into the model, but the promotion and management would be held at a higher level. Consideration could be given to maintaining SPX leads at the Ministry of Industry with strong links to the INIC and a strong public relations component.<sup>206</sup>

RECOMMENDATION 4: *Strengthen ties with the Iraqi National Investment Commission* – UNIDO should include a high-level representative of the INIC on the Project Steering Committee to reflect the focus on the promotion of foreign and domestic investment in the productive sectors of Iraq's economy. UNIDO should also consider incorporating the Provincial Investment Councils for each of the corresponding areas into the EDCs.

## Recommendations to UNIDO and the Government of Iraq

RECOMMENDATION 5: *Execute a Public Relations Programme*- As the programme matures, GOI should assign a qualified individual to work with counterparts at the EDCs to execute a public relations campaign that will expand public knowledge throughout Iraq of the types of training, counseling and services available through EDCs. There is a need to reach out to a larger

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<sup>206</sup> In fact, MIM management already notes the availability of databases that include the names of multiple Iraqi companies and industries available for contracting and subcontracting opportunities (visit to MIM Baghdad, December 12, 2012). A more deliberate effort to integrate existing MIM databases into the SPX module will improve overall outcomes.

audience to build demand for the programme and enhance its sustainment potential.

**RECOMMENDATION 6: – *Actively Seek Local Input*** – The GOI and UNIDO should incorporate more input from stakeholders into the design of the programme. For elements of IPI, more input from private sector individuals should be incorporated in the project design. The GOI in coordination with UNIDO should consider forming a small panel of successful alumnus of the EDIP/EDICT and IPI programmes to provide input to help shape the programme moving forward to be more focused on challenges prevalent among Iraqi entrepreneurs. The inclusion of women entrepreneurs in this group is also critical, as they have been severely underrepresented in the programme so far.

### **Recommendations to UNIDO and the Donor**

**RECOMMENDATION 7: *It's all About the Language*** – UNIDO and the Donor should make every effort to ensure that training, counseling, eLearning modules, written materials, web-enabled tools and sites, and other elements of its engagement with Iraq are primarily presented and available in Arabic. It is also important for UNIDO to ensure simultaneous translation at all formal high-level meetings such as Steering Committee meetings, to enhance full, real-time and free-flowing participation of Iraqi stakeholders. The Donor may also want to take this recommendation under advisement for all programmes that involve Iraq.

## **XII. Issues with Regard to a Possible Next Phase**

Proposals for a next phase for IPI that centres around the establishment of a fourth EDC in Basrah and continued limited assistance to the three existing EDCs have been the subject of discussion among project management, the PSC and very limited adjustments to the ProDoc. Based on available written evidence and interviews with programme staff, the following observations are offered.

1. Selection of the Iraqi Federation of Industries as the EDC host will strengthen the input from the private sector in the overall programme. While this is a positive step, it is also important to consider how this will affect the management approach of the overall programme to promote investment in Iraq. Consideration may be given to also including the Basrah Provincial Investment Commission that by law has a key role to play. And, in fact, opportunities abound for improving investment potential in Basrah by connecting to the Basrah PIC. For example, the current website of the Basrah PIC,<sup>207</sup> while of good quality and full of information, is not available in English, and thus less accessible to international businesses. The main selection criteria for EDC is currently based on proximity to SME sector. Federation of industry/chamber of commerce entities have proven to be effective in this regard as demonstrated in the Thi Qar case. However, PICs may also be helpful given their primary role vis-à-vis investment projects in Iraq. Advisory services from international experts provided under UNIDO auspices could have a broad and positive effect on SME development if it connects at the right levels.
2. The amended IPI ProDoc also indicates that the Basrah effort will include a gender specialist and efforts will be made to partner with women's organizations in that province. This development addresses a key recommendation from the EDIP evaluation, issued in May of 2012, that found commitment to gender concerns lacking in programme design and execution. However, limiting the gender efforts to Basrah may not fully address a broader inclusion of women's issues at the national level. Consideration should be given to including a representative of the Ministry of Women's Affairs or a key female parliamentary advocate in the Steering Committee of the programme to better address gender issues in the formulation and implementation of IPI moving forward.

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<sup>207</sup> Basrah PIC, [www.investbasrah.com](http://www.investbasrah.com), accessed 1/15/2013.



## XIII. Lessons Learned

As EDICT and IPI were clearly designed as follow-on programmes to EDIP, a brief review of how lessons learned and recommendations from the EDIP evaluation were handled in these projects reveals minimal impact. The ProDoc for both EDICT and IPI includes a list of the four lessons learned that were said to have been taken into consideration when designing the new project. Figure 14 provides an analysis of the extent to which the evaluation revealed lessons were heeded.

EDIP Lesson/Recommendation	EDICT/IPI Observation
<b>Lessons Learned</b>	
Constant Mentoring – PMU mentoring of counselors in the field and rigorous reporting systems lead to effective and efficient implementation	The PMU in Amman did keep regular electronic contact with the three EDCs and provided consistent mentoring for counselors. More in-person mentoring was desired by EDC staff.
<i>Ad-hoc</i> missions to Iraq bring more accountability to the operation.	<i>Ad-hoc</i> missions were made, but primarily to one location – Erbil. The most active of the three EDCs, Thi Qar, did not receive any visits, and Baghdad received only one due to travel restrictions set by UNAMI. While staff from Baghdad and Thi Qar did attend Erbil meetings, impact could have been improved with more on-site visits <sup>208</sup> however, the overall UN security posture in Iraq will have to change in order for this to occur.
Lack of SME credit facilities in Iraq inhibit the creation and growth of enterprises. Expectations of government grants also inhibits investment initiative on the part of business owners.	While the project had minimal impact on SME credit facilities other than the one-week training of 26 bankers; the GOI in 2012 has passed a new law that will provide interest-free loans of up to \$17,000 to qualified SME owners.
Phased implementation of project activities prevents overburdening of staff and prevents delivery failure.	EDICT and IPI were implemented in a phased manner, however delays in several phases resulted in lack of delivery in the eLearning platform.
<b>Selected Recommendations from EDIP Evaluation</b>	
UNIDO should strengthen logframe including inception phases, risk management and monitoring.	EDICT and IPI brought new challenges in the execution of tasks including delays in completing IT components. Monitoring could be improved.
UNIDO should consider assigning a gender focal point for project design.	As of January 2013, the gender focal point had yet to be assigned. Following the release of the EDIP evaluation in May 2012, EDICT and IPI did include a gender focal point in the new extended Basrah component of IPI.

<sup>208</sup> Programme management staff in Vienna pointed to security constraints preventing visits by staff to Thi Qar and Baghdad. However, other programmes carried out by UNIDO in Iraq under the same security conditions have adjusted to the restrictions by hiring independent consultants who are able to travel into Iraq and provide advisory services.

UNIDO should institute an independent monitoring mechanism to compensate for lack of oversight on the ground.

An independent monitoring mechanism had yet to be put in place due to the timing of the issuance of the EDIP evaluation and the progress on EDICT/IPI. Thus, control over data remains generally in the hands of UNIDO representatives in Thi Qar and Erbil, and the head of the Baghdad EDC. Independent verification of reported information found mixed quality of recordkeeping and optimistic reporting of outcomes.<sup>209</sup>

The private sector should be represented in the Steering Committee.

Private sector representation is currently maintained through the participation of the Nassariya Chamber of Commerce representative on the Steering Committee.

UNIDO should include a comprehensive change management strategy and the GOI should actively promote organizational change.

No discernible effort within EDICT or IPI to build in organizational change to the capacity building efforts with the GOI.

Donors should accept an appropriate time frame in post-conflict environments.

Donors were amenable to time extensions and were generally open to longer horizons.

Figure 14

### Lessons Learned from EDICT/IPI of broader applicability to UNIDO:

1. Not having a permanent presence in Iraq due to security is already a significant hurdle. As with other UN entities, UNIDO compensates through its use of national staff. Not speaking their language compounds the issue. An embedded assumption for all future programmes should emphasize that the official languages of Iraq are Arabic and Kurdish. Thus, project materials, training efforts and engagement with stakeholders should be provided in Arabic. Furthermore, the extent to which programme management can incorporate Arabic, will greatly enhance the quality and flow of communications between the host government and UNIDO.
2. While the UN currently utilizes RBM methodology, it might be worthwhile to consider a simplified Capability Maturity Model (CMM) as an alternative approach to logframes, development of indicators and measurement of outcomes for programmes such as EDICT and IPI. A main intent of this programme was to build capacity at the EDCs. Measuring the number of courses to which trainers were sent will not provide information necessary to judge the continuum of progress on which these EDCs have been on for the past five years. CMM is a methodology first developed as a tool for software development. It has since been adapted in the international development community to measure outcomes for such programmes as economic and governance development.

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<sup>209</sup> Databases to track engagements in some cases had duplicate information in multiple information fields. Verification of a list of 35 signed LoIs and MoUs under the Matchmaking Component of IPI revealed that the majority of the projects did not result in any actual new business.



# **Annex A: List of Individuals Interviewed**

Maximilien Pierotti  
International Project Coordinator, IZ Project, UNIDO, Amman

Arup Rai Baruah  
Senior Enterprise Development & Investment Promotion Specialist, UNIDO,  
Amman

Ygor Scarcia  
Investment Promotion Expert, UNIDO Amman

Cristiano Pasini  
Country Programme Coordinator for Iraq, UNIDO Amman

Arda Saygin Kostem  
SPX Programme Coordinator – Iraq, UNIDO, Amman

Andrey V. Lazykin  
Senior Security Coordinator, Regional & Field Operations Branch, UNIDO, Vienna

Tidiane E. Boye  
Industrial Development Officer, Investment and Technology Unit, UNIDO, Vienna  
(EDICT and IZ Projects)

Stefan Kratzsch  
Industrial Development Officer, UNIDO, Vienna (IPI Project)

Hoger Shalli  
Advisor to the Prime Minister, Kurdistan Regional Government (KRG) (steering  
committee member)

Suar Aziz Ali Al-Bajalan  
Director-General, KRG Ministry of Trade and Industry (steering committee  
member)

Saadi Khassaf Ali Al Khafaji  
Head of EDC, Thi Qar

Nidhal Hamza Abdul Ameer  
Head of EDC, Baghdad

Dr. Abdul Hadi Rashaq Marah Al Hatem  
UNIDO Local Coordinator, Thi Qar

Saman Khalid Ismael Dizaye  
UNIDO Local Coordinator, Erbil

Guglielmo Giordano  
Senior Officer, Italian Cooperation for Development (donor representative)

Professor Maria Amata Garrito  
Dean of Faculty, UNINETTUNO University (e-learning subcontractor)

Raimondo Sepe  
ICT Director, UNINETTUNO University (e-learning subcontractor)

Alessandro Gariazzo  
President, Opere Pubbliche S.P.A. (international firm participating in matchmaking)

Enrico Altieri  
Owner, Galya (International firm participating in matchmaking)

Dr. Hashim Hussein  
Director, Arab Regional Centre for Entrepreneurship and Investment Training

Dr. Thamer Ghadban  
Senior Advisor to the Prime Minister of Iraq

Dr. Sami al-Araji  
Chairman, Iraq National Investment Council

Alee Saleem Omer Alee  
Director General, Department of Development and Industrial Regulations,  
Ministry of Industry and Minerals

Dr. Khalid Aljuboory  
Minister Plenipotentiary, Embassy of the Republic of Iraq, Vienna, Austria

Dyar M. Murad  
Attache, Embassy of the Republic of Iraq, Vienna, Austria

Munkith al-Baker  
Minister-Counselor, Ministry of Industry and Minerals

# Annex B: Questionnaires

## Beneficiary/Entrepreneur Questionnaire

<b>Beneficiary/Entrepreneur Questionnaire</b>	
<b>Question</b>	<b>Value for Data Entry</b>
1. Name of Business	Name for confirmation against Database
2. Name / Position	Name for confirmation against Database
3. Type of Business	A= Service B= Manufacturing C= Construction/Engineering D= Food Processing E= Agriculture F = Energy/Water G = Retail H= Trading I = Other (specify)
4. Sex	Male = M Female = F
5. Do you use a computer at home or work? If so, how long have you used a computer?	1 = Do not have a computer 2 = Home only 3 = Work only 4 = Home & Work Months/Years
6. Do you have internet access at your home or business?	Yes = <Y> No = <N>
7. How would you rate your ability to understand English?	5 = Fluent/Excellent 4 = Very Good – can easily understand business training in English 3 = Good – can understand most business training in English 2 = Fair – can understand some business training but prefer Arabic or Kurdish 1 = Do not speak English
8. What kind of assistance did you receive from the EDC? (list all that apply)	A = Training B = Counseling D = SPX Benchmarking E = Investment Profiling F = Preparation of Business Plan G = Support to tradeshow/fair/exhibition H = Matchmaking I = Negotiation Assistance J = Financial Planning / Banking

	K = Marketing Strategies L = Other (specify)
9. Of the services provided by the EDC, which one did you find the most useful? Select one only.	One from above list (#12.)
10. How would you rate the helpfulness and expertise of the EDC staff? (comments)	Excellent = 5 Very good = 4 Good = 3 Fair = 2 Poor = 1 (include comments on the level of EDC service)
11. How long have you been in business? Did the EDC help with start-up, expansion, networking or diversification?	0 = Not yet started ## = (number of years) S = start-up E = expansion N = networking/matchmaking D = diversification/improvement
12. How much impact on your business do you attribute to the assistance provided by the EDC? Please describe that impact.	<1-100%>  Narrative Response
13. How many employees do you currently have? (list full-time and part-time)	<#> full time <#> part time
14. Has the number of full-time/part-time employees increased or decreased since you began working with the EDC? If so by how much?	+/- <#>  Yes = <Y> No = <N>
15. Do you attribute any part of the increase to the assistance received at the EDC? If a decrease, what is the reason?	Narrative Response
16. Did the EDC invite you to any fairs/trade missions or exhibitions? (if no, skip to XX)	Yes = <Y> No = <N>
17. If so, name the trade missions, locations and approximate dates.	List of trade missions to confirm against database.
18. Who generally paid for accommodations during the travel?	1 = EDC/UNIDO 2 = Beneficiary or Company 3 = GOI
19. How useful were the meetings/connections made during the trips? What was the greatest value of the trip?	Extremely Valuable/Resulted in business = 5 Very Valuable/Potential business = 4 Valuable/Made good contacts = 3 Somewhat valuable/Good exposure = 2 Not valuable/No follow-up = 1  Narrative Response
20. What do you see as the biggest challenge to your business? Rank	Place value 1-5 ranking the five criteria Regulatory = x

<p>the following (1-5):</p> <ul style="list-style-type: none"> <li>• Regulatory Environment</li> <li>• Access to Finance</li> <li>• Competition from Imported Goods</li> <li>• Lack of sufficient skills/information</li> <li>• Inability to access the market</li> <li>• Other (describe)</li> </ul>	<p>Finance = x Imports = x Skills = x Market = x (Include comments on other identified challenges)</p>
<p>21. How well did the support provided by the EDC, training and/or counseling, address the biggest challenges you face?</p>	<p>Extremely Well = 5 Very well = 4 Well = 3 Somewhat = 2 Not at all = 1</p>
<p><b>Training Courses</b></p>	
<p>22. Did you take a training course at the EDC? If so please describe. (if no, skip this section)</p>	<p>Yes = &lt;Y&gt; No = &lt;N&gt; Course title / description (could be multiple)</p>
<p>23. Was any of the training done on computers? If so, how easy or hard was it to understand?</p>	<p>Yes = &lt;Y&gt; No = &lt;N&gt; Narrative Response</p>
<p>24. Were you satisfied with:</p> <ol style="list-style-type: none"> <li>The overall quality of the course?</li> <li>The quality of the course curriculum?</li> <li>The quality of the course instruction?</li> <li>The quality of the training facility?</li> <li>The quality of the training equipment and materials?</li> </ol>	<p>Very satisfied = 5 Satisfied = 4 Quality was adequate = 3 Not satisfied = 2 Very Unsatisfied = 1</p>
<p>25. When you completed the course, did you feel that you were better able to start/expand/diversify your business?</p>	<p>Much better prepared/very strong results = 5 Better prepared/good results = 4 Somewhat better prepared/average results = 3 Slightly better/few results = 2 No impact/no results = 1</p>
<p>26. Were the trainings done in English? If so how well did you understand the courses?</p>	<p>Yes = &lt;Y&gt; No = &lt;N&gt; 5 = Understood perfectly 4 = Understood very well 3 = Understood enough 2 = Understood some of the material 1 = Did not understand the material</p>

27. Would you prefer to have future courses taught in English, Arabic or Kurdish? Which would be the best for you?	English = E Arabic = A Kurdish = K
<b>Counseling/Matchmaking Services</b>	
28. Did you receive counseling from the EDC? If so how many times? (if no, skip to 20)	Yes = <Y> No = <N> <#>
29. Did any of the counseling involve use of computer tools? If so which ones?	Yes = <Y> No = <N> SPX = S COMFAR = C Other = O + Narrative Response
30. Has the listing of your company on SPX resulted in any impact on your business? If so please describe.	Narrative Response
31. Were you satisfied with: a. The overall quality of the counseling? b. The expertise of the counselor? c. The tools and services made available through the counselor?	Very satisfied = 5 Satisfied = 4 Quality was adequate = 3 Not satisfied = 2 Very Unsatisfied = 1
32. If computer based tools were used, how easy/useful were the computer tools? How well did the counselor understand the computer system?	Expert/Extremely Useful = 5 Very good/Very Useful = 4 Good/Useful = 3 Fair/Somewhat Useful = 2 Poor/Not Useful = 1
33. If you were provided with matchmaking services, how useful were the investment or subcontracting connections made with international businesses through the EDC?	5 = Highly useful, resulted in expanded business. 4 = Very useful, resulted in potential business. 3 = Useful, made good networking connections for the future. 2 = Somewhat useful, expanded knowledge of business in general. 1 = Useless, no connections made.
34. Have the connections built through the assistance of the EDC resulted in financial impact on your business? If so please quantify.	Narrative Response \$<amount>
35. Did the EDC assist you in finding improved technology or financing for your business? If so please describe?	Yes = <Y> No = <N> Narrative Response

<b>Final Questions</b>	
36. Did the engagement with the EDC result in your investing new money in your business? If so how much?	Yes = <Y> No = <N> ID <value>
37. Has the project contributed to an improvement in your business? Please explain.	1= Has contributed very much 2= Has contributed 3= The situation is the same 4= Small contributed but the situation is worse 5= Has not contributed and the situation is much worse  Narrative Response
38. Would you pay for this service (training and/or counseling in the future? If so, what do you think it is worth?	Yes = Y No = N  Narrative Response
39. Does anyone provide similar services that you know of?	Yes = <Y> No = <N>
40. What are one or two recommendations you would make to improve the programme?	Narrative Response

## Trainer/Tutor/Counselor Questionnaire

<b>Questionnaire for the Trainers / Tutors / Counselors</b>	
<b>General Information</b>	
1. Name	Name
2. Sex	Male = M Female = F
3. What was the highest educational degree obtained?	1 = High School 2 = Specialized professional training other than college 2 = College 3 = Masters Degree or equivalent 4 = Doctorate
4. Who is your Employer?	Name of Institution/Agency
5. Of your years of work experience, how many years were with the government? How many with the private sector?	<#>Years with the government <#>Years with the private sector <#> Other
6. What is your role at the EDC? (may be more than one role)	Trainer = 1 Tutor = 2 Counselor = 3
7. Do you use a computer for home or work?	1 = Do not have a computer 2 = Home only 3 = Work only 4 = Both
8. Approximately how many hours per month do you spend at the EDC? How does this time at the EDC conflict with your primary job? Are you able to dedicate sufficient time to the EDC?	<#>  Narrative Response
9. If a counselor, how many entrepreneurs have you counseled at the EDC?	<#>
10. Of those counseled, how many return for follow-up sessions? On average how many sessions to beneficiaries need?	Narrative Response
11. Will you continue to provide your services through the EDC in 2013?	Yes =<Y> No = <N>
<b>Quality of Training Received by the Trainers &amp; Counselors</b>	
12. Did you attend a training course,	Yes =<Y>



before serving as a trainer in the project?	No = <N>
13. To what extent was the training in person, with computers or with videoconference?	% - in person % - on internet % - through videoconference (must total 100%)
14. If training was done via internet, how effective was the training?	5 = Extremely effective 4 = Very effective 3 = Effective 2 = Somewhat Effective 1 = Not Effective
15. Did the training involve instruction on how to use internet based tools?	Yes = <Y> No = <N>
16. If so, which tools were you taught to use?	1 = e-Learning Platform (UNINETTUNO) 2 = SPX 3 = COMFAR 4 = IPPA 5 = CPP 6 = MS Excel (for business planning) 7 = Other (specify)
17. Were the trainings done in English? If so how well do you think the beneficiaries understood the courses?	Yes = <Y> No = <N> 5 = Understood perfectly 4 = Understood very well 3 = Understood enough 2 = Understood some of the material 1 = Did not understand the material
18. Would you prefer to see future courses taught in English, Arabic or Kurdish? Which do you think would be the most effective?	English = E Arabic = A Kurdish = K
19. For each technical tool you were taught to use, please rate your degree of confidence in using that tool today.	4 = Extremely confident 3 = Confident 2 = Somewhat confident 1 = Need additional training
20. Please demonstrate the use of the technical tool.	<i>*** At this point, the trainer/counselor/tutor should be able to access the tool and provide the evaluator with a sense that they know their way around the site and are competent at entering and manipulating data.</i>
21. In general, were you satisfied with the quality of the training course?	Very satisfied = 5 Satisfied = 4 Quality was adequate = 3 Not satisfied = 2 Very Unsatisfied = 1

22. Do you believe the training fit to the circumstances of the Iraqi entrepreneurs? Why or why not?	Yes = <Y> No = <N>  Narrative Response
<b>Relevance of the Training/Counseling to Beneficiaries</b>	
23. Did the training topics cover the areas most needed by the entrepreneurs who attended/will attend your courses?	Yes =<Y> No = <N>
24. What areas were not covered by the training that would have been helpful given the interactions you had with entrepreneurs?	Narrative Response
25. What percentage of the training covered computer based tools and methodologies?	<%>
26. In your judgment, how useable are computer/internet-based tools in the EDC today?	Narrative
27. How well did the training/counseling you provided through the EDC address the challenges faced by Iraqi entrepreneurs?	Extremely Well = 5 Very well = 4 Well = 3 Somewhat = 2 Not at all = 1
<b>Outcome of the Training &amp; Counseling for the Beneficiaries</b>	
28. Do you believe that entrepreneurs that you trained or counseled possessed the necessary prerequisite knowledge and skills, and the drive, to make use of the training or counseling you provided?	Yes =<Y> No = <N>  Narrative Response
29. What do you believe are the accomplishments of the training/counseling for the beneficiaries?	
a. Do you believe that the entrepreneurs improved their knowledge and skill as a result of your help?	Much improved knowledge and skill= 3 Improved knowledge and skill =2 No improvement in knowledge and skill= 1
b. Do you believe that the training	Very Likely = 5

<p>and/or counselling will result in the beneficiaries starting up new or expanding existing businesses? Why or why not?</p> <p>c. Did you observe any change in the confidence and personal aptitudes of the entrepreneurs, that make them more likely to improve their lives?</p>	<p>Likely= 4 Adequate= 3 Not Likely = 2 Very Unlikely= 1</p> <p>Much improved confidence and personal aptitudes = 3 Improved confidence and personal aptitudes =2 No improvement in confidence and personal aptitudes= 1</p> <p>Narrative Response</p>
<p><b>Final Questions</b></p>	
<p>30. What are one or two recommendations you would make to improve the programme?</p>	<p>Narrative Response</p>
<p>31. How do you rate the project accomplishment overall?</p>	<p>Very satisfied = 5 Satisfied= 4 Quality was adequate= 3 Not satisfied = 2 Very Unsatisfied= 1</p>

## Bankers/Credit Officers Questionnaire

<b>Questionnaire for Bankers/Credit Officers</b>	
<b>General Information</b>	
1. Name	Name
2. Sex	Male = M Female = F
3. Who is your Employer?	Name of Financial Institution
4. Is your employer Government or Private?	G = Government P = Private
5. How many years of work experience do you have?	<#>
6. What is your title/role?	Title
7. Are you a decision-maker on business loans for your institution?	Yes = <Y> No = <N>
8. How were you chosen for the training?	Narrative Response
9. Who paid for travel/accommodations at the course?	A = The EDC/UNIDO B = My institution C = Other
10. How do you feel the courses impacted your knowledge and skills in the area of SME financing?	5 = Excellent. I learned many new techniques that changed/improved the way I do my job. 4 = Very good. I learned valuable things that will help me do my job better. 3 = Good. The training was relevant. 2 = Somewhat. I already knew some of the material, but was able to gain some knowledge from it. 1 = Poor. The training did not provide information relevant to my job.
11. Would you recommend this course to others in your field?	4 = Highest recommendation 3 = I would definitely recommend it 2 = I might recommend it 1 = I would not recommend it
12. In general, were you satisfied with the quality of the training course?	Very satisfied = 5 Satisfied = 4 Quality was adequate = 3 Not satisfied = 2 Very Unsatisfied = 1
13. How do you assess the professional quality of the instruction at the course?	Very satisfied = 5 Satisfied = 4 Quality was adequate = 3 Not satisfied = 2

	Very Unsatisfied= 1
14. How do you do you assess the quality of the curriculum used on the course?	Very satisfied = 5 Satisfied= 4 Quality was adequate= 3 Not satisfied = 2 Very Unsatisfied= 1
15. How do you assess the quality of the facilities where the course took place?	Very satisfied = 5 Satisfied= 4 Quality was adequate= 3 Not satisfied = 2 Very Unsatisfied= 1
16. What recommendations would you make to improve this programme?	Narrative Response

# Annex C: Terms of Reference

## Terms of Reference

### Phase 1 of the Independent Evaluation of the UNIDO Projects

“Enterprise development through information and communication technology (EDICT)” (FB/IRQ/09/007),  
“Investment Promotion for Iraq (IPI)”(TE/IRQ/09/010) and  
“Enhancing investments to Iraq through industrial zone development”(TE/IRQ/10/006)

#### I. EVALUATION BACKGROUND

##### *The evolving situation of the country*

Since 1980, Iraq has been embroiled in long-running geo-political disputes and conflicts that have significantly reversed her earlier human development gains. Since then, Iraq’s human and economic development indicators have fallen from some of the highest in the region to some of the lowest. The conflicts have furthermore caused enormous social, cultural and economic harm. The country has suffered significantly from the neglect and degradation of its infrastructure, environment, and social services.

The present problems of Iraq originate also from past economic policies. During its various political regimes, Iraq concentrated on a centralized, state-owned economy, which discouraged the growth of a vibrant private sector. Coupled with this, Iraq is also a classic single sector economy – depending heavily on oil without giving much preeminence to the non-natural-resource-based economy. With the state owned enterprises in shambles after the war and a private sector not fully capable of taking its place, the economy of the country is in strong need of reform and diversification.

Despite relatively contained inflation due to strict credit policies and a positive fiscal balance, Iraq’s overall economy has not yet stimulated employment or alleviated widespread poverty. Unemployment rates are high. In order to contain the rapid deterioration of the economy, and the un-employment crisis, the Government of Iraq has focused on short term policies for creating more public-sector employment, and supporting the poorest citizens to help them overcome the economic crises. Naturally, these policies have increased the economic burden on the government.

The private sector, and in particular SMEs, have not seen much foreign or local investment owing to political and economic instability in Iraq. Also due to previous sanctions, the manufacturing sector could not import new and modern technologies to refurbish its machinery, leading to long period of stagnation and technological obsolescence. As such, the private sector and SMEs have grown out of personal entrepreneurship without much investment or managerial skills. The

private sector in Iraq requires capacity building at all levels, from establishing a sound regulatory environment to building the skills of private entrepreneurs, particularly for micro and small enterprises. Such businesses can act as a foundation for the manufacturing industry to enable future diversification away from total reliance on either the state-owned sector or oil-based economy. Revitalizing the country's economy is a crucial component of recovery for sustainable development and poverty alleviation.

## UNIDO's evolving Technical Assistance in Iraq

Initial post-2003 UNIDO activity focused on early recovery interventions: livelihood recovery with a community-based approach; pilot enterprise rehabilitation project, promoting employment and introducing new technology and business practices, and capacity development within the Ministry of Planning and the Ministry Industry. Based on improvements in overall context, and priorities emerging from both Government (2007) and United Nations (2008) strategic planning, UNIDO outlined the agency's programme strategy in the discussion paper *Framework Strategy for UNIDO's Assistance to the Republic of Iraq* (October 2008).

UNIDO committed to a two-track strategy, focusing on continuation of *humanitarian and early recovery activities* while at the same time moving upstream into *strategic rehabilitation and development*. The framework establishes three priority programme areas for the period 2009 to 2012:

1. *Strengthening incomes and employment generating opportunities for vulnerable groups*, with a focus on rural areas and promotion of micro industries. The objective would build on UNIDO's previous *Micro-Industry Support programme* in Iraq. Focus was placed on improving income and economic opportunity for vulnerable groups, through a community-based approach.
2. *Revitalization of productive capacity in the agro-industrial sector and core agro-industrial infrastructure at the enterprise level*, to restore operations and upgrade competitiveness. The objective was to build on UNIDO's previous *Enterprise Development and Promotion* project. Focus was placed on rehabilitation and technical support to enterprises in the agro-industrial sector, and strengthening business sector services at the national level, to both State Owned Enterprises and the private sector.
3. *Build the capacity of and expertise of national institutions and industrial bodies in strategic areas related to planning, agro-industrial investment and standards and quality control*. The objective appeared new to UNIDO's Iraq portfolio, and focused on support to Iraqi [State] institutions responsible for industrial development in the areas of: i) techno-economic assessment of the industrial sector, developing statistical data bases and the formulation of policy and strategies for industrial development; ii) assisting the Iraqi Government to develop the regulatory, legal and policy architecture necessary to accelerate investment flows, and; iii) ensure Iraqi enterprises have access to improved services in terms of standards applications and quality assurance services through specialized industrial institutions.<sup>210</sup>

The ongoing country evaluation of UNIDO activities in Iraq

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<sup>210</sup> UNIDO, *Framework Strategy for UNIDO's Assistance to the Republic of Iraq, 2009 to 2012*, 2008, pp. 3-4



This evaluation will be conducted in parallel with an Independent Country Evaluation of the activities and involvement of UNIDO in Iraq, which was requested by the UNIDO Executive Board as part of the biannual work programme of the UNIDO Evaluation Group (EVA) for 2012/2013.

In addition to assessing the implementation and results of country programme mechanisms, this independent country evaluation will also include an assessment of stand-alone projects, the performance of the Country Office, Global Forum activities and contributions of the country programme to the attainment of the Millennium Development Goals (MDGs).

The country evaluation will build upon ten UNIDO evaluations and three UNDP evaluations conducted between 2008 and 2011 and coordinate with seven ongoing UNIDO evaluations to be conducted in 2012 (Table 1).<sup>211</sup>

**Table 1: Evaluations feeding into the UNIDO country evaluation**

Project No	Title	Period of evaluation
TE/IRQ/09/008 (2009)	MISP 5 (Ninewa)	06 to 09 2012
TE/IRQ/09/A08 (2010)		
TE/IRQ/09/B08 (2011)		
FB/IRQ/10/001	Dairy Mosul	06 to 09 2012
FB/IRQ/09/004 FB/IRQ/09/A04	Rehabilitation of the Specialized Institute for Engineering Services (SIEI)	06 to 09 2012
<i>FB/IRQ/09/007</i>	<i>Enterprise development through information and communication technology (EDICT)</i>	<i>Combined evaluation in 2012/13</i>
<i>TE/IRQ/09/010</i>	<i>Investment Promotion for Iraq (IPI)</i>	
<i>TE/IRQ/10/006</i>	<i>Enhancing investments to Iraq through industrial zone development</i>	
FB/IRQ/08/007	UN Joint Programme - Private sector development programme for IRAQ	To be evaluated by UNDP

The scope of the present evaluation is highlighted in the above table. It combines the evaluation of three closely interlinked projects. All three are coming under the third priority area mentioned above and are of particular importance for the ongoing country evaluation. There will be continuous close collaboration between both evaluations.

## II. PROJECT INFORMATION AND BUDGETS

This evaluation will combine the evaluations of the following three projects:

- “Enterprise development through information and communication technology (EDICT)” (FB/IRQ/09/007),

<sup>211</sup> Please see Annex 1 for a list of all projects included in the Iraq Country Evaluation.

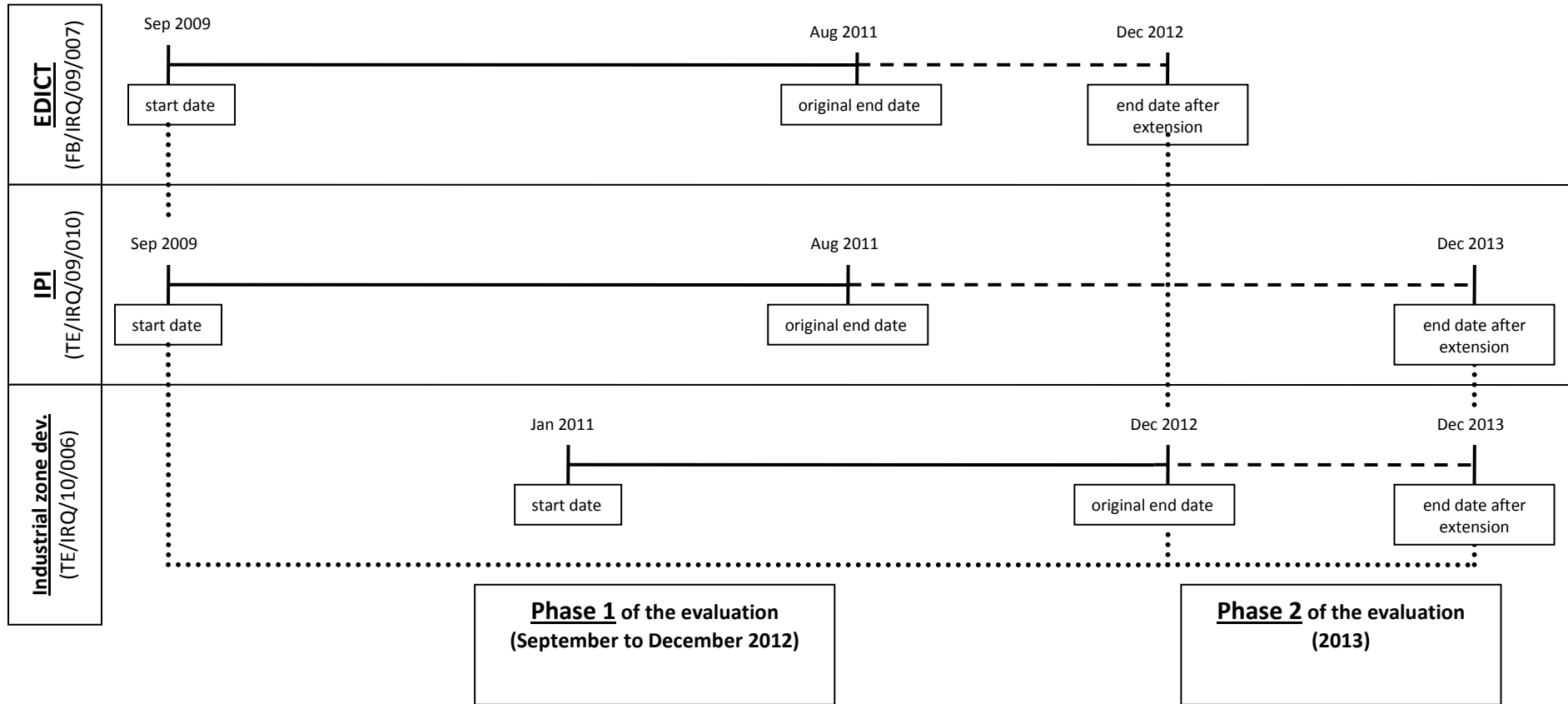
- “Investment Promotion for Iraq (IPI)”(TE/IRQ/09/010)
- “Enhancing investments to Iraq through industrial zone development”(TE/IRQ/10/006)

All three projects are spin-offs of the “EDIP” project (Enterprise Development and Investment Promotion in the SME Sector in Iraq).<sup>212</sup> While the EDICT project will come to an end in December 2012, the two others have been extended until December 2013. Figure 1 shows the planned durations of the three projects and their extensions and the planned phasing of the present evaluation. See Annex 4 for a map of the project locations.

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<sup>212</sup> EDIP has already been evaluated by UNIDO in 2010. The evaluation report is available from [www.unido.org](http://www.unido.org).

**Figure 1: Duration of projects and evaluation timing**



### **a) Description of the project ‘Enterprise Development through ICT (EDICT)’<sup>213</sup>**

This project pursues to encourage the establishment of Small and Medium Scale Enterprises (SMEs) in Iraq and is expected to encourage the creation of employment opportunities for Iraqi people through the promotion of domestic and foreign investment in the productive sectors of the economy. According to the Project Document, the project is expected to use as strategic entry point the physical assets and trained human resources of the UNIDO project “Enterprise Development and Investment Promotion for the SME sector in Iraq” and is structured along two components:

1. “Enhanced capacities of Iraqi institutions on providing enterprise development services with the use of information and communication technology.
2. Facilitate the creation of new enterprises and increase competitiveness of existing enterprises (in the selected governorates) in order to provide employment and income generating opportunities for the people and to reduce poverty.”

The total planned budget for this project is **2,940,000 US\$** (according to the Project Document, 2009). It is funded by the ITF (earmarked Italy); the main counterpart is the **Ministry of Industry & Minerals**. Other counterparts and implementing partners are the following: Ministry of Industry and Minerals, Iraqi National Investment Commission, KRG Prime Ministry, KRG Ministry of Trade and Industry, Thi Qar Provincial Council, Thi Qar Chamber of Commerce (Progress Report 2011).

According to the project document, the expected Outcome and Outputs of the project are the following:

Outcome 1: Iraqi institutions providing enterprise development and investment promotion services in Baghdad, Erbil and Thi qar are promoting local investment.

Output 1.1: Enterprise Development Units (EDUs) have increased capacity to deliver training modules to local entrepreneurs.

Output 1.2: Enhanced capacities of EDUs to provide business advisory services to existing and new enterprises.

### **b) Description of the project ‘Investment Promotion in Iraq (IPI)’<sup>214</sup>**

This project pursues to encourage investment in Iraq and the development of a sound private sector in Iraq. It is expected to consolidate the achievements of the existing UNIDO project “Enterprise Development and Investment Promotion for the SME sector in Iraq” as well as expand upon them using the existing infrastructure and trained personnel (EDUs) as an entry point. The project is

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<sup>213</sup> See Annex 6 for the tentative workplan and budget per activity/ output of the project.

<sup>214</sup> See annex 6 for the results framework of the project.

furthermore expected to establish constant synergies with the UNIDO project 'Enterprise Development through Information & Communication Technology' to integrate the training module in the on-line platform. According to the project document, the project has the following three components:

1. "To strengthen local institutions in Erbil, Thi Qar, Baghdad and Basra which are providing enterprise development services with investment promotion tools. It focuses on promoting investment in the SME sector through enhancing the capabilities of partner institutions for creating or increasing competitiveness of existing enterprises in the selected Governorates, and through linking local enterprises and suppliers to large international buyers using UNIDO SPX model.
2. To provide capacity building to the Iraqi National Investment Commission (INIC) in investment promotion tools and methodologies.
3. Direct support to industrial SME enterprises interested in foreign partnerships."

The initially planned budget for this project was 2,100,000EUR (according to the Project Document, 2009). After it has been extended to December 2013 in order to establish an EDU in Basra, the total planned budget now is **2,550,000EUR** (amended project document including Basra component, 2012). It is funded by the ITF and according to the project document the main counterpart is the **Ministry of Industry & Minerals**. Other counterparts and implementing partners are the following: Ministry of Industry and Minerals, Iraqi National Investment Commission, KRG Prime Ministry, KRG Ministry of Trade and Industry, Thi Qar Provincial Council, Thi Qar Chamber of Commerce (Progress Report 2011).

According to the most recent project document (which includes the Basra component), the expected Outcomes and Outputs of the project are the following:

Outcome 1: Iraqi institutions providing enterprise development and investment promotion services in Baghdad, Erbil, Thi qar and Basra are promoting foreign investment.

Output 1.1: EDUs have an increased capacity to provide existing and new enterprises with investment promotion services.

Output 1.2: Enhanced Institutional capabilities in foreign investment promotion.

Output 1.3: EDUs enhanced capabilities in facilitating the development of linkages between local subcontractors and foreign buyers.

Output 1.4: Enterprise Development Unit (EDU) in Basra functional and providing enterprise development services to local enterprises.

Outcome 2: The industrial private sector is contributing to the diversification and growth of the Iraqi Economy.

Output 2.1: Enhance the competitiveness of selected industrial enterprises & promote linkages with the foreign market.

Output 2.2: SME credit officers in the three Governorates have enhanced knowledge in credit assessment and loan management in favor of SMEs.

### **c) Description of project ‘Enhancing investments to Iraq through industrial zone development’<sup>215</sup>**

According to the project document, this project pursues to assist Iraq, both as a country and as a government, in enhancing the investment in Iraq through supporting the development of industrial zones in the country. This is expected to create employment opportunities, generate income and alleviate poverty as well as laying the groundwork for future economic stability.

The total planned budget for this project is **3,000,000EUR** (according to the 2011 Progress Report). It is funded by Italy; according to the project document, the main counterpart is the **Ministry of Industry & Minerals**. Other counterparts and implementing partners are the following: Prime Minister’s Advisory Committee, Ministry of Planning, Ministry of Industry and Minerals, Ministry of Transportation, Ministry of Finance, National Investment Commission, Kurdistan Regional Government.

According to the project document, the anticipated outcomes and outputs are the following.

Outcome 1: The policy, institutional and regulatory environment is more conducive to industrial zone development.

Output 1.1: Technical support is provided to Iraqi Government to formulate, implement and monitor the establishment of an institutional coordination mechanism for industrial zone development.

Output 1.2: An assessment of institutional and private sector needs to assist GoI to properly design policies and strategies for industrial zones are in place.

Output 1.3: A comprehensive Road Map for the development of industrial zones is available.

Output 1.4: Increased knowledge of officials for industrial zone planning, design, management and promotion.

Outcome 2: Strengthened basis for economic recovery in two selected areas of Iraq.

Output 2.1: An analysis of industrial structure in the two selected areas (including the one of Al-Faw port) to assist the preparation of detailed prefeasibility studies completed.

Output 2.2: Pre-feasibilities carried out in two selected areas for IZ creation (including the area of Al-Faw port).

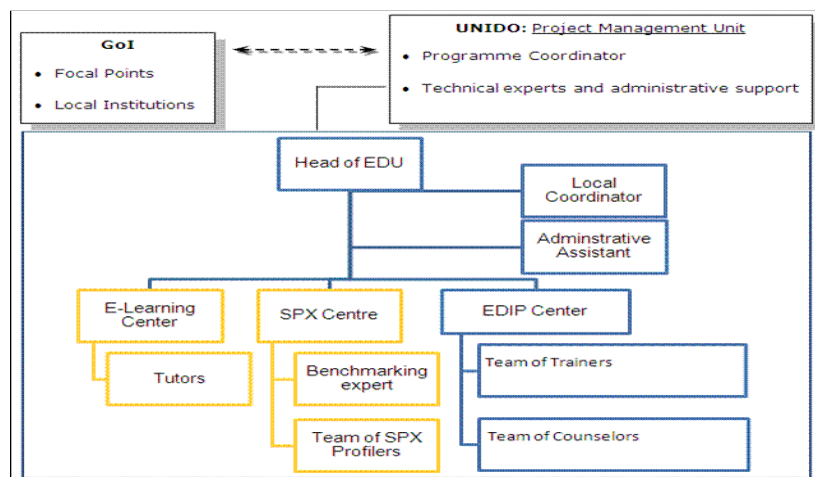
#### **Connections and interrelations between the three projects:**

As mentioned earlier, all three projects are spin-offs of the “EDIP” project and are closely interlinked.

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<sup>215</sup> See Annex 6 for the logical framework of the project.

The two projects EDICT and IPI are being implemented by UNIDO since 2009 within the framework of the EDIP Programme. The projects' activities are expected to be implemented through a structure called Enterprise Development Centre (EDC) in the respective governorates. These EDCs (previously called Enterprise Development Units (EDUs)) were established in 2008 as part of the previous UNIDO project of EDIP. They pursue to serve as primary nodes of implementation for UNIDO projects focused on supporting prospective and existing Iraqi entrepreneurs.



The chart above shows the structure of the EDCs as well as the categories of services that they are expected to provide to Iraqi entrepreneurs.

### III. EVALUATION PURPOSE

The purpose of the evaluation is to assess the:

1. Project relevance with regard to the priorities and policies of the Government of Iraq, the UNDG ITF and UNIDO;
2. Project effectiveness in terms of the outputs produced and outcomes achieved as compared to those planned;
3. Efficiency of implementation: quantity, quality, cost and timeliness of UNIDO and counterpart inputs and activities;
4. Prospects for development impact;
5. Long-term sustainability of the support mechanisms results and benefits;

The evaluation should provide the necessary analytical basis and make recommendations to the Government, to the donor and to UNIDO. The evaluation should also draw lessons of wider applicability for the replication of the experience gained in these projects in others.

### IV. SCOPE AND METHODOLOGY OF THE EVALUATION

Behind the decision of having a joint evaluation is the consideration that all three projects are associated with each other in terms of their anticipated outputs, outcomes and activities etc. (see Chapter II). In addition to that, as outlined in Chapter I, all three projects are of particular importance for the country evaluation.

It is hence inevitable to evaluate all three projects in parallel to the country evaluation. The necessity of executing the evaluation in two phases derives from the fact that the end dates and advancement of the three projects differ significantly.

For the above-mentioned reasons the Senior Evaluation Officer - in accordance with the Project Managers - has decided to conduct the evaluation as a joint evaluation in two phases with the first starting in September 2012 and the second taking place in 2013.<sup>216</sup>

The evaluation will be carried out in keeping with agreed evaluation standards and requirements. More specifically it will fully respect the principles laid down in the “UN Norms and Standards for Evaluation” and Evaluation Policies of UNIDO.<sup>217</sup>

The evaluation shall determine as systematically and objectively as possible the relevance, efficiency, achievements (outputs, prospects for achieving expected outcomes and impact) and sustainability of the projects. To this end, the evaluation will assess the achievements of the projects against their key objectives, as set out in the project document and the inception report, including a review of the relevance of the objectives and of the design. It will also identify factors that have facilitated or impeded the achievement of the objectives.

While maintaining independence, the evaluation will be carried out based on a participatory approach, which seeks the views and assessments of all parties. It will address the following issues:

Project identification and formulation:

- The extent to which a participatory project identification process was applied in selecting problem areas and counterparts requiring technical cooperation support;
- Relevance of the projects to development priorities and needs;
- Clarity and realism of the projects’ development and immediate objectives, including specification of targets and identification of beneficiaries and prospects for sustainability.
- Clarity and logical consistency between, inputs, activities, outputs and progress towards achievement of objectives (quality, quantity and time-frame);
- Realism and clarity in the specification of prior obligations and prerequisites (assumptions and risks);
- Realism and clarity of external institutional relationships, and in the managerial and institutional framework for implementation and the work plan;
- Likely cost-effectiveness of the project design.

Project ownership:

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<sup>216</sup> Please refer to Figure 1 for an overview of the duration of the projects and the evaluation timing.

<sup>217</sup> All documents available from the websites of the UN Evaluation Group: <http://www.uneval.org/>



- The extent to which the projects were formulated with the participation of the national counterpart and/or target beneficiaries;
- The extent to which counterparts have been appropriately involved and have been participating in the identification of their critical problem areas, in the development of technical cooperation strategies and in the implementation of the project approach
- The extent to which counterpart contributions and other inputs have been received from the Government (including Governorates) as compared to the project document work plan, and the extent to which the project's follow-up is integrated into Government budgets and workplans.

#### Project coordination and management:

- The extent to which the national management and overall field coordination mechanisms of the project have been efficient and effective;
- The extent to which the UNIDO based management, coordination, quality control and input delivery mechanisms have been efficient and effective;
- The extent to which monitoring and self-evaluation have been carried out effectively, based on indicators for outputs, outcomes and objectives and using that information for project steering and adaptive management;
- The extent to which changes in planning documents during implementation have been approved and documented;
- The extent to which coordination envisaged with any other development cooperation programmes in the country has been realized and benefits achieved.
- The extent to which synergy benefits can be found in relation to other UNIDO and UN activities in the country.

#### Efficiency of Implementation:

Efficiency and adequacy of project implementation including: availability of funds as compared with the provisional budget (donor and national contribution); the quality and timeliness of inputs delivered by UNIDO (expertise, training, equipment, methodologies, etc.) and the Government as compared to the work plan(s); managerial and work efficiency; implementation difficulties; adequacy of monitoring and reporting; the extent of national support and commitment and the quality and quantity of administrative and technical support by UNIDO.

#### Effectiveness and Project Results:

Full and systematic assessment of outputs produced to date (quantity and quality as compared with work plan and progress towards achieving the immediate objectives);

The quality of the outputs produced and how the target beneficiaries use these outputs, with particular attention to gender aspects; the outcomes, which have occurred or which are likely to happen through utilization of outputs.

#### Prospects to achieve expected outcomes, impact and sustainability:

Prospects to achieve the expected outcomes and impact and prospects for sustaining the projects' results by the beneficiaries and the host institutions after

the termination of the projects, and identification of developmental changes (economic, environmental, social) that are likely to occur as a result of the intervention, and how far they are sustainable.

### ***Cost-effectiveness of the Projects***

Assess whether the project approach represented the best use of given resources for achieving the planned objectives.

### **Enterprise development through information and communication technology (EDICT) (FB/IRQ/09/007)**

→ Recommendations for a possible next project phase, or replication elsewhere

Based on the above analysis the evaluator will draw specific conclusions and make proposals for any necessary further action by Government and/or UNIDO and/or the UN or other donors to ensure sustainable development, including any need for additional assistance and activities of the project prior to its completion. The mission will draw attention to any lessons of general interest. Any proposal for further assistance should include precise specification of objectives and the major suggested outputs and inputs.

### **Investment Promotion for Iraq (IPI) (TE/IRQ/09/010) and Enhancing investments to Iraq through industrial zone development (TE/IRQ/10/006)**

→ Recommendations for the remaining duration of the projects

Based on the above analysis the evaluator will draw specific conclusions and make proposals for any need for additional assistance and activities of the projects for the remaining duration of the same. The evaluation report will provide lessons learned and recommendations for the remaining duration of the projects. More specifically, for TE/IRQ/09/010, the evaluation will take advantage of the experience gained by the existing 3 EDCs which will feed into recommendations for the implementation of the EDC in Basra; as TE/IRQ/10/006 has started recently, the lessons learned and recommendations for the remaining duration of the project will concern the majority of the planned activities. The mission will draw attention to any lessons of general interest. Any proposal for further assistance should include precise specification of objectives and the major suggested outputs and inputs.

In regard of the upcoming final evaluations of TE/IRQ/09/010 and TE/IRQ/10/006 in a second phase in 2013, the evaluation shall equally provide recommendations and a way forward for the final in-depth evaluations of these projects.

## **VIII. EVALUATION QUESTIONS**

Generic PSD-related questions:

- How has PSD been promoted (e.g. industrial upgrading; cluster development; value chain development; entrepreneurship; etc)? Did this modality fit the project purpose and objectives,
- Did the project work at the macro, meso and/or micro level? Were the choices made appropriate?
- Have private sector institutions/associations been involved in the project design and implementation? If yes, in what way? If no. should they have been?
- Did the approach adopted have the potential to address the problems identified/achieve the project objective?
- Did the project address production and market issues in a satisfactory manner?
- Have beneficiary companies been selected based on transparent, fair and appropriate criteria?
- Has the issue of possible market distortions been considered? Is the project affecting the competitiveness of existing enterprises? Have any measures been introduced to prevent market distortion?
- To what extent have private companies been subsidized by the project?
- Are companies paying for services rendered or equipment obtained?
- If the project has worked with a limited number of selected companies, can the results be expected to be replicated to achieve higher impact?
- Have linkages to financial institutions been established? If yes, what were the results? If no, would there have been a need for this?
- Can enterprise effects be expected to lead to socio-economic impact such as employment or income generation, gender equality and poverty reduction?
- Did an M&E system exist, including baseline information, to allow for measurement of results and impact?
- Have synergies with other UNIDO branches/services been exploited, in particular TCB, Environment, Agri-business development and Energy? Would there have been a case to establish such linkages?

Evaluation questions specifically tailored to the projects will be defined during the inception phase.

## **IX. EVALUATION TEAM**

The evaluation team must have the necessary technical competence and experience to assess the quality of the technical assistance provided under the projects to SMEs and the EDCs (see II. Project information).

The execution of the evaluation will require full command and control of the specific situation in Iraq and full respect of the UN security rules for Iraq. The ability to carry out field operations in Iraq is a key requirement and must be demonstrated.

The evaluation team leader will be responsible for elaboration of an evaluation strategy, including the design of field surveys and elaboration of questionnaires; guiding the national evaluator for his/her field work in Iraq; analysis of survey

results; gathering of complementary information from project staff, collaborators and stakeholders through telephone interviews and other means; and preparing a presentation of conclusions and recommendations as well as a final evaluation report.

The national evaluator will be responsible for carrying out the field surveys (under the guidance of the team leader). The field surveys will provide the foundation for the evaluation and must therefore be executed in line with the highest standards of professionalism and impartiality.

The evaluation team will include:

1. One Senior International Evaluation Consultant and Team Leader with extensive experience in conducting evaluations in Iraq;
2. One Senior International Evaluation Consultant with extensive experience in conducting evaluations in Iraq to supervise and guide the evaluation;
3. One National Evaluation Consultant with extensive experience in conducting evaluations in Iraq;
4. One Evaluation Consultant familiar with UNIDO and with UNIDO's project portfolio in Iraq;

All consultants will be contracted by UNIDO. The tasks of the consultants are specified in their respective job descriptions, attached to this ToR as Annex 5.

The functions, competencies and skills as described in the respective Job Descriptions may be distributed among several persons in the evaluation team. Team members may be located in different countries but an effective coordination mechanism will have to be demonstrated. Evaluation team members must be independent and not have been involved in the formulation, implementation or backstopping any of the projects.

The UNIDO Evaluation Group will be responsible for the quality control of the evaluation process and report. They will provide inputs regarding findings, lessons learned and recommendations from other evaluations, ensuring that the evaluation report is in compliance with established evaluation norms and standards and useful for organizational learning of all parties.

The project office in Amman will logistically and administratively support the evaluation team to the extent possible. However, it should be understood that the evaluation team is responsible for its own arrangements for transport, lodging, security etc.

## **X. EVALUATION SCHEDULE AND MAIN TASKS**

As outlined in Figure 1, the evaluation will be conducted in two phases. The first phase is scheduled to take place between September and December 2012. The second phase will take place in 2013.

		<b>Phase 1 (2012)</b>	<b>Phase 2 (2013)</b>
		<b>Projects concerned:</b> FB/IRQ/09/007, TE/IRQ/09/010, TE/IRQ/10/006	<b>Projects concerned:</b> TE/IRQ/09/010, TE/IRQ/10/006
FB/IRQ/09/007 (EDICT)	End date: <b>Dec 2012</b>	Final in-depth evaluation	—
TE/IRQ/09/010 (IPI)	End date: <b>Dec 2013</b>	Evaluation of all components excluding the EDC in Basra → recommendations for 'Basra' component (to be implemented in 2013)	Final in-depth evaluation
TE/IRQ/10/006 (Industrial zone development)	End date: <b>Dec 2013</b>	Evaluation of achievements to-date → recommendations for the remaining duration of the project	Final in-depth evaluation
<b>Meetings foreseen:</b>		<b>Industrial zone development (tentatively in October 2012):</b> SC Meeting in Poland	
		<b>EDICT and IPI (tentatively in October 2012):</b> SC Meeting in Amman	

### **Tentative schedule for Phase 1:**

<b>Month</b>	<b>Activities</b>	<b>Responsibility</b>
September	<ul style="list-style-type: none"> <li>▪ Development of questionnaires, survey tools and drafting of Inception report</li> </ul>	<ul style="list-style-type: none"> <li>▪ Team Leader, International evaluation expert, National evaluator</li> </ul>
Beginning of Oct	<ul style="list-style-type: none"> <li>▪ Presentation of inception report and interviews at UNIDO HQ</li> </ul>	<ul style="list-style-type: none"> <li>▪ Team Leader, International evaluation expert</li> </ul>
mid-October	<ul style="list-style-type: none"> <li>▪ Steering Committee in Amman (TE/IRQ/09/010 and FB/IRQ/09/007); interviews and meetings with project personnel and stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>▪ Team Leader</li> </ul>
mid-October	<ul style="list-style-type: none"> <li>▪ SC in Poland (TE/IRQ/10/006); interviews and meetings with project personnel and stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>▪ Team Leader</li> </ul>
mid-Oct to mid-Nov	<ul style="list-style-type: none"> <li>▪ Beneficiary survey</li> </ul>	<ul style="list-style-type: none"> <li>▪ Team Leader (oversee), National Evaluator</li> </ul>
mid-Oct to mid-Nov	<ul style="list-style-type: none"> <li>▪ Telephone interviews</li> </ul>	<ul style="list-style-type: none"> <li>▪ Team Leader</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Interviews, team meeting and presentations at UNIDO Office in Amman</li> </ul>	<ul style="list-style-type: none"> <li>▪ Team Leader, International evaluation expert</li> </ul>
Beginning of Dec	<ul style="list-style-type: none"> <li>▪ Draft report</li> </ul>	<ul style="list-style-type: none"> <li>▪ Team Leader, International evaluation expert, National evaluator</li> </ul>
mid-Dec	<ul style="list-style-type: none"> <li>▪ Feedback and comments (UNIDO and counterparts)</li> </ul>	
End of Dec	<ul style="list-style-type: none"> <li>▪ Final draft</li> </ul>	<ul style="list-style-type: none"> <li>▪ Team Leader, International evaluation expert, National evaluator</li> </ul>

The evaluation will be carried out through analyses of various sources of information, including desk analysis, field visits, survey data, and interviews with

counterparts, beneficiaries, donor representatives, programme managers and through the cross-validation of data.

The evaluation will encompass the following main tasks:

1. During a first consultation phase the evaluation team should do a desk study of available documents in order to become acquainted with the project. On the basis of this, the evaluation team shall produce an evaluation plan/ inception report that sets out in a detailed manner the concept and schedule for the actual evaluation. That plan shall include a definition of the evaluation methodology with a catalogue of project specific evaluation questions, to which the evaluation should provide answers; this methodology will have to be discussed and agreed within the evaluation unit of UNIDO;
2. Participation of the international evaluation consultant in the PSC meeting of TE/IRQ/10/006 which will tentatively take place in mid-October in Poland and which will involve national and international project staff and counterpart representatives; the evaluator will conduct interviews among project staff and stakeholders;
3. Field mission to Amman for interviews with UNIDO staff at the regional office and presentations;
4. Analytical review of the economic, political and security conditions in the region of intervention (drawing on information received from policy makers, and also other UN Organizations and providers of technical assistance in Iraq and in the region, e.g. ) and assessment of the relevance, needs orientation and realism of the project design and implementation (gathering information from project stakeholders and private sector players in the region);
5. Design and execution of surveys; on-site visits of the EDCs: interviews with project partners from the public and private sectors; trainers, beneficiary enterprises (TE/IRQ/09/010 and FB/IRQ/09/007) and beneficiary trainees (TE/IRQ/10/006); the exact methodology and (number of) persons and beneficiary enterprises to be interviewed will be defined in the Inception report.
6. Telephone interviews with stakeholders and project staff;
7. Participation of the international evaluation consultant in the PSC meeting of TE/IRQ/09/010 and FB/IRQ/09/007. The meeting will tentatively take place in October in Amman and will involve national and international project staff and counterpart representatives; the evaluator will conduct interviews among project staff and stakeholders;
8. Organization of a Team Meeting in Beirut between the Team Leader and the National Consultant, where they will conduct data entry and discuss and analyze results and prepare survey reports. In addition to that, the team leader will travel to Vienna for a debriefing where s/he will present raw

results and preliminary findings to Project Managers and staff and counterparts and collect their feed-back;

9. Production of a first draft evaluation report and submission of this report to the evaluation departments and project manager of UNIDO for feed-back;
10. Incorporation of comments into a second draft and submission of this draft to the government, project participants and stakeholders for comments;
11. Incorporation of comments into final draft ; finalization of the report;

## **XI. CONSULTATIONS AND LIAISON**

Liaison of the evaluation team with the Iraqi authorities will be provided by an official nominated by the Government of Iraq.

The evaluation team will maintain close liaison with the representatives of UNIDO, other UN agencies and UNDG as well as with the concerned national agencies and with national and international project staff. The evaluation team is free to discuss with the authorities concerned anything relevant to its assignment. However, it is not authorized to make any commitments on behalf of the Government, the donor or UNIDO.

## **XII. LANGUAGE REQUIREMENTS**

Local interviews and surveys will be conducted in Arabic. All data and interview reports must be translated into English. Performing a linguistic quality control of all interview reports is part of the scope of contract. The evaluation report must be delivered in English.

## **XIII. DELIVERABLES AND REPORTING**

1. Inception report (English)
2. Draft survey questionnaires for beneficiaries, project staff and stakeholders
3. Draft evaluation report (English)
4. Final evaluation report (English)

The evaluation report shall be geared to the structure given in Annex 2. Reporting language will be English. The executive summary, recommendations and lessons learned shall be an important part of the presentations to be prepared for debriefing sessions in Amman and/or Vienna.

Draft reports submitted to UNIDO Evaluation Group are shared with the corresponding Programme or Project Officer for initial review and consultation. They may provide feedback on any errors of fact and may highlight the significance of such errors in any conclusions. The consultation also seeks agreement on the findings and recommendations. The evaluators will take the comments into consideration in preparing the final version of the report.

The evaluation will be subject to quality assessments by UNIDO Evaluation Group. These apply evaluation quality assessment criteria and are used as a tool for providing structured feedback. The quality of the evaluation report will be assessed and rated against the criteria set forth in the Checklist on evaluation report quality (see Annex 3).



**Overview of UNIDO portfolio in Iraq (projects launched since 2004 by thematic area)**

	<b>Project No</b>	<b>Title</b>	<b>PM</b>	<b>Budget (USD)</b>	<b>End Date</b>
<b>Micro-Industry Support Programme (MISP)</b>	FB/IRQ/04/001	MISP I (Thi Qar)	Jenane	2,422,983	Feb 2008
	FB/IRQ/06/002	MISP II (Northern Iraq)	Jenane	2,496,685	Sep 2009
	FB/IRQ/07/001	MISP III (Al-Qadessiya)	Jenane	2,783,066	Sep 2010
	FB/IRQ/07/005	MISP IV (Anbar)	Samarakoon	1,995,195	Mar 2011
	TE/IRQ/08/004	IDP Thi Qar (follow-up of MISP I)	Jenane	1,401,870	Jul 2011
	TE/IRQ/09/008 (2009)	MISP 5 (Ninewa)	Jenane	131,430	Sep 2012
	TE/IRQ/09/A08 (2010)			2,148,019	
	TE/IRQ/09/B08 (2011)			1,441,239	
TE/IRQ/09/C08 (2012)					
	<b>Project No</b>	<b>Title</b>	<b>PM</b>	<b>Budget (USD)</b>	<b>End Date</b>
<b>Agro-Industry</b>	FB/IRQ/04/003	Pilot Project for the Rehabilitation of the Dairy Sector in Iraq (Dairy Diwaniya)	Schebesta	4,419,514	Oct 2010
	FB/IRQ/06/003	Rebuilding Food Safety and Food Processing Industry Capacity in Iraq (with FAO and WHO)	Schebesta	1,656,637	Oct 2010
	FB/IRQ/07/003	Rehabilitation of the Date Palm Sector in Iraq	Tezera	2,949,721	Feb 2011
	FB/IRQ/10/001	Dairy Mosul	Schebesta	2,371,374	July 2012
	FB/IRQ/10/A01 - (FAO comp.)				
	<b>Project No</b>	<b>Title</b>	<b>PM</b>	<b>Budget (USD)</b>	<b>End Date</b>
<b>TCB</b>	FB/IRQ/09/A04	Rehabilitation of the Specialized Institute for Engineering Services	Niculae	1,549,336	June 2012
	TF/IRQ/11/004	Strengthening the National Quality Infrastructure to facilitate trade and enhance consumer protection	Badarneh	10,000,000 (planned)	June 2016
	<b>Project No</b>	<b>Title</b>	<b>PM</b>	<b>Budget (USD)</b>	<b>End Date</b>
<b>Private Sector Development (PSD)</b>	FB/IRQ/07/004 <i>(direct continuation: PSD 4)</i>	Enterprise Development and Investment Promotion in the SME Sector in Iraq (EDIP)	Pasini (Kulur)	2,253,980	Dec 2010
			Badarneh	330,000	
	FB/IRQ/08/007	Private sector development programme for IRAQ	Dhaoui	3,952,941	Dec 2012
	FB/IRQ/08/A07		Moll	3,294,118	
	FB/IRQ/08/006	Technology acquisition to restart and generate economic transformation (TARGET)	Jenane	2,784,112	Dec 2011
<b>FB/IRQ/09/007</b>	<b>Enterprise development through information and communication technology (EDICT)</b>	<b>Boye</b>	<b>2,770,941</b>	<b>Dec 2012</b>	

	FB/IRQ/09/004	Rehabilitation of the Specialized Institute for Engineering Services	Jenane	2,411,182	June 2012
	<b>TE/IRQ/09/010</b>	<b>Investment Promotion for Iraq (IPI)</b>	<b>Kratzsch (Kulur)</b>	<b>2,604,855</b>	<b>Dec 2012 (ext. to Dec 2013)</b>
	<b>TE/IRQ/10/006</b>	<b>Enhancing investments to Iraq through industrial zone development</b>	<b>Boye</b>	<b>3,684,281</b>	<b>Dec 2012 (ext. to Dec 2013 likely)</b>
	TF/IRQ/11/001	Operations and Industrial Maintenance Training Academy	Jenane	493,359	Dec 2014
	TE/IRQ/11/001			1,492,916	
	<b>Project No</b>	<b>Title</b>	<b>PM</b>	<b>Budget (USD)</b>	<b>End Date</b>
<b>Policy Advice</b>	FB/IRQ/07/002	Technical Assessment for the Development of Agro-Industries Sector in Iraq	Sama-rakoon	519,169	June 2009
	FB/IRQ/10/005	Developing Iraqi agricultural and agro-industrial data, information systems and analytical capacities	Sama-rakoon	470,588	Jan 2012
	<b>Project No</b>	<b>Title</b>	<b>PM</b>	<b>Budget (USD)</b>	<b>End Date</b>
<b>Montreal Protocol project Portfolio<sup>218</sup></b>	MP/IRQ/08/002	Preparation of a HCFC Phase-Out Management Plan	Ghoneim	40,000	Dec 2009
	MP/IRQ/08/003		Nielsen (Ghoneim)	30,000	
	MP/IRQ/09/009 (additional funding)			65,000	Dec 2010
	MP/IRQ/09/001	Conversion from CFC-11 to methylene chloride in the production of flexible slabstock foam at al Hadi Co.	Demko (Ghoneim)	126,457	Dec 2010
	MP/IRQ/09/002	Replacement of refrigerant CFC-12 with isobutene and foam blowing agent CFC-11 with cyclopentane in the manufacture of domestic refrigerators and chest freezers at light industries companies	Nielsen (Ghoneim)	2,161,581	Mar 2010
	MP/IRQ/09/005	National Phase-Out Plan (first tranche)	Nielsen (Ghoneim)	2,575,425	Dec 2010
	MP/IRQ/09/A05		Demko	1,778,105	
	MP/IRQ/11/002	(second tranche)		303,000	Mar 2012
	MP/IRQ/09/006	Project preparation for elimination of controlled uses of methyl bromide in pre- and post-harvest sectors	Savigliano	40,000	Aug 2010
	MP/IRQ/10/007	Technical Assistance for alternatives to methyl bromide	Savigliano	211,970	Dec 2012
	MP/IRQ/11/005	HCFC Phase-Out Management Plan (stage 1, first tranche)	Nielsen (Si Ahmed)	80,000	Dec 2013

<sup>218</sup> The Country Evaluation will also include a review of the portfolio of Montreal Protocol projects with emphasis on results achieved in terms of UNIDO ODS objectives as well as lessons to be learned from implementation practice.

## **Template of in-depth evaluation reports**

### ***I. Executive summary***

- Must be self-explanatory
- Not more than five pages focusing on the most important findings and recommendations
- Overview showing strengths and weaknesses of the project

### ***II. Introduction***

- Information on the evaluation: why, when, by whom, etc.
- Information sources and availability of information
- Methodological remarks and validity of the findings
- Project summary (“fact sheet”, including project structure, objectives, donors, counterparts, timing, cost, etc)

### ***III. Country and project context***

This chapter provides evidence for the assessment under chapter VI ( in particular relevance and sustainability)

- Brief description including history and previous cooperation
- Project specific framework conditions; situation of the country; major changes over project duration
- Positioning of the project (other initiatives of government, other donors, private sector, etc.)
- Counterpart organisation(s); (changes in the) situation of the

### ***IV. Project Planning***

This chapter describes the planning process as far as relevant for the assessment under chapter VI

- Project identification (stakeholder involvement, needs of target groups analysed, depth of analysis, etc.)
- Project formulation (stakeholder involvement, quality of project document, coherence of intervention logic, etc.)
- Description of the underlying intervention theory (causal chain: inputs-activities-outputs-outcomes)
- Funds mobilization

### ***V. Project Implementation***

This chapter describes what has been done and provides evidence for the assessment under chapter VI

- Financial implementation (overview of expenditures, changes in approach reflected by budget revisions, etc.)
- Management (in particular monitoring, self assessment, adaptation to changed circumstances, etc.)
- Outputs (inputs used and activities carried out to produce project outputs)
- Outcome, impact (what changes at the level of target groups could be observed, refer to outcome indicators in prodoc if any)

### ***VI. Assessment***

The assessment is based on the analysis carried out in chapter III, IV and V. It assesses the underlying intervention theory (causal chain: inputs-activities-

outputs-outcomes). Did it prove to be plausible and realistic? Has it changed during implementation? This chapter includes the following aspects:

- Relevance (evolution of relevance over time: relevance to UNIDO, Government, counterparts, target groups)
- Ownership
- Efficiency (quality of management, quality of inputs, were outputs produced as planned?, were synergies with other initiatives sufficiently exploited? Did UNIDO draw on relevant in-house and external expertise? Was management results oriented?)
- Effectiveness and impact (assessment of outcomes and impact, reaching target groups)
- Sustainability
- If applicable: overview table showing performance by outcomes/outputs

**VII. *Issues with regard to a possible next phase***

- Assessment, in the light of the evaluation, of proposals put forward for a possible next phase
- Recommendations on how to proceed under a possible next phase, overall focus, outputs, activities, budgets, etc.

**VIII. *Recommendations***

- Recommendations must be based on evaluation findings
- The implementation of the recommendations must be verifiable (indicate means of verification)
- Recommendations must be actionable; addressed to a specific officer, group or entity who can act on it; have a proposed timeline for implementation
- Recommendations should be structured by addressees:
  - UNIDO
  - Government and/or Counterpart Organisations
  - Donor

**IX. *Lessons learned***

- Lessons learned must be of wider applicability beyond the evaluated project but must be based on findings and conclusions of the evaluation

## Annex 3

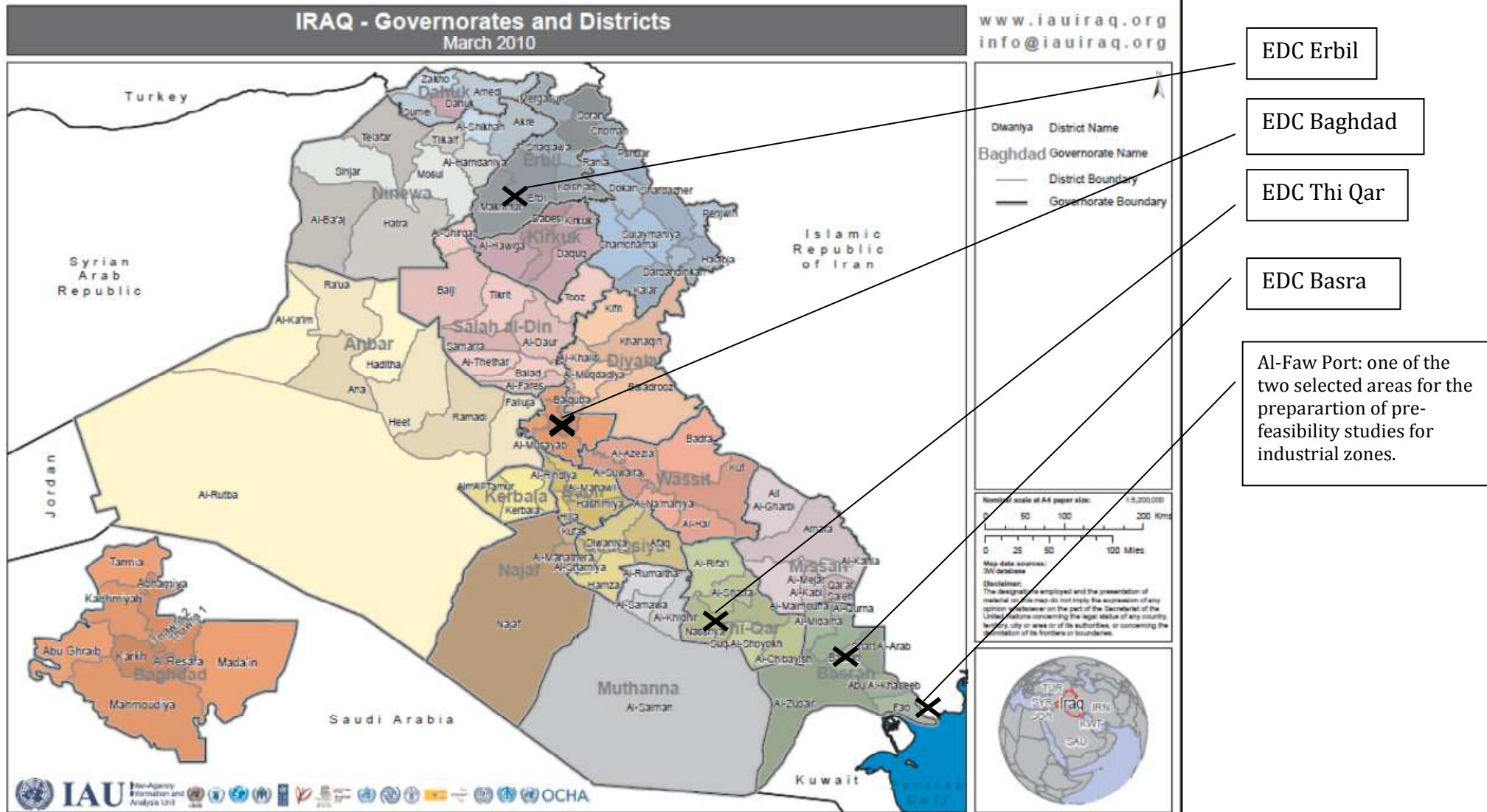
### Checklist on evaluation report quality

Report quality criteria	UNIDO Evaluation Group Assessment notes	Rating
A. Did the report present an assessment of relevant outcomes and achievement of project objectives?		
B. Were the report consistent and the evidence complete and convincing?		
C. Did the report present a sound assessment of sustainability of outcomes or did it explain why this is not (yet) possible?		
D. Did the evidence presented support the lessons and recommendations?		
E. Did the report include the actual project costs (total and per activity)?		
F. Quality of the lessons: Were lessons readily applicable in other contexts? Did they suggest prescriptive action?		
G. Quality of the recommendations: Did recommendations specify the actions necessary to correct existing conditions or improve operations ('who?' 'what?' 'where?' 'when?'). Can they be implemented?		
H. Was the report well written? (Clear language and correct grammar)		
I. Were all evaluation aspects specified in the TOR adequately addressed?		
J. Was the report delivered in a timely manner?		

Rating system for quality of evaluation reports

A number rating 1-6 is used for each criterion: Highly Satisfactory = 6, Satisfactory = 5, Moderately Satisfactory = 4, Moderately Unsatisfactory = 3, Unsatisfactory = 2, Highly Unsatisfactory = 1, and unable to assess = 0.

Location of project activities



Source: Inter-Agency Information and Analysis Unit (IAU) IRAQ, [http://www.iauiraq.org/documents/1690/IAU\\_Iraq\\_Reference\\_A4\\_140310\\_V2.pdf](http://www.iauiraq.org/documents/1690/IAU_Iraq_Reference_A4_140310_V2.pdf) [11.09.2012]

## Job Description

### Phase 1 of the Independent Evaluation of the UNIDO Projects

“Enterprise development through information and communication technology (EDICT)” (FB/IRQ/09/007),  
 “Investment Promotion for Iraq (IPI)” (TE/IRQ/09/010) and  
 “Enhancing investments to Iraq through industrial zone development” (TE/IRQ/10/006)

<b>Post title</b>	International Evaluation Consultant (Team Leader)
<b>Estimated duration</b>	28 days (over period 20/9 to 31/12 2012)
<b>Starting date required</b>	24 September 2012
<b>Duty station</b>	Home based (Beirut) with travels to Vienna and Amman

#### Description

The international evaluation consultant and team leader will be responsible to conduct the evaluation of the above-mentioned projects as described in the TORs, which are an integral part of this Job Description.

Duties	Duration	Location	Timing
Desk Studies, draft inception report, development of questionnaires and survey methodology	2	Home base	Weeks 38 to 39
Field mission to Amman	3	Amman	Week 40
Field mission to Poland, participation in the Steering Committee meeting of TE/IRQ/10/006; interviews and meetings with project personnel and stakeholders	3	Poland	~ Week 42 (to be arranged according to Project Managers and stakeholders)
Oversee beneficiary survey in Iraq	3	Home base	Week 43-45
Conduct telephone interviews and analytical work	3	Home base	Week 43-45
Field mission to Amman, participation in the Steering Committee meeting of FB/IRQ/09/007 and TE/IRQ/09/010; interviews and meetings with project personnel and stakeholders	3	Amman	~ Week 43 (to be arranged according to Project Managers and stakeholders)
Team meeting in Beirut with the National Consultant	3	Beirut (home base)	Week 46
Present preliminary evaluation results	2	Vienna	Week 47
Draft and finalize evaluation report	6	Home base	Week 48-52
<b>Sub total</b>	<b>28 days</b>		

**Qualifications:**

The qualifications and skill areas required include:

- Designing and managing complex evaluations;
- Leading multi-disciplinary and multi-cultural teams of evaluators;
- In-depth experience with evaluation of development projects in Iraq;
- Designing and supervising qualitative and quantitative field surveys;
- Drafting reports in English (excellent drafting skills to be demonstrated).

**Language:**

- English

**Absence of Conflict of Interest:**

According to UNIDO rules, the consultant must not have been involved in the design and/or implementation, supervision and coordination of and/or have benefited from the programme/project or theme under evaluation.



## Job Description

### Phase 1 of the Independent Evaluation of the UNIDO Projects

“Enterprise development through information and communication technology (EDICT)”  
(FB/IRQ/09/007),  
“Investment Promotion for Iraq (IPI)”(TE/IRQ/09/010) and  
“Enhancing investments to Iraq through industrial zone development”(TE/IRQ/10/006)

<b>Post title</b>	International Evaluation Consultant
<b>Estimated duration</b>	10 days (over period 20/9 to 31/12 2012)
<b>Starting date required</b>	24 September 2012
<b>Duty station</b>	Home based

### Description

In close cooperation with the Team Leader, the international evaluation expert will be responsible to supervise and guide the evaluation of the above-mentioned projects as described in the TORs, which are an integral part of this Job Description.

Duties	Duration	Location	Timing
<b>Preparatory phase</b> Quality assurance for the Inception report including a detailed methodology for the evaluation and survey tools	5	Home base	September
<b>Drafting and finalisation of evaluation report</b> - Cooperate with the Team Leader for the preparation of the draft report - Quality control of the final report	5	Home base	December
<b>Sub total</b>	<b>10 days</b>		

### Qualifications:

The qualifications and skill areas required include:

- Designing and managing complex evaluations;
- Leading multi-disciplinary and multi-cultural teams of evaluators;
- In-depth experience with evaluation of development projects in Iraq;
- Designing and supervising qualitative and quantitative field surveys;
- Drafting reports in English (excellent drafting skills to be demonstrated).

### Language:

- English

### Absence of Conflict of Interest:

According to UNIDO rules, the consultant must not have been involved in the design and/or implementation, supervision and coordination of and/or have benefited from the programme/project or theme under evaluation.

## Job Description

### Phase 1 of the Independent Evaluation of the UNIDO Projects

“Enterprise development through information and communication technology (EDICT)” (FB/IRQ/09/007),  
“Investment Promotion for Iraq (IPI)” (TE/IRQ/09/010) and  
“Enhancing investments to Iraq through industrial zone development” (TE/IRQ/10/006)

<b>Post title</b>	National Evaluator
<b>Estimated duration</b>	31 days (over period 20/9 to 31/12 2012)
<b>Starting date required</b>	24 September 2012
<b>Duty station</b>	Iraq (home-based) with travels to several locations in Iraq and to Beirut

### Description

Under the supervision of the Team Leader, the national evaluator will carry out the following duties for the evaluation of the above-mentioned projects as described in the TORs, which are an integral part of this Job Description.

Duties	Duration	Location	Timing
<b>Preparatory phase</b> <ul style="list-style-type: none"><li>- Study all relevant project documentations (including project and progress and evaluation reports) to be provided by UNIDO</li><li>- Develop Field Study methodology and inception report in cooperation with the international consultant</li></ul>	7	Home-based	Weeks 38-39

<b>Field Study in Iraq</b> <ul style="list-style-type: none"> <li>- Conduct the field mission in line with the detailed methodology outlined in the Inception Report, and under the guidance of the Team Leader</li> <li>- Site visits and interviews in accordance with the methodology outlined in the inception report and under guidance of the International Consultant</li> </ul>	15	Home based with visits travel to selected locations in Iraq	Weeks 43-45
<b>Team meeting in Beirut with the Team Leader</b>	3	Beirut	Week 46
<b>Drafting of evaluation report</b> <ul style="list-style-type: none"> <li>- Support the Team Leader in preparing a draft evaluation report</li> <li>- Integrate comments from UNIDO Evaluation Group and stakeholders and edit the language and form of the final version according to UNIDO standards</li> </ul>	6	Home based	Weeks 48 to 52
<b>Sub total</b>	<b>31 days</b>		

### Qualifications:

The qualifications and skill areas required include:

- Advanced University Degree in a relevant field
- Previous experience in UN evaluations
- Evaluation skills appropriate to the subject area
- Sound understanding of development issues
- Good interpersonal skills
- Survey and interview techniques
- Native Arabic speaker & and Iraqi national
- Strong English language drafting skills

The National Evaluator should furthermore have experience in:

- Development projects related to the subject areas;
- Conducting evaluations in Arab speaking countries;
- Qualitative and quantitative field surveys;
- Interviews in Arabic with the entire range of stakeholders from trainees to high-level officials.

**Languages:**

- Arabic & English

**Absence of Conflict of Interest:**

According to UNIDO rules, the consultant must not have been involved in the design and/or implementation, supervision and coordination of and/or have benefited from the programme/project or theme under evaluation.

## Job Description

Independent Evaluation of

### TE/IRQ/09/010 - Investment Promotion for Iraq

<b>Post title:</b>	Evaluation Consultant
<b>Duration:</b>	1.0 w/m over a period 1 September – 12 October 2012
<b>Date required:</b>	1 September 2012
<b>Duty station:</b>	UNIDO HQ

#### Duties of the evaluation consultant:

Under the supervision of the Senior Evaluation Officer, the Consultant will support the execution of the combined evaluation of the following projects in Iraq:

- FB/IRQ/09/007 - Enterprise development through information and communication technology
- TE/IRQ/09/010 - Investment Promotion for Iraq
- TE/IRQ/10/006 - Enhancing investments to Iraq through industrial zone development

Duties	Duration (work month)	Deliverables
Desk study of available information and background documents already collected	0.1	Documents compiled and organized
Draft Terms of Reference for the combined evaluation of the above-mentioned projects in cooperation with Project Managers	0.2	Terms of Reference finalized
Analyze the projects regarding their relevance for the overall UNIDO portfolio and strategy in Iraq and to process this data for later use in the Iraq Country Evaluation	0.3	Data with tables, graphs and comments prepared
Coordination of the evaluation - prepare evaluation budget calculations and planning - planning and coordination of evaluation missions in cooperation with evaluation experts and project staff - backstopping of evaluation missions	0.4	Evaluation budget planning, missions organized
<b>Total</b>	<b>1.0</b>	

#### Qualifications:

- Graduate degree in development studies (economics)

#### Experience:

- At least 1 year relevant working experience in the UN system, and preferably in the area of project evaluation.

**Personal:**

- High motivation abilities to engage with project personnel and team members
- Ability to engage stakeholders and strong communication skills
- Strong team spirit and confidence
- Highly organized, structured and results-oriented
- Ability to networking and strategic thinking

**Languages:**

- Fluency in written and spoken English.
- Knowledge of another UN language an asset.

Annex 6: FB/IRQ/09/007 (EDICT) - Tentative workplan and budget per activity/ output

<b>Sector Outcomes:</b>											
<ul style="list-style-type: none"> <li>• Sector Outcome 1 – Improved policies, strategies and related institutional developments that are sensitive to the MDG's, social inclusiveness, gender equality and pro-poor economic growth.</li> <li>• Sector Outcome 2 - Enhanced key sectors of local economy in most deprived areas.</li> </ul>											
<b>Project Outcomes:</b>											
1. Iraqi institutions providing enterprise development services in Baghdad, Erbil, and Thi qar are promoting local investment											
Outputs	Major Activities	Time Frame (by activity)								Implementing Partner	Planned budget (by output) (thousand USD)
		Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		
<b>Output 1:</b>											
Enterprise Development Units (EDUs) have increased capacity to deliver training modules local entrepreneurs											
Activity 1.1	Recruitment of project staff									UNIDO	700
Activity 1.2	Kick off meeting and Steering Committee with Iraqi counterpart and donors									UNIDO	40
Activity 1.3	A comprehensive assessment of the local conditions on ICT status in each of the governorates, incl. Internet bandwidth, the extent of spread of satellite television, computer literacy amongst the potential candidates, internet usage etc.									UNIDO /UNINETTUNO	5 (UNINETTUNO) UNIDO (20)
Activity 1.4	A detailed assessment of equipment required to be hosted in each of the EDUs for its use as the technological poles.									UNIDO /UNINETTUNO	5 (UNINETTUNO) 20 (UNIDO)
Activity 1.5	Provide equipment to EDUs/ technological poles to broadcast the training modules and the subsequent interactions between the trainees and their trainers.									UNINETTUNO	100 (UNINETTUNO)
Activity 1.6	Testing the facilities and services offered in the EDUs/ technological poles.									UNINETTUNO	10 (UNINETTUNO)
Activity 1.7	Preparation and adaptation of UNIDO training material into Arabic and English to be used as training modules.									UNIDO	60 (UNIDO)
Activity 1.8	Training of resource persons (experts, counselors, tutors) on the skills required for online/ distance learning techniques.									UNIDO /UNINETTUNO	200 (UNINETTUNO)
Activity 1.9	Recording of training sessions and production of DVDs to be used as training modules.									UNINETTUNO	1000 (UNINETTUNO)
Activity 1.10	Broadcasting of the training modules.									UNINETTUNO	330 (UNINETTUNO)
Activity 1.11	Enrolment of eligible & interested entrepreneurs/ candidates									UNIDO	40 (UNIDO)



	for the training programs.										/Ministry of Industry & Minerals/ Erbil chamber of commerce/ Thiqr chamber of commerce	
Activity 1.12	Regular feedback and course material submitted by the entrepreneurs/ trainees.										UNIDO /UNINETTUNO	40(UNIDO)
Activity 1.13	Interactive sessions organized at the EDUs for consolidating learning's, Q & A sessions, etc between the trainers & counsellors.										UNIDO /UNINETTUNO	40 (UNIDO)
Activity 1.14	Organizing classroom training for entrepreneurs on enterprise development and creation through EDUs in the governorates.										UNIDO Ministry of Industry & Minerals/ Erbil chamber of commerce/ Thiqr chamber of commerce	40 (UNIDO)
<b>Output 2:</b>												
EDUs have increased capacities o provide existing and new enterprises with business advisory services												
Activity 2.1	Provide business advisory services to the entrepreneurs (both on-line and off-line) by the trained business counsellors placed at the EDUs.										UNIDO Ministry of Industry & Minerals/ Erbil chamber of commerce/ Thiqr chamber of commerce	100(UNIDO)
Activity 2.2	Preparation of counselling reports for existing enterprises or for new entrepreneurs.										UNIDO Ministry of Industry & Minerals/ Erbil chamber of commerce/ Thiqr chamber of commerce	60(UNIDO)
Activity 2.3	Providing support through business counsellors placed at the EDUs to the entrepreneurs on procedural/ legal requirements, information on market, technology, finance source etc.										UNIDO Ministry of Industry & Minerals/ Erbil chamber of commerce/ Thiqr chamber of commerce	60(UNIDO)
Activity 2.4	Mentoring support provided to institutional partners operating the existing Enterprise Development Units (EDUs).										UNIDO	40 (UNIDO)
Activity 2.5	Mentoring support to the business counsellors in order to provide quality business advisory services to the entrepreneurs and the enterprises.										UNIDO	30 (UNIDO)
<b>Total UNIDO Budget</b>											<b>2,940,000</b>	
<b>Total Planned Budget</b>											<b>2,940,000</b>	

TE/IRQ/09/010 (IPI) – Results framework (including Basra component)

<b>Project Title:</b>	<b>Investment Promotion for Iraq</b>						
<b>NDS/ICI priority/ goal(s):</b>	<p><b>NDS / ICI Priorities:</b>                      5. Revitalizing the Private Sector                      5.4 Manufacturing Sector                      F) Encouraging the establishment of Small and Medium Scale Enterprises (SME) projects and developing appropriate financing mechanism for such projects.  <b>ICI Benchmarks (as per the Joint Monitoring Matrix 2008):</b>                      4.3.2 Create an enabling environment for private investment and job creation</p>						
<b>UNCT Outcome</b>	<b>Sustainable, socially inclusive and gender-balanced economic reform and development in Iraq</b>						
<b>Sector Outcome</b>	<p><b>Outcome 1: Improved policies, strategies and related institutional developments that are sensitive to MDGs, social inclusiveness, gender equality and pro-poor economic growth</b></p> <p><b>Outcome 2: Enhance key sectors of local economy in most deprived areas</b></p>						
<b>Outcome 1</b>	Iraqi institutions providing enterprise development and investment promotion services in Baghdad, Erbil, Thi Qar and Basra			<p><b>NDS / ICI Priorities:</b>  <b>5. Revitalizing the Private Sector</b>                      Manufacturing Sector                      F) Encouraging the establishment of Small and Medium Scale Enterprises (SME) projects and developing appropriate financing mechanism for such projects..  <b>ICI Benchmarks (as per the Joint Monitoring Matrix 2008):</b>                      4.3. Create an enabling environment for private investment and job creation</p>			
<b>Outputs</b>	<b>UN Agency Specific Output</b>	<b>UN Agency</b>	<b>Partner</b>	<b>Indicators</b>	<b>Source of Data</b>	<b>Baseline Data</b>	<b>Indicator Target</b>

Output1.1: EDUs have an increased capacity to provide existing and new enterprises with investment promotion services	EDUs have an increased capacity to provide existing and new enterprises with sustainable investment promotion services	UNIDO	Ministry of Industry and Minerals (Baghdad)	Number of existing EDUs receiving training on Counseling on Investment promotion	Progress Report	3	4
			Erbil Chamber of Commerce	Number of existing EDUs receiving training on Investment project preparation and appraisal/COMFAR	Progress Report	3	4
			KRG Board of Investment	Existing EDUs receiving constant mentoring in the field		Yes	YES
			ThiQar Chamber of Commerce	Number of operational plans for self-sustainability of EDU prepared		0	4
			ThiQar Provincial Council				
<b>Iraqi Federation of Industries in Basra</b>							
Output1.2: Enhanced Institutional	Enhanced Institutional capabilities in foreign investment promotion	UNIDO	Iraqi National Investment Commission	Number of counterpart personnel trained on how to prepare investment project	Training report	0	20

capabilities in foreign investment promotion			(INIC) KRG Board of Investment	profiles			
				Number of counterpart personnel trained on Investment project preparation & appraisal (IPPA) techniques	Training report	0	20
				Number of personnel from International Consultant/Advisor placed within INIC and providing advisory services		0	1
				Number of Project promotional missions with the support of UNIDO ITPO network	Progress report	0	3
Output 1.3: EDUs enhanced capabilities in facilitating the development of linkages between local subcontractors and foreign buyers	EDUs enhanced capabilities in facilitating the development of linkages between local subcontractors and foreign buyers	UNIDO	Ministry of Industry and Minerals (Baghdad) Erbil Chamber of Commerce KRG Board of Investment	Number of EDUs trained on SPX model		0	4
				Number of EDUs on UNIDO benchmarking system		0	4
				Number of linkage sessions/meetings organized between local subcontractors and foreign buyers		0	3

			ThiQar Chamber of Commerce ThiQar Provincial Council <b>Iraqi Federation of Industries in Basra</b>	Number of partnership matchmaking events/missions to fairs organized by EDU		2	6
<b>Output 1.4</b> <b>Enterprise Development Unit (EDU) in Basra functional and delivering enterprise development services to Iraqi entrepreneurs.</b>	<b>Enterprise Development Unit (EDU) in Basra functional and delivering enterprise development services to local entrepreneurs.</b>	<b>UNIDO</b>	<b>Iraqi Federation of Industries in Basra</b>	<b>Number of technological infrastructure in place</b>	<b>Progress report</b>	<b>0</b>	<b>1</b>
				<b>Number of entrepreneurs (male/ female) trained</b>	<b>Progress report</b>	<b>0</b>	<b>100</b>
				<b>% of trainees (male/ female) passing the training assessment</b>	<b>Progress report</b>	<b>0</b>	<b>80%</b>

<b>Outcome 2</b>		The industrial private sector is contributing to the diversification and growth of the Iraqi Economy					
<b>Outputs</b>	<b>UN Agency Specific Output</b>	<b>UN Agency</b>	<b>Partner</b>	<b>Indicators</b>	<b>Source of Data</b>	<b>Baseline Data</b>	<b>Indicator Target</b>
Output 2.1: Enhance the competitiveness of selected industrial enterprises & promote linkages with the foreign market	Enhance the competitiveness of selected enterprises & promote linkages with the foreign market	UNIDO		Number of capacity building exercises conducted at enterprise level	Training report	0	3
				Number of Investment opportunity profiles prepared and promoted.	Investment profiles	0	<b>20 (10 in Basra)</b>
				Number of selected companies participating in study tours & fairs/ promotional missions.	Study tour report	0	<b>15 (5 from Basra)</b>
Output 2.2: SME credit officers in the three Governorates have enhanced knowledge in credit assessment and loan	SME credit officers in the three Governorates have enhanced knowledge in credit assessment and loan management in favor of SMEs.	UNIDO		Number of credit officer trained on properly evaluate and assess investment projects	Training Report	0	30 (10 each Governorate)

management in favor of SMEs .							
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TE/IRQ/10/006 (Industrial Zone Development) – Logical framework

<b>Project Title:</b>	<b>Industrial Zones Development Project for Iraq</b>							
<b>NDS/ICI Priorities</b>	<p>NDS: Revitalizing private sector</p> <p>ICI Benchmarks (as per the Joint Monitoring Matrix 2008):</p> <p>4.3.2 Create an enabling environment for private investment and job creation</p> <p>4.4 Build human capital necessary to sustain growth</p> <p>4.4.1.1 Eradicate Extreme Poverty and Promote Area Based Development</p> <p>4.4.1.2 Reduce unemployment by one half and double labor force participation for women</p>							
<b>UNDAF Priorities</b>	<b>UNDAF Outcome 2: Inclusive, more equitable and sustainable economic growth</b>							
<b>Objective</b>	Enhance investments in the country in order to create employment opportunities, generate income and alleviate poverty, and contribute to accelerated economic development of Iraq.							
	<b>Outcome 1:</b> The policy, institutional and regulatory environment is more conducive to industrial zone development							
<b>Outputs</b>	<b>Activities</b>	<b>UN Agency</b>	<b>Partner</b>	<b>Indicators</b>	<b>Source of Data</b>	<b>Baseline Data</b>	<b>Indicator Target</b>	<b>Assumptions</b>
1.1 Technical support is provided to Iraqi Government to formulate, implement and monitor the establishment of an institutional coordination mechanism for industrial zone	<p>1.1.1 Organize study tours abroad for staff of the Industrial Zone Body and other cooperating governmental institutions to industrial parks, e.g., in Middle East and Asia</p> <p>1.1.2 Design in detail an</p>	UNIDO	MoP, MoIM, NIC, KRG	<p>PSC formation completed and adopted</p> <p>Participation of key national stakeholder in the project steering committee</p>	Project records	No coordination mechanism available	PSC formed	<p>Counterparts are participating fully in the project.</p> <p>Functional government in place.</p>



development.	<p>inter-agency coordination mechanism to give guidance to Iraqi Government</p> <p>1.1.3. Present options for inter-agency coordination mechanisms to the Government of Iraq for approval</p> <p>1.1.4 Review documentation from WB on assessment of institutional framework for industrial zone development in Iraq.</p> <p>1.1.5 Analyse the above documentation for possible gaps with regard to project requirements</p> <p>1.1.6 Provide recommendations to GoI on the gap readdressing</p>							Security situation enabling for project implementation.
1.2 An assessment of institutional and private sector needs to assist GoI to properly design policies and strategies for industrial zones are in place.	<p>1.2.1 Review available surveys from the Iraqi government</p> <p>1.2.2 Design a survey to identify the needs of SMEs in selected areas</p> <p>1.2.3 Carry out survey</p>	UNIDO	MoP, MoIM, NIC, KRG, IFI,	<p>- Number of assessments of institutional and private sector needs completed</p> <p>- Industrial Zone mapping in selected areas completed</p>	Assessment reports  Project records	No assessment available	Assessment reports completed	<p>Functional government in place and participating in project activities.</p> <p>World Bank document on industrial zones</p>

	<p>1.2.4 Analysis of results and presentation to the Iraqi government</p> <p>1.2.5 Mapping and analysis of industrial zone establishments in cooperation with the Iraqi counterparts</p> <p>1.2.6 Analysis of stratified samples drawn from the above study</p> <p>1.2.7 Present the results to the government of Iraq</p>			- No. of comprehensive analysis of selected cases of industrial zone completed				<p>made available.</p> <p>Security situation enabling for project implementation.</p> <p>Private sector interested in involving in project activities including surveys and interviews.</p>
<p>1.3 A comprehensive <i>Road Map</i> for the development of industrial zones is available</p>	<p>1.3.1 Preparation of a draft national road map for industrial zones in Iraq (through review/analysis of previous work and verification through workshops) .</p> <p>1.3.2 Determination of Iraqi technical assistance needs for the implementation of the road map.</p> <p>1.3.3 Peer review by stakeholders (including donors)</p>	UNIDO	MoP, MoIM, NIC, KRG, IFI	Road map for industrial zone development is completed	Project records <i>Road Map</i>	No <i>Road map</i> available	<i>Road map</i> completed	<p>Functional government in place and participating in project activities</p> <p>Appropriate industrial zones management and coordination mechanisms put in place by GoI.</p> <p>Security situation enabling for project</p>

	<p>1.3.4 Presentation of the draft national road map to the Iraqi government for review and approval</p> <p>1.3.5 Promotion of the draft national road map to all stakeholders</p>							implementation.
1.4 Increased knowledge of officials for industrial zone planning, design, management and promotion	<p>1.4.1 Advise IZ body on management procedures and job descriptions of management and support staff for industrial zone operations</p> <p>1.4.2 Assist IZ and other cooperating institutions staff to organize and hold awareness and promotional workshops for potential zone tenants (identified during the first phase: market analysis) to determine their requirements</p> <p>1.4.3 Train IZ staff on marketing practices to promote the industrial zones nationally and internationally</p> <p>1.4.4 Train IZ staff on the</p>	UNIDO	MoP, MoIM, NIC, KRG	<p>No. of governmental official (male/female) trained</p> <p>% of trained officials (male/female) participating in development of industrial zones</p>	Project Records	0	<p>Number of trainees 2011 (TBD)</p> <p>80%</p>	<p>Functional government in place and participating in project activities.</p> <p>Government officials designated by counterpart officials to take part in training activities.</p> <p>Security situation enabling for project implementation and relevant travel requirements for training activities.</p>

	<p>organization of financial appraisal of investment projects and monitoring.</p> <p>1.4.5 Advise IZ management and other cooperating institutions on investment promotion activities and provide job descriptions of specialized staff.</p> <p>1.4.6 Train IZ staff on COMFAR</p> <p>1.4.7 Expose the IZ bodies to EDIP methodology for establishing, sustainably operating enterprise development units within IZ</p>								
		<b>Outcome 2: Strengthened basis for economic recovery in two selected areas of Iraq</b>							
<b>IP Outputs</b>	<b>Activities</b>	<b>UN Agency</b>	<b>Partner</b>	<b>Indicators</b>	<b>Source of Data</b>	<b>Baseline Data</b>	<b>Indicator Target</b>	<b>Assumptions</b>	
2.1 An analysis of industrial structure in the two selected areas (including the one of Al-Faw port) to assist the preparation of	2.1.1 Design an industrial survey in the two selected areas (including level of infrastructure, number and	UNIDO	MoP, MoIM, NIC,	Analysis report completed	Project reports Analysis report	No analysis report	Analysis report completed	Functional government in place and participating in project activities.	

detailed prefeasibility studies completed.	<p>nature of enterprises, local entrepreneurship, local resources and markets)</p> <p>2.1.2 Implement survey in the two selected areas</p> <p>2.1.3 Analysis of the results and submission to Iraqi Partners</p>		KRG, IFI					<p>Local authorities cooperating with UNIDO and sub-contractors to enable survey and related analysis to take place.</p> <p>Security situation enabling for project implementation and access of sub-contractors to data and focal points.</p>
2.2. Pre-feasibilities carried out in two selected areas for IZ creation (including the area of Al-Faw port)	<p>2.2.1 Carry out pre-feasibility studies for establishing two industrial zones in two selected areas. This will include:</p> <p>a) Main construction determinants</p> <p>b) Size of the site</p> <p>c) Site specification</p> <p>d) Site design and layout (preliminary Civil and Architectural design, preliminary civil works design)</p>	UNIDO	MoP, MoIM, NIC, KRG	No. of pre-feasibility studies completed	Project Records Pre-Feasibility studies	2	4	<p>Functional government in place and participating in project activities.</p> <p>The relevant legal frameworks are in place to enable establishment of these zones following pre-feasibility studies.</p> <p>Security situation enabling for project implementation.</p>

	<p>e) Road ways  f) Common service and utilities  g) Pre-built factories and multi-storey facilities  h) Phasing of development  i) Cost estimation</p> <p>2.2.2 Coaching and mentoring Iraqi counterparts to be able to carry out the pre-feasibility activity independently</p> <p>2.2.3 Submission to Iraqi Partner</p>									
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