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## **Independent Final Evaluation**

# **Technology Acquisition to Restart and Generate Economic Transformation (TARGET)**



UNITED NATIONS  
INDUSTRIAL DEVELOPMENT ORGANIZATION



**UNIDO EVALUATION GROUP**

**Independent Final Evaluation**

**Technology Acquisition to Restart and  
Generate Economic Transformation  
(TARGET)**

(UNIDO project number: FB/IRQ/08/006)



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION  
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David Gairdner, Dr. Riadh Al-Allaf, Widad Salih

# Acronyms and Abbreviations

MNF-I	Multi National Forces in Iraq
MoIM	Ministry of Industry and Minerals
MOLSA	Ministry of Labour and Social Affairs
MoP	Ministry of Planning
SME	Small and Medium Business
TARGET	Technology Acquisition to Restart and Generate Economic Transformation
UNDG ITF	United Nations Development Group Iraq Trust Fund
UNIDO	United Nations Industrial Development Organisation
UNEWG	United Nations Emergency Working Group
VTC	Vocational Training Centre



## Glossary of evaluation related terms

Term	Definition
Baseline	The situation, prior to an intervention, against which progress can be assessed.
Effect	Intended or unintended change due directly or indirectly to an intervention.
Effectiveness	The extent to which the development objectives of an intervention were or are expected to be achieved.
Efficiency	A measure of how economically inputs (through activities) are converted into outputs.
Impact	Positive and negative, intended and non-intended, directly and indirectly, long term effects produced by a development intervention.
Indicator	Quantitative or qualitative factors that provide a means to measure the changes caused by an intervention.
Intervention	An external action to assist a national effort to achieve specific development goals.
Lessons learned	Generalizations based on evaluation experiences that abstract from specific to broader circumstances.
Logframe (logical framework approach)	Management tool used to guide the planning, implementation and evaluation of an intervention. System based on MBO (management by objectives) also called RBM (results based management) principles.
Outcomes	The achieved or likely effects of an intervention's outputs.
Outputs	The products in terms of physical and human capacities that result from an intervention.
Relevance	The extent to which the objectives of an intervention are consistent with the requirements of the end-users, government and donor's policies.
Risks	Factors, normally outside the scope of an intervention, which may affect the achievement of an intervention's objectives.
Sustainability	The continuation of benefits from an intervention, after the development assistance has been completed
Target groups	The specific individuals or organizations for whose benefit an intervention is undertaken.





# Executive Summary

UNIDO supported the project *Technology Acquisition to Restart and Generate Economic Transformation (TARGET)*, in the Anbar Governorate of Iraq between December 2008 and December 2011. TARGET's objective was "to support economic recovery and restore livelihoods in conflict-affected areas of Fallujah..." The project had three main sub-components: Enhancing capacity of the Ministry of Planning and the Ministry of Industry; rehabilitation and revitalizing 50 to 75 small and medium sized businesses (SMEs), generating an estimated 500–750 jobs, and; to strengthened livelihood recovery for approximately 750 households in rural areas through appropriate technology transfers and promotion of non-farm income generating activities. Total project budget was USD 2,979,000, from earmarked UNDG Iraq Trust Fund resources contributed by South Korea.

UNIDO commissioned an independent final evaluation of the TARGET project, with a focus on results. The evaluation was concerned with the design and orientation of the project, a review of the project's implementation status and for identifying lessons that could be useful for the design and implementation of similar projects in Iraq and countries in a special development situation. The purpose was to assess relevance, effectiveness, efficiency, prospects for development impact and sustainability. The evaluation methodology included a field survey of 50 percent of the SMEs assisted by the project, in addition to a desk review of documents and interviews for all three project components. The evaluation team was lead by Mr. David Gairdner and included also Dr. Riadh Al-Allaf and Ms. Widad Salih.

*The SME component of the TARGET's project was supported by a robust baseline study, which provided insight to the impact of conflict on Iraq's Private Sector.* The baseline showed that business activity in the Fallujah Industrial Zone declined significantly between 2003 and 2008. There was a structural change in SME sector as the zone was closed for several years, companies were cut off from traditional supply chains and markets and the average size of companies shrank by approximately 30 to 40 percent. In turn, the economic situation of SME families also deteriorated, including as SME families carried the financial burden for larger extended families.

*The TARGET project was implemented during a period of transition, and both benefited from and reinforced positive trends.* Improved security conditions and economic recovery created an opportunity for rehabilitation of Anbar's agro-industrial sector. By 2008, some revitalisation of SMEs in the Industrial Zone had begun, as the situation stabilised and Iraq has moved from emergency to "development" orientation. However, SME owners had to invest in the rehabilitation or replacement of buildings and equipment. Sources of capital were

limited to the personal savings of SME owners and loans from family and community networks. As well, production and business management techniques were out of date, after decades of conflict and isolation.

*In response, the TARGET SME component provided financing and technical support for the rehabilitation of business operations, and a learning opportunity on business management and production techniques.* The SME component of the TARGET project met or exceeded its development objective, and most project outcomes and indicators. Where indicators were not met, it was generally the result of poor indicator design. Among the project's accomplishments, TARGET:

- *Made a verifiable contribution to economic recovery and the restoration of livelihood in Fallujah, and to revitalisation of the Industrial Zone.* This occurred under difficult conditions, with security still creating uncertainty and obstacles to normal operations.
- *Provided assistance to an estimated 30 percent of the SMEs operating in the industrial zone during 2010/11, and demonstrated a positive impact on the larger "business ecology".* There was evidence of other businesses making changes to their production and management practices to remain competitive.
- *Contributed to a significant improvement in business performance of assisted SMEs, stimulating direct and indirect employment creation.* Eighty percent stated their business was "much better", owing to improved security, increased sales and better access to supplies and markets. TARGET helped SMEs position themselves to take advantage of improved conditions.
- *Contributed to a 40 percent increase in full time positions among participating SMEs, with an almost equal number of part time positions.* There was a direct attribution between TARGET assistance, and employment creation. However, jobs went primarily to family members, and were not open to persons in the general labour market.
- *Improved business performance directly translated into improvements in the economic situation of SME families.* Over 80 percent reported their situation was "better" or "much better" since 2009, and also made a direct attribution between the improvements and TARGET assistance.

Accomplishments were possible, in large part, because of the trusted relationship that has developed between UNIDO and Iraqi counterpart institutions, including at the national and governorate level, and in the Vocational Training system. Results are especially positive when contrasted to the lack of progress shown by SMEs in the control group of non-assisted companies that participated in the 2009 TARGET baseline survey. Their business operations have not returned to pre-2003 levels, there have been no net gain in employment and the large

majority of families of non-assisted SMEs report their economic situation is the same or worse than in 2009. Investment patterns indicate that non-assisted SMEs did not have access to financing, or the management and technical innovation needed to benefit from improvements to the business environment.

*The TARGET training component also met or exceeded its beneficiary indicators, under difficult conditions.* Among the output-level accomplishments, the project met or exceeded its objectives related to the provision of training to eligible beneficiaries, from Fallujah and the surrounding sub-districts. The project achieved 116 percent of its original beneficiary target, or 870 persons against the original indicator of 750 households. The beneficiaries were chosen through a transparent process, with clear selection criteria. Also, the project achieved a gender balance within the beneficiary group, with 46 percent of course participants being women. The number of women involved exceeded expectations by 38 percent, and demonstrates the commitment of Counterparts to supporting gender equality.

*The evaluation noted the high quality of training, and improvements to the capacity of Iraqi counterpart institutions.* Regardless, the evaluation was not in a position to assess the extent to which training translated into employment or livelihood opportunities, with the exception of some beneficiaries employed by TARGET-assisted SMEs. There was no data available from project reporting or government systems, reflecting the weakness in monitoring. As some areas of concern:

- *The project did not conduct a labour market assessment, which may have affected the relevance of course choices and curriculum design.* An assessment is good practice used in other UNIDO Iraq projects.
- *The linkage between training and labour market entry remains weak.* Although the project did develop a strategy, it was undermined by delays with procurement and the arrival of equipment. Also, only a limited number of graduates could have participated. The weak linkage undermines the TARGET objective of contributing to employment and livelihoods. It relates not only to project design, but more importantly to the lack of an institutional approach within the VTC system itself.
- TARGET's inability to implement a market entry strategy also means that synergies were not fully developed between the training and SME components.
- *The UNIDO project model continues to offer a limited number of training options for women.* Difficult cultural circumstances notwithstanding, UNIDO Iraq has made a significant investment in providing training for women, through TARGET and other projects. However, this continues to happen without research or assessment on how women's opportunities can be

expanded. The concern reflects a limited development of policy and programme tools within UNIDO and Iraqi Counterparts, at an institutional level for which an individual project cannot compensate.

The concerns likely reflect the short term nature of the TARGET intervention. They reflect larger gaps in how Iraqi institutions provide support to SMEs and vocational training. Sustained support, at the institutional level, is required address related concerns. However, the TARGET funding model can only provide short to medium term support, and currently has no Phase II funding to build on success. UNIDO, Government and Donors should take the needed for sustained institutional engagement into consideration, as Stakeholders consider UNIDO's future role in Iraq.

# Summary of Recommendations<sup>1</sup>

**Recommendation 1:** Counterparts (Government, UNIDO, Donors and Private Sector) should consider a second phase of the TARGET project in the Fallujah Industrial Zone, with the possibility of scale up to other zones.

1a. The TARGET model is an effective model to support economic recovery, through the SME sector. Government, UNIDO and Donors should consider a Phase II of the project. The project should:

- Be based on an assessment of current needs and conditions, including other initiatives to develop the Private Sector;
- Continue combining owner and grant investments, but also considering options on sources of finance for owner investment;
- Consider options for encouraging innovation to management and production techniques, noting the long isolation of SMEs in the zone.
- Be part of a larger Government strategy to promote development of the Fallujah Industrial Zone (financial and commercial support, and normalise freedom of movement in and out of the zone) and restore essential services (security, electricity, water and sanitation, and waste removal, among other services);
- Be at least co-funded by Government, to ensure full integration into economic planning; and
- Contribute to a long term support strategy and instruments for Government support to the Fallujah Industrial Zone.

1b. A Phase II assessment should take into consideration, among other points:

- Whether it is possible and desirable to reintegrate the Fallujah Industrial Zone into regional markets, and if complementary actions can be taken to reactivate regional markets. Re-establishing regional economic flows would have both economic and political dimensions (supporting political stability and unity through economic integration between regions);
- The advantages of shifting the support criteria to include larger SMEs (5-14 employees), given their greater potential to create employment in the general labour market rather than family-based employment.

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<sup>1</sup> The sequencing of recommendations in the Summary of Recommendations differs from sequencing in text of the report itself. The purpose is to strengthen coherence of the presentation.



1c. Government would be expected to play a greater direct implementation role during a Phase II. However, UNIDO can add value through technical advice and support, particular to project design, the baseline assessment and capacity development to Government on programme mechanisms. UNIDO may also add value to the design of a larger integrated programme for restoration of the zone.

1d. Phase II should also consider scale up of the TARGET model, to one or more industrial zones in other regions of Iraq.

**Recommendation 2:** The TARGET Project has generated important findings on the impact of violent conflict on the SME sector. The project could publish findings as a short Issues Paper, for future project development but also as part of UNIDO's global contribution to post-conflict Private Sector development. Analysis from comparable programmes, such as LAISER, could be added.

**Recommendation 3:** As its leadership expands, there is also an opportunity for Government and UNIDO to collaborate in strengthening Government's monitoring and evaluation capacity. UNIDO can add value in system design, and in establishing baselines.

# 1.

## Introduction and background

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### 1.1. Objectives of the TARGET Project

1. The TARGET project had three Project-level outcomes, related to strengthening capacity in the Ministry of Planning, rehabilitation of SMEs and livelihood training.

#### Project Results Matrix

<b>Development Objective:</b> To support economic recovery and restore livelihoods in conflict-affected areas of Fallujah, Anbar Governorate	
<b>Project Components/Outcomes</b>	<b>Project Outputs</b>
1. Enhanced capacity of the Ministry of Planning and the Ministry of Industry to implement and monitor programmes for the rehabilitation/ revitalization of the agro-industrial sector.	The development of a participatory and comprehensive action plan for the rehabilitation and revitalization of agro-enterprises and agro-infrastructure assets in directly affected conflict areas of Fallujah.
2. 50 to 75 rehabilitated/revitalized agro-SME's generating an estimated 500 – 750 jobs	Project TARGET agro-SMEs are rehabilitated and revitalized in selected areas of Fallujah (50 to 75 agro-enterprises).
3. Strengthened livelihood recovery for approximately 750 households in rural areas through appropriate technology transfers and promotion of non-farm income generating activities	Income and employment rates in conflict affected project TARGET sub/districts are increased through the promotion and development of sustainable micro- and small agro-related industries (750 households for an estimated population of 4500).

Objective 1 and Objective 2 outputs were to be supported with the following key activities:

1. Techno-economic assessment of conflict-affected agro-industrial infrastructure and enterprises that will play an important and strategic role in re-starting commercial and economic revitalization in TARGET areas.
2. Development of a comprehensive rehabilitation/revitalization work plan and capacity development of Government of Iraq officials to assist in the implementation and monitoring of this plan.
3. Rehabilitation of selected agro-industrial enterprises, infrastructure, and other assets necessary to raise productive capacity and improve community level commerce.
4. Procure equipment and other tools for installation or transfer to project participating enterprises, training service providers, beneficiaries, and entrepreneurs.
5. Development and provision of an enterprise development, market intelligence and business mentoring/coaching programme to assist and sustain agro-industrial productivity gains.
6. Monitor project and activity impact associated with TARGET interventions.

2. **The total final budget was approximately USD 2.8 million.**<sup>2</sup> Of this amount, almost 60 percent went procurement of equipment for the SMEs and VTCs, and for the training and study tours.

		yr 2009/2010/2011		Allotment as per
		Actual expenditure	Unspent Balance	ProDoc
1100	International Consultancy	528,110.36	571.64	432,000.00
1500	Project Staff Travel	51,203.47	10,841.54	40,000.00
1600	UNIDO HQ travel	11,999.06	567.95	10,000.00
1700	Local support & National Consultants	183,245.78	12,989.22	218,000.00
2100	Sub-contracting	257,148.21	665.79	380,000.00
3000	Training - Studytours	362,295.22	42,704.76	420,000.00
3500	Meetings	53,051.92	6,948.09	60,000.00
4500	Procurement of equipment	1,143,833.71	28,195.29	1,160,000.00
5100	Miscellaneous	72,551.64	1,862.73	43,430.00
5600	Security Services	15,325.63	0.00	25,000.00
		<b>2,678,765.00</b>	<b>105,347.01</b>	<b>2,788,430.00</b>
		expend. + blance =	2,784,112.01	
	<b>PAD VALUE</b>	<b>2,784,112.00</b>		

## 1.2. Purpose of the TARGET Evaluation

3. UNIDO commissioned an *Independent Final Evaluation of its Project: Technology Acquisition to Restart and Generate Economic Transformation (TARGET)*. The project was implemented in the Anbar Governorate of Iraq

<sup>2</sup> Accounting provided by UNIDO, as of the end of the 2011 fiscal year.

between December 2008 and December 2011, with a total budget of USD 2,979,000. The source of funding was the United Nations Development Group Iraq Trust Fund (UNDG ITF), with earmarked resources contributed by South Korea.

4. The evaluation was conducted as a final evaluation with a focus on results. As such, it was concerned with the overall design and orientation of the TARGET project, a review of the project's implementation status and for identifying lessons that could be useful for the design and implementation of similar projects in Iraq and countries in a special development situation.
5. The purpose of the evaluation was to assess the:
  - a. *Project relevance* with regard to the priorities and policies of the Government of Iraq, the UNDG ITF and UNIDO;
  - b. *Project effectiveness* in terms of the outputs produced and outcomes achieved as compared to those planned;
  - c. *Efficiency of implementation*: quantity, quality, cost and timeliness of UNIDO and counterpart inputs and activities;
  - d. *Prospects for development impact*;
  - e. *Long-term sustainability* of the support mechanisms results and benefits; and
  - f. *Synergies*, coordination and relations with partners.<sup>3</sup>
6. Finally, the evaluation was directed to provide the necessary analytical basis and *make recommendations to the Government and UNIDO* for the closure of the project and for ensuring its sustainability.

### 1.3. Scope and Methodology

7. The evaluation methodology included three components, as outlined in the *Terms of Reference*. First, the evaluation conducted a review of general and project documentation, to identify initial findings and develop field survey tools. The survey questionnaires were developed in consultation with UNIDO personnel (Amman-based project and evaluation unit personnel), and discussed at a meeting of the Project Steering Committee in Istanbul

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<sup>3</sup> The purpose of the evaluation is outlined in the *Terms of Reference*, which are included as Annex A to this report.

(November 2011). Design of the survey tools took into account the 2009 UNIDO baseline survey, to ensure that data would be comparable.<sup>4</sup>

8. Second, a field survey was conducted by two Iraqi specialists, over a two week period in January 2011. The main survey of TARGET-assisted SMEs was followed up by a smaller survey of SMEs that were included in the 2009 UNIDO baseline survey, but did not receive project. The second survey assessed a control group, to measure the relative performance of SMEs that received and did not receive assistance.<sup>5</sup> During the survey period, evaluation team members also conducted interviews with TARGET stakeholders from the TARGET Project Management Team, the Ministry of Planning (Baghdad) and with Governorate officials in Fallujah and Ramadi.
9. Third, survey results were compiled during a meeting of the full evaluation team in Istanbul during February 2012. Representatives from UNIDO and the Iraqi Ministry of Planning were present to answer questions of clarification, identify factual errors, provide information on survey gaps, and discuss interpretation of results. The Project Steering Committee received a debriefing on the initial survey findings, and the Team Leader subsequently travelled to Vienna to debrief programme and evaluation department personnel. On the basis of these results, the evaluation team produced a draft report for circulation and comment.

## 1.4. Limits of the Evaluation

10. The evaluation was originally designed to include both project components; livelihood training and support to SMEs. However, the evaluation was not able to conduct the livelihood training component. There were two factors hindering the field survey being deployed: difficulty managing the gender element given cultural sensitivities and the need to move over a large area rural/urban, and; a spike in violent incident in Fallujah during late December 2011 and January 2012. Both factors prevented the team from moving freely within Fallujah and relating to female beneficiaries, where livelihood activities were implemented and the beneficiaries reside.<sup>6</sup> The Fallujah Industrial Zone is located on the south-eastern boundary of Fallujah, with direct highway access to Baghdad. Security conditions within the city, therefore, did not hinder survey work in the industrial zone.

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<sup>4</sup> The survey questionnaires are included as Annex B to this report.

<sup>5</sup> A comprehensive presentation of the survey methodology is included in Annex C of this report.

<sup>6</sup> The team included female surveyors, but it proved difficult for them to move freely to conduct interview in the home of beneficiaries, under prevailing conditions.

11. During inception process and field study, the evaluation worked with data on from 76 SMEs. The evaluation understood that 76 was the full complement of SMEs receiving support. However, the final data received from UNIDO in March 2011 was that a total of 97 SMEs received some form of support. The evaluation notes the differential of 21 additional SMEs, resulting from final distribution of project resources. However, it was not possible to assess the additional data, or incorporate their performance into the survey results. Also, the evaluation would like not have found a result too early after distribution.

# {TC "II. Iraq Country Context" \fC \l "1" }2.

## Iraq Country Context

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### 2.1. Overview

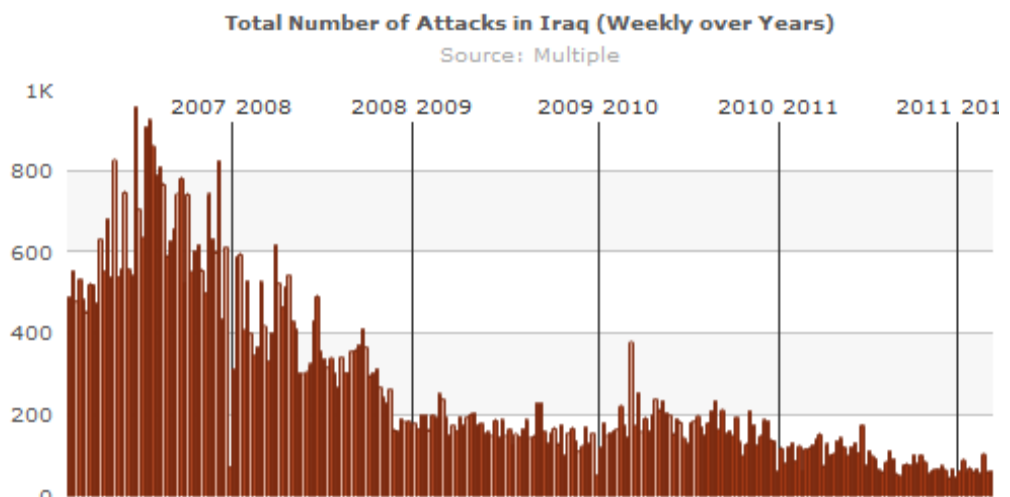
12. The TARGET project was implemented during a period of transition in Iraq. The *TARGET Project Document* (2009) notes evidence of improved security conditions and economic recovery, creating an opportunity for rehabilitation of Anbar's agro-industrial sector. By 2012, the overall security situation has stabilised, and Iraq has moved from emergency to "development". Within these changes, private sector development and job/livelihood creation emerged as key Government priorities. At least five inter-related trends affecting the project environment.

*The security situation has improved, but remains volatile with a shift to more targeted violence<sup>7</sup>*

13. **The overall security situation in Iraq improved since peak violence in 2006/7.** Violence escalated significantly between 2005 and 2006, peaking in

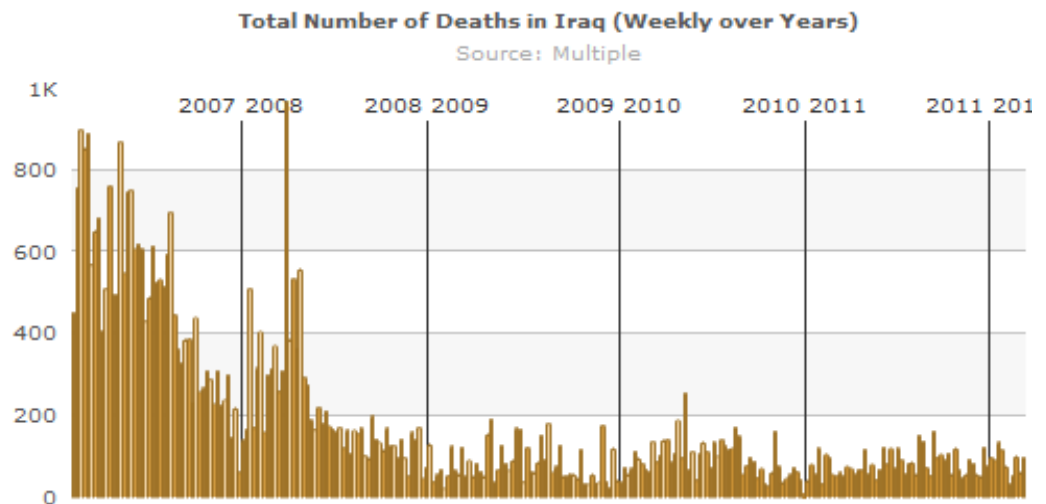
2007 and showing dramatic improvement between late 2007 to early 2008. There have been spikes in the level of violence

since mid-2008. These generally relate to events, such as the 2010 elections, milestones in the withdrawal of US Forces and tensions that emerged in the



<sup>7</sup> All tables on the security situation are generated with data from the Interagency Analysis Unit, <http://incidents.iauiraq.org/>

Iraqi unity government during late 2011 and early 2012. The most recent spike in violence was accompanied by multiple high casualty events, including several that took place in the Anbar Governorate in December and January 2012.

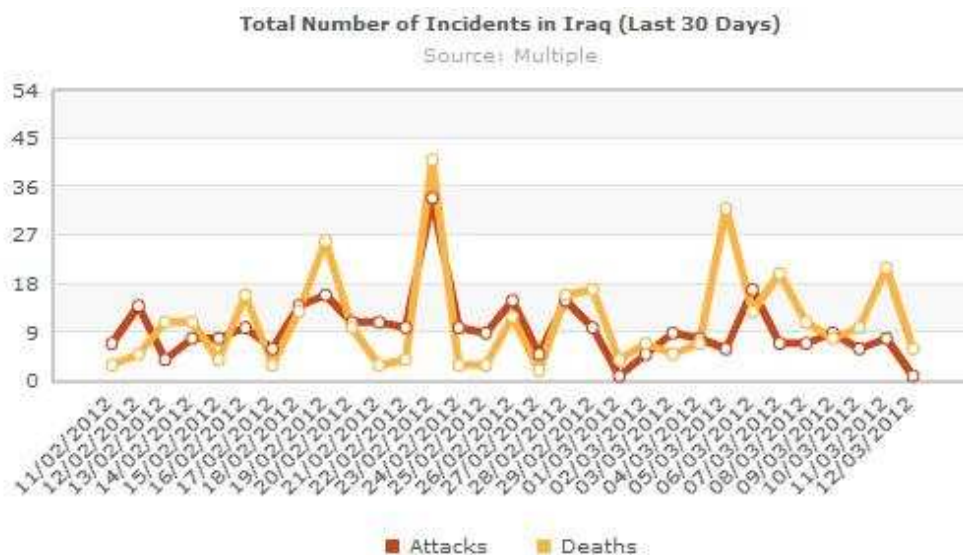


14. **The long-term trend is for an improvement to the security situation.** The situation remains volatile and attacks are a fact of daily life that kills several hundred Iraqis killed each month. However, violence is not occurring at a level that obstructs political and business activity in most of the country. Some locations are exceptions, with Baghdad remaining the centre of attacks. At the same time, the dynamics of the violence have shifted:
- a. The gradual withdrawal of US forces since 2009 has reduced the US role as an actor in Iraqi political dynamic, and shifted to national and regional influences.
  - b. There had been a shift from mass casualty events (e.g.: IEDs and car bombs) to high profile and targeted attacks against political figures, government officials, public servants or members of the Iraqi Security Forces.<sup>8</sup>

<sup>8</sup> An estimated 40 percent of persons killed during 2011 were members of the security forces, and an additional 25 percent were affiliated with Awakening Councils that allied themselves with the Government and MNF-I during the 2008 “surge” (Khazai 2012).



- c. Also, there have been a growing number of bombings that appear targeted to produce a new round of violence along ethno-sectarian lines, between Sunni, Shia and Kurds.



The current round of violence relates to on-going tensions inside of the government since the 2010 elections, in which political fragmentation is creating a power vacuum.<sup>9</sup>

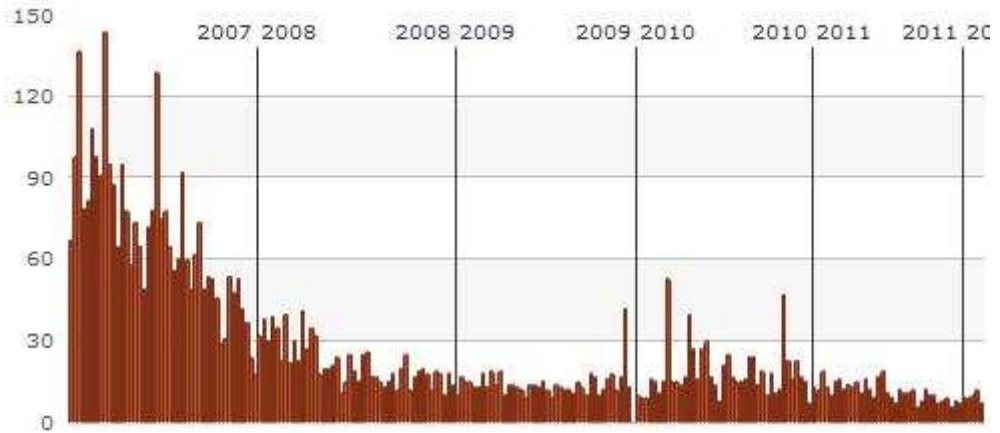
**15. The security situation in Anbar Governorate shows a similar trend.**

Between 2003 and 2005, Fallujah was the site of intense fighting between the Multi National Forces in Iraq (MNF-I) and armed groups. Many civilians were killed, injured or displaced, and there was large-scale destruction of property. Security control in Anbar was handed over to the Government of Iraq from the MNF-I in September 2008, following improvement in security. Regardless, Fallujah city and the Anbar Governorate experiences regular acts of violence. These spiked around the 2010 election process and again in late 2011 and into 2012 with tensions in the unity Government, with Government officials and security forces (police) often the targets.

<sup>9</sup> Sources include data from the Interagency Analysis Unit; Cordesman, Anthony, *Iraq: Patterns of Violence, Casualty Trends and Emerging Security Threats*, February 2011, and; UNDP, *Country Brief: Republic of Iraq UPDATE*, September 2011.

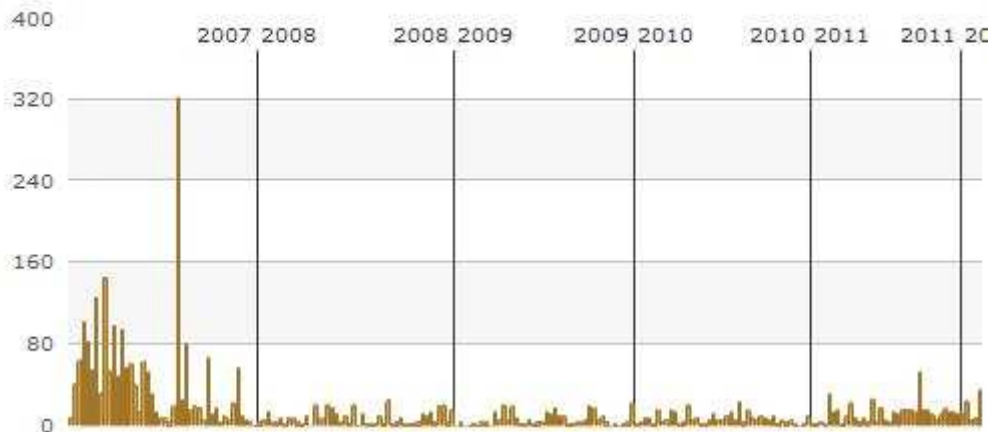
**Total Number of Attacks in Anbar (Weekly over Years)**

Source: Multiple



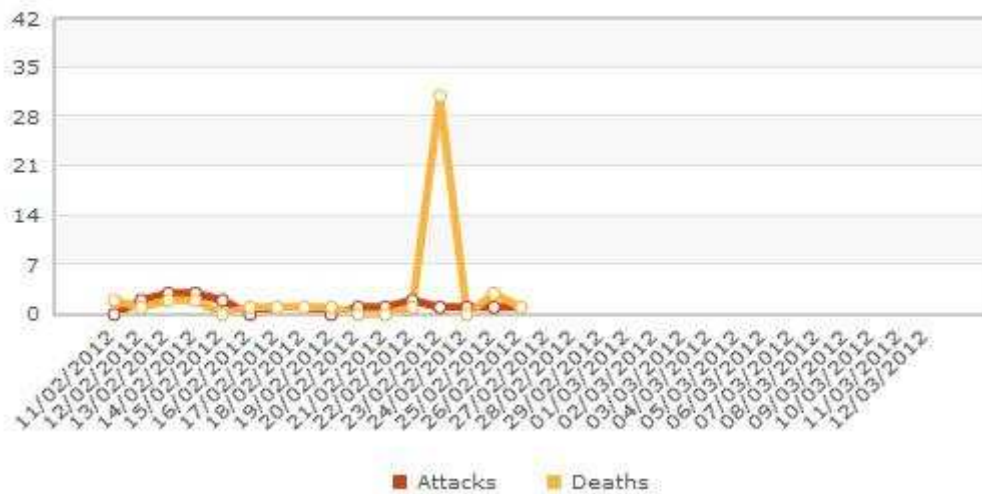
**Total Number of Deaths in Anbar (Weekly over Years)**

Source: Multiple



**Total Number of Incidents in Anbar (Last 30 Days)**

Source: Multiple



■ Attacks    ■ Deaths

*The political situation remains volatile and closely related to on-going violence*

16. **The political situation in Iraq remains volatile.** The TARGET project was developed in the context of on-going political uncertainty. Iraq's political parties remain ethno-sectarian based, with the support base of the parties fixed along these lines. The political landscape is fragmented, with many centres of power. No party has emerged claiming to represent Iraqis across the ethno-sectarian divides, and there has been no stable compromise between the political factions that would permit a focus on governance and development improvements. Ethno-sectarian divisions have resulted in an on-going power struggle, producing a slow progress in many areas of key development priorities.
17. International assistance to the governance sector has supported development of the procedural framework for a democratic system. However, analysts argue the imposition of political rules has had little effect on the actual political behaviour of the parties and political leadership. "Iraq demonstrates resilience of domestic political forces even in the face of eight year occupation [and that] culture and power relations do not change on demand to accommodate the goals of outsiders".<sup>10</sup>
18. In this context, the March 2010 elections produced a fragile coalition government with ministries shared between the different political blocs, after nine months of contentious negotiations.<sup>11</sup> Since then, partisan political behaviour has focused on the narrow interest of the different political blocs. The result has been gridlock in the policy and legislative systems. Among the unresolved issues that are critical to the future of the Iraqi State:
  - a. *The nature of Iraqi federalism, the division of powers with the system and interpretation of the constitution on issues such as regional autonomy.* This has occurred around Iraq's constitutional arrangement that allows for some regional autonomy at the same time as the central government seeks to centralise that power. Anbar is one of the Governorates seeking greater autonomy from the Central Government.
  - b. *The status of the disputed areas along the northern border with the Kurdish governorates.* Disagreement about the precise boundaries of the Kurdistan Region are exacerbated by issues surrounding hydrocarbon

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<sup>10</sup> Ottaway, Marina and Danial Kaysi, *The State of Iraq*, The Carnegie Endowment for International Peace, February 2012, p.1

<sup>11</sup> On 15 January 2010, the Independent High Electoral Commission (IHEC) banned 499 candidates from the election due to alleged links with the Ba'ath Party. The decision was controversial, and disadvantaged the opposition parties.

allocation, land, security responsibility, service delivery, demographic change and historical area legacy.<sup>12</sup>

19. Iraq, therefore, remains divided on ethno-sectarian boundaries. Cleavages and competition based on the particularistic interests can extend down into ministries, through the appointment of officials along partisan or sectarian lines. Tensions within the coalition came to a breaking point in late 2011, coinciding with the final withdrawal of US forces from Iraq. The crisis had its roots in partisan competition since the 2010 elections, but escalated in the ensuing months. There has been a spike in violence events, in Anbar Governorate and throughout the country with opposition alleging that the Shiite dominated government is attempting to purge Sunni representatives.

*The overall economic situation is improving, albeit with modest progress towards economic diversification*

20. **Iraqi's economy shows signs of recovery in recent years.** Iraq is classified again as a low middle income country, and recent IMF and World Bank reporting indicates that the country has sufficient natural and human resources to make development gains. By 2004, Iraq's GDP was estimated at USD 800, down from USD 2300 in 1990 and gradually deteriorating after the First Gulf War and as the result of sanctions. During this period, Iraq's economic infrastructure was seriously degraded and the country suffered under a crippling debt burden. By 2011, GDP had recovered beyond 1990 levels, over USD 2900 with GDP growth of 12 percent estimated for 2012.
21. **Economic diversification has emerged as a core public policy issue.** Regardless of improvements, concern remains for slow private sector development and concentration of economic activity in the petroleum sector. Economic power and activity remains concentrated in the central State, and the oil sector accounts for almost 90 per cent of State revenues. In turn, the State generates approximately 87 percent of the total domestic investment into the economy and over 30 percent of all jobs. Private sector investment accounted for only four to five percent of GDP during the programme period (UNDP 2011; IMF 2011).
22. **The effect is to crowd out non-petroleum sectors, and limit the role of the private sector in Iraq's development** (Gol 2010; IMF 2011). In this context, SME have played an important role. Statistics from 2008 when the TARGET project was being planned indicated that up to 90 percent of employment in the private sector was generated by firms with 10 employees or less. However, restrictions given the family-orientation of many SMEs limited their larger contribution to the labour market; UNIDO's experience is that SME's tend to hire family members first. Also, there is not yet a large

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<sup>12</sup> UNDP, *Country Brief: Republic of Iraq UPDATE*, September 2011.

enough entrepreneur class in Iraq to effectively push for economic reforms. With Iraq's demographic budge, the economy is not able to absorb the number of youth and women seeking entry into the labour market (Gol 2011; COSIT 2010).

23. **Private investment is expected to account for 4.8 percent of GDP in 2011, showing modest growth since 2008 and in decline relative to public sector investment.** The lack of economic diversification (crowded out by oil proceeds), the doubling of public-sector employment in recent years, a constantly-suppressed private sector, a demographic growth of 3 percent annually (with limited opportunities for new entrants in the labour market) all pose constraints on ensuring sustained economic growth and poverty alleviation.

### Public and Private Investment as % of GDP<sup>13</sup>

GDP breakdown	2008	2009	2010f	2010actual	2011project	2011estima	2012
in % of GDP							
1. Gross domestic investment (GDIInv)	28.4	25.7	30.2	24.4	29.6	33.5	32.4
2. of which public	26.4	21.9	26.2	20.3	24.4	28.7	27.3
<b>PRIVATE investment (1.-2.)</b>	<b>2</b>	<b>3.8</b>	<b>4</b>	<b>4.1</b>	<b>5.2</b>	<b>4.8</b>	<b>5.1</b>
3. Gross domestic consumption (GDCons)	54.4	95.3	79.5	77.3	79.7	76.3	71.4
4. of which public	34.6	55.3	47.8	42.8	44.5	38.6	34.7
<b>PRIVATE consumption (3.-4.)</b>	<b>19.8</b>	<b>40</b>	<b>31.7</b>	<b>34.5</b>	<b>35.2</b>	<b>37.7</b>	<b>36.7</b>
GDP=G + C + I + NX where G stands for Government spending, C is private consumption (households), I is private investment and NX is net exports							
G = Ginv + Gcons							
that is GDP= Ginv +Gcons+ C + I + NX							
that is GDP= GDIInv(public and private) + GDCons(public and private) +NX							

*Human development indicators are improving, although gains have been modest.*

24. **Iraqi's poverty headcount remains at 23 percent.** Almost seven million Iraqis earn less than USD2.5 a day.<sup>14</sup> Data does not show significant changes since 2008. There are important geographical and demographic variations across the country. In Anbar, urban poverty headcount in 2006 was estimated at 11.4 percent and rural count at 38 percent<sup>15</sup>, with over all count at 20.9 percent. This figure is still being used in 2011.<sup>16</sup> The poverty gap and levels of inequality in Iraq are very low. However, the majority of the non-poor live just above the poverty line, and their situation could be reversed by shocks,

<sup>13</sup> Data provided by the UNDP Private Sector Development project, based on IMF data for 2011.

<sup>14</sup> Data cited in the 2008 project documentation is comparable to the data used in the 2010 COSIT/World Bank study, and the current *National Development Strategy* (2010). Data cited in this report is taken from the 2010 COSIT/World Bank report unless otherwise cited, as it provides the basis for Government planning. The *National Development Strategy* notes an increase in inequality as Iraq's economy begins to grow (COSIT WB 2010: 25)

<sup>15</sup> Nationally, 39 percent of the rural population is under the poverty line, compared to 16 percent of the urban population.

<sup>16</sup> See IAU, *Anbar Governorate Profile*, 2011, <http://www.iauiraq.org/documents/478/GP-Anbar.pdf>

external or personal. Almost 80 percent of Iraqis, therefore, are considered (COSIT 2010).

**25. Employment income is the most important determinant of poverty.**

Poverty levels remained at approximately 28 percent of the population, with a further 60 percent Employment accounts for almost 70 percent of household income, for both poor and non-poor Iraqis. The third largest income source is Government transfers, mainly in the form of food rations.<sup>17</sup> Poverty analysis, therefore, is directly related to conditions in the labour market. Available data indicates that:

- a. *In 2008, over 90 percent of private sector employment is found in enterprises of less than ten employees.* A healthy SME sector, therefore, is critical to the overall poverty situation. This is a central concept behind the TARGET intervention, and UNIDO's overall approach to Iraq.
- b. *Only 38 percent of Iraqis are in the labour market and working.* The rate is exceptionally low compared to other Lower Middle Income (LMI) countries (67 percent) and other countries in the Middle East and North Africa (MENA) region (where average participation is approximately 50 percent).
- c. *Opportunities for private sector job creation have been limited by a dominant public sector, the absence of a favourable regulatory environment, and high dependence on oil revenues.*<sup>18</sup> The number of Iraqis employed in the public sector has doubled since 2005, with the public sector currently providing 43 percent of all jobs in Iraq (full and part time) and almost 60 percent of all full time employment. Full time employment in the private sector accounts for only 22 percent of jobs.<sup>19</sup>
- d. *There is a strong preference for employment in the public sector.* The preference is, in part, explained by the historical strength of the central Government. However, the public sector is the primary source of secure employment. The Interagency Information and Analysis Unit (IAU) data indicates vulnerability is significantly higher for persons without civil service positions.<sup>20</sup>

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<sup>17</sup> The Public Distribution System is the largest social protection programme in Iraq, reaching an estimated 70 to 80 percent of Iraqis. Almost seven million Iraqis would fall below the poverty level without food rations, making it an important poverty reduction mechanism. However, the PDS accounted for 7.5 percent of the federal budget in 2010, making it more expensive than health and education combined. The effect is to crowd out more productive public services and Iraq moves out of an emergency situation, and to distort food prices (COSIT WB: 2010; UNDP 2011).

<sup>18</sup> For the World Bank Ease of Doing Business reports issued between 2009 and 2011, Iraq ranked consistently at or near position 166 out of 183 countries.

<sup>19</sup> IAU 2010

<sup>20</sup> IAU, *Labour Market Factsheet*, 2011,

<http://www.iauiraq.org/documents/1582/LB%20Factsheet-English.pdf>

- e. *Among those seeking work, the unemployment rate was estimated in 2010 at 15 percent (COSIT WB 2010: 25).*<sup>21</sup> Disaggregated, unemployment is concentrated and rising among younger men. For 2010, 28 percent of the male labour force aged 15- 29 was unemployed compared to the national average of 18 percent.<sup>22</sup> Including women, the unemployment rate was approximately 40 percent for youth and 32 percent for women (UNDP 2011).<sup>23</sup>

*There is a growing focus in society on material concerns, related to service delivery and job creation.*

**26. As conditions improve, there is growing public focus on the economy.**

Even as security and political conditions remain volatile, data shows an important shift to from security to material concerns; such jobs, delivery of basic services, and corruption among them. As such, performance in these areas has become increasingly important to the credibility of the state and, therefore, of growing political sensitivity.

- 27. A majority of Iraqis still describe themselves as “suffering”**, highlighting the distance between political conflicts at the top and the daily concerns of citizens.<sup>24</sup> Polling over the period 2008 to 2011 shows that a majority of Iraqis believe the country is headed in the wrong direction. However, there is a gradual improvement in the public’s perception of the situation, including the state of the economy and their personal well-being.<sup>25</sup>

- 28. At the same time, there has been a marked shift in the public’s perception of priority issues as general trends.** Concern for the security situation remains strong. There is some fluctuation in the polling results, based on geography and the proximity of the poll to specific events.<sup>26</sup> Regardless, polling shows growth in concern with basic service delivery, the economy and employment. There is also growing public anger on the issue of corruption, and concern for public security and the rule of law (effectiveness

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<sup>21</sup> IAU cites an average unemployment level of 18 percent for 2010

<sup>22</sup> IAU 2010

<sup>24</sup> Khazai et al., 2012, p.5

<sup>25</sup> A poll conducted by the *International Republican Institute* in 2010 found the 59 percent of the population believed the Iraq was headed in the wrong direction, while 49 percent believed the direction was positive. A spring 2011 poll by *Greenberg Quinlan Rosner and NDI Public Opinion Research*, concluded “although a 49 percent plurality see the country heading in the wrong direction, a 5-point increase since our first survey in November 2010, 42 percent still think the country is moving in the right direction, which is relatively high by international standards.” A February 2012 poll by the *Oxford Research Group* found 70 percent of Iraqis believed the situation was improving, with 79 percent saying the situation was the same or better than the previous year.

<sup>26</sup> For example, while polling between 2009 and 2011 showed a decline in the security as a priority, the 2012 *Oxford Research Group* poll, taken at the during period of tension in the Unity Government and a spike in violence, showed increasing concern for security.

of the police). The trend begins in 2009, and grows to the point that is the primary concern of Iraqis consistently since 2010.<sup>27</sup> The polling also finds employment and economic concerns among the poor lead to questions about the government's priorities. Employment and basic service delivery, therefore, have become important to the perceived legitimacy of the State, and the political fortunes of government.

29. **The emerging political sensitivity of development issues was demonstrated by nation-wide protest during 25 February 2011.**<sup>28</sup> Calls for action on corruption, unemployment and improved service delivery in key areas, such as electricity, resulted in the Government adopting a *Strategic Government Program, 2011-2014*. The programme brings tighter focus to the pre-existing *National Development Plan 2010-2014*, and identified private sector development as one of its six priority areas. Among the actions relevant to employment, private sector development and vocational training were: economic diversification, through support to small and medium-sized business; improve the skill level of workers; and measures to empower women in the society, including participation in the labour market.

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<sup>27</sup> The 2010 IRI poll found that 43 percent of Iraqis cited security as the biggest single problem facing Iraq 2009, while 23 percent cited basic service and 18 percent cited unemployment. The 2012 Greenberg Quinlan Rosner and NDI Public Opinion found "nearly two-thirds of Iraqis name job opportunities as one of their top two concerns, up from 54 percent last November, and the share who cite basic services is up 18 points, to 47 percent... There is also sharp and persistent anger about corruption. A 58 percent majority see corruption as getting worse in Iraq. ... Concerns over jobs and unemployment are prevalent throughout Iraq, but there is some distinction across regions, particularly with basic services."

<sup>28</sup> Protests over public service delivery have escalated with the decline in violence, with electricity blackouts and poor water and sanitation as key issues. Protests culminated in a "Day of Rage" on 25 February 2011, in which 20 protesters were killed in clashes with Iraqi Security Forces (Schmit, "Demonstrations Turn Violent in Iraq", in the *New York Times*, 26 February 2011, <http://www.nytimes.com/2011/02/26/world/middleeast/26iraq.html>). The Government responded with by establishing a 100 day period to evaluate ministerial programmes, and with a new *Government Strategic Plan 2011- 2014*.



# { TC "III. Summary of the Fallujah Survey Findings" \f C \l "1" }3.

## Summary of the Fallujah Survey Findings<sup>29</sup>

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*TARGET data provided a good overview of the impact of conflict on the Private Sector. Business activity in the Fallujah Industrial Zone declined significantly between 2003 and 2007/8. There was a structural change in SME sector as the zone was closed for several years, companies were cut off from traditional supply chains and markets and the average size of companies contracted. In turn, the economic situation of SME families also deteriorated, including as SME families carried the financial burden for larger extended families.*

30. Fallujah avoided heavy damage during the initial 2003 occupation. However, there was intense fighting between late 2003 and early 2005, between MNF-I forces and armed groups. An estimated 70 percent of the Fallujah's 300,000 inhabitants evacuated at the peak of fighting in mid-2004, with the United Nations Emergency Working Group (UNEWG) estimating that up to 210,000 persons had been displaced by November 2004.<sup>30</sup> The UNEWG's January 2005 assessment reported a humanitarian crisis and extensive damage to public infrastructure, private homes and business. Access to Fallujah was closed during the fighting, and some of the restrictions on movement are still in place.<sup>31</sup>

31. Much of the fighting took place in and around the Fallujah Industrial Zone, previously one of the largest such zones in Iraq.<sup>32</sup> The zone was effectively

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<sup>29</sup> The full results of the field survey are presented in *Annex C: Summary of the Survey Data*. This section presents a summary and interpretation of the survey results.

<sup>30</sup> UNEWG, *Emergency Working Group-Falluja Crisis Update Note*, 13 November 2004. Also see *UN - Iraq Humanitarian Update April 2005* and UNEWG, *Fallujah Bulletin Update*, 18 January 2005.

<sup>31</sup> An estimated 36000 homes and 210 schools were damaged, many of them extensively. Damage to other public infrastructure, such as healthcare facilities, water and sewage and the electrical grid was extensive. Although up to 80 percent of displaced persons returned by mid-2005, large-scale humanitarian assistance was required through into 2006. See UNEWG, *Fallujah Bulletin Update*, 18 January 2005.

<sup>32</sup> Media reporting noted the industrial zone was a key staging site for armed groups and estimated that "the U.S. all but razed [the industrial zone] in Operation Al Fajr. At least

closed for much of the period 2003 to 2006, showing signs of recovery only in 2007/8. The 2009 UNIDO baseline survey provides some insight into the extent of the damage and its impact on the local economy:<sup>33</sup>

- a. From interviews, there were approximately 1000 companies operating in the FIZ prior to 2003. Less than 300 were thought to be operating by 2009, although there was evidence of increased activity.<sup>34</sup>
- b. *Ninety percent of businesses in the FIZ suffered some form of damage, to buildings and/or equipment. Damage to most businesses was extensive, with only six percent of the companies surveyed reporting no damage (13 of 201 SMEs).*
- c. *Traditional economic patterns were disrupted.*<sup>35</sup> First the violence and then security measures placed restrictions on the movement of people and goods in and out of Fallujah. There were also restrictions on movement, within both the city and the industrial zone. SMEs were cut off from long-established supply chains and markets and became more dependent on the local market. Even with post-2009 improvements in the situation, access to regional and national markets has not recovered.
- d. *There was some revitalisation of the zone after 2007/8.* However, SME owners reported they had insufficient resources to rehabilitate their workshops and return to pre-2003 levels of operation. By 2009 employment among the surveyed SMEs contracted by approximately 57 percent compared to 2003, and the average size of surveyed SMEs went from five to two employees.<sup>36</sup>
- e. *The result was a structural change in the SME sector itself.* Only about 30 percent of the pre-2003 number of companies had re-opened by 2008/9, companies with over 11 employee almost disappeared, employment in SMEs with 4- 10 employees declined 75 percent and employment in companies with one to three employees increased almost 300 percent.
- f. *Violence and displacement also resulted in a change to social structure.* Families were broken up by the violence and displacement, particularly in

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900 shops and factories were destroyed or seriously damaged in a district that employed about 70% of Fallujah's workforce".

<http://www.time.com/time/world/article/0,8599,1677146,00.html#ixzz1pNsiDrFF>

<sup>33</sup> Of the estimated 900 business in the zone prior to 2003, only 200 to 300 very estimated to be operating again in 2008, of which 201 were included in the UNIDO survey.

<sup>34</sup> No official statistics on the number of active companies were available. Estimates were based on interviews with Iraqi officials and UNIDO, and were consistent with other UN and media reports.

<sup>35</sup> See Annex C: Table Two to Table Six.

<sup>36</sup> Supporting data is provided in Annex C. The contraction was less dramatic among supported SMEs, with the average size shrinking from six to four employees.

2004 and 2005. Along with many in the community, SME owners carried responsibility for much larger extended families. It placed an additional economic burden on SME households, at a time when the economy was poor.

32. By 2009, therefore, a smaller number of companies employed significantly fewer persons. Structural changes also reduced the capacity to SMEs to generate employment. In turn, the situation of SME families also deteriorated, affected by both the violence and economic downturn. Only two percent of families surveyed in the 2009 baseline study described their economic situation as “good” when compared to 2003. The remaining families reported their situation had deteriorated, to “medium” or “poor”. Conditions were aggravated by the large number of deaths in their extended families and the influx of displaced persons from other parts of Iraq. Almost 50 percent of the families surveyed had some economic responsibility for extended family members, with the majority reporting they had difficulty providing.

*Significant investments were required for rehabilitation or replacement of buildings and equipment in the FIZ. However, sources of capital available to SME owners were limited to personal savings and loans from family and community networks.*

33. Activity in the industrial zone started-up again during 2007/8. Revitalisation of the zone was supported by an overall improvement in security and economic conditions. Regardless, SMEs were constrained by at least three factors in the business environment:
- a. *Support from Government to revitalise the zone was limited.* Problems with insecurity continued, as did restrictions on access to supply chains and markets. The FIZ had limited public service delivery (public security, water and sanitation and electricity) to support operations.
  - b. *Production techniques and business practices tended to be dated,* given Iraq’s long isolation from international markets during the sanctions period. The lifting of sanctions did not result in access to innovation, given the prolonged fighting and the isolation of Fallujah under security measures.
  - c. *SME owners had limited resources to finance rehabilitation of their workshops.* Information on compensation for damages (MNF-I or Iraqi State) and public sources of financing for rehabilitation was limited. However, both appeared to either not have reached SME owners, or be insufficient to meet requirements.

*The exposure trip to the visit UNIDO’s LAISER project in Lebanon resulted in new business standards and innovation being introduced to TARGET-assisted SMEs. The trip was an important first step building confidence between the*

*project Stakeholders and the SME owners. There were also synergies achieved between the TARGET SME and training components.*

34. The group of 39 beneficiaries and government officials<sup>37</sup> made an exposure trip to UNIDO's Lebanese Agro-Industry Support and Economic Recovery Project (LAISER).<sup>38</sup> The exposure trip made an important contribution to the TARGET project's start-up. The trip was appreciated and highly evaluated by Government and beneficiaries. It generated trust and commitment to the project, and strengthened the legitimacy of the Ministry of Planning and UNIDO. There was also evidence from site inspection that beneficiaries were using the information, ideas and standards learned during the trip, in addition to an intangible "inspiration" that was noted by many stakeholders. From the 2011 field survey:

- a. *The Lebanon trip introduced SME owners to improved business and production methods ideas.* Most of the beneficiaries had not travelled outside of Iraq before.
- b. *Some SMEs are using organizing techniques and standards on cleanliness,* to improve the efficiency of operation and for attracting customers to their workshops.
- c. *Owners were innovating with operating techniques and the use of equipment,* to adapt or expand, to develop their businesses. There were some new products and ideas, which also influenced the kind of equipment requested from TARGET and how it was used.
- d. *Bringing a new image and standards to the FIZ,* which also influences how non-beneficiary businesses behave.

35. There was some synergy between the training and SME components of the TARGET project. In addition to the Lebanon study tour, an estimated 57 SME owners and employees received training, most of them in the Generator

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<sup>37</sup> There was a discrepancy in UNIDO's reporting on the total number of participants. UNIDO's internal evaluation of the study tour states 39 persons participated on the tour, including four Government officials (2010). UNIDO's final beneficiary data from 2011 reported the total number of participants as 55 persons.

<sup>38</sup> The LAISER project was implemented in Lebanon after the Israeli invasion in July-August 2006. The objective of the LAISER project was to "support economic recovery and restore of industrial units in war-affected areas of Lebanon thereby generating employment and alleviate poverty in the country" <http://www.unido.org/index.php?id=6384>. Thirty-nine stakeholders from the TARGET project visited Lebanon in October 2010, including four from Government (Fallujah Mayor's office and the Ministry of Planning) and 35 Fallujah SME owners. The objective of the exposure trip was to "enhance the entrepreneurial spirit, i.e. the skills and knowhow needed to successfully run a business, among owners of SME's in the Industrial Zone of Fallujah." Stakeholders spent one week in Lebanon visiting SME that participated in the LAISER project. The trip was highly evaluated by stakeholders, in UNIDO's internal assessment (UNIDO 2010).

Maintenance course.<sup>39</sup> The field survey did not gather data on how the training was used by SME beneficiaries and owners, or whether it improved their effectiveness. Regardless, the project made a significant investment in the delivery of generators to Fallujah SMEs, and provided complementary support through training in their use and maintenance.

*TARGET-supported projects show a marked improvement in business operations by the end of 2011. Non-assisted SMEs showed no improvements in their operations, or were in relative decline.*

36. Of the TARGET-assisted SMEs, 87.5 percent stated they are doing the same, or much better”, with 80 percent replied their business was “much better”. Rehabilitation placed assisted-SMEs in a better position to take advantage of the gradual improvement in the economy, including demand in local and regional markets. Owners reported increased demand and sales for their products, with growing demand in the local market, and regionally as far as Baghdad. They also reported increased customer movement into the industrial zone, better market access outside of the FIZ and improved services, such as transport for supplies and goods to market.
37. Site inspection found that TARGET-supported civil works brought workshops to an improved level of functionality and cleanliness, compared to other SMEs in the zone. Works were generally found to be of good quality; built according to specifications, using appropriate materials with good quality workmanship, and costed within acceptable values for Iraq. The inspection did not find a case where civil works were completed to an unacceptable standard, or where resources had been diverted to unacceptable use, either outside of the original specifications and/or inappropriate to the objective of the rehabilitation.<sup>40</sup>
38. Of the non-assisted SMEs, no owner reported an improvement in business performance. The entire cohort responded that business was “medium” to “poor”, with little improvement between 2009 and 2011. Non-assisted SMEs were slower to start-up and were not being rehabilitated to the same standard. Site visits found workshops to generally be in poor condition, with more limited rehabilitation of equipment. The main reason cited by owners was insufficient resources, especially for equipment. In this regard, investment patterns differed between assisted and non-assisted SMEs; the former showed up-front investments supplemented TARGET support, with

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<sup>39</sup> Data on Generator training was taken from the final training statistics provided by UNIDO.

<sup>40</sup> As an observation, civil works done by contractors rather than the owners were generally of a higher quality. In part, contractors may have been better qualified to do the rehabilitation. However, at several SMEs it appeared owners may have cut costs by completing work to a lower standard.

investment levels declining on the completion of rehabilitation. In contrast, the non-assisted SMEs showed personal investment and borrowing extending over a longer period of time, with SMEs unable to start up as quickly.<sup>41</sup>

39. There was some evidence that the presence of 76 rehabilitated SMEs resulted in other companies opening, by creating a critical mass of companies operating, or “business ecology”.<sup>42</sup> The TARGET investments appeared to be contributing to a virtuous circle; rehabilitated SMEs responding to improved economic conditions and, bringing more customers into the industrial zone and introducing new ideas and standards. In turn, site inspection noted new SMEs opening around the beneficiary SMEs and investing in their businesses to a new standard, to be competitive. Inspection observed a new standard of cleanliness and organisation, such as painting of businesses and improved hygiene standards, to attract customers. Also, other SMEs appeared to benefit from increased customer movement.

*There was a 40 percent employment increase among the TARGET-assisted SMEs. In contrast, employment among the non-assisted SMEs has not recovered. Rather, the majority of companies reported that they have fewer positions in 2011 than in 2009.*<sup>43</sup>

40. The number of full time jobs increased 40 percent among TARGET-assisted SMEs, between 2009 and 2011. Companies, therefore, made good progress recovering from the 57 percent net employment loss they experienced between 2003 and 2009. Fifty-six new full time jobs were created among the SMEs surveyed, in addition to an almost 40 part time jobs. A total of 100 new positions may have been created, if the survey results are projected to the total number of 76 SMEs that received support.<sup>44</sup> Jobs were created mainly in low-tech manufacturing, with a smaller number in services.
41. The recovery was broadly spread over the TARGET-assisted companies. 62.5 percent of SMEs increased the number of persons they employ, while 35 percent had the same number of employees as they did in 2009. Only one

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<sup>41</sup> Data is taken from Annex C: Table Nine to Table 12 inclusive.

<sup>42</sup> There was some contradiction between improvements to the overall business environment in the zone and the poor performance of non-assisted SMEs in the control group. This is explained, in part, the location of some in other parts of the zone and away from the rehabilitated workshops. These SMEs, therefore, may not have been in a position to benefit from increased customer movement.

<sup>43</sup> Data on employment for TARGET-assisted SMEs is taken from Annex C, Table 15 to Table 21 inclusive.

<sup>44</sup> The figure of 40 percent appeared to under-estimate the actual direct and indirect employment created. There is evidence from the surveys that some SMEs could not afford to pay family members that were reported in the 2009 surveys as “employed”. The reason was insufficient income to pay salaries. The 2011 survey interviews indicate that companies are earning enough to pay a salary, arguably creating or at least consolidating a position. This would be a gain in the quality of employment, even if not registered as a net gain in the number of positions.

company among the 41 SMEs surveyed employed fewer people in 2011 than in 2009. The broad spread encouraged a structural change, moving SMEs back towards their average pre-2003 sizes. Gains notwithstanding, the general labour force did not benefit from new positions. SMEs recruited almost exclusively within extended family or close community networks. Family obligations and trust were the main reasons cited. General recruitment appears to occur only after companies reach a certain size (5 to 7 employees), after which there are may not be sufficient numbers of qualified family members to fill positions.

42. There was no job growth among the non-assisted SMEs.<sup>45</sup> Eighty-six percent of these companies experienced a net loss of employees between 2003 and 2009, and their situation had not recovered.<sup>46</sup> Forty percent of the non-assisted SMEs had the same number of employees in 2011 as they did in 2009, while 60 percent had fewer employees. None reported a net increase in the number of people they employ. The situation for non-assisted, therefore, has not stabilised. Consistent with poor overall business performance, they continue to experience a net loss of employment, albeit at a slower rate than between 2003 and 2009.

*SME families from TARGET assisted SMEs show on overall improvement in their economic situation, including within extended families. The situation of non-assisted SME families has no improved, with evidence of some further decline. This extends to external families.*

43. Improved business performance has resulted in a better economic situation for the families of SME owners. Families noted a marked deterioration in their situation between 2003 and 2009. Only two percent of families described their situation as “good”, while the situation of the remaining 98 percent was “medium” (85%) to “poor” (13%). By 2011, 70 of TARGET assisted SME families described their situation “Much Better” compared to 2009, and a combined 87.5 percent reported that their situation the “Same” to “Much Better”. Only 12.5 said their situation was worse than in 2009.
44. The situation also improved for extended family member. In 2009, slightly more than 50 percent of the 201 SMEs owners were supporting members of their extended family. In 2011, 82 percent said they were better able to support members of their extended family (combined responses “Better” and

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<sup>45</sup> The 2003-2009 job loss estimates of 57 percent applied to both assisted and non-assisted SMEs. The survey did not have comparable job loss figures for non-assisted SMEs between 2009 and 2011. Instead, it used the number of companies reporting further losses.

<sup>46</sup> See Annex C, Table 22. The higher employment decline among the non-assisted SMEs reveals a bias in the survey sample. The SMEs approved for assistance tended to be better established, and showing more progress with rehabilitation.

“Much Better”). No families reported their situation was worse. The survey did not collect data on the situation of extended families for non-assisted SMEs.

45. In contrast, the family situation of non-assisted SMEs did not improve. In 2009 59 percent reported their situation was “medium” and 41 percent described their situation as poor. Overall, families perceived their situation had also gotten worse since 2003. By 2011, the families of non-assisted SMEs reported that their situation was the same or worse. No family reported an improvement in their situation, and 89 percent said their situation was “Worse” or “Much Worse” than in 2009. The data, therefore, shows a deterioration of the situation of non-assisted families, in contrast to the improvement in the situation of TARGET-assisted families.

*TARGET-assisted SMEs make a direct attribution between their participation in the project, and improvements to their situation.*

46. Many variables account for the improvements in the situation of TARGET-assisted SMEs and their families and extended families. Principal among these would be reduced insecurity and economic recovery. Regardless, SME owners made a direct and strong attribution between improvements to their situation and participation in the TARGET project. Ninety-five percent of the 41 SMEs said that the project either contributed (17.5%), or contributed “very much” (77.5) to the improvements. Only five percent said their situation was the same after receiving the assistance.<sup>47</sup> The main reason cited was increased income, and ability to meet basic family expenditures. In turn, these were attributed to the improved performance of their businesses.

*TARGET achievements were realised in-spite of significant obstacles in the project environment. This affected both Stakeholder (UNIDO and Government) and SME operations, and limited outcomes. Addressing these concerns will be a challenge to sustaining TARGET results, and expanding activity in the zone.*

47. Significant obstacles to SME development remain the Fallujah area, and were likely to have limited TARGET outcomes. These relate mainly to continuing insecurity, and poor infrastructure and public service delivery. Some obstacles affecting Counterpart implementation efforts are noted in UNIDO's monthly reporting during 2011: on-going security problems, sudden erection of roadblocks or closure of movement to or from particular areas of Fallujah in connection with security incidents, and; widespread protests during February and March 2011 that results in the burning of official buildings, and numerous curfews and restricted movement over prolonged periods of time.

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<sup>47</sup> See Annex C, Table 30.



48. For SMEs, obstacles had the effect of limit production capacity, working hours, market access and undermine the confidence owners need to make expand future investments. As the key points from the interviews:
- a. There is no electricity in the zone (no power days at a time, then highly restricted hours). Work that needs power is stopped, unless generators are available.
  - b. Insecurity remains and affects daily SME operations. Examples include violent events in Fallujah and Baghdad, and road blocks and security barriers that limit the flow of people and goods to and from the zone. In particular, T-Walls (concrete security barriers) created difficulties for customers entering the zone, and restrict access to some areas within the zone itself that isolates SMEs.
  - c. Security restrictions also limit the hours of operation. The industrial zone opens at 900 and closes at 1400. Business hours are short, which limits production and access to clients.
  - d. Theft and robberies take place at night within the zone. For this reason most of workshop owners still keep the heavy equipment at their home to avoid robbery. There are no guards at the FIZ, and the SMEs are vulnerable at night. Some owners take equipment home at night, when it is not too heavy. As a result, not all the equipment is being properly used, given some of it cannot be installed securely.
  - e. Insecurity is a disincentive to Owner investment. In addition to waiting for the security situation to improve, there is uncertainty on the renewal of long term property leases in the zone, which are pending. Some Owners said they are reluctant to make further investments until the lease issue is resolved.

### **3.1. Results from TARGET Training Activities**

*The Target project's vocational training component contributed to the institutional capacity of MOLSA training centres, through delivery of building rehabilitation and delivery of equipment. Training courses in seven vocations were delivered to 870 beneficiaries, 46 percent of which were women. However, Stakeholders did not conduct a labour market assessment before making decisions on course selection curriculum design, understood as a good practice from previous courses.*

49. As noted, the evaluation did not conduct a field assessment of the TARGET project training component. Rather, the evaluation relied on documentation and stakeholder interviews.
50. *The TARGET project contributed to the physical capacity of Government vocational training facilities.* Government institutions played the lead role in the delivery of training, with technical and material support from UNIDO. Decisions on overall design of the training component were made in the Project Steering Committee, with the Ministry of Labour and Social Affairs (MOLSA) playing the lead implementation role. Training occurred at three MOLSA facilities in the Fallujah areas.
51. The project provided institutional support, in the form of rehabilitation to facilities and the procurement, delivery and installation of training equipment. Government officials (Ministry of Planning, MOLSA and Local Government in Fallujah and Ramadi) interviewed considered the quality of UNIDO's technical support as being high, and filling a gap in existing Government resources. Physical capacity installed by the project (rehabilitation and equipment) were in good condition at the end of the project, and can be used in the future.
52. *The project made an important allocation of budget to training activities.* From the financial data provided, total training costs for Training of Beneficiaries through the courses was USD 382,851 USD, or 20 percent of total project expenditures accounted for in the field. There were additional expenditures on equipment, although the evaluation did not have disaggregated information separating SME and training-related purchases. A significant amount of time, from UNIDO and Government personnel, went into the delivery of the equipment. There were frequent changes resulting from the security situation and large scale public protests in early 2011.
53. *Selection of beneficiaries was done on a transparent basis, with open competition and applied selection criteria.* Project selection criteria were including in the *Inception Report* (2009). Promotion was done through radio advertisements, which generated almost 1500 applications for training.
54. *The training curriculum included seven courses, nine if the SME component Study Tour to Lebanon and Evaluation training are included.* UNIDO advised that no formal market assessment conducted, as the basis for selection of course areas. Rather, UNIDO, MOLSA and the VTC consulted through the PSC mechanism, and with the SME owners, on the most appropriate areas. Documentation indicates there was resource allocation for new course development or training of trainers, as in other UNIDO projects. In this regard, the project did not follow the good practice developed in other UNIDO projects of conducting a market assessment before making decisions on

course selection and curriculum design. The impact on course relevance and effectiveness was not known, given the lack of data on post-course employment.

55. Only the Food Hygiene was directly relevant to agriculture and food production, accounting for eight percent of the beneficiaries. Other courses, such as welding, carpentry and auto repair can be relevant when applied to agro-industries. However, these were delivered primarily to beneficiaries in Fallujah and the link into agro-industries was unclear.

56. A total of 870 individual beneficiaries received training, in seven vocational areas.<sup>48</sup> The final number of person receiving training was 116 percent of the original indicator value of 750 households, noting that UNIDO estimated up to 90 percent of beneficiaries came from a single household. Most beneficiaries received a total of 20 training days and USD 200 as *per diem*, at a MOLSA facility in one of three locations in and around Fallujah. Course participants came from a broad geographic area, combining urban and rural locations. While the majority of beneficiaries received training in Fallujah, courses were also delivered in two other Fallujah sub-districts. The 116 percent performance level was achieved by Counterparts under difficult field conditions.

<b>TARGET Vocational Training Component; Number of Participants and Gender Distribution<sup>49</sup></b>			
	Total number of participants	Male	Female
<b>Sewing</b>	300	0	300
<b>Air conditioning/cooling</b>	48	48	0
<b>Carpentry</b>	60	60	0
<b>Auto mechanics</b>	100	100	0
<b>Welding</b>	199	199	0
<b>Computer</b>	60	0	60
<b>Food hygiene</b>	38	0	38
<b>Project Evaluation</b>	10	8	2
<b>Study tours (Lebanon + Italy) + generator maintenance</b>	55	55	0
<b>Total</b>	<b>870</b>	<b>470</b>	<b>400</b>

<sup>48</sup> The total of 870 included SME owners and employees that went on the Lebanon Study Tour and the Generator maintenance course, four Government employees that joined the study tour and 10 officials from the Ministry of Planning that received training in Project Evaluation. There was some overlap/double counting, therefore, when assessing performance against the project's indicators.

<sup>49</sup> Source, *Beneficiary Information List*, April 2012.

Four hundred and seventy male beneficiaries were enrolled in four courses and the Lebanon Study Tour. Of this number, 199 were enrolled in Welding while a smaller number took courses in Carpentry, Auto Mechanics and Air-conditioning.

Forty-six percent of all beneficiaries were female, with a total of 400 women receiving training. The number increases to 51 percent if training support to SMEs is discounted. The number of female beneficiaries, therefore, exceeded the project's target of 250, by approximately 38 percent.<sup>50</sup> There were three course offerings for women. Seventy-five percent of women were enrolled in sewing, 15 percent in Computers and nine percent were in Food Hygiene. The high level of gender equality in the training component was consistent with the project's analysis that "women typically constitute a substantial portion of the poor" (UNIDO 2008: 8).

The training component focused on youth, with an estimated 76 percent of beneficiaries between the ages of 18 and 39, and 24 percent 40 years and older. The youth profile was spread across male and female beneficiaries, and urban and rural locations.

	Number of participants <sup>51</sup>	Age distribution (%)
18-39 yrs	664	76 %
40+ yrs	206	24 %
<b>Total</b>	<b>870</b>	

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**Recommendation 2:** The TARGET Project has generated important findings on the impact of violent conflict on the SME sector. The project could publish findings as a short Issues Paper, for future project development but also as part of UNIDO's global contribution to cost-conflict Private Sector development. Analysis from comparable programmes, such as LAISER, could be added.

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## { TC "IV. Assessment of TARGET

<sup>50</sup> Neither the *Project Document* (2008) nor the *TARGET Inception Report* (2009) includes a numerical indicator target for gender equality in enrolment. A numerical target of 250 women appears in the *Monthly Progress Reports* (2011).

<sup>51</sup> Data taken from the UNIDO *Beneficiary List*, 2012

# SME Component Results" \f C \l "1" }4.

## Assessment of TARGET SME Component Results

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### 4.1. Relevance of the TARGET SME Component

*The SME component of the TARGET project was in alignment with, and highly relevant to changes in the Iraqi context, the priorities of the Government, donors and UNIDO and to the needs of beneficiaries. Relevance was sustained, and appeared to strengthen over time as the situation in Fallujah stabilised. Key performance factors were robust national ownership and involvement over the full duration of the project, including in the design and targeting of project activities, and investment in the TARGET baseline survey.*

57. *The TARGET project proved relevant to changes in the Iraqi context. The project was implemented during a period of transition, from high insecurity and humanitarian crisis to a greater focus on development issues. The transition was reflected in the changing priorities of Government and United Nations agencies. This place growing emphasis on public sector reform, economic diversification, private sector development and employment creation. TARGET began implementation early in the transition process. As a result, the project both benefited from, and served to reinforce positive trends.*
58. *TARGET was relevant to conditions in Fallujah. The Fallujah Industrial Zone has historically been important to local economy, and to the larger integrated regional economy. The design phase effectively identified the specific gaps in the resources and services needed to increase the pace and scope of recovery. These were unique, with no equivalent resources available in the community. Relevance was strengthened by the investment of all Counterparts in an effective baseline survey; each Counterpart made a contribution to the design, implementation and follow up.*
59. *The project was closely aligned with Government priorities. Private sector development was identified in the first National Development Strategy (NDS; Pillar II: Revitalising the Private Sector), and emerged with a stronger focus in the second National Development Plan (NDP; 2010-2014). The NDP*

emphasised correcting the imbalance between the economic roles of the public and private sectors, with the private sector becoming a key source of investment and employment (NDP: 169). The corresponding *United Nations Country Assistance Strategy* (2008-2010) and *United Nations Development Assistance Framework* (2011-2014) and the TARGET project document were closely aligned with Government's priorities, placing particular focus on SMEs as the main source of employment in the private sector.

60. *The TARGET project SME component had limited relevance to the Agro-industrial sector.* The *TARGET Project Document* (2008) focused on alignment with UN's *Country Assistance Strategy* (2008- 2010) outcomes in the areas of employment creation and enhanced production/productivity in the agriculture sector. While closely aligned with employment, few SMEs appeared involved in agricultural production. This appeared to be a structural issue (few SMEs in the FIZ servicing the agricultural sector) rather targeting of the intervention or SME selection. Alignment with the agricultural sector was achieved in the TARGET training component.
61. *Relevance was strengthened by robust engagement by national authorities, at the Central and Governorate levels.* The TARGET governance structure met on a regular basis. It served as a mechanism to provide guidance and make decisions at the strategic level, monitor operational performance and assist in the resolution of obstacles to implementation. The Governance structure also facilitated cooperation between all stakeholders, including the different levels of Government, and communication. The effectiveness of the Governance structure was strengthened by the fact the UNIDO now has a long standing and trusted relationships with Government, based on the Government's perception that of strong UNIDO performance over past projects.
62. *TARGET was relevant to changing public priorities.* As security conditions improved through 2008/9, polling showed growing public concern for the service delivery, the economy and employment. Increasingly, the credibility of Government has been tied not only stability, but also to the delivery of services and economic opportunity. In this regard, the project served as a channel for Government to be more visible, in the delivery of a service that has been highly valued in the community.

## 4.2. Development Effectiveness of the TARGET SME Component

### Effectiveness of Support to Small and Medium Enterprises in Fallujah

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**Development Objective:** Economic recovery and the restoration of livelihoods in the District of Fallujah supported through rehabilitation of micro and small enterprises and the provision of basic skills training for groups of vulnerable inhabitants.

**Project Outcome:** It is planned that 50 to 75 micro and small-scale agro-enterprises will be rehabilitated, which is expected to generate employment opportunities for between 500-750 individuals.

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*The SME component of the TARGET project met or exceeded its Development Objective. The project made a verifiable contribution to economic recovery and the restoration of livelihood in Fallujah, and to revitalisation of the Industrial Zone. The project provided assistance to an estimated 30 percent of the SMEs operating in the zone during 2010/11; a sufficient number to have a positive impact on the larger “business ecology”. The business performance of assisted SMEs improved significantly, stimulating direct and indirect employment creation and improving the economic situation of SME families. Results are especially positive when contrasted to the lack of progress shown by SMEs in the control group of non-assisted companies.*

63. *The SME component of the TARGET project met or exceeded its development objective, and all project outcomes and indicators, with the exceptions of jobs created, training, support to developing a business plan and legal registration.*

64. *The project met or exceeded the expectations of beneficiaries who participated in the project, enhancing the credibility of the responsible State entities. There was no project outcome or indicator for “beneficiary expectations”. Regardless, high beneficiary satisfaction emerged as a core result. The outcome was to enhance the credibility of the Iraqi State entities (Central and Governorate) involved in the project, in a context where limited service delivery and political instability tend to undermine public confidence. There was initial scepticism among SME owners that a Government-led project would deliver. By project closure, beneficiaries showed strong satisfaction with the services and materials received, and improved confidence in the Government entities responsible. The fact that Government*

entities were highly engaged increased their positive visibility. High satisfaction levels resulted not only from the good quality deliverables, but also an inclusive and transparent implementation process.

65. *TARGET exceeded the project outcome of providing support to between 50 to 75 SMEs.* At closure of the project, the TARGET provided training, rehabilitation and equipment to 97 SMEs, or 130 percent of the original indicator.<sup>52</sup> Assisted SMEs comprised approximately 25 to 30 percent of the total number of operational SMEs, a sufficient number to have a larger impact on revitalisation of the zone. Support was allocated to the SMEs best prepared and most likely to succeed. Targeting was based on well designed and enforced selection criteria, good quality baseline data and a follow up verification process to confirm the suitability and needs of each company. Therefore, while management ensured that beneficiary targets were surpassed, project design and governance allocated resources to the SMEs most likely to succeed.

66. *The project did not meet its training support indicator for SMEs.* The project indicator was that two to four persons from each of the TARGET-assisted enterprises should receive training. The related project output was that the training should occur for equipment, as well as production lines (Output 2.3). Taken from a baseline of 76 SMEs, the total of 152 persons should have been trained, while 87 persons actually received training (35 on the study tour and the remaining persons on equipment). The project, therefore, met 60 percent of the numerical value of the training target, although it did provide relevant training in terms of the actual course and study content. Also, TARGET provided some enterprise management training through Lebanon study tour, which did result in improved business practices. However, it did not appear that assisted business had a clear business plan (Output 2.4), and did not support business registration (Output 3.5).<sup>53</sup>

67. *TARGET met or exceeded the project outcome of rehabilitating SMEs.* The large majority of SMEs receiving support showed good quality restoration work and installation of equipment. Areas of concern were not significant

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<sup>52</sup> During inception process and field study, the evaluation worked with data on 76 SMEs. The final data received from UNIDO in March 2011 was that 97 SMEs received some form of support. The total number of SMEs receiving equipment was 83, while 97 enterprises received equipment and rehabilitation support for buildings.

<sup>53</sup> Output 3.5 stated that 30 percent of newly established and rehabilitated business would receive help in registering. However, most, if not all of the businesses visited during the field survey were unregistered, and there was no indication of support through TARGET. The situation of the registration process was unknown. However, informants generally stated that registration is complicated and many, if not most, businesses in the FIZ are not registered.



given the scope and complexity of the project and conditions in the project environment. Part of the “revitalisation” was introduction of the new management, operations and production techniques learned in Lebanon, imported to a context where SMEs had been isolated from international innovations and competition for 20 years.

68. *The project met or exceeded its development objective of contributing to economic recovery.* TARGET-assisted SMEs showed significantly improved business performance; with the large majority stating their situation was “better” or “much better”. As a direct consequence, the economic situation of SME families also improved, for both immediate and extended family members. Within the industrial zone itself, providing support to 30 percent of operational SMEs lead to observable improvements in the overall business environment. Although difficult to quantify and partially contradicted by the Control Group data, the field mission observed: SMEs reopening near the assisted SMEs; new business standards being introduced among non-assisted SMEs, to remain competitive, and; increased client flows into the zone, from which all companies could benefit. In this regard, the project appeared to be contributing to a change in the market.
69. *TARGET achieved its development objective of restoring livelihoods, with a 40 percent increase in full time employment.* The project did not meet its indicator of creating employment 500-750 individuals. The indicator was not realistic; creating 500-750 jobs would have required a dramatic scale up of SMEs beyond the structural capacity of the companies supported. Achieving the indicator would have required different selection criteria, focusing on larger SMEs with greater growth potential. However, missing the indicator was a technical flaw in design of the results matrix, and did not detract from the robust job creation performance of the TARGET project; a 40 percent increase in full time jobs achieved in under one year, complemented by an almost equal increase in part time position and an unknown number of other economic opportunities in supply chains and markets as production and sales increased.
70. *The project met or exceeded its objective of improving community level income flows in the District of Fallujah, Anbar Governorate.* The outcome was directly linked to the reduction of poverty and vulnerability, and to improving the overall quality of life for beneficiaries. A large majority of the families of SME owners, immediate and extended, said their situation was “Better” or “Much Better” (82.5%), while only 12.5 percent reported their situation was worse. Families enjoyed greater financial security, and expanded ability to purchase basic goods and services. Income was spent in the community, with an assumed multiplier effect on the local economy.

71. *TARGET's contribution was shown when contrasting assisted-SMEs with the performance of SMEs in the control group that did not receive assistance.* While assisted SME generally showed fast results, the performance of non-assisted was stagnant through the full range of Target Outcomes and Indicators; from performance of business operations through to job creation and improvements to the family situations. Investment patterns indicate non-assisted SMEs were not able to mobilise the resources to necessary to rehabilitate buildings and equipment, and take advantage of improving economic conditions. As a result, non-assisted SME's were investing lower levels of capital in their businesses, over a longer period of time and without showing much economic benefit.

**Recommendation:** Counterparts (Government, UNIDO, Donors and Private Sector) should consider a second phase of the TARGET project in the Fallujah Industrial Zone, with the possibility of scale up to other zones.

TARGET is an effective model to support economic recovery, through the SME sector. Government, UNIDO and Donors should consider a Phase II of the project. The project should:

- Be based on an assessment of current needs and conditions, including other initiatives to development the Private Sector;
- Continue combining owner and grant investments, but also considering options on sources of finance for owner investment;
- Consider options for encouraging innovation to management and production techniques, noting the long isolation of SMEs in the zone.
- Be part of a larger Government strategy to promote development of the Fallujah Industrial Zone (financial and commercial support, and normalise freedom of movement in and out of the zone) and restore essential services (security, electricity, water and sanitation, and waste removal, among other services);
- Be at least co-funded by Government, to ensure full integration into economic planning; and
- Contribute to a long term support strategy and instruments for Government support to the Fallujah Industrial Zone.

A Phase II assessment should take into consideration, among other points:

- Whether it is possible and desirable to reintegrate the Fallujah Industrial Zone into regional markets, and if complementary actions can be taken to reactive regional markets. Re-establishing regional economic flows would have both economic and political dimension (supporting political stability and unity through economic integration between regions);
- The advantages of shifting the support criteria to include larger SMEs (5-14 employees), given their greater potential to create employment in the general labour market rather than family-based employment.

Government would be expected to play a greater direct implementation role during a Phase II. However, UNIDO can add value through technical advice and support, particular to project design, the baseline assessment and capacity development to Government on programme mechanisms. UNDO may also add value to design of a larger integrated programme for restoration of the zone.

Phase II should also consider scale up of the TARGET model, to one or more industrial zones in other regions of Iraq.

## Effectiveness of Support to Capacity Development

**Project Outcome 1:** Strategic support to the Ministry of Planning and Development Cooperation [now the Ministry of Planning] and the Ministry of Industry to monitor and implement a programme for rehabilitation of the agro-industrial sector.

**Project Outputs:** A comprehensive Action Plan for the Rehabilitation of Directly Affected Agro-Industries is Prepared and Agreed by all Stakeholders;

72. *The TARGET project built on a well-established relationship between the Ministry of Planning and UNIDO.* UNIDO, the Ministry of Planning and other government entities have collaborated since 2004. Past projects have resulted in strengthened capacity and a relationship of trust and confidence, at the institutional level. In this regard, Ministry of Planning already had capacity to work with most aspects of the project. TARGET contributed to the expansion of that capacity, to Fallujah, the SME sector and in the area of baseline surveys to support programme design.

73. *The project expanded Government capacity by integrating UNIDO into the implementation of Government priorities.* At the moment of inception, Government had limited planning, management and implementation capacity. UNIDO filled this capacity gap, while remaining aligned to Government priorities through the project Governance structure.

74. *TARGET design enabled Government entities to play the lead role in the design and implementation of the baseline survey, with UNIDO technical assistance channeled through the Project Management Unit (PMU).* The Ministry of Planning and local government officials were involved in the full cycle of activities leading to completion of the planning phase. They contributed to:

- a. Design of the survey and related planning, including by providing technical contributions, oversight and final design approval.
- b. Implementation of the first baseline survey, and the follow-up verification mission to confirm the original survey results among the selected SMEs.

- c. Technical and strategic oversight of the overall survey process, through engagement in the Governance structure and on-going coordination.
- d. Drafting and interpretation of the survey results, as an implementation plan to be delivered by Counterparts, and in the preparations for implementation.

75. *The Counterparts delivered a high quality baseline survey, with a follow up process to verify results.* The evaluation understood the “comprehensive Action Plan for the Rehabilitation” to mean the 2009 baseline survey supporting project design. The evaluation did not encounter an overall Government strategy under implementation restoration of the industrial zone. Within this framework, the Counterparts delivered a high quality baseline survey as part of the inception process. The survey was a key performance variable contributing to project effectiveness. It provided unique data on the situation in the industrial zone, not otherwise available to Counterparts. Results were effectively used as an input to strategy, planning, resource allocation, beneficiary selection and final evaluation. Regarding the latter, survey design allowed for an assessment of SME progress over time, and description of Outcomes.

76. *The TARGET Project was not designed as a capacity development intervention.*<sup>54</sup> The *TARGET Project Document* (2008) makes reference to training for Ministry and local government personnel, related to the different aspects of project development (the survey process), governance and implementation. The tools identified to capacity development were training sessions, events and opportunities, and workshops. The capacity of Iraqi Counterpart entities was likely strengthened through participation in the project. However, there was no organized capacity development process; no capacity development assessment or strategy, no related activities and no resource allocation. Progress reporting does not identify any related activities. The exception was that 10 officials from the Ministry of Planning received training in monitoring and evaluation. Also, four officials participated in the Lebanon Study Tour.

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<sup>54</sup> This finding is made notwithstanding the capacity development support provided to the MOLSA training facilities, in the form of rehabilitation and equipment.

## Effectiveness of Support to the Target Training Component

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**Project Outcome 3:** Strengthened livelihood recovery for approximately 750 households in rural areas through appropriate technology transfers and promotion of non-farm income generating activities.

**Project Output:** Income and employment rates in conflict affected project TARGET sub/districts are increased through the promotion and development of sustainable micro- and small agro-related industries (750 households for an estimated population of 4500).

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77. *Assessment of project results for the TARGET training component was restricted to the activity and output levels.* As previously noted, the evaluation relied on project reporting and stakeholder interviews. However, reporting does not provide *outcome-level* analysis or data how livelihood recovery may have been strengthened. The *Project Document's* (2008) results matrix was not designed to measure changes: there was no baseline data and no outputs/indicators to measure improved livelihoods, increased income or changes in the situation of households.<sup>55</sup> Some baseline information was gathered during registration, largely of a personal nature. The training and SME components differ in this regard.

78. *All available data, therefore, was at the activity and output-levels, with much of it generated at the moment beneficiaries registered rather than at graduation.* UNIDO advised that the Counterparts (UNIDO and Government institutions) monitoring of beneficiaries was based on trainers' records of attendance. These records were checked by project staff at regular intervals. The Counterparts, therefore, were aware of the number of participants in each course, and their attendance. For monitoring improvements in livelihood, data was of anecdotal and gathered through visits to selected course participants, as well as general discussions with officials and course participants regarding course outcomes for individual participants. Regardless, Government and UNIDO did not have a system for monitoring the quantitative performance after course graduation, or to generate data on whether project objectives were being met.

79. *The TARGET training component met or exceeded its beneficiary indicators, under difficult conditions.* Among the output level accomplishments, the project met or exceeded its output objectives related to:

- a. *The effective delivery of material support to beneficiaries and Iraqi institutions. More information needed from results section.*

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<sup>55</sup> The *TARGET Inception Report* (2009) is based on a modified results matrix with an indicator for SME creation (200 SMEs created) job creation (300 non-farm jobs), and notes the number of women and improved household income and nutritional status as indicators, but without assigning a numerical value to the improvements being sought.

- b. *Provision of training to eligible beneficiaries, from Fallujah and the surrounding sub-districts.* The project achieved 116 percent of its original beneficiary target, or 870 persons against the original indicator of 750 households.
- c. *Gender balance in the beneficiary group, with 46 percent of course participants being women.* The number of women involved exceeded expectations by 38 percent, and demonstrates the commitment of Counterparts to supporting equality.

80. While lacking data, experience from previous project identifies two areas of concern. First, TARGET provided only three options for women's training. The large majority of women were enrolled sewing courses, considered culturally acceptable while a minority entered into market-oriented training in non-traditional vocational areas.<sup>56</sup> Previous evaluations of UNIDO projects have found that sewing courses have some livelihood potential. However, income levels are low, and courses do not provide easy access to the labour market (Scanteam 2012; Anderson 2010). In this regard, the project met or exceeded its gender-based training objectives likely did not expand the livelihood and employment options for women. The choice to focus on sewing was not based on a gender assessment or strategy. UNIDO does not have a coherent institutional policy and tools to support such a strategy or advocate its use with Counterparts.

81. Second, the project did not implement a strategy for linking vocational training to either small business development opportunities (beyond the tool kits) or the entry of training graduates into the labour market; linking training to employment or business opportunities. UNIDO advised that a strategy was developed, but proved difficult to due to logistics constraints; training depended on the new equipment being available to the SMEs, and it was not possible to synchronise the two. The family-orientation of hiring within the SMEs was also an obstacle.<sup>57</sup>

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<sup>56</sup> The position of UNIDO and Iraqi Counterparts is that livelihood options for women are limited by cultural restrictions. Previous evaluations have noted UNIDO tends to programme in culturally safe areas (mainly sewing), but does not have a gender strategy for expanding livelihood options for women (Scanteam 2012). Sewing offers some income potential, but is generally poorly paid and offers limited opportunity to enter the labour force.

<sup>57</sup> UNIDO advised the plan was to "intern" beneficiaries at supported SME's, and agreements were made with a number of SME's in this regard. The goal was to break with the tendency to recruit employees from the family structure by linking interns with employers. In that way, TARGET would facilitate relations, in terms of skills and personal relations and trust, to open the possibility of employment. The plan also called for part of the training to be delivered 'on-site' at the SME's, with SME-employees acting as instructors. Agreement to this effect was made with a number of SME's. The plan was

82. The project offered an effective training component, but training does not automatically translate into improved livelihoods or income. The absence of a market linkage is a design issue, which appears to reflect a larger lack of orientation and capacity, within UNIDO and Iraqi Counterparts.

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**Recommendation:** As its leadership expands, there is also an opportunity for Government and UNIDO to collaborate in strengthening Government's monitoring and evaluation capacity. UNIDO can add value in system design, and in establishing baselines.

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## 4.3. Efficiency of the TARGET Project

### TARGET Project Reporting Document

83. *As a general observation, the project monitoring and reporting documentation has limited information on implementation and output performance. The documentation is largely narrative, activity focused and does not provide sufficient information to assess progress towards outputs. MOLSA does not appear to be conducting its own project monitoring, or otherwise making a substantive contribution to UNIDO reporting, as the key national counterpart.*

### Overview of the TARGET Implementation Arrangements

*The TARGET project was based on a proven governance and implementation arrangement that facilitated robust Iraqi leadership. Governance and implementation arrangements are an important performance variable contributing to success.*

84. *The project was implemented using the Direct Execution (DEX) modality. Within the model. UNIDO exercised core management and fiduciary roles, in addition to providing technical and implementation support. The choice reflected stakeholder (donor and Iraqi) concerns on the need for support with fiduciary management and speed of implementation. From interviews, stakeholders expressed satisfaction with the arrangement. Iraqi stakeholders noted the benefit of an impartial international organisation being involved in aspects of implementation vulnerable to perceptions of favouritism or conflict of interest.*

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conceived and agreements made with SME's during the first quarter of 2010, but not implemented.

85. *The PSC was an effective platform for representation and participation.* Membership was at a high level and inclusive of the key stakeholder groups. Members included representation from the Ministry of Planning and Development Cooperation, the Ministry of Industry and Trade, the Governorate Council, the participating VTC (Ministry of Labour and Social Affairs) and UNIDO. The project donor was not involved, as funds were earmarked through the UNDG ITF.
86. *There was evidence of strong of Iraqi leadership, supported by project design.* Iraqi stakeholders played the defining leadership role, from project inception through to the implementation stage. The project governance structure served to enable implementation, with at least three contributing factors:
- a. *The project design includes a robust governance system through which Iraqi leadership could be exercised.* Other design elements enabled good communication and collaboration, across the stakeholder groups.
  - b. *The project was based on a trusted relationship, established between UNIDO, Government and the Vocational Training Centre.* UNIDO was a trusted partner, respected by the Iraqi authorities for its past performance. In particular, the Ministry of Planning has been closely involved in numerous UNIDO-implemented projects, and knows the model and performance issues well.
  - c. *Iraqi counterpart institutions and UNIDO personnel and arrangements were relatively stable,* although affected by the 2010 elections and the spike in violence at the end of 2012. There was consistency in the participation of stakeholders, and the project was not affected by frequent changes in personnel and priorities.
87. *Iraqi leadership at the strategic level was exercised through the Project Steering Committee (PSC).* The PSC was mandated to provide oversight, guidance and make decisions on key issues, in addition to liaison functions back into their respective ministries. It was established at the inception of the project, and met on a regular basis as mandated over the full course of implementation. Individual members also provided support on a punctual basis consistently over the life of the project, including advocacy on behalf of the project within their respective institutions.
88. *From interviews, PSC members showed satisfaction with the effectiveness of the committee, and their role in strategic level decision-making.* Members were knowledgeable on project operations and were fully engaged in the discussion. Particular note was made that the Donor was engaged with the project, supportive and well informed. Stakeholders credit UNIDO for the effective support, communications and information flow that enabled the committee to function well.



89. *The Committee played the determining role in decision-making, providing analysis and advice to the project, and helping resolve obstacles.* The Committee functioned at the strategic level, above the operational management and implementation activities performed by UNIDO and the four training centres. It played a deciding role in key policy, design and implementation, including defining several mid-term adjustments to the project. The PSC also focused on the resolution of implementation bottlenecks, and providing guidance and support on managing punctual issue in the project environment. In this regard, it provided guidance and support with contextual analysis on issues ranging from political and security dynamics, the choice of vocational areas for courses and how to move activities through institutional procedures.
90. *Iraqi intuitions had primary responsibility for delivery of the training outputs, and collaborated in the SME component.* Implementing organisations, including the Fallujah Vocational Training Centre demonstrated strong commitment to the quality of project, including in the delivery of course and maintaining physical infrastructure. There was material evidence of close Iraqi leadership and institutional involvement in the SME component, rehabilitation of training facilities, identification of course offerings and development of curriculum, recruitment and selection of beneficiaries.

## Target Project Implementation Efficiency

91. The project generally showed good efficiency under difficult conditions. The first evidence is shown in the fact that SME and Training components both exceeded their output indicators, by significant amounts. Based on previous experience, UNIDO was able to effectively manage resources through the presence of its Project Management Unit and the PSC. All Stakeholders invested a significant amount of project energy went into the implementation process, adapting to the obstacles presented by changing field conditions.
92. Efficiency was undermined by slow international procurement and delivery of materials. In addition to implementation delays and increased transaction costs as Stakeholders adjusted schedules, the project was not able to take advantage of synergies intended between different project components.
93. UNIDO's international management and procurement system are centralised and not well suited to conflict-affected environments. Institutionally, UNIDO is increasingly working in fragile state and conflict affected situation. The Thematic Evaluation; UNIDO Post-crisis projects (2010) found that by 2008, UNIDO was implementing 40 post-crisis programmes and projects in 17 countries, with a value of approximately US\$ 40 million (UNIDO 2010). The Thematic Evaluation concluded that "a dominant topic in the evaluations is the centralised management style of UNIDO. Unnecessary delays were

reported due to the need to sanction minor expenses through HQ. The current system was not found to favour fast reactions or flexibility required in fast changing post-crisis contexts (UNIDO 2010: xi).” Centralised systems left it to project personnel in the field to adapt and find solutions to overcome procedural complications. These were also evident in the TARGET process.

## 4.4. Prospects for Sustainability

94. The evaluation was not in a position to make an assessment of capacity development support to Government, or whether Government would be able to design and manage a similar project in the future. The evaluation could not assess whether government was in a position to design the assessment process, although noting that a number of assessment activities were either conducted or verified by Government officials.
95. The evaluation did not assess the sustainability of support to the Vocational Training Centres. Notwithstanding, the centres delivered the training programme to beneficiaries and all related activities, through their existing facilities. UNIDO material contributions have been absorbed into the centres, and interviews with officials indicate there is a system and resources in place to maintain them. This has been the experience with previous evaluations.
96. The SME component of the TARGET project shows high potential for sustainability. Assisted SME are generally performing well. Project materials are relevant to needs and well integrated into SME operations. They are supported by training, improved management, are being well maintained and of high value to SME owners and their families. In these regards, SME owners have a strong economic incentive to sustain project materials. The key design variable influencing sustainability was combining project investments with investments already being made by SME owners, and the project criteria that assisted-SMEs should be operational and shows signs of being viable.
97. There are factors in the project environment that will affect sustainability, although these are beyond the project scope. Security and the overall role of the private sector in Iraq’s economy remain concerns. Specific to Fallujah, a factor undermining performance was that public service delivery to the zone (electricity, water and sanitation), remains limited. The TARGET project does not appear to be reinforced by a larger State-supported effort to rehabilitate the zone and improve basic infrastructure. SME owners stressed the importance of basic service provision and placing a focus on the local conditions that allow customers to reach their shops.

98. Also, there appeared to be discussion within Government about moving the industrial zone to a new location, accompanied by a hold on renewing land leases for business locations. Some SME owners reported they are reluctant to make further investments in their business infrastructure until lease issues are resolved.

# {TC "V. Conclusions and Lessons Learned on the TARGET Project" \fC \l "1" }5.

## Conclusions and Lessons Learned on the TARGET Project

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### 5.1. Conclusions

99. Iraq is in transition, from a focus on security to broader governance and development issues. Strengthening the private sector, employment creation and market-relevant skills development are all essential elements of the government's development strategy. In a context where the State is the dominant economic actor, expansion of the private sector is also essential to the future stability of Iraq. SMEs are already key employment creator outside of the State, and to an economic diversification strategy for Iraq.
100. UNIDO Iraq has a proven comparative advantage in supporting SME development, in Iraq and elsewhere; an area central to the agency's mandate. In particular, UNIDO has the ability to conduct baseline assessments, design SME support interventions and collaborate with Iraqi Counterparts. The TARGET model for support to SMEs is a more recent addition to UNIDO's Iraq repertoire, but is highly relevant to the country's future and has potential for scaling up.
101. With vocational training, UNIDO and Counterparts also show strong performance, through the TARGET project and over time with other interventions, in the design and delivery of training activities. In all activities, UNIDO has the benefit of a good overall performance record in Iraq, and enjoys a trusted relationship with its Counterparts. UNIDO is highly appreciated by Government for the services that it provides. These are important achievements, earned by UNIDO in a difficult country context.
102. UNIDO has a less robust advantage promoting the overall linkage between training and labour market entry, which is a core requirement to generate opportunity and employment. The agency's capacity in related areas (labour market and labour force assessment, ensuring the relevance of

vocational training to market demand and post-graduation support to market entry) is not known to the evaluation. However, the capacity and orientation of Iraqi institutions in these areas is also limited. For example, the VTC system does not appear to conduct labour market assessments, nor does it have effective post-graduation support (financing for SME development, internships, apprenticeships, or job placement services).

103. In these regards, UNIDO's mandate and global competence are highly relevant to the medium-term development context in Iraq. There is already a significant UN joint initiative related to *Private Sector Development* on-going, where UNIDO has an opportunity to support labour market development on a national scale.

104. Improvements to Iraq are gradual. Even as security and political conditions remain volatile, data shows economic growth and an important and positive shift in the priorities of Iraqi citizens. Concerns over security are giving way to material worries, such jobs, basic services, and corruption. Overall economic performance, including employment creation, therefore, will be important to the credibility and stability of the future State. While critical to Iraq's future, private sector development has advanced only slowly since 2003. Data indicates that the role of the State in the economy has actually increased in recent years, driven by significant growth in oil revenues. The trend has significant development and political implications, which include concentrating economic power in the State in a politically unstable environment.

## 5.2. Lessons Learned

105. With the changing context, there is an opportunity for UNIDO to consider an integrated Private Sector development service offering, relevant to Government and potentially to Iraqi's declining donor community. The package can include strategic support to Private Sector development, including using TARGET model and aligning the Vocational Training system with changing market needs. UNIDO's contribution will lie not with project implementation or fiduciary management roles, as with past projects, but in up and downstream programme design, assessment and market linkage:
- a. The TARGET model can be scaled up to other industrial zones and situations, with the objective of stimulating both local and regional economies.
  - b. With training, UNIDO has an opportunity to focus on aligning the vocational training system with changes in the labour market. UNIDO's contribution would not focus on training delivery, but on market assessment and the design of programmes to assist market entry for graduate; the full assessment, training design and delivery and market entry continuum. The linkages are necessary to translate training into human development results.
  - c. There are real opportunities to integrate support to the Private Sector with training activities. These can include a full range of options, from training support to SMEs, job placement opportunities and establishing relations between specific courses and employers.
  - d. In designing such a country programme strategy for Iraq, UNIDO would need to develop much closer synergies between national projects, and with its global competence. This will require a more focused rather programme rather than project approach.
106. These are roles that must be negotiated with Government, in the context of larger private sector development and employment policy and strategy. While UNIDO has responsibility for identifying its contributions, Donors and Government must be willing to adequately fund UNIDO to play larger roles. These are difficult to achieve within the context of small scale, localised and time-bound projects. In particular, there should be openness on the part of Government to co-funding, given its expanding revenue base.
107. TARGET demonstrates both the importance of a robust investment in baseline survey and design at the first stages of project development, and the ability of Counterparts (Government and UNIDO) to deliver high quality

surveys. As conditions in Iraq change and Government consolidates its lead role in programme implementation, the importance of effectively targeting interventions will also increase. UNIDO can continue adding value to Government efforts with technical assistance for survey and planning instruments. Where work is on-going, Counterparts should continue to ensure that the initial analytical work is well resourced and draws on the relevant contributions of Counterparts.

108. A key variable affecting the performance and linkage to the labour market is the relatively short project period. Typically, planning and start up delays related to field conditions are compounded by delays (and/or long processing periods) with procurement and delivery of materials. As a result, it can be difficult to build synergies between project components that are not in sync.
109. Future UNIDO Projects must invest in the strategies and mechanisms to create linkages between training and employment and livelihood opportunity. Options should be identified, developed and resourced within the initial assessment and design process. Mechanisms will be most effective when integrated into Counterpart systems, as a basis of operations. There is an important opportunity for UNIDO and Government to collaborate in this regard. A strategy would be based on strengthening the overall assessment-training-entry strategy, for relevance to changing market demand.
110. Future projects should incorporate a gender strategy, and expand options and support for women seeking to enter the job market. Projects should begin with a properly resourced assessment of the gender context. They should distinguish between home-based income and market-based employment objectives, and expand the options available to women. Strategy also needs to consider the post-graduation support that addresses the specific obstacles to job market access faced by women. Meeting this recommendation will require a UNIDO corporate investment in developing the appropriate programme tools.

# **Annex A: Terms of Reference**

## **Terms of Reference**

### **Independent Final Evaluation of the UNIDO Project:**

#### **“TECHNOLOGY ACQUISITION TO RESTART AND GENERATE ECONOMIC TRANSFORMATION (TARGET)”**

**Project number: FB/IRQ/08/006**

**Budget: \$2,979,000 (UNDG Iraq TF)**

**Period covered: Dec 2008- Dec 2011**

#### **Introduction**

This document outlines the TOR for a competent team of international and national evaluators to conduct an in-depth final evaluation of UNIDO’s project with the Government of Iraq implemented in the Falluja district of Anbar Governorate, (project code ‘FB/IRQ/08/006’) and entitled “*Technology Acquisition to Restart and Generate Economic Transformation (TARGET)*”.

#### **Background**

Since 1980, Iraq has been embroiled in a series of long-running geo-political disputes and conflicts that have significantly reversed her earlier human development gains, and caused enormous social, cultural and economic harm. Chief among these is the dislocation experienced by millions of Iraqis who have become refugees or internally displaced persons since the US-led invasion of Iraq in year 2003.



## Iraq Millennium Development Goals

Indicator	1	2	3	4	5	6	7	8
Proportion of population below National Poverty Line (\$2.2 per day) (%)	22.9	20.9						
Poverty gap ratio at National Poverty Line (%)	4.5	4.0						
Prop. of pop. below min. level of dietary energy consumption (%)	7.1	n/a						
Net enrollment ratio in primary education (%)		90.8	90.1					
Net enrollment ratio in secondary education (%)		21.2	34.6					
Enrollment ratio of females to males in primary education (%)			94.2	91.2				
Share of women in wage emp. in non-agricultural sector (%)			7.4	6.4				
Proportion of seats held by women in national parliament (%)			27.3	21.4				
Under-five mortality rate (for every 1,000 live births)				41.0	30.0			
Proportion of 1 year-old children immunised against measles (%)				81.0	85.0			
Proportion of births attended by skilled health personnel (%)					88.5	94.0		
Proportion of TB incidence for every 100,000 of the population						12.4	15.0	
Proportion of detected TB cases cured under direct observation treatment (%)						86.0	87.0	
Proportion of population using an improved drinking water source (%)							79.0	94.2
Proportion of population using an improved sanitation facility (%)							93.9	99.4
Cellular subscribers per 100 population (%)								78.0
Proportion of families owning a personal computer (%)								32.8
								11.8
								7.0

■ Current National [Total]   
 ■ Current Sub-National [Anbar]

Source: [Inter-Agency Information and Analysis Unit](#)

Covering almost all of western Iraq, Anbar is Iraq's largest governorate, but also the most sparsely populated. Desert dominates the landscape, particularly in al-Rutba district. The governorate borders Saudi Arabia, Syria and Jordan. Between 2003 and 2008, the city of Falluja was the scene of continued confrontations between the Multi National Forces in Iraq (MNF-I) and armed groups in which many civilians were killed. MNF-I forces gained control of the city during Operation "Phantom Fury", launched in November 2004. Following improvement in security, security control in Anbar was handed over to the Government of Iraq in September 2008.<sup>58</sup>

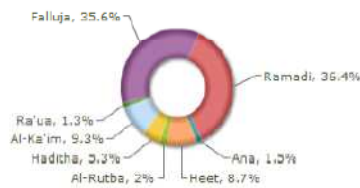
The past two years of drought have had a negative impact on the rural populations' lives and livelihoods. Water shortages have affected both humans and livestock, and have devastated cropland. Agriculture provides a quarter of jobs in the governorate, meaning that the drought is putting at risk the income of a significant proportion of the population. Unemployment in the governorate is lower than average at 14%, but this rises to 21% in the governorate capital, Ramadi. In addition, half of all jobs in the governorate are unwaged, with two thirds of these in agriculture.

<sup>58</sup> In 2011 the security situation has again deteriorated. Following demonstrations throughout the country in February 2011, continuous demonstrations and unrest has been experienced with frequent imposition of curfews in several cities, including Fallujah. The initial burning down of numerous official buildings and offices in e.g. Fallujah, and the resignation of many public servants and others, also in Fallujah, have been followed by a dramatic increase in violence including bomb explosions. In this respect Fallujah have been and continues to be hard hit with many killed and injured as a result. This security situation will have to be taken into account when devising the evaluation methodology.



**Demographics**

Governorate Capital: Ramadi  
 Area: 138,228 sq km (32% of Iraq)  
 Population: 148,598.5 (5% of total)  
Source: Gol COSIT (est. for 2007)  
 Gender Distribution: Male: 50% Female: 50%  
 Geo Distribution: Rural: 48% Urban: 52%  
Source: Gol COSIT (est. for 2007)



Anbar performs poorly according to humanitarian and development indicators. Over half (52%) of households in Falluja are in Iraq's lowest expenditure quintile – one of the highest concentrations of poverty in Iraq. Over a quarter (27%) of children in the governorate are chronically malnourished. High proportions of households in Ramadi (19%), Heet (33%) and Rawa (27%) source their drinking water straight from a stream, river or lake, and poor electricity supplies affect large numbers of people in Ramadi, Heet and Falluja.

Almost all IDPs (97%) displaced during the wave of violence in 2006 and 2007 cite food as a priority need, while shelter (81%) and employment (75%) are also pressing concerns. Food and fuel are the priority needs for over three quarters

of displaced people returning to the governorate. Ramadi hosts a large number of IDPs living in collective towns or settlements.

Falluja and Ramadi districts have been identified as two of the priority districts for the UN's Iraq Humanitarian Action Plan 2010.

**Relevant UNIDO evaluations**

The project is part of a wider portfolio of UNIDO projects in Iraq and other post-crisis environments.

In Iraq a series of five regional community development projects aiming at "Job Creation through Cottage and Micro Industries Promotion" (MISP) have been conducted by UNIDO. The first MISP project was implemented in Thi-Qar governorate (MISP I) in South Iraq; MISP II in the Erbil and Suleiymaniyah governorates of Northern Iraq; MISP III in Qadissiya Governorate, MISP IV in Anbar Governorate and MISP V in Ninewa Governorate. The first four MISP

projects have been evaluated, with the evaluation of MISP IV being of particular relevance because it concerns the same region as TARGET.

Another project of potential relevance is called “Enterprise Development and Investment Promotion (EDIP)”. This project did not aim at community development but at upgrading individual companies under post-crisis conditions through entrepreneurship and investment development. The evaluation of EDIP will also be available as an input to the present evaluation.

A third post-crisis approach of UNIDO has been applied by the LAISER project in Lebanon. This project aimed at the ad-hoc rehabilitation of more than 100 war-affected SMEs in the Lebanese leather, textile, woodwork, and food industries through the replacement and delivery of destroyed equipment and other inputs on a grants basis. This approach shows similarities with the TARGET project.

In spring 2010 the UNIDO Evaluation Group conducted a “thematic evaluation” of a sample of 10 UNIDO projects in “post-crisis” environments, among which were MISP I, MISP II and LAISER. The present evaluation will build upon the findings and lessons learned from previous project evaluations in Iraq as well as the thematic evaluation and use a methodology that should allow for crosscutting comparisons and organizational learning.

### **Project information**

The TARGET project was launched in December 2008, and is due to be completed by end 2011. It has been designed to empower conflict affected communities through the revitalization of existing productive capacities in selected areas of the Anbar governorate (both rural and urban). Project activities are aimed at strengthening the livelihood recovery process by rehabilitating/revitalizing selected agro-processing enterprises and other assets in the governorate. The project approach includes working with GoI counterpart ministries to develop a techno-economic profile of existing agro-industrial assets in the governorate, identify a number of agro-processing and agro-infrastructure to be revitalized, and support other auxiliary income-generating opportunities that will help to mutually reinforce agro-economic empowerment and community reconstruction and development in project targeted areas.

## **Project Objectives**

1. Enhanced capacity of the Ministry of Planning and the Ministry of Industry to implement and monitor programmes for the rehabilitation/revitalization of the agro-industrial sector.
2. 50 to 75 rehabilitated/revitalized agro-SME's generating an estimated 500 - 750 jobs.
3. Strengthened livelihood recovery for approximately 750 households in rural areas through appropriate technology transfers and promotion of non-farm income-generating activities.

## **Outputs**

1. The development of a participatory and comprehensive action plan for the rehabilitation and revitalization of agro-enterprises and agro-infrastructure assets in directly affected conflict areas of Falluja.
2. Project targeted agro-SMEs are rehabilitated and revitalized in selected areas of Falluja (50 to 75 agro-enterprises).
3. Income and employment rates in conflict affected project targeted sub/districts are increased through the promotion and development of sustainable micro- and small agro-related industries (750 households for an estimated population of 4500).

## **Key activities**

- Techno-economic assessment of conflict affected agro-industrial infrastructure and enterprises that will play an important and strategic role in re-starting commercial and economic revitalization in targeted areas.
- Development of a comprehensive rehabilitation/revitalization work plan and capacity development of Government of Iraq officials to assist in the implementation and monitoring of this plan.
- Rehabilitation of selected agro-industrial enterprises, infrastructure, and other assets necessary to raise productive capacity and improve community level commerce.
- Support to vulnerable rural communities in terms of organization, skills development and technology transfer to raise their income-generation opportunities.
- Organize and implement a variety of technical, entrepreneurship, and policy-related training and skills upgrading sessions for targeted beneficiaries.

- Procure equipment and other tools for installation or transfer to project participating enterprises, training service providers, beneficiaries, and entrepreneurs.
- Development and provision of an enterprise development, market intelligence and business mentoring/coaching programme to assist and sustain agro-industrial productivity gains.
- Monitor project and activity impact associated with TARGET interventions.

The project management plans were as follows:

**The Project Management Unit (PMU)** - with a small permanent staff comprised of: (i) a Chief Technical Advisor; (ii) a National Project Coordinator; (iii) basic administrative support; and (iv) ad hoc recruitment of experts and consultants

- **UNIDO technical staff** (*international and national*) in partnership with the Ministry of Industry and Minerals and Ministry of Planning, responsible for assessing the needs, including spare parts, plants reengineering, appropriate agro-based industries to be developed, training needs, etc.

- **Project Steering Committee (PSC)**: Given the nature and complexity of this project involving activities dealing with different national counterparts and the need to expand cooperation with all concerned, a PSC was to be established comprised of representatives from UNIDO, Ministry of Industry and Minerals, Ministry of Planning, the chair of the Governing Council for Anbar as well as any other relevant institutions. The main functions and responsibilities of the PSC were to advise on strategic decisions, project work-plan, and selection of beneficiaries and to ensure effective cooperation.

### **Budget information**

Total Allotment:       \$2,979,000  
 Total Expenditure:     \$2,600,000 (approx)  
 Donor:                    UNDG Iraq TF

### **Evaluation purpose**

The evaluation will be conducted as a final evaluation with a focus on results and will thus be conducted as an assessment of the overall design and orientation of the project, a review of the project's implementation status and for identifying lessons that could be useful for the design and implementation of similar projects in Iraq and countries in a special development situation.

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;
6. Synergies, coordination and relations with partners and
7. Validation and enrichment of the findings of the thematic evaluation and identification of lessons for UNIDO in Iraq and other post-conflict environments.

The evaluation should provide the necessary analytical basis and make recommendations to the Government, to the donor and to UNIDO for the closure of the project and for ensuring its sustainability. The evaluation should also draw lessons of wider applicability for the replication of the experience gained in this project in other projects.

### **Methodology and scope of the evaluation**

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>59</sup>

The evaluation will attempt to determine as systematically and objectively as possible the relevance, efficiency, achievements (outputs, prospects for achieving expected outcomes and impact) and sustainability of the project. To this end, the evaluation will assess the achievements of the project against its key objectives, as set out in the project document and the inception report, including re-examination 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.

The evaluation will be carried out through analyses of various sources of information, including desk analysis, survey data, and interviews with counterparts, beneficiaries, partner agencies, donor representatives, programme managers and through the cross-validation of data.

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<sup>59</sup> All documents available from the websites of the UN Evaluation Group: <http://www.uneval.org/>

In view of the particular security aspects of this evaluation, particular attention must be given to the elaboration of a strategy for gathering and analysing relevant data from beneficiaries, counterparts and relevant institutions with use of methods such as field surveys, interviews (including by phone), focus group meetings, and document reviews, among others.

In view of the security situation, the Team Leader will not be expected or encouraged to travel to Iraq. Rather, it is expected that the evaluation will be conducted by a team, at least one member of which should be a suitably qualified expert living in Iraq, and being responsible for implementing the Team Leader's data gathering and evaluation strategy in the field according to a detailed methodology to be developed by the latter.

For security and cultural reasons people in Anbar frequently change telephone numbers and are often reluctant to meet with persons they have not been introduced to. This is particularly so for females. The data gathering methodology to be devised will have to take these particularities into account.

## **Evaluation Issues**

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;
- The extent to which lessons from earlier UNIDO projects in Iraq were taken on board in the formulation process including lessons and recommendations given on existing evaluation reports at the time;
- Relevance of the project to development priorities and needs;
- Clarity and realism of the project's 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 as well as security framework for implementation and the work plan;
- Likely cost-effectiveness of the project design.

#### Project ownership

- The manner in which beneficiaries were selected, and the extent to which the project was formulated with the participation of the national counterpart and/or target beneficiaries;
- The counterparts have been appropriately involved and were participating in the identification of their critical problem areas and in the development of technical cooperation strategies and are actively supporting the implementation of the project approach
- Counterpart contributions and other inputs have been received from the Government (including Governorates) as compared to the project document work plan.

#### Project coordination and management

- The extent to which the national management and overall field coordination mechanisms of the project have been efficient and effective;
- An assessment of crisis context-specific measures devised and put in place by UNIDO and the project managers, and related recommendations and lessons;
- The UNIDO-based management, coordination, quality control and input delivery mechanisms have been efficient and effective;
- Monitoring and self-evaluation has been carried out effectively, based on indicators for outputs, outcomes and objectives and using that information for project steering and adaptive management;
- Changes in planning documents during implementation have been approved and documented;
- Coordination envisaged with any other development cooperation programmes in the country has been realized and benefits achieved.
- 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 budget for both the donor and national component; the quality and timeliness of input delivery by both 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.

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

### 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 relevance of the outputs produced and how the target beneficiaries use the outputs, with particular attention to gender aspects as well as capacity development plans and outcomes; as part of the outcomes, which have occurred or which are likely to happen through utilization of outputs.

### Prospects for achieving the expected impact and sustainability:

Prospects for achieving the desired outcomes and impact and prospects for sustaining the project's results by the beneficiaries and the host institutions after the termination of the project, and identification of developmental changes (economic, environmental, social and institutional) that are likely to occur as a result of the intervention, and how far they are sustainable. This, inter alia, should include an assessment of local commitment at various levels to resource allocation for scaling up similar interventions, and an analysis of the impact of project on the agro-industry sector in Fallujah.

### Recommendations for the next phase, or replication elsewhere (if applicable)

Based on the above analysis the mission will draw specific conclusions and make proposals for any necessary further action by the 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.

### **Main evaluation tasks and preliminary schedule**

The evaluation will encompass the following main tasks:

1. Desk study of documents and reports of the TARGET project as well as of the thematic evaluation, relevant project evaluations and other background material. 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) and investigation into the relevance, needs orientation and realism of the project design and implementation (gathering information above all from project stakeholders and private sector players in the region) with a particular focus on intended results in the agro-industries sector in Fallujah.
2. Initial 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 with the UNIDO Evaluation Group, and will form the bulk of the first draft Inception Report.
3. Participation in the project's final Steering Committee Meeting in Istanbul, involving the evaluation Team Leader, the project manager; the CTA; the national project staff; the counterparts and a representative of the UNIDO Evaluation Group. Stakeholders will be consulted on the evaluation approach following a presentation of the draft Inception Report.
4. Finalisation of the evaluation methodology (Inception Report) to be agreed with the UNIDO Evaluation group. This methodology should include appropriate types of surveys and/or focus group meetings to evaluate the results of the project on the rehabilitated and revitalized agro-SMEs (50 to 75 agro-enterprises) and the micro- and small agro-related industries (750 households) and the downstream income and employment effects of these results. This methodology should be based on a sampling technique that covers a minimum of around 50% of the rehabilitated and revitalized agro-SMEs, as well as 20% of the micro- and small agro-related industries and households. It should also include an assessment of the quality of UNIDO project planning and implementation management in line with the standard UN evaluation criteria.
5. Organization of the field mission by the Team Leader and orientation for his/her team followed by its implementation mainly in Anbar Governorate

6. Detailed analysis of data gathered, and presentation of initial findings in Vienna
7. Preparation of the first draft report and submission of this report to UNIDO for feed-back.
8. Submission of the second draft to the UNIDO Evaluation Group for wider consultations.
9. Incorporation of comments and feedback received into a final draft.
10. Final debriefing and presentation of final report to UNIDO in Vienna.

## **X. Services required**

The evaluation team will have the following functions, competencies and skills:

1. International evaluation team leader with documented experience in (see Annex 3.1 for JD):
  - a. Designing and managing complex evaluations;
  - b. Leading multi-disciplinary and multi-cultural teams of evaluators;
  - c. Development projects in Arab speaking countries;
  - d. Development projects related to income generation for vulnerable groups in conflict contexts;
  - e. Designing and supervising qualitative and quantitative field surveys;
  - f. Preparing evaluation reports in line with agreed UN and DAC standards;
  - g. Drafting reports in English (excellent drafting skills to be demonstrated).
2. Two local evaluators with documented experience in executing (see Annexes 3.2 & 3.3 for JDs):
  - a. Development projects for income creation of vulnerable groups;
  - b. Analysis of micro-enterprise industry activities as a means of creating employment and raising household incomes;
  - c. Evaluation of SME support schemes;
  - d. Qualitative and quantitative field surveys;
  - e. Interviews in Arabic with the entire range of stakeholders from vulnerable war-affected groups to high-level officials.

The evaluation team must have the necessary technical competence and experience to assess the quality of the technical assistance provided under this project to small and medium scale enterprises in revitalising agro-industries.

The above-mentioned functions, competencies and skills 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 of the project.

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 evaluators for their 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 evaluator(s) 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 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 UNIDO offices in Vienna and Amman will logistically and administratively support the evaluation team. The evaluation team will liaise with the project staff for its movement and meeting arrangements in Falluja. However, it should be understood that it is responsible for its own arrangements for transport, lodging, security etc and free to arrange meetings with stakeholders as deemed relevant.

## **XI. 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.

## XII. Timing

The evaluation is scheduled to be launched in November 2011 and the final report is to be completed by the end of March. The assignment will consist of two phases, a first one in November/December for devising the evaluation strategy and launching the field work, and the second in January/February for analysing the results of the field survey, gathering additional information and preparing the evaluation presentation as well as the final report due to be completed by end March.

### Draft Timetable

Activity	Time/Place	Work days (International Team Leader)	Work days (National Evaluators)	
			FML	NEC
Desk study of project documents & relevant reports on the context	Oct/November 2011	5	2	2
Design a suitable initial evaluation methodology including a detailed field assessment plan – draft inception report	November 2011	2	1	0
Participation in the final PSC meeting in Istanbul; and consultations over methodology	November 2011	3	0	0
Finalization of the methodology and inception report	November 2011	3	1	1
Prepare and guide team members/orientation training	December 2011	2	3	2
Conduct field assessment	December 2011	0	15	15
Detailed analysis of assessment results and	December 2011	2	2	2
presentation of preliminary findings in Vienna	December 2011	3	3	0
Preparation of first draft evaluation report & submission for UNIDO feedback	December 2011	10	1	2
Prepare second draft & submit to Evaluation Group to circulate report among stakeholders for factual verification & feedback	December 2011	4	0	0
Finalization of report upon receipt of stakeholders' feedback and final presentation in Vienna	December 2011	3	0	0
<b>Total</b>		<b>37</b>	<b>28</b>	<b>24</b>

The Evaluation Team Leader will be expected to work for at least 37 days (see Annex 3.1 for JD) and the two national evaluators for at least 28 days (see Annex 3.2 for JD) and 24 days (see Annex 3.3 for JD) respectively over a period of 2 months. There is a possibility that these durations might be reviewed on the basis of the inception report.

### **XIII. CONSULTATIONS**

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

### **XIV. Deliverables**

1. Inception report
2. Draft survey questionnaire(s) (English & Arabic)
3. Copies of all completed survey questionnaires (Arabic)
4. HQ presentations (preliminary & final)
5. Draft evaluation report
6. Final evaluation report

The final evaluation report shall be completed and delivered in 3 bound copies and 1 electronic copy by the end of December 2011. The reporting language will be English.

The report must follow the structure given in Annex 1. The executive summary, recommendations and lessons learned shall be an important part of the presentations to be prepared for debriefing sessions in Vienna.

Draft reports submitted to UNIDO Evaluation Group are shared with the corresponding Programme or Project Officer(s) 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.

One copy of all survey interview reports (English & an additional copy in Arabic if available) and a copy of all completed survey questionnaires (Arabic) must also be shared with UNIDO.

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 (Annex 2).

## Annex B: Fallujah Survey Questionnaires

### Field Survey Definitions

For propose of clarity:

- The original UNDO 2009 baseline survey is referred to as the “2009 Baseline Survey”, comprised of 201 companies.
- The survey of SMEs that received support is referred to as “The TARGET Survey Cohort”, comprised of 41 companies, a 55 percent sample of 76 SMEs that received TARGET assistance.
- The Control Group survey is referred to as the “Control Group Cohort”. The survey was comprised of eight SMEs, from the 125 SMEs that were included in the 2009 Baseline Survey but were not chosen to receive assistance. The Control Group, therefore, was comprised of a six percent sampling of SMEs not chosen to receive TARGET assistance.
- Combined, the TARGET Survey cohort and the Control Group cohort are referred to as the “Total Survey Cohort”

### Fallujah Field Survey Cohort Questionnaire

Key to the Fallujah SME Questionnaire		
Part One: Background Information		
This section is to generate the basic identification information needed to cross reference the interview with UNIDO’s baseline data		
Question	Data Entry Key	RESPONSE
1. Date of the Interview		
2. Name of the Business		
3. Name of the Person(s) Interviewed		
4. Business Address and Location		
5. Type of Business	A= Service, B= Manufacturing C= Both Service and Manufacturing D= Others	
6. Who owns the business (family, partnership or other)?	A= Family B= Partnership C= Other	
Part Two: Type of Business and Markets		
This section will identify the main factors affecting the business environment, and how the company is adapting since it received support.		
7a. Has the type of	Y= Yes	



business changed since 2009?	N= No	
7b. If yes, please describe the changes that occurred.	A= Change in ownership structure B= Change in type of business, with a new service is being sold. C= Change in type of business, with a new product being manufactured. D= Other (please describe in narrative)	
8. Why did the type of business change?	A= Change in market demand B= Change in type of client C= Change in access to supplies or market D= Change in availability of skilled employees E= Change in partnership configuration F= Other (please describe in narrative)	
9. At this moment, where is the market for your business?	A= Fallujah local market B= A nearby town C= In Baghdad D= Elsewhere in Iraq E= International Export	
<b>Part Three: Business Performance</b> Questions designed to assess performance changes, including whether employment increased.		
10. How is your business doing compared to 2008?	A= Much Better B= Better C= Same D= Worse E= Much Worse	
11a If your business has improved since 2009, in what ways has it improved?	A= Increased sales B= Increased revenues C= Growth in demand or markets for your product D= Improved transport for your goods to markets E= Improved access to supplies F= Improved access to business financing G= Improved access to other forms of business support H= Other (Describe)	
11b If your business has gotten worse since 2009, in what ways has it improved?	A= Worse sales B= Worse revenues C= Decline in demand or markets for your product D= Worse transport for your goods to markets E= Worse access to supplies	

	F= Worse access to business financing G= Worse access to other forms of business support H= Other (Describe)	
12a. How many full time employees do you have today?	NUMBER OF EMPLOYEES	
12b. How many seasonal or part time employees do you have today?	NUMBER OF EMPLOYEES	
12c. How many full time employees did you have in 2008?	NUMBER OF EMPLOYEES	
12d. How many seasonal or part time employees did you have 2008?	NUMBER OF EMPLOYEES	
13. Where did you recruit your new employees?	A= Family members B= Known persons in the community C= General recruitment D= Other (describe)	
14. Where does your business purchase services and supplies?	A= In Fallujah B= From suppliers in nearby towns C= Regionally D= Nationally E= Internationally	
15. Has the source of your services and supplies changed since 2008?	A= the same B= I buy more services and supplies from Fallujah C= I buy more services and supplies from outside Fallujah, in nearby communities D= I buy more services and supplies from outside Fallujah, in the regional market	
<b>Part Four: Family Situation</b>		
<b>Is the family doing better or worse? Including owners and employees? Can we attribute any improvement or decline to the project?</b>		
16. Has your family's situation improved or declined since 2008?	A= Much Better B= Better C= Same D= Worse E= Much Worse	
17: Why? Give the reason behind your decision.	A: Change in the political situation. B: Change in the safety situation. C: Change in the equipment D: Others (state)	
18: Does this project help you to improve the life of other relative's families that suffered from the war	A= Yes, support has contributed to the situation being Much Better B= Yes, support has	

activities in Falluja?	contributed to the situation Better C= The project has not really helped and the situation is the Same	
<b>Part Five: Type of Support Received from the Project</b>		
Parts of the questions assess what was done. Also, we want to assess ownership and confidence (are they investing their own money and taking credits/loans to expand) and whether the project has opened other opportunities.		
19. What kind of support did you receive from the project?	A= Equipment only B= Rehabilitation only C= Equipment and Rehabilitation D= Other	
20. Is the support now in place and operational?	Y= Yes N= No	
21. Did your company invest any of its own financial capital in the rehabilitation?	Y= Yes N= No	
22. If yes, what part of the rehabilitation did you invest in?	A= Rehabilitation of your building B= Construction to expand your building B= Services to your building (water/electricity/sanitation) C= New equipment D= Other	
23. If yes, approximately how much of your own capital did you invest in the reconstruction?	AMOUNT	
24. Was receiving support from the project a positive factor in your decision to invest your own capital?	Y= Yes N= No NA= It was not a Consideration in the decision	
<b>Part Six: Impact of the Project on Your Business</b>		
Based on the changing situation documented in the previous sections, what can we attribute to the project?		
25. Has the support contributed to an improvement in your business?	A= Has contributed very much B= Has contributed C= Our situation is the same D= Has not contributed and the situation is worse E= Has not contributed and the situation is the much worse	
26. If the support contributed to an improvement in your business, what was the contribution?		
27. If the support did not improve your business,		

why did it not lead to an improvement?		
28. Overall, are you satisfied with the support given?	A= Very Satisfied B= Satisfied C= Not satisfied D= Very Unsatisfied	
29. Overall, was the support relevant to what you needed?	A= Very Relevant B= Relevant C= The support could have been more relevant to what my business needed D= The support was not relevant to what my business need	
30. How would you improve the support?		
31: How would you evaluate the quality of the equipment supplied?	A: Very good. B: Good. C: Bad. D: Very bad	

## Fallujah Control Group Survey Questionnaire

Part One: Identification		
Question	Data Entry Key	Response
1. Project Number		
2. Name of Business		
3. Name of the Person Interviewed		
4. Business Location and Address		
5. Type of Business	A= Service, B= Manufacturing C= Both Service and Manufacturing D= Others	
6. Who owns the business (family, partnership or other)?	A= Family B= Partnership C= Other	
<b>Part Two: Part One: Business Performance</b> Questions designed to assess performance changes, including whether employment increased.		

10. How is your business doing compared to 2008?	A= Much Better B= Better C= Same D= Worse E= Much Worse	
11a If your business has improved since 2009, in what ways has it improved?	A= Increased sales B= Increased revenues C= Growth in demand or markets for your product D= Improved transport for your goods to markets E= Improved access to supplies F= Improved access to business financing G= Improved access to other forms of business support H= Other (Describe)	
11b If your business has gotten worse since 2009, in what ways has it improved?	A= Worse sales B= Worse revenues C= Decline in demand or markets for your product D= Worse transport for your goods to markets E= Worse access to supplies F= Worse access to business financing G= Worse access to other forms of business support H= Other (Describe)	
12a. How many full time employees do you have today?	NUMBER OF EMPLOYEES	
12c. How many full time employees did you have in 2008?	NUMBER OF EMPLOYEES	
13. Where did you recruit your new employees?	A= Family members B= Known persons in the community C= General recruitment D= Other (describe)	
<b>Part Two: Family Situation</b>		
Is the family doing better or worse? Including owners and employees?		
16. Has your family's situation improved or declined since 2008?	A= Much Better B= Better C= Same D= Worse E= Much Worse	
What factors have resulted in an improvement or decline in your family situation?	A= Situation of Business B= Change in Security C= Better Basic Services D= Other Family Members Working	
<b>Part Three: Financing</b>		
How are you financing your business? Intended to compare sources of income and		

relative importance of the project to start-up.		
21. Did your company invest any of its own financial capital to rehabilitate your business?	Y= Yes N= No	
22. If yes, what part of the rehabilitation did you invest in?	A= Rehabilitation of your building B= Construction to expand your building B= Services to your building (water/electricity/sanitation) C= New equipment D= Other	
23. If yes, approximately how much of your own capital did you invest in the reconstruction?	AMOUNT	
Was the investment sufficient to for the rehabilitation that you needed?	Y= Yes N= No	
If not, what is the most important thing that you need to make your business more effective?	A= Rehabilitation of Property B= New Equipment C= Training in New Equipment or Processes	
What alternative sources of resources do you have to finance these improvements?	A= Family Loan B= C=	

# Annex C: Summary of the Survey Data

## Overview and Methodology

- 1. The evaluation team met in Istanbul 30-31 January 2012, to review the results of the TARGET evaluation field mission and document review.** The meeting was attended by David Gairdner, Dr. Riadh Al-Allaf, and Widad Salih. Florence Mandelik participated by Skype. The results of the workshop were presented to UNIDO as an *Aide Memoire* (05.02.2012), and served as the basis for discussion with the Project Steering Committee (31.01.2012) and the draft evaluation report.
- 2. The TARGET field survey was based on site inspect and interviews with 41 SMEs of the 76 SMEs selected for assistance.** The survey, therefore, was based on a representative sampling of 55 percent. The follow up Control Group survey included eight of the 125 SMEs that were part of the original 2009 UNIDO Baseline Survey but did not receive support. The Control Group sampling was only six percent of the total number of organisations surveyed but not chosen for support. However, the Control Group was supported by observation from the initial survey. **The field survey, therefore, included a total sample of 49 SMEs, in the Beneficiary and Control Group Cohorts**
- 3. The TARGET field survey was conducted over a 15 day period, during December 2011.** The follow-up Control Group survey was conducted over two days in February 2012. Both surveys were based on personal interviews with individual enterprise owners, conducted at the business site by evaluation team members. The interviews followed a structured questionnaire, building on data collected from the 2009 Baseline Survey and with the intention of supporting comparison between 2009 and 2011. The questionnaire was developed in consultation between the team, EVA and the project's Chief Technical Officer. The evaluation team also conducted interviews with members of the PSC (Baghdad, Ramadi and Fallujah) and local officials in Fallujah.
- 4. The evaluation did not conduct field work related to the training component.** The field survey and interviews were conducted during a period of heightened insecurity in Fallujah, marked by large public demonstrations, car bombs, attacks on several police and the attempted assassination of Governor. The effect was to limit access into Fallujah city, but not into the

Fallujah Industrial Zone (FIZ) itself.<sup>60</sup> Accordingly, the evaluation did assess the results of the training component.

5. **The TARGET project rehabilitation and equipment were newly installed.** There has been limited time for most businesses to install and use new equipment and facilities (works appeared to be finished in December 2011. Reporting for July 2011 was that the completion rate for SMEs was 73 percent, and the last materials were delivered in December 2011. Companies had received equipment no more than one year (and likely less) prior to the evaluation, insufficient time to consolidate its use of the equipment. The full outcome of the project, therefore, has not yet developed.

## **Note on Bias between Projects Receiving and not Receiving Assistance**

6. The TARGET selection criteria favoured SMEs that were operational, with greater possibility for success than the SMEs not selected.<sup>61</sup> As a result, the companies selected tended to show better performance in the baseline than SMEs that did not receive support.<sup>62</sup> The selection process, therefore, created a bias towards better performing SMEs. The bias will have affected the comparison between the TARGET Survey Cohort and the Control Group Cohort, in favour of the Beneficiary Cohort. Notwithstanding the bias, the survey used the non-assisted SMEs from the 2009 UNIDO survey as baseline data was available.

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<sup>60</sup> The FIZ is located on the north-eastern boundary of Fallujah, with direct access to the highway that leads to Baghdad. The team members were not able to stay in Fallujah, but made the return trip to Baghdad each day.

<sup>61</sup> According to the CTA, "we looked for coherence and logic in the owner's request for support, i.e. did it 'make sense', did it support equipment and production already in place. We also looked for "size" and prospects for success. In other words, the project supported not just "operational" SMEs, but the ones we selected presented better logic and coherence in their survey replies and wish lists – backed up by photographic evidence of their enterprise and production."

<sup>62</sup> UNIDO advised it looked for coherence and logic in the owner's request for support, i.e. did it 'make sense', did it support equipment and production already in place. UNIDO also looked for size and prospects for success. In other words not just operational - yes/no. All of the 250 surveyed enterprises surveyed were "operational" – but the ones we selected presented better logic and coherence in their survey replies and wish lists – backed up by photographic evidence of their enterprise and production.



# Summary of the Survey Data

## Who Owns the SMEs

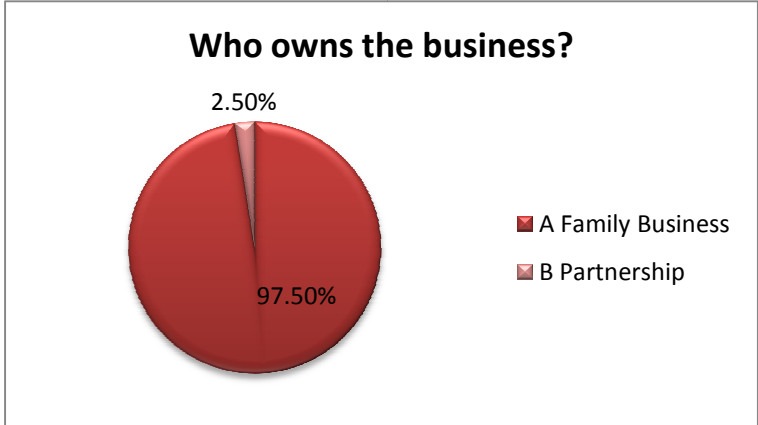
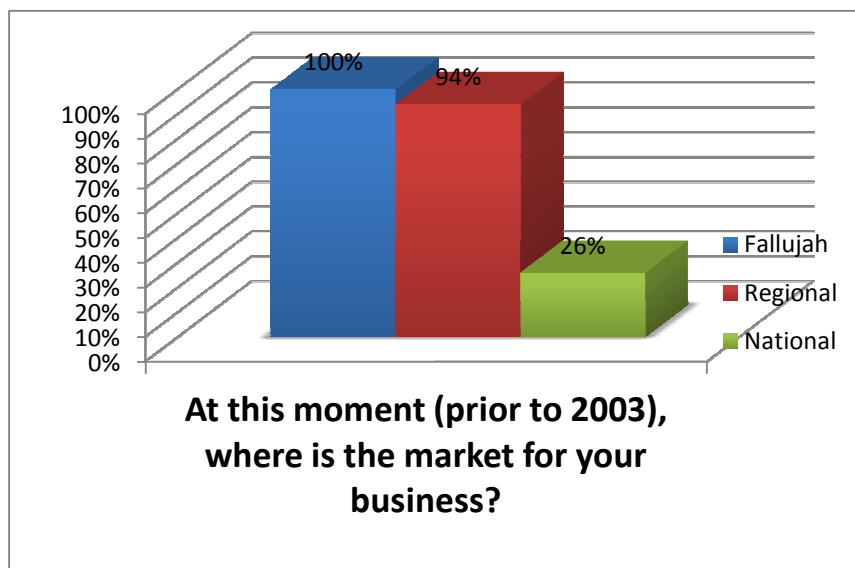


Table One: Ownership of the TARGET Survey Cohort

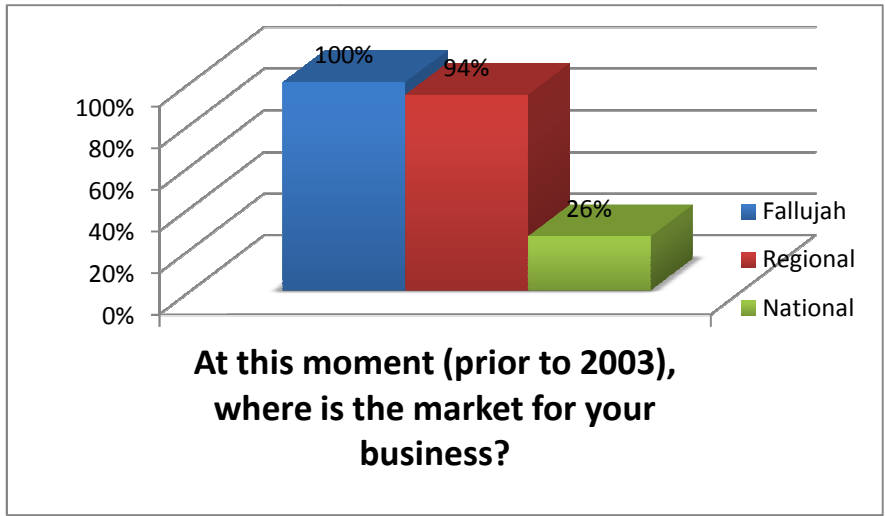
7. **The ownership of companies and what they produce has been stable/static, extending back before 2003.** Companies in the TARGET Survey Cohort were family owned, with only one exception. All of the eight SMEs in the Control Group Cohort were also family owned. The findings on ownership are consistent with UNIDO’s 2009 Baseline Survey, showing family ownership since most companies were established. The 2009 Baseline Survey reported the median age of companies in FIZ was 21 years (23 years by the time of the evaluation in 2011). Accordingly, the basic characteristic of small scale family ownership has been in place for decades, extending back in some cases to the founding of the FIZ forty years ago. The TARGET Survey Cohort also found only 20 percent reported a change in their business focus, and are otherwise producing or selling what they produced over the past decade.

## Where is the Market for SMEs?



**Table Two: Where Were Your Markets Prior to 2003 (2009 Baseline Survey)**

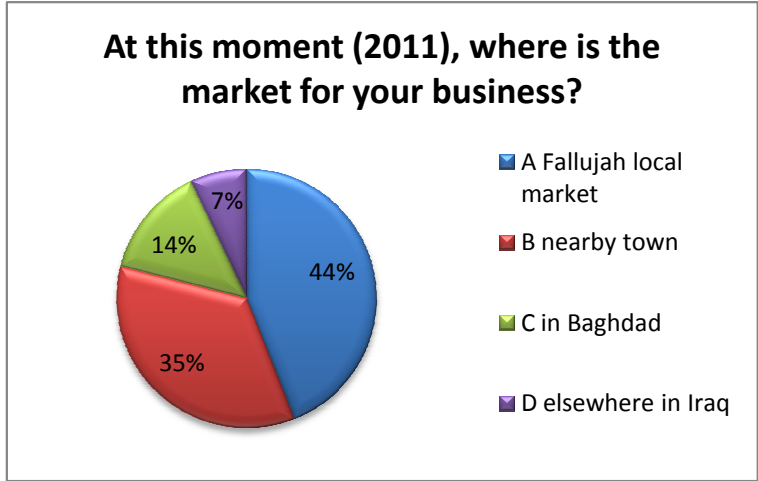
- 8. The scope of the market for the SMEs has contracted since 2003, particularly at the regional level.** Data from the 2009 UNIDO Baseline Survey indicates that, prior to 2003 most companies had supply chains and were selling into local, regional and sometimes national markets, simultaneously. Companies, therefore, had markets, and were not solely dependent on local markets.
- 9. According to the 2009 UNIDO Baseline Survey, markets both contracted between 2003 and 2009.** The survey data found that a significant contraction in both the regional (94% to 35% selling into regional markets) and national market access (26% to 10% selling into national markets). The primary market for SMEs, therefore, became Fallujah and surrounding area. The 2009 survey found the contraction resulted from violence related to the 2003 occupation, and on-going MNF-I operations in Fallujah up to 2008, but with particularly intense fighting between 2004 and 2007. The effect of the violence was to disrupt normal supply chains and markets, and to isolate the SMEs within the Fallujah and local markets.



**Table**

**Three: SME Markets in 2009**

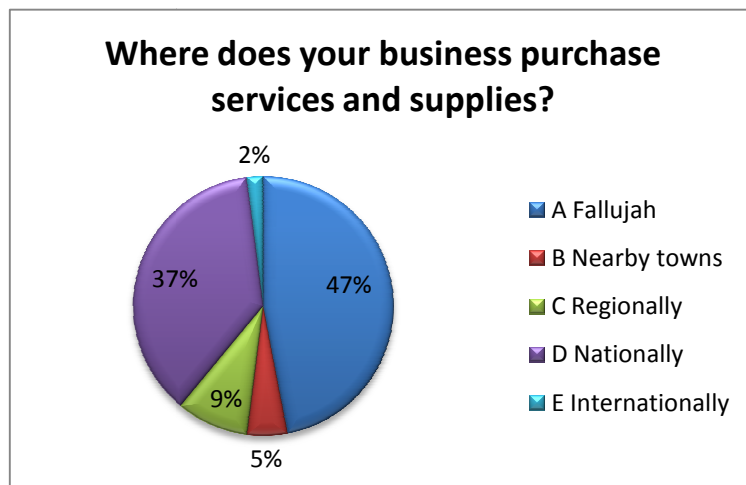
10. The data from 2011 suggests that a further contraction in market access occurred between 2009 and 2011, and that tradition markets and movement of goods has not recovered since 2003. Eighty six percent of all goods are sold in the Fallujah area, or as far as Baghdad. The Baghdad market itself should be the natural market, as the largest urban concentration. There was anecdotal evidence in the interview process that the Baghdad market is expanding, in part given on-going violence in Central Baghdad and easier movement on the highway between Baghdad and Fallujah.



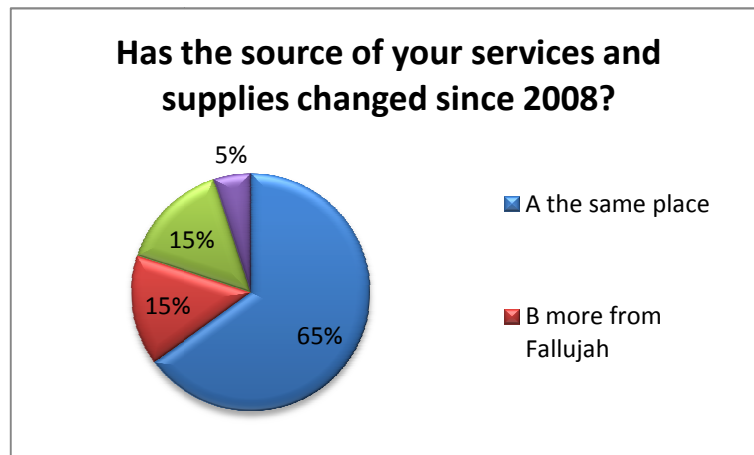
**Table Four: Markets for TARGET Survey Cohort SMEs**

## Where are SMEs Buying Goods and Services?

11. **Companies are purchasing goods and services primarily in the local market.** Data from the 2011 TARGET Survey Cohort indicates that since 2003, SMEs increasingly purchase their goods and services from local suppliers, although national suppliers remain important. Expansion of SME purchases should have a multiplier effect in the local market, although some of the benefit may be offset by the loss of diversity in the markets. Comparable 2009 data was not available.



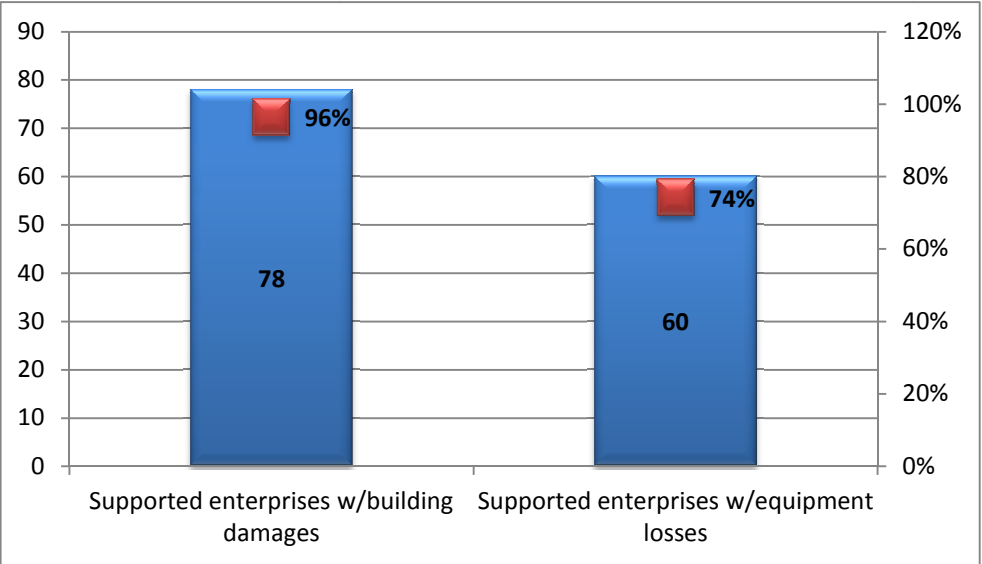
**Table Five: Purchase of Goods and Services**



**Table Six: Change in Suppliers since 2003**

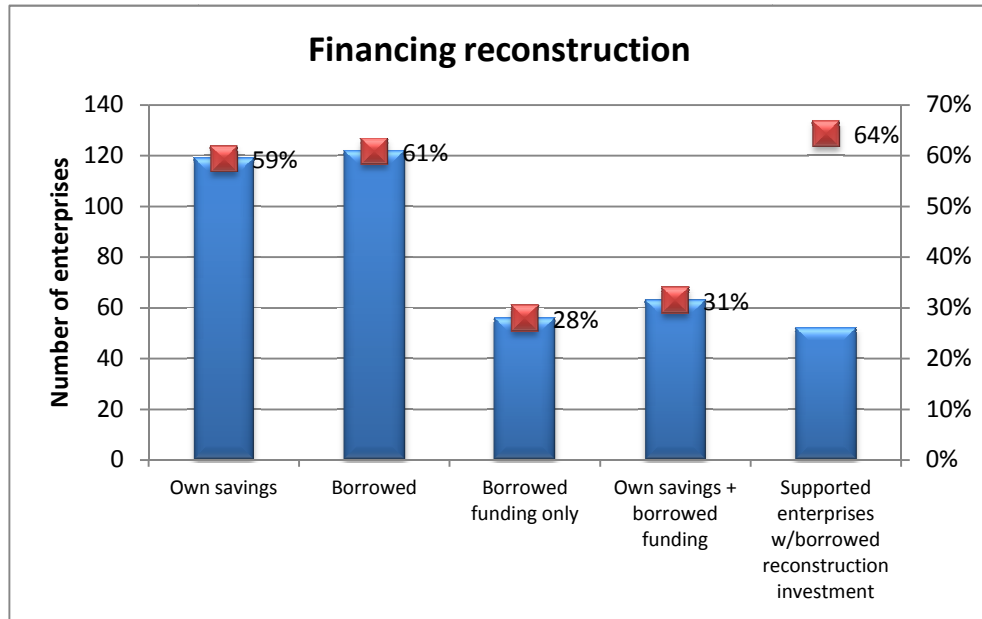
## Owner Investment and Borrowing

**12. There was extensive equipment and building damage to the SMEs in the industrial zone between 2003 and 2007.** Primary damage occurred during the 2003 occupation, and subsequent MNF-I offensives in 2004 and 2005. While the situation has stabilised since 2009, both Fallujah and the zone continued to be the site for conflict. Forty percent of the SMEs included in the 2009 Baseline Survey reported losing equipment and 94 percent reported some damage to their buildings. Only 13 of 201 SMEs surveyed reported no damage to buildings. Of the SMEs eventually chose for selection, 96 percent were assessed as having building damage and 64 percent had equipment damage.



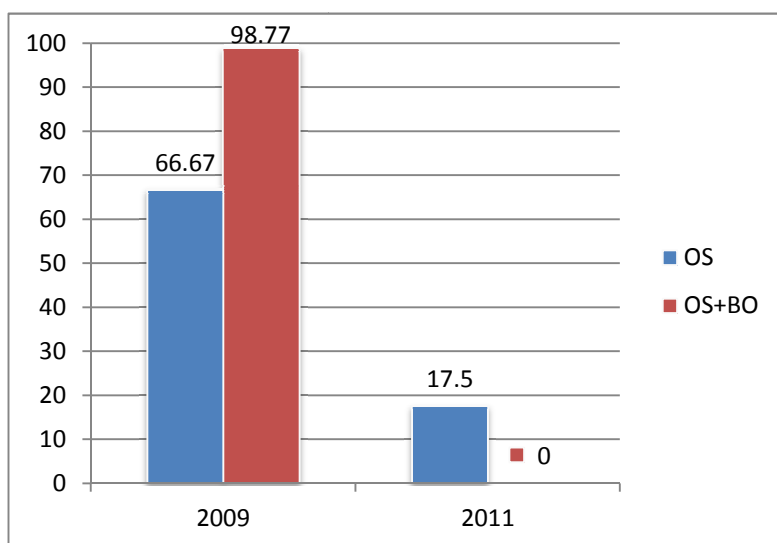
**Table Eight: Building and Equipment Damage Among Supported SMEs (2009 Baseline Survey)**

**13. Re-establishing SMEs required an investment in rehabilitation of buildings and the repair or replacement of equipment.** Fifty-nine percent of the SMEs surveyed in 2009 had made personal investments in rehabilitating their equipment and/or buildings. Sixty-one percent of owners had borrowed funds, usually within family or community networks. It was common for owners to combine their own capital with borrowing. The data also indicates an up-turn in SME activity taking place in the FIZ during 2008-2009, as SMEs re-established themselves after the security situation began to stabilise post-2007.



**Table Nine: Financing Reconstruction (2009 Baseline Survey)**

14. **With one exception, all owners in the 2011 TARGET Survey Cohort made their own investments to rehabilitate of their SME.** The main source of funding was the owner’s private resources (67 percent). However, a further 30 percent of owners also borrowed money, with 98 percent reporting a combination of own investment and loans. The only source of borrowed funds was within the network of relatives or community. No owner reported borrowing from a State programme or financial institution, for both cultural reasons and the lack of such programmes. Owner investment in the TARGET Survey Cohort declines after 2009. However, from interviews the reason appears to be that the initial investments necessary to re-open were made during 2007- 2009. Also, the TARGET project provided additional resources after 2009.

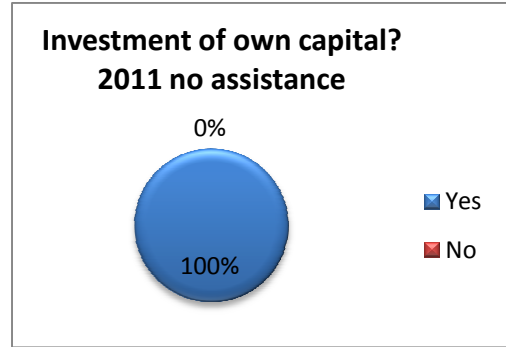
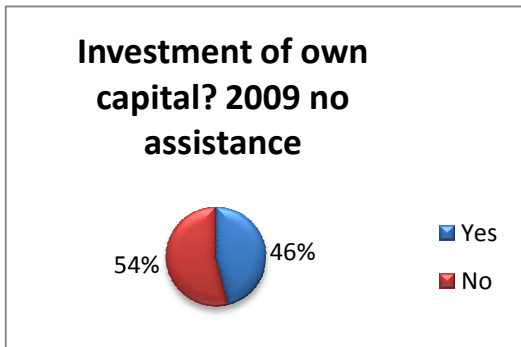


**Table 10: Owner Investment in Rehabilitation (2011)**

15. **The TARGET project functioned as a grant/investment scheme.** Almost 100 percent of the assisted SMEs made an initial investment to re-open their companies, or to bring facilities to the standard required to install the TARGET equipment. A smaller number of 17.5 percent continued to make investments after 2009, although the on-going instability presented important disincentive. Also, renewal of land leases in the FIZ is pending, and there are some concerns that the FIZ might be moved to another location as Fallujah city expands.

16. **All SME owners from the Control Group Cohort also made investments in rehabilitation.**<sup>63</sup> However, in comparison the non-TARGET assisted SMEs invested fewer resources in 2009 (46% of SMEs) than the assisted SMEs (98.7%). By 2011, the non-TARGET assisted SMEs were investing significantly more resources (100% SMEs) than the assisted SMEs (17.5%). From interviews, the evaluation concluded that higher levels of personal investment, over a longer period, among the non-assisted SMEs were required as alternative sources of capital and assistance were not available.

<sup>63</sup> The Control Group data may reflect both own and borrowed capital.

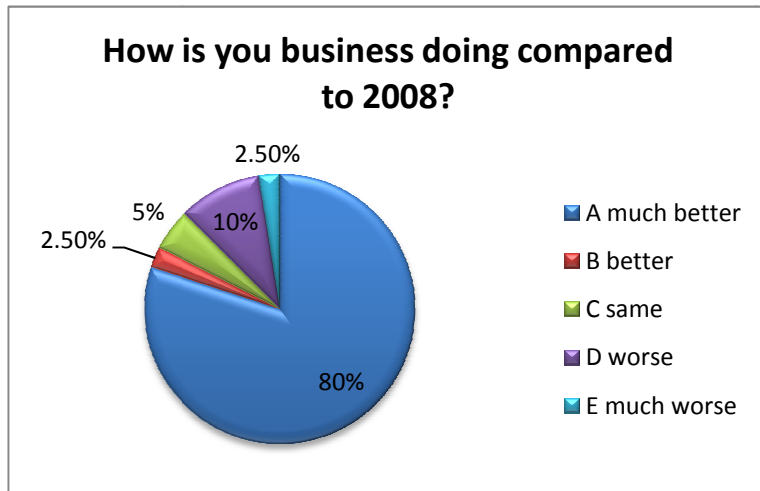


**Table 11: Investment of Own Capital by Non-Assisted SMEs 2009**

**Table 12: Investment of Own Capital by Non-Assisted SMEs 2011**

### Overall Business Performance

17. **SMEs in the TARGET Survey Cohort replied that, overall, they are doing significantly better compared to 2009.** 87.5 percent stated they are doing the same, or much better. 80 percent replied their business was “much better”.

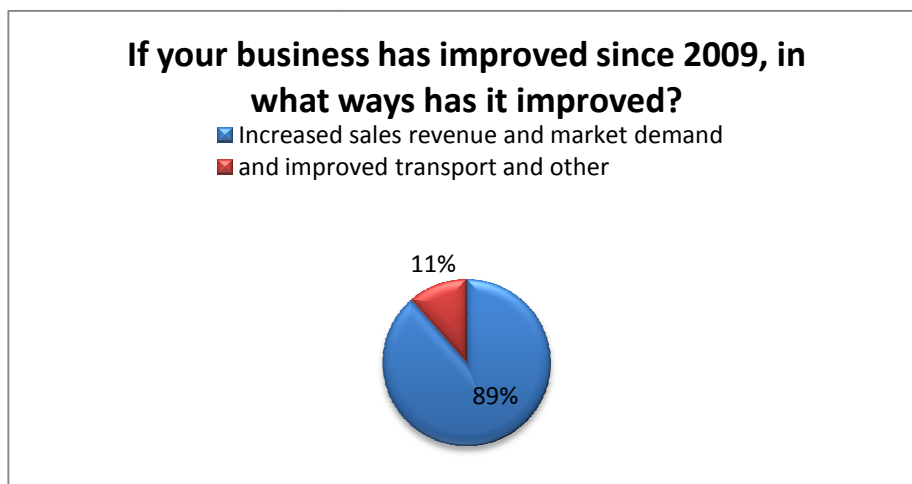


**Table 13: TARGET Survey Cohort Business Performance**

18. **TARGET Survey Cohort SMEs report increased demand and sales for their products.** During interviews, some SME owners believed there were pent up demand in local markets after an extended period of conflict and instability, extending as far as Baghdad. During interviews they cited increased sales, increased customer movement into the FIZ, better market access outside of the FIZ and improved services, such as transport for

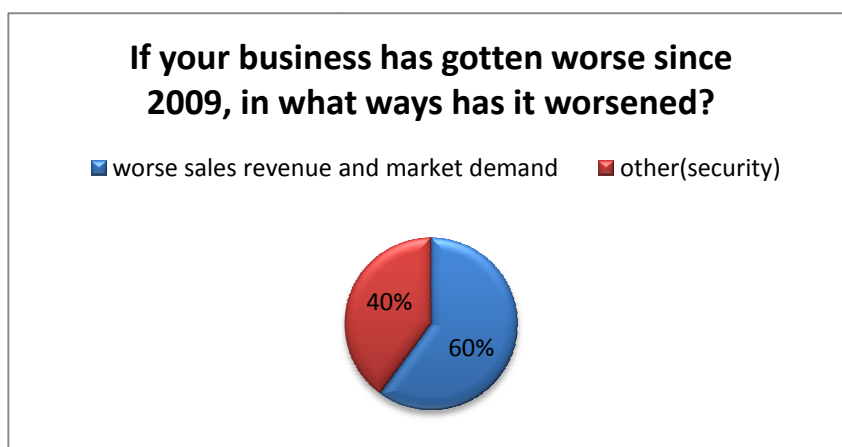


supplies and goods to market. The response also suggests some revitalisation in local markets.



**Table 14: Reasons for Business Improvement**

19. **The 12.5 percent of TARGET Survey Cohort SMEs reporting worse performance since 2008 cited declining sales and customer movement.** The main reason given during interviews was the security situation and positioning of T-walls and roadblocks, which restricted customer access to some sections of the FIZ. Also, the team observed that the relevance of some businesses to demand was in decline (for example, auto repairs unable to work with new computerised systems).



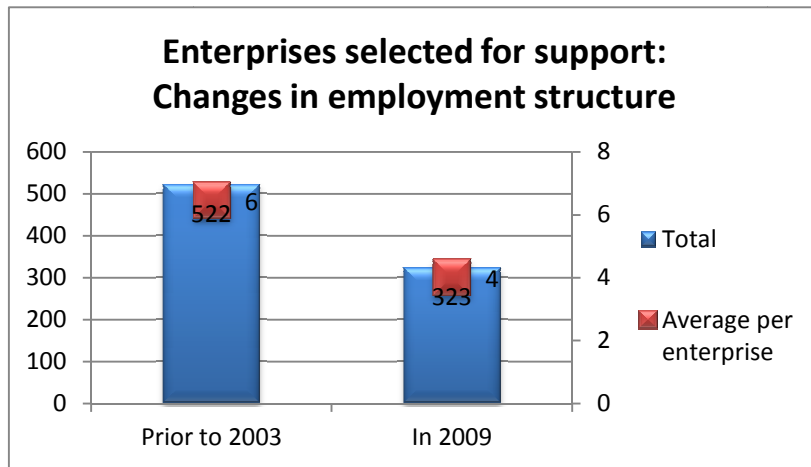
**Table 15: TARGET Survey Cohort Reasons for Worse Performance**

20. **From the Control Group Cohort, no SME reported an improvement in overall business performance.** All of the Control Group SMEs reported performance was medium to poor, with no improvement between 2009 and 2011. From interviews, the SMEs that did not receive assistance had less

operational capacity to attract clients or to benefit from increased activity in the FIZ.

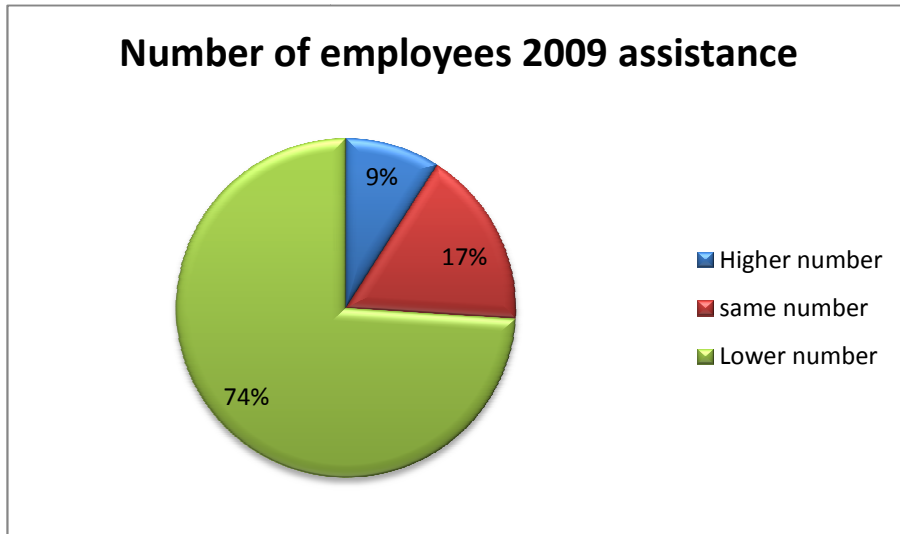
## Change in Employment Levels

21. **From the 2009 Baseline Study, the number of employees among SMEs selected for support contracted by 39 percent, comparing pre-2003 levels with 2009. The average number of employees per SME also contracted from 6 to 4 persons.**



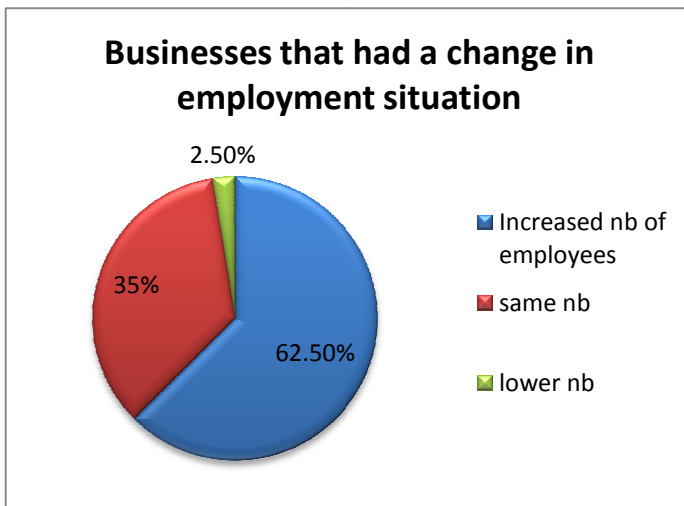
**Table 16: Employment among Selected SMEs Pre-2003 and 2009 (2009 Baseline Survey)**

22. **Also from the 2009 Baseline Survey data, 74 percent of the TARGET-assisted SMEs reported a decline in the number of employee between 2003 and 2009. 17 percent reported having the same number of employees and only nine percent reported having more employees. The employment data was consistent with other data on the reduced scope of markets and sales.**



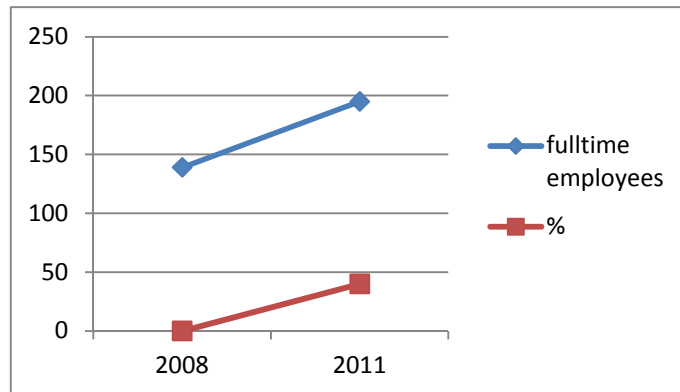
**Table 17: Change in Employment 2003 to 2009**

23. **The majority of SMEs in the 2011 TARGET Survey Cohort reported hiring new employees between 2009 and 2011.** 62 percent of the survey cohort responded that they have hired at least one new person since 2009, representing a real growth in the number of persons employed. 35 percent of the cohort said they had the same number of employees, while only 2.5 percent (one company) responded that they have fewer employees today than in 2009. The data indicates a significant improvement over the 2009 Baseline Survey data, although employment has not yet recovered to pre-2003 levels.



**Table 18: TARGET Survey Cohort Change in Employment**

24. **There has been a net employment increase of approximately 40 percent in the TARGET Survey Cohort:**



**Table 19: Total Employment Gain in TARGET Survey Cohort**

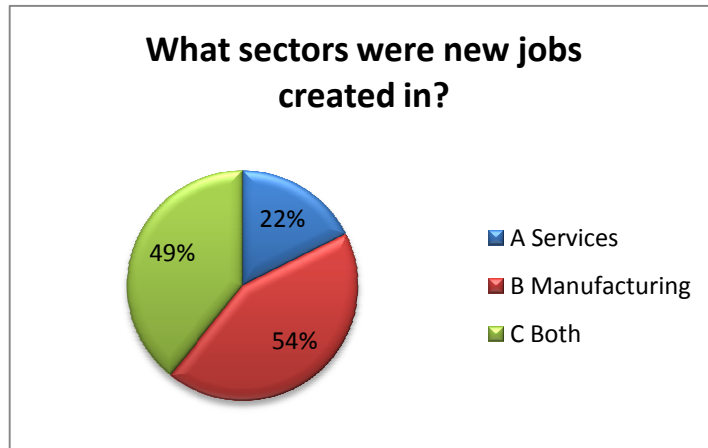
- a. **From the 2009 Baseline Survey, the 41 SMEs in the 2011 TARGET Survey Cohort had an employment base of 139 in 2009.** The evaluation estimates that the overall employment base among the total of 76 beneficiary SMEs was 240. The evaluation noted there were some discrepancies between the 2009 data and the data on 2009 employment from the 2011 survey. However, discrepancies were modest and do not change the overall trend.
  - b. **As of 2011, employment among the TARGET Survey Cohort reached 195, and there was evidence that part time positions were also created. The net gain in total number of new full time positions created, therefore, was 56.** This is a net employment increase of approximately 40 percent within the TARGET Survey Cohort, between 2009 and 2011. Gains contrasted with the contraction in that occurred between 2003 and 2009.
  - c. **Part-time positions have also been created.** The actual number of part time position was difficult to quantify. The evaluation did not have baseline data on part time employment from 2009, data on the number of hours being worked or the full time equivalent. However, 47 part time positions were created between 2009 and 2011.
  - d. **Projecting the 40 percent net employment gain to the total of 76 TARGET-assisted SMEs, the number of new jobs created by the project would be about 100.** The overall employment base would rise from 240 full time employees in 2009 to 340 in 2011. This figure would be higher with the inclusion of part time positions.
25. **The figure of 40 percent likely under-estimates the actual direct and indirect employment created.** There is evidence from the surveys that some

SMEs could not afford to pay family members that were reported in the 2009 surveys as “employed”. The reason was insufficient income to pay salaries. The 2011 survey interviews indicate that companies are earning enough to pay some level of salary, arguably creating or at least consolidating a position. This would be a gain in the quality of employment, even if not registered as a net gain in the number of positions.

26. **There was also qualitative evidence that the presence of 76 new companies resulted in other companies opening, by creating a critical mass of companies operating, or “business ecology”.** Site inspection noted new SMEs opening around the beneficiary SMEs, and investing in their businesses to a new standard, in order to compete. There was also qualitative evidence that other businesses are benefitting from increased customer movement, which should benefit the overall ecology. **The site inspection finding is somewhat contradicted by the poor performance of SMEs that did not receive TARGET assistance.**
27. **The formal TARGET job creation indicator was not met.** The project TARGET of 500 to 750 new jobs created was not realistic. Meeting the indicator would have required a 300 percent increase in employment. Structurally, the SMEs were unable to expand to this size, given the nature of space restrictions, the nature of the businesses and technology being used. Expansion will require further investments, including in a different kind of business.<sup>64</sup>
28. **The jobs were mainly created in manufacturing, and to a lesser extent in services.** Site inspection noted that most production remains low-tech, labour intensive and small scale. Larger factories that use more technology, have more diverse markets and larger labour forces have not yet opened and were not supported by the project. However, these were outside of the TARGET criteria. There may be concerns about the medium term competitiveness of the FIZ SMEs, should the market open to products from neighbouring countries. Also, there is limited capacity for employment creation, given structural limitations to growth. Larger gains to employment creation would require support to larger companies.

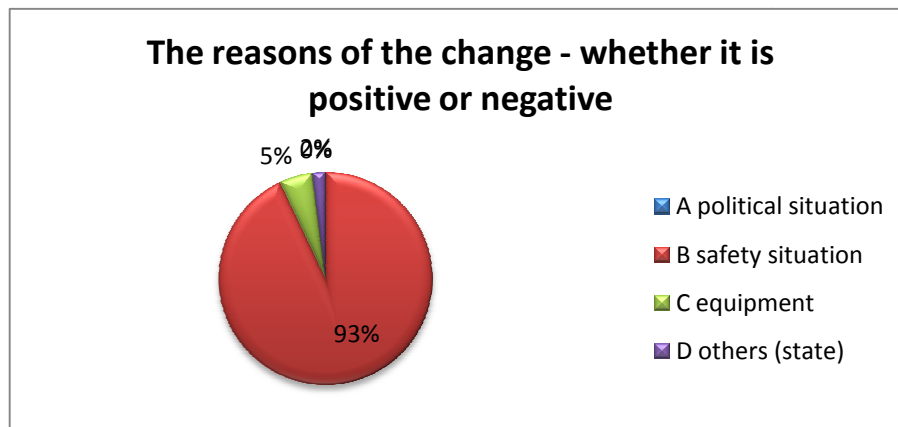
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<sup>64</sup> At the Istanbul meeting between the evaluation team and the PSC, the PSC advised that the TARGET of 500 to 750 new positions referred to the total project. The evaluation team read the project documents differently, interpreting the job creating TARGET as relating to the SME component only. Regardless of the interpretation, the team believes that a 40 percent increase is a significant accomplishment under the conditions, and the indicator was not realistic.



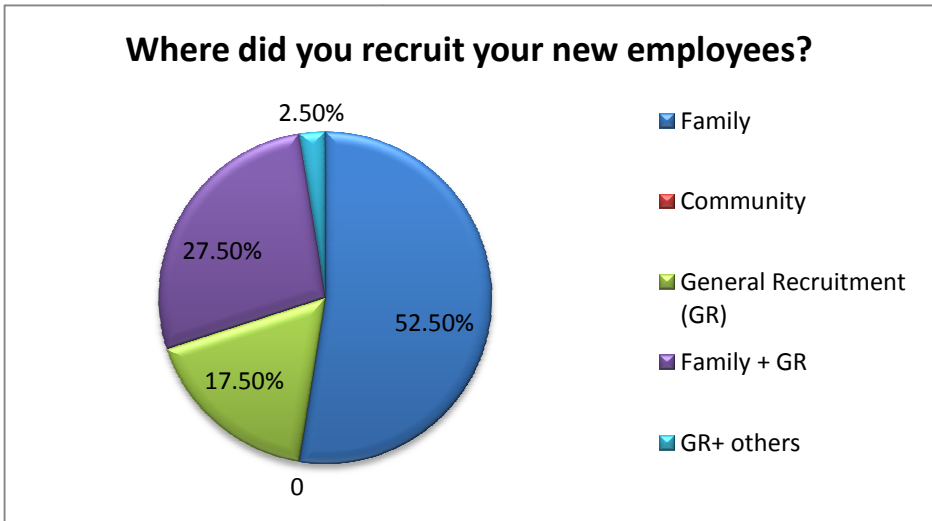
**Table 20: Job Creation by Sector**

29. The main reason for improved business environment was the change in security conditions.



**Table 21: Reasons for Improved Business Conditions**

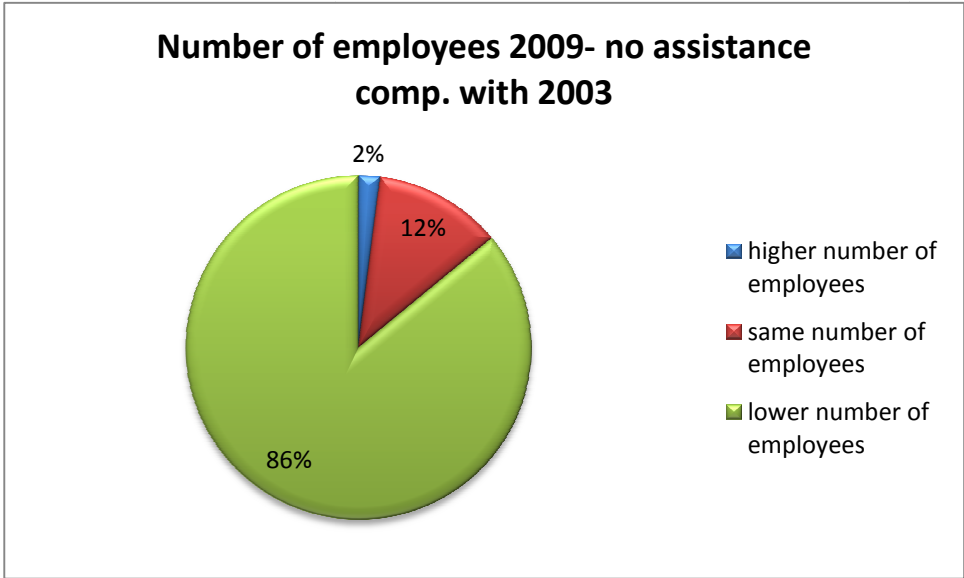
30. **The project was not in a position to create new positions in the general labour force.** The majority of positions recruited are family-based, with limited general recruitment. This appears to occur only after companies reach a certain size (5 to 7 employees), after which there are may not be sufficient numbers of qualified family members to fill positions.



**Table 22: Where did you Recruit Employees?**

**Employment Situation in the Control Group Cohort**

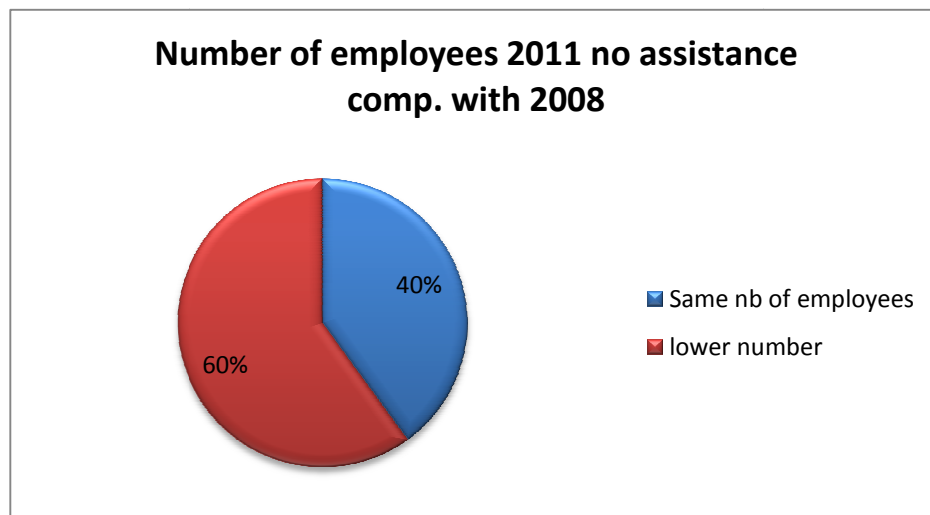
31. The 2009 Baseline Survey data found that 86 percent of the Control Group SMEs lost positions between 2003 and 2011, a slightly larger decline than in the TARGET Survey Cohort.



**Table 23: Control Employment 2003 to 2009**

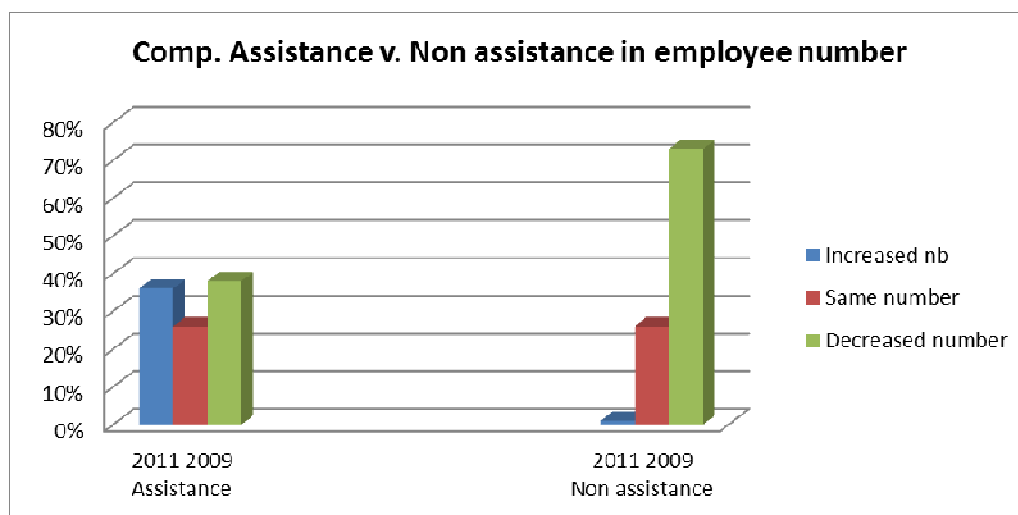
32. The Control Group Cohort reported no net job gain, between 2009 and 2011. Forty percent of non-TARGET assisted SMEs surveyed reported having the same number of employees in 2011 as they did in 2009. 60 percent responded that they had reduced the number of employees. No Control Group SME reported a net gain in the number of employees. Data

indicates that the situation of non-assisted SMEs has stabilized. However, the overall number of employees in these companies contracted significantly between 2003 and 2009, and continues to contract, albeit it at a slower pace.



**Table 24: Control Group Cohort Employment Situation 2008 to 2011**

33. **Overall employment levels in non-assisted SMEs, therefore, continues to contract at the same time as TARGET-assisted SMEs reported an employment increase of at least 40 percent.** The 40 percent represents real job growth, while employment in the non-assisted SMEs continues to be either stagnant or continues to contract.



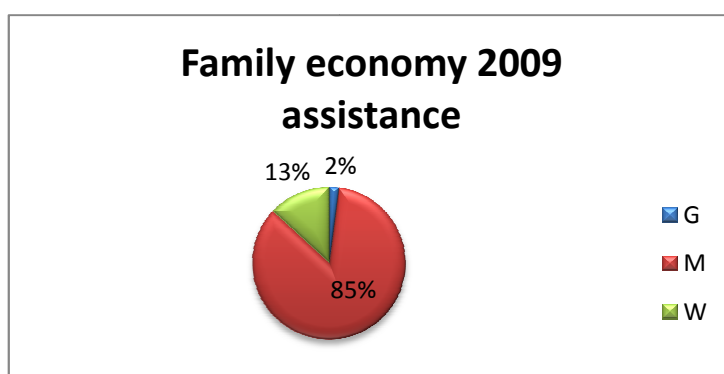
**Table 25: Employment Comparison between the TARGET Survey Cohort and the Control Group Cohort 2009 to 2011**



34. **The finding is consistent with data from the Control Group poor business conditions.** However, poor performance raises questions about the multiplier effect of the TARGET project in the overall FIZ. The evaluation observed a positive business ecology being created around supported projects, but was not in a position to quantify whether the project: a) had no effect on non-supported projects; b) had a mitigating impact on overall decline in employment in non-supported projects, or; c) contributed to employment declines, by giving supported projects an unfair advantage.

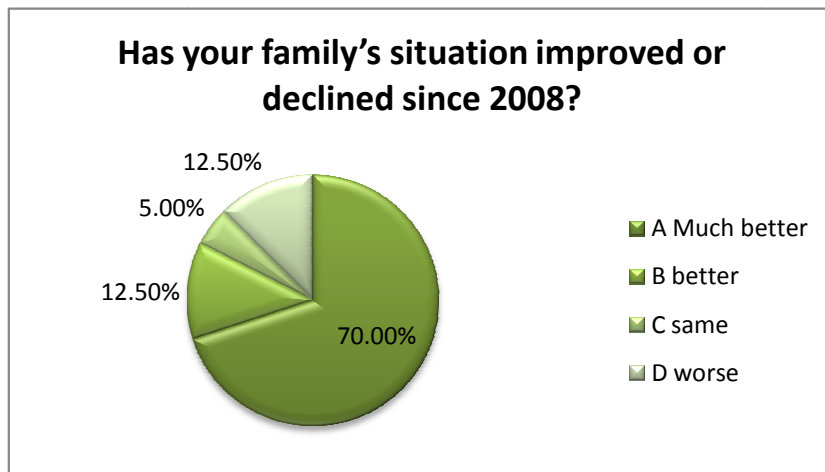
### Family Situation for Supported and Non-supported SMEs

35. **From the 2009 Baseline Survey, the large majority of SME owners reported their family’s economic situation was medium to poor.** Only 2 percent reported that their family’s situation was good. The survey notes a decline in the economic situation of families between 2003 and 2009.



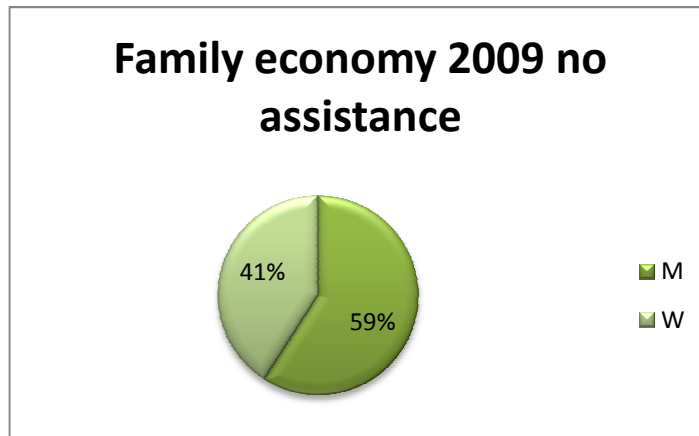
**Table 26: Situation of TARGET Survey Families from the 2009 Baseline Survey**

36. **SME owners reported a significant improvement in their family’s economic situation, between 2009 and 2011.** Seventy percent reported their family situation was “Much Better” and a combined 87.5 percent reported that their situation the “Same” to “Much Better”. There are other variables that could account for the improvement. However, SMEs owners from the TARGET Survey Cohort made a direct attribution between improved business conditions and improved family situation, for their immediate family. The main reason cited was increased income, and ability to meet basic family expenditures. In turn, these were attributed to the improved performance of their businesses.



**Table 27: 2011 TARGET Survey Cohort Family Situation**

37. **In contrast, the family situation of families in the Control Group Cohort did not improve.** For the 2009 Baseline Survey, 59 percent reported their situation was Medium and 41 percent that their situation had gotten worse since 2003. The overall situation of the Control Group Cohort families in 2009, therefore, was worse than the companies that received TARGET assistance, which introduces a bias to the sampling.



**Table 28: Situation of Control Group Cohort Families from the 2009 Baseline Survey**

38. **By 2011, all families in the Control Group Cohort reported that their situation was the same or worse.** No family reported an improvement in their situation, and 89 percent responded their situation was “Worse” or “Much Worse” than in 2009. **The data, therefore, shows a deterioration of**

the situation of non-assisted families, in contrast to the improvement in the situation of TARGET-assisted families.

39. From the 2009 Baseline Survey, slightly more than 50 percent of the 201 SMEs owners responded that they were supporting members of their extended family. Owners' families would assume such responsibility on the death of parents or a spouse, or when family members were displaced. It placed an additional economic burden on SME households. The high number of extended family members being supported is a consequence of the violence in Fallujah, particularly between 2004 and 2007, as well as displacement from other parts of Iraq.

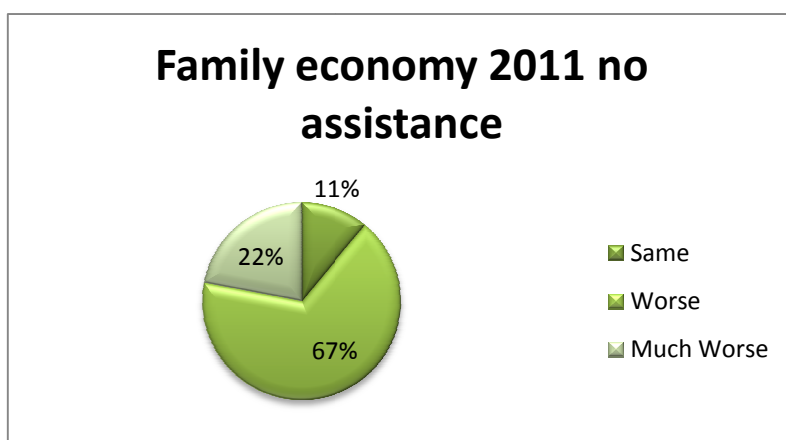
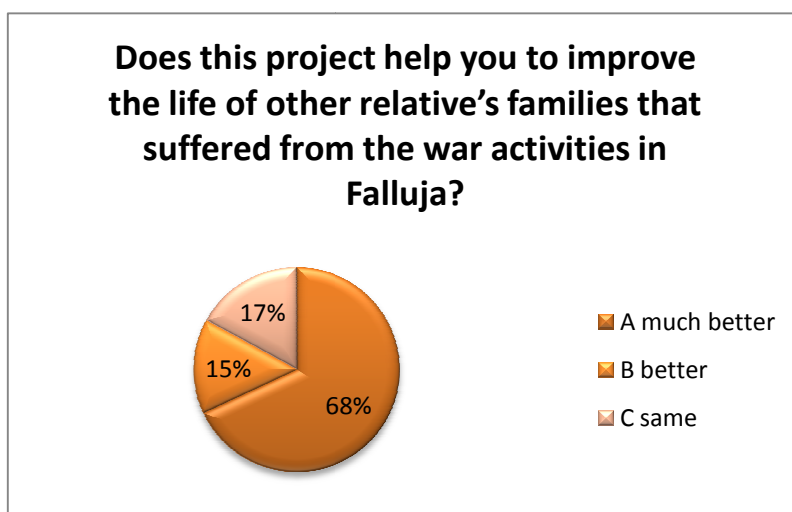


Table 29: Situation of Control Group Cohort Families in 2011.

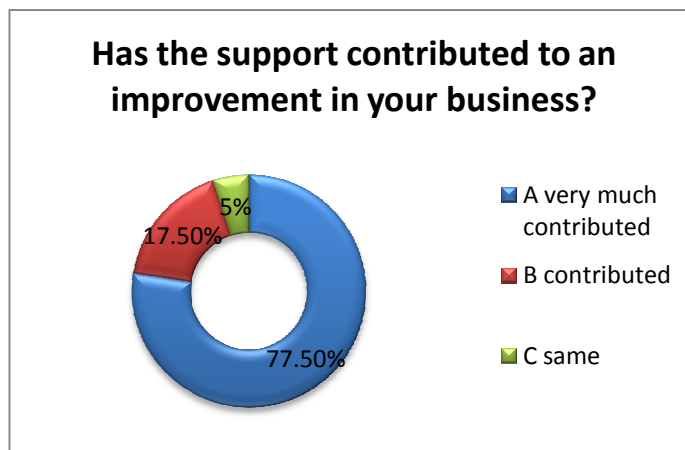
40. From the TARGET Survey Cohort, 82 percent of respondents stated they were better able to support members of their extended family (combined responses "Better" and "Much Better"). No families reported their situation was worse. The survey did not collect data on the situation of extended families for non-assisted SMEs.



**Table 30: Situation of Extended Families in the 2011 TARGET Survey Cohort**

## TARGET Attribution to Improvements

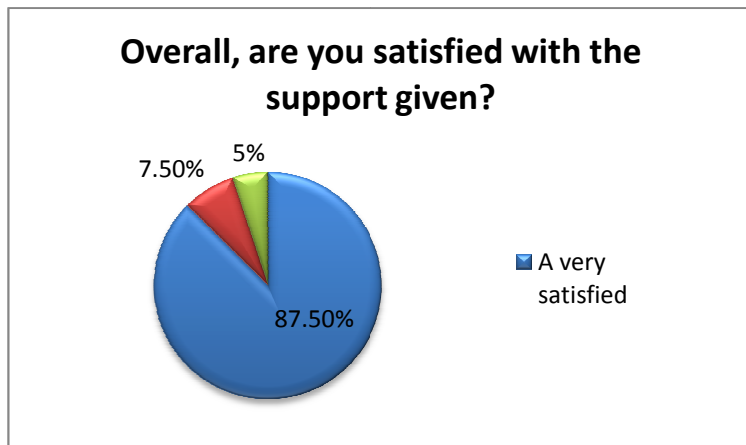
41. **From the TARGET Survey Group, beneficiary SMEs made a strong attribution between their improved situation and assistance received through the project.** A total of 95 percent of the 41 SMEs participating in the cohort said that the project either contributed, or contributed very much to the improvements. Only five percent said their situation was the same after receiving the assistance.



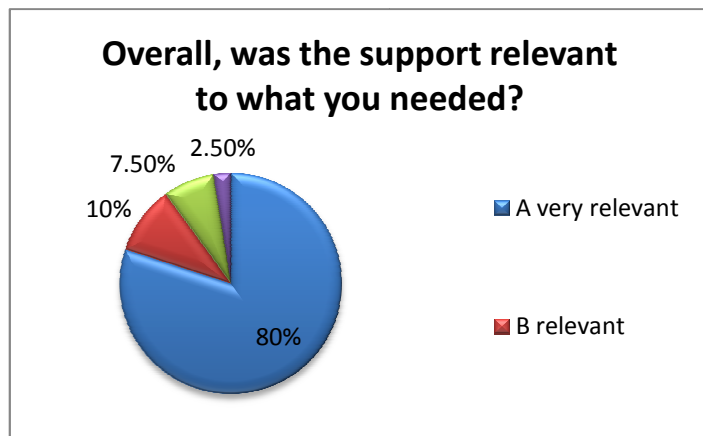
**Table 31: Attribution between TARGET Assistance and Improved Situation**

## Perceptions of Project Performance

42. **Overall, the SMEs in the 2011 TARGET Survey Cohort expressed strong satisfaction with the support,** and made a direct attribution between the support and improvements to their situation. Ninety percent of SME owners reported that the materials received were either relevant or very relevant to their needs. Ten percent reported that the materials were not relevant, and showed dissatisfaction.



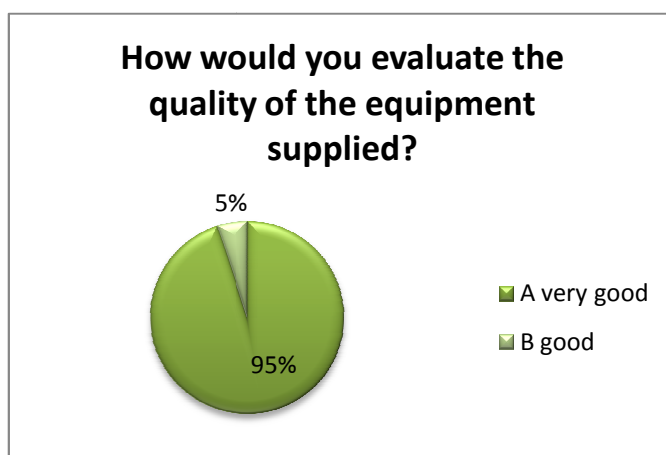
**Table 32: Satisfaction with the Overall Quality of Assistance**



**Table 33: Relevance of the Assistance to Actual Needs**

43. Regardless, a minority expressed concerns about the quality and relevance of some materials during the interview process, and the timeliness of delivery. These concerns were reinforced through interviews with the PSC members, and officials from the Ministry of Planning.
- a. There is a general concern with the quality and durability of Chinese manufactured goods. There is a strong preference not to purchase Chinese products, which are considered to be inferior.
  - b. Two lathes delivered were not new equipment. UNIDO advised replacements have been ordered and will be installed. At the time of completion of the evaluation report UNIDO confirmed the two new replacement machines had arrived and been installed at the two beneficiaries' workshops.

- c. Thermal painting shops equipment has not installed, given complexity and lack of instructions. There was concern quality of the materials, cost relative to regional markets (Turkish) and the logic behind the choice of a British firm that cannot provide installation support or servicing.
- d. Some SMEs responded that generators were not the appropriate capacity or quality, making it difficult/expensive to use them. There were several examples of generators being too large for the requirement, and too expensive to operate and maintain. Owners were not in a position to sell power to neighbouring SMEs.



**Table 34: Quality of the Materials Received through TARGET**

- 44. On the issue of generators, UNIDO advised that SME owners were directly involved in selecting and choosing what equipment to receive. It was the position of UNIDO that owners carry the responsibility for receiving generators that turned out to be too large for their requirements. UNIDO verified equipment orders with the SME owners before procurement. UNIDO also advised that all generators came from the same supplier, were of the same make and delivered at the same time. UNIDO disagrees, therefore, that “some” generators were not of the appropriate quality.
- 45. In reconciling UNIDO’s position with the survey finding, the evaluation noted that concern with the generators was expressed by a minority of the SME owners, and the source of the problem appeared to be incorrect information gathered during the initial survey process. The evaluation confirmed that UNIDO did verify the equipment with owners through site visits, and procured with the information that owners provided. The owners, therefore, carry at least part of the responsibility to any problems.

# Annex D: List of documents consulted

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