

FIELD Report No. 15: Creating Jobs and Economic Opportunities in Iraq

PROGRAM REVIEW AND RECOMMENDATIONS

Produced in collaboration with the
FIELD-Support LWA



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This publication was prepared by a four-person team through the FHI 360-managed FIELD-Support LWA. The team was led by Donald Henry of FHI 360. Other members included Paul Bundick (FHI 360), Douglas Leavens (ACDI/VOCA) and William Toannon (FHI 360 consultant). Find out more about the FIELD-Support LWA at www.kdid.org/projects/field-support.

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¹ Annexes are available upon request.

List of Acronyms

AOTR	Agreement Officers Technical Representative
BDS	Business Development Services
CBI	Central Bank of Iraq
COMSEC	Council of Ministers' Secretariat
EDP	Entrepreneurship Development Program
FHH	Female Headed Households
GOI	Government of Iraq
LLCs	Limited Liability Companies
IDP	Internally Displaced Persons
ICBG	Iraq Company for Bank Guarantees
ICF-SME	Iraqi Company for Financing Small and Medium Enterprises
IMFN	Iraqi Microfinance Network
INGO	International Non-Governmental Organization
IYI	Iraqi Youth Initiative
MFF	Microfinance Facility
MFI	Microfinance Institution
MIM	Ministry of Industry and Mines
MISFA	Microfinance Investment Support Facility for Afghanistan
MISFI	Microfinance Investment Support Facility for Iraq
MOA	Ministry of Agriculture
MOF	Ministry of Finance
MOLSA	Ministry of Labor and Social Affairs
MOT	Ministry of Trade
MOYS	Ministry of Youth and Sports
MOU	Memorandum of Understanding
MOWA	Ministry of Women's Affairs
MSME	Micro, Small and Medium Enterprise
NBFI	Non-Bank Financial Institution
NGO	Nongovernmental Organization
SBDC	Small Business Development Center
SME	Small and Medium Enterprise
SOE	State-Owned Enterprise
USAID	United States Agency for International Development
VOTECH	Vocational Technology Institute
YEAFF	Youth Entrepreneur Access to Finance
YERC	Youth Entrepreneur Training Center
YEP	Youth Employment Promotion
WTO	World Trade Organization

Executive Summary

USAID priorities in Iraq have shifted toward enhancing economic opportunities and creating jobs for Iraqis **with special emphasis on youth, women and vulnerable populations**.² As a part of the planning process, USAID requested a review of its proposed technical approach for new programming as embodied in a preliminary concept paper.³ A review was carried out by a team from the FIELD-Support Leader with Associates, an established enterprise development and microfinance support project based in Washington, DC, in August and September 2012.

The purpose of the review was to address three broad questions: 1) Is the USAID mission in Iraq focusing on the right problem in the concept paper? 2) Is the mission proposing the right approaches? 3) If not, what alternatives should USAID be pursuing to address “the problem” in this period of transition? This paper reflects on and answers each of the three questions posed and provides analysis and recommendations for USAID on how they should approach future programming for economic opportunities and job creation.

Right Problem?

In general, the review found USAID’s focus on jobs and economic opportunities to be on the right track and validated the mission’s contention that jobs and economic opportunities are currently the most urgent and pressing issue facing the nation. The urgency has been voiced by the Iraqi government, by civil society and by the Iraqi people themselves. Jobs are needed now!

Right Approaches?

The review team found the basic technical approaches to economic opportunities and job creation, as proposed by USAID in its concept paper, to be appropriate but requiring a major shift in priority and several technical modifications.

First and foremost, the team recommends building on and modifying the current USAID-funded job training and internship program to design a more comprehensive information-driven, demand-led workforce development program to improve economic opportunities and increase employment among youth, women and vulnerable groups. This should be the primary focus of new USAID programming. Second, market-led entrepreneurship training should be integrated into the workforce development program as an additional skill development activity for those with special aptitude and interest in starting and growing a business.

Aside from the priority workforce development for the many and entrepreneurship development for the few, the team recommends an additional special policy activity: to advise the NGO Directorate and the Ministry of Finance (MOF) to set a path for transformation of the microfinance industry. The team recommends that USAID programs should assume an advisory role to the Government of Iraq (GOI) until commitment is demonstrated and resources become available. This is a critical area but requires GOI’s buy-in to move forward.

As for continuing the work of World Trade Organization (WTO) accession, the team found that though it remains an important goal with long-term employment implications, it should be pursued more

² For the purpose of this report, “vulnerable populations” are defined as women, widows and women-headed households; youth; religious and ethnic minorities; internally displaced persons; refugees; and other vulnerable and disadvantaged groups.

³ See Annex I for draft concept note.

directly by USAID with GOI officials and should **not** be included in any new programming for economic opportunities and job creation. The horizon for realizing the impact of WTO membership on employment levels would most certainly not materialize during the next three years and, therefore, would fall outside the scope of any new anticipated project.

Proposed Alternatives

Demand-led Workforce Development: A demand-led workforce and skills development program would identify, within selected geographic catchment areas, the demand for jobs among employers using focus groups and surveys employing “smart” technologies. In addition to the demand side, the suppliers of skills development, such as vocational training institutes, would be assessed for their ability to deliver trained potential employees with the skills that employers want. The next step should be to design and conduct outcome-oriented training to meet the job skills requirements of employers. Clients or job seekers would be linked with one of the following types of programs that are determined to give the best opportunity for entry into the workforce: 1) basic skills training; 2) apprenticeships, internships and placements, 3) special skills training such as auto repair, welding, hospitality services, computer skills, electrical appliance repair and IT-related skills and 4) other types of skills development that meet the required demand. Jobs should be monitored and accounted for by means of mobile technologies to reduce costs.

A second part of this program would take a more industry or sector view of workforce needs. It would survey growing subsectors that are constrained by the dearth of skilled labor and identify the business processes and needs for small, medium and larger-scale enterprises that require upgraded skills in order to be competitive. The approach would develop a roadmap for creating new education and training content within local and regional training institutes to offer highly relevant materials to meet the private sector’s growing needs for skilled employees in the context of a competitive marketplace. Then, consistent with a market development approach, it would generate a program to bridge the gap between what is needed, by industry, and what is currently provided by the vocational and educational institutes. The industry level would align workforce skills with the labor requirements of growing subsectors and would both complement and inform the local catchment area approach to increase employment and improve economic opportunities.

Entrepreneurship: A further activity stream should deal with entrepreneurship training as a special type of skill development need. Most people would like to have a paying job rather than run a business if given a choice. But there are those with clear entrepreneurial talent who would favor the business track. For this group, the program would select both existing and aspiring entrepreneurs for specialized training. Working with the Ministry of Youth and Sports (MOYS) and other groups that offer entrepreneurship development, the program would assist them to become more market-oriented and, therefore, increase the chances of success. Similar to the workforce side, business service providers such as small business development centers (SBDCs) and chambers of commerce, trade organizations, financial service providers (MFIs, banks) and so forth would be assessed for the ability to provide needed business development services. Successful trainees would be supported in their new business ventures by mentoring services from volunteer business leaders, including leading businesswomen in the local area linked with young women entrepreneurs. Vouchers for business development services (BDS) might be considered if the quality of services provided would really meet the business needs of aspiring and existing young entrepreneurs. Fostering youth business clubs linked to business service organizations could also increase efficiencies of continued support for new start-ups and expansions.

Financing for start-ups and expansions should be brokered through existing financial institutions without further capital infusions to microfinance institutions (MFIs) or SME lenders, at least from USAID sources. The team does not recommend hard-wiring loans for graduates but rather allowing the financial

institutions to make their own lending decisions. Assistance to MFIs and SME lenders to develop new loan products may be considered to decrease lender risk, perhaps supplemented with GOI funds given the minimum requirement of a 1:1 government match for a new program.

Fast Tracking Jobs for Women: This cross-cutting theme is recommended in the skills development program to provide gender inclusion in employment and entrepreneurship as well as involve women leaders as change agents and role models to advance women in non-traditional jobs and leadership positions. For example, voucher schemes can be used to ensure women and disadvantaged minorities receive priority in obtaining training and employment. In the area of entrepreneurship the program would target educated young women, who suffer a higher unemployment rate compared to men of the same age and education level, and would support the more entrepreneurial young women to start businesses.

Special Activity—Transformation of the Microfinance Sector: Microfinance, as an industry, has reached a point where it cannot further develop without fundamental structural transformation. Though most MFIs are operationally and financially sustainable, the larger structural and legal issues threaten the long-term sustainability of the industry unless major reforms are made.

MFIs are registered by the NGO Directorate and are required to comply with the legal and regulatory standards of social charities, which they are not. With its current scope and authorities, the NGO Directorate may not be the most appropriate oversight and regulatory body to grow the microfinance sector. Under the NGO law, microfinance institutions can only be capitalized from grants from government and donors. A thriving microfinance sector requires the ability to raise capital from investors, lenders and savers. MFIs may need to report to ministries that have broader capability of oversight, regulation and supervision, like the MOF.

Although transformation is not yet a priority of the GOI, the team recommends that USAID, through its future projects, should advise both the NGO Directorate and the MOF to develop a new pathway for MFIs to transform into independent commercial financial institutions and, for purposes of regulation and supervision, come under a new apex body that reports to MOF. Establishing an apex body to bring appropriate supervision and regulation as well as coordinate donor and government funding to the industry is well-established practice in developing a microfinance industry in a number of other countries. Such an apex model is supported by World Bank and USAID as a viable transformation strategy. The approach is well understood by USAID and can be established in a relatively short period time if GOI truly understands the benefits for the microfinance sector and its potential to have a positive impact on job creation nationwide.

As an interim strategy, USAID should also consider facilitating the transfer of Tijara's supervisory role in collecting MFI's performance data, analysis and reporting to the MixMarket, GOI agencies and the Iraq Microfinance Network (IMFN).⁴ This is an important means of maintaining best practices and accountability at the IMFN level and, therefore, in protecting USAID's large investment in the microfinance sector until an apex institution can be established.

⁴ MIX Market (www.mixmarket.com) is the premier source for objective and unbiased microfinance data and analysis. It provides access to operational, financial and social performance information, including quarterly results, on more than 1,900 MFIs covering 92 million borrowers globally.

Purpose

Youth unemployment and underemployment has been identified by the GOI as among the most pressing problems facing the nation. The problem has serious implications for establishing lasting peace and security as well as building the foundation for future economic prosperity.

In support of this national development priority, USAID/Iraq is considering its economic growth program priorities in improving economic opportunities and creating jobs for Iraqis **with special emphasis on youth, women and vulnerable populations**.⁵ In strategizing to improve outcomes, three main approaches have been identified. These are 1) more jobs through apprenticeships and entrepreneurship, 2) improving access to finance and the sustainability of SME and microfinance institutions and 3) special projects related to critical factors in the enabling environment, such as WTO accession or microfinance reform, which are needed to support medium-term economic growth and subsequent job creation. Each of these proposed approaches builds on current USAID-funded economic development programs in Iraq. Moreover, in this period of post-conflict transition, the approaches assume greater participation by the GOI, private sector and local nongovernmental organizations with anticipated reduced levels of support from USAID.

To gain a “second opinion,” USAID/Iraq asked FHI 360, drawing on the expertise of its FIELD consortium members, to undertake a rapid review of the proposed approach and provide recommendations for the way forward. The purpose of the review is, therefore, to answer three broad questions: 1) Is the USAID mission in Iraq focusing on the right problem? 2) Is the mission proposing the right approaches? 3) If not, what alternatives should USAID be pursuing to address “the problem” in this period of transition?

This report provides the findings of this technical review and the responses to the three questions above. It makes recommendations on what USAID should do in the near term to improve economic opportunities and effectively meet the unemployment challenge for youth and vulnerable groups, which is now one of the highest Iraqi national priorities.

Method

The technical review commenced in mid-July and concluded in mid-September 2012. The data collection and analysis were carried out in four ways. First, a team of experts held a series of video-conferences with USAID/Iraq mission personnel to clarify current thinking and priorities, should it pursue new activities focusing on economic opportunities. Second, an Iraq-based assessment team was assembled to gather and synthesize economic sector research and program reports provided by government, donors, projects, international organizations, NGOs and from online sources. Third, a U.S.-based technical team gathered and reviewed various documents in preparation for field work. Finally, the team carried out interviews with key stakeholders in Baghdad and Erbil, including focus groups with male and female youth, allowing them to give voice to their concerns about employment issues. In addition, a number of further discussions were held with USAID in Iraq. Working under serious time constraints and security precautions, the team was able to interview a variety of people and organizations.⁶

⁵ “Economic opportunities” and “economic opportunities programs” as used in this report mean those programs that increase employment, including self-employment, entrepreneurial and improved workforce employability skills as well as the full range of income generating activities both formal and informal. Jobs are at the formal end of this spectrum.

⁶ See Annex 2, 3 and 4 for a list of people and organizations interviewed, notes of interviews and focus group discussions.

The Problem

Youth unemployment and underemployment combine with a lack of middle class economic opportunity to threaten Iraqi security and stability over the medium term.⁷ The Government of Iraq's (GOI) recently published National Development Plan seeks to create 4.5 million additional jobs by 2014—but provides no roadmap to achieve this goal.⁸ Dr. Abdulhusein al-Anbaki, the senior economist to the Prime Minister's Advisory Council in Iraq, has advised that the government intends to create these new jobs by: (1) improving the investment and business climate (including through increased access to credit and equity, youth training and diversified trade); and (2) reducing bureaucracy and regulations that constrain broad based private sector growth.⁹

Iraq's population is young. Forty-one percent of the estimated 31.7 million people in the country are below the age of 15. Many tens of thousands of young people enter the labor market each year. The official unemployment rate for youth (15–24 years) is around 18% (27% for females and 17% for males), which is higher than any other economically active age group. In human terms, this means that nearly a quarter of a million young people are officially looking for a job in the formal sector. In fact, the figure is much higher if one counts those current underemployed and those who may be looking for work but not through normal channels that are officially counted. Given that the youth unemployment rate across the Middle East is 25.7%,¹⁰ one can only assume that the problem in Iraq is close to 30%. Alarming, the unemployment rate is much higher for youth with more education. This only adds to the level of frustration for those who expect a better future.

Youth Voices

The assessment team conducted two youth focus groups, one for men and one for women, while in the northern Iraqi city of Erbil to hear and learn how youth perceive their opportunities for employment. Most of these participants, ranging in age from 18–35 years old, have college degrees and all of them are currently unemployed.¹¹

In general, participants reflected a preference to have steady employment that government jobs provide. Women preferred government jobs more than men because of the short work hours that permit them to leave in the early afternoon to attend to their family duties, and for the security these jobs provide. Cultural expectations for women play a big role in their work preferences. Women need work schedules that meet their family and social requirements.

In contrast men in the focus group preferred a full day's work, provided the pay was adequate. They expect starting salaries of at least \$300 up to \$700 per month. Most men expressed ambitions of being business owners if they couldn't find a long-term job with good pay. Honor and reputation among family and friends are very important in job selection. For example, if given a choice most would not take a low status job. Many would really like internships with companies to learn practical skills and gain the experience needed for better, higher paying jobs.

Common constraints to entering the job market include: lack of skills, lack of experience, inadequate knowledge of job opportunities, inadequate job placement training, family constraints and social

⁷ USAID email to FHI 360 August 7, 2012.

⁸ "Analysis of Iraq's Official Economic Priorities," USAID-Tijara Project, Louis Berger Group, May 2012, p. 2.

⁹ USAID Email to FHI 360 August 7, 2012.

¹⁰ UN Wire e-Newsletter, Sept 5, 2012.

¹¹ See Annex 4 for a report on the focus groups.

pressure, inadequate career counseling and lack of “*wasta*” or social connections. As a group, youth were quite clear about wanting to develop their skills, to receive career counseling and mentoring, and to use social media and web-based exchanges to help search for job opportunities.

Women and Employment

As job seekers, women are at an extreme disadvantage in Iraq. A major barrier for female employment is the culture and community view of working women. Other misperceptions and lack of understanding, mostly by the male side of the community, make it difficult for women to work. Women are 50% of the population yet they represent only 13% of the formal active labor force over the age of 15.¹² Although women comprise 20% of the all public sector employees, this represents nearly 94% of all working women in the Iraqi workforce, while only 2% of private sector employees are women.¹³ Only a tenth of women aged 15–29 are working or actively seeking work, of which over a third are unemployed. Women have a lower unemployment rate in rural areas. However, in urban areas it is reversed. Geographically the official female unemployment rates (those without a job and actively looking) are highest in the following governorates: Diyala (30%), Kerbala and Thi-Qar (18%) and Sulaymaniya (17%). The lowest are in Kirkuk (3%) and Salah Al-Din (4%), reflecting a combination of different cultural and economic influences. These figures do not reflect high rates of underemployment and those informally looking or not actively searching.¹⁴

Educated women fare worse than educated men in the job market. For women with a diploma, 15% are unemployed, while for educated men it is around 7%.¹⁵ Factors that contribute to this underrepresentation include lower levels of literacy for women, lower rates of advanced education for women, fewer opportunities for women of education and in selected areas, cultural resistance for women working outside the home.

Female headed households (FHHs) add a special disturbing dimension to the employment problem. There are an estimated 450,000 to one million FHHs in Iraq or approximately one in every ten households nationwide.¹⁶ These women may be widowed, divorced, separated or caring for a sick spouse. Women in this position often face difficulties due to a lack of resources, access to work, social stigma, isolation and even the need for protection. Nearly all women in FHHs (98%) are unemployed, retired, doing odd jobs or unwilling or unable to work.¹⁷ Yet, despite societal norms that often prevent women from working outside the home, access to work is given top priority by more than a third of these women in FHHs. Access to work is given even a higher priority than housing or health. This strongly suggests that many women are willing to either work outside or engage in income generating activities in the home. In many cases, it is a matter of economic survival. The geographical distribution of FHHs is disbursed across the country with largest concentrations in Baghdad, Ninewa, Basra, Missan and Kirkuk.

¹² Iraq Knowledge Network, “Labour Force Factsheet,” December, 2011.

¹³ Ibid.

¹⁴ Iraq Knowledge Network, “Women in Iraq Factsheet,” March, 2012.

¹⁵ Iraq Knowledge Network, “Labour Force Factsheet,” December, 2011. Again this is the official rate, not the actual rate, as it only includes those applying through formal channels.

¹⁶ UN Fact Sheet on Women in Iraq, March 6, 2012.

¹⁷ IOM, “IOM Identified IDP Families November, 2010 – September 2011,” September, 2011.

Internally Displaced Persons

Another group that needs special attention is internally displaced persons (IDPs). There are an estimated 1,332,382 internally displaced persons in Iraq or about 3.5% of the population.¹⁸ Nearly two-thirds (63%) are concentrated in five governorates: 27% in Baghdad, 12.2% in Diyala, 8.8% in Kirkuk, 7.6% in Salah al Din and 7.1% in Ninewa. The rest are dispersed throughout the country as can be seen in the table to the right.¹⁹

Over 70% of IDP households have no family members employed. Many have been forced to flee to areas with limited employment opportunities and have poor access to government services.²⁰ As many as 70% of returnees continue to fear for their safety and do not want to return to their original locales.²¹ There are indications that some IDPs, however, may be moving to areas with greater economic opportunity and are not solely fleeing the threat of sectarian violence as is so often presumed.²²

In terms of employment, like FHHs, the greatest need cited by IDPs is gaining access to jobs.²³ Finding work is, however, a significant challenge for IDPs. Often they are considered to be in direct competition with the host community for income-earning opportunities. Heads of households and sometimes their children are forced to take on jobs below their level of skill as day laborers and/or street vendors just to survive.

Ethnic and religious minorities (Christians, Muslim Shebacks, Sabeen Mandeans and Yazidis, among others) make up about more than 5% of the Iraqi population.²⁴ Some have also experienced prolonged periods of displacement and persecution and have similar needs to other IDPs and/or marginalized communities.²⁵

Other Issues

An added dimension to the employment problem is the extensive public sector involvement in the economy. The government and public sector employs 40% of those employed.²⁶ State-owned enterprises (SOEs) employ over 630,000 people with as many as 300,000 of those being inactive.²⁷ The World Bank estimates that 80% of SOEs are not commercially viable. Recently, the Ministry of Industry

Governorate	IDP Families		Returnee Families	
	Assessed	%	Identified	%
All Iraq	188045	100%	70063	100%
Anbar	4159	2.2%	7749	11.1%
Babylon	4181	2.2%	430	0.6%
Baghdad	50736	27.0%	40661	58.0%
Basrah	3169	1.7%	307	0.4%
Dahuk	5508	2.9%	6	0.0%
Diyala	23029	12.2%	11376	16.2%
Erbil	6736	3.6%	103	0.1%
Kerbala	7367	3.9%	648	0.9%
Kirkuk	16598	8.8%	5013	7.2%
Missan	6845	3.6%	626	0.9%
Muthanna	3194	1.7%	64	0.1%
Najaf	3889	2.1%	324	0.5%
Ninewa	13388	7.1%	1904	2.7%
Qadissiya	4398	2.3%	0	0.0%
Salah al-Din	14372	7.6%	409	0.6%
Sulaymaniyah	5332	2.8%	13	0.0%
Thi-Qar	9738	5.2%	108	0.2%
Wassit	5406	2.9%	322	0.5%

¹⁸ Ibid.

¹⁹ A significant number (38%) of FHH are either IDPs or have been displaced in the past.

²⁰ According to a joint paper by the Internal Displacement Monitoring Centre and NRC.

²¹ Ibid.

²² This came up in a discussion with an experienced development worker in the Basra area who felt there was more labor mobility in present day Iraq than is commonly believed.

²³ IOM, "IOM Identified IDP Families November 2010 – September 2011."

²⁴ Ibid.

²⁵ Ibid.

²⁶ Iraq Knowledge Network, "Labour Force Factsheet." Dec 2011.

²⁷ United Nations Development Assistance Framework (UNDAF) for 2011-2012.

and Mines (MIM) seems to have decided to reform 23 of the lower performing industries that will likely create large numbers of retrenched workers. Oil revenues often are used to hire additional employees to stabilize unemployment numbers, which has only added to the over staffed public sector ranks. Though 90% of the revenue of Iraq comes from the oil sector, only 1% of employment comes from the sector directly, but indirectly it is very much more.²⁸

Another aspect of the employment problem is the current transition to Iraqi government control and the need for USAID to build more effective partnerships with the GOI. Clearly the longer term solutions to the overall employment problem are linked to the range of factors that either spur or hinder economic growth. The country has not only suffered years of conflict and turmoil but also has been hampered in its recovery by a degraded investment climate, over reliance on oil revenues, a burdensome public sector, bureaucratic inefficiencies and politically sensitive subsidies that constrain broad-based private sector growth. New partnerships with both the public and private sectors are needed to transform these distorting policies and ineffective institutional structures.

Jobs: The Most Important Issue

USAID has identified the most critical problem now facing the GOI and the Iraqi people—the need to create jobs and improve economic opportunities.²⁹ In a public opinion survey conducted April 2012, 55% of the population rated jobs and unemployment as the most important issue that government should address.³⁰ The problems are central to the entire project of nation-building. Unemployment poses a serious threat to stability and is likely to jeopardize Iraq’s fragile democratic institutions if allowed to continue unaddressed.³¹ This underscores the urgent need for a robust and effective employment strategy that can keep pace with changing demand for skilled labor and be responsive to the skill requirements of local employers as well as address the special needs of women, youth and minorities.

Approaches: Jobs and Economic Opportunity

There are five basic types of interventions suggested in USAID’s concept paper of possible approaches to improved economic opportunities and jobs in Iraq. In this section we will review these five approaches, discuss potential strengths and weaknesses, draw on examples as appropriate and provide recommendations regarding each approach as to how USAID might program its resources to meet the unemployment challenge and deliver better economic outcomes.

Jobs through Apprenticeships/Internships/Placements

The USAID concept paper proposes employment readiness training linked to an apprenticeship/internship program to create jobs. This idea builds on the current Youth Employment Promotion (YEP), a component of the Iraqi Youth Initiative (IYI) in the USAID-funded Tijara Provincial Economic Growth Program.³² YEP aims to provide youth with employable skills that will enable them to acquire positions for which they were not previously qualified to apply. The program provides training in

²⁸ UNDP, Inter-Agency Information and Analysis Unit (IAU), “Oil and Gas Factsheet,” October, 2011.

²⁹ Government of Iraq National Development Plan (2010-2014) and the United Nations Development Assistance Framework (UNDAF) for 2011-2012.

³⁰ Jobs were listed ahead of both basic services (42%) and security (27%) as the most pressing problem as perceived by the Iraqi people according to a survey sponsored by the National Democratic Institute, April, 2012.

<http://abunoass.net/uploads/pdf/greenbergen.pdf>.

³¹ Iraq preparation briefing with Jerry Thompson, retired US Army General and Iraq Training Consultant.

³² “Iraqi Youth Initiative.” August 12, 2012, <http://www.iraqiyouthisitiative.org/>.

basic English, IT skills, interview skills and business etiquette and then places trainees in temporary internships that are intended to lead to permanent jobs. The project subsidizes the costs of salary for a three-month trial period to the lower risk and creates incentives for company participation. The YEP provides businesses with access to a pool of newly trained staff, allowing them to hire more competent and productive workers.

USAID has added the skill development area of critical thinking and problem-solving, which employers have mentioned is lacking in many job applicants.

USAID envisions developing a partnership model to expand its internship work with specific roles for the private sector, GOI, local NGOs and USAID programming. The table below, adapted from the USAID draft concept paper, shows the possible partners and the functions they might perform in any new employment-focused project.

Creating Jobs through Apprenticeship/Internships: Partners and Functions ³³

Partner	Functions
USAID through implementing partner	<ul style="list-style-type: none"> • Provides top quality training materials and builds training capacity appropriate for different groups • Assists local training institutes to link with potential employers and ensures training is relevant to company needs • Provides partial salary subsidies for probationary periods • Builds capacity of GOI team to manage and monitor program
GOI	<ul style="list-style-type: none"> • Provides team to manage and monitor program • Provides budget support for training institutes • Provides funds for salary subsidies for probationary periods
Private Sector	<ul style="list-style-type: none"> • Provides information on what skills are needed for new hires • Provides probationary employment opportunities • Supervises apprentices when placed • Considers offering long-term employment to apprentice if they perform well
Training Institutes	<ul style="list-style-type: none"> • Provides training to specific target groups

The apprenticeship program developed under YEP provides an excellent foundation upon which to build a more robust job readiness, skills development and placement program. One of the issues, however, is terminology. The Tijara project tends to use the word apprenticeships and internships interchangeably. In common parlance, internships for professional jobs are in many ways similar to apprenticeships for trade and vocational jobs but the two models are distinct. Typically in apprenticeships, the employer helps the apprentice learn his/her technical trade in exchange for continued labor (often for several years) once competencies have been demonstrated. In contrast, interns exchange their labor to learn and gain experience on the job. Internships provide a period for both the intern and the potential employer to assess the appropriateness of entering into a longer term employment relationship.

The YEP program is really an employability skills training program with internship placements, not technically an apprenticeship model (traditionally apprenticeship are more vocational, technical or trade skills oriented). An internship model is more consistent with the three-month temporary placements that give job aspirants a chance to prove themselves to employers in a work setting that will hopefully develop into a longer term or even permanent employment relationship.

³³ This has been paraphrased from the USAID Concept paper. These are the partners and functions as proposed by USAID.

Scale is a fundamental issue with the current internship approach. In one year of operation, the YEP program placed 911 youth as interns with local companies. This resulted in 307 permanent jobs, though 480 permanent positions are expected by the end of the program. Rather than 480 jobs projected, the magnitude of the employment problem requires placing many tens of thousands more in jobs.

Scope is another issue. The concept of internships should be extended to include the full range of working environments from agriculture, industry and services, combining some of the vocational and technical dimensions of apprenticeship models into an internship framework with perhaps extended periods of on-the-job training. Apprenticeships, internships and other hybrid forms of job placement strategies all have roles to play in addressing the unemployment problem.

Another issue is cost. The direct training and placement costs for each intern are around \$700. Since two-thirds of the interns do not find permanent employment under this program, the isolated program cost per job is closer to \$2,000.³⁴ This would mean by using the same approach as YEP, 25,000 jobs would cost \$50 million in isolated direct program expenses.³⁵ Clearly a more effective and efficient way has to be found to identify, train and place youth in permanent jobs to meet the demand of employers. Tijara has actually started piloting fee-based employment services/job placement programs in some of its SBDCs. Employer recruitment needs are determined and the SBDCs recruit and provide one to two days of employment training and earn 30% of the new employee's first month's salary after a 30-day probation period. This should be further explored to see if it might be scaled up in any new program.

Recommendations

USAID should develop a demand-led workforce development program more fully described in the last section of this report.

Suffice it to say, for the moment scaling and expanding the scope of the job internship model would require adopting a more robust labor market intermediation approach. The team recommends beginning in geographic local areas where there is clear evidence of growing economic activity and private sector investment; this is where jobs are being developed. In addition, within sectors where the supply of qualified labor constrains growth, such as the emerging IT industry, scaling up will require working closely with industry associations and businesses to define specific skill levels and requirements for new job placements. This will allow analysts to determine the gaps between what is needed by potential employers and what potential employees would bring to the job.

In addition, the gaps between what employers need (employable skills) and what can be provided by the local training and capacity building organization to develop those skills must also be assessed. Whereas the YEP project focused on basic skills only, an expanded model would include various types of technical training (increase in scope) as well as "soft skills" such as critical thinking and workplace etiquette required by employers. Once the supply and demand picture is more fully known and service delivery assessed, various interventions can be designed that deliver the right mix of training and skill development. Where local training organizations are weak, they will be supplemented with experts and resources to help them upgrade skill development training and link trained people with effective demand.

³⁴ This figure is not the actual cost per job. It does not take into account indirect costs and most of the direct costs associated with delivery of a program such as staff salaries. It is meant to illustrate the isolated program costs only of this particular training component. The actual cost per job created is very much higher indeed.

³⁵ Again, the cost would be very much higher as this number excludes most direct and indirect costs of management, technical assistance and program delivery.

To increase efficiencies and lower costs, electronic media, websites dedicated to job exchanges and mobile technologies could be used. Then all trainees who come through the jobs-assisted training programs can be counted when they are employed, not just placed in an internship as is currently the case. The task is to get those who have been trained to report their employment status through mobile phones or by other more efficient means. The details need to be worked out.

In the case of vulnerable populations, a training voucher might be used to attract more participants initially into the program to “prime the pump.” The USAID-supported SBDCs should continue to be used, though not exclusively, as points of contact for continuing the job placement program for vulnerable groups.³⁶ Further analysis must be carried out on salary subsidies to determine if and how much would be necessary in a larger intermediation program and more specifically in relation to vulnerable groups. Subsidies will probably be needed in the beginning but might be phased out when the training and employment system gets going. Counting placements rather than permanent employment may actually fuel the need for more subsidies. This needs further investigation.

Jobs through Entrepreneurship

The USAID concept paper proposes continuing entrepreneurship training to create jobs. This idea builds on two components within the Iraqi Youth Initiative (IYI): the Youth Entrepreneurship Resource Center (YERC) and the Youth Entrepreneurship Access to Finance (YEAF).³⁷ The objective of YERC is to provide youth who meet the pre-qualification requirements for YEAF activity with counseling and business development services that will enable them to start up a new business.

The objective of the YEAF activity is to develop and expand access to financial services for youth. Young entrepreneurs targeted in this program that have received training in their business sectors, as well as financial literacy training, qualify and apply for loans from participating MFIs. The loan decision remains with the MFI, independent of USAID, and is based on the quality and substance of the business plans. According to Tijara information as of June 30, 2012, 3,873 youth (13% females) have received entrepreneurship training and 1,603 have started new businesses. Earlier figures from Tijara estimate the cost per job created to be \$3,825, though this includes the cost of a loan.³⁸

In the USAID concept paper, the upgraded approach to entrepreneurship emphasizes two additional elements: new partnerships and a focus on youth, women, IDPs and vulnerable minorities.

Creating Jobs through Entrepreneurship: Partners and Functions³⁹

Partner	Function
USAID through implementing partner.	<ul style="list-style-type: none"> • Provides top quality entrepreneurship training materials targeting special needs of youth, women, IDPs and vulnerable groups • Assists local training institutes to link potential mentors and ensures training is relevant to business start-up • Builds capacity of committed GOI team to manage and monitor program
GOI	<ul style="list-style-type: none"> • Improves regulatory environment to facilitate the start-up of new enterprises

³⁶ “Small Business Development Centers in Iraq,” August 7, 2012, <http://www.sbdc-iraq.com/>.

³⁷ “Iraqi Youth Initiative,” August 12 2012, <http://www.iraqiyouthisitiative.org/>.

³⁸ Tijara IYI Program Budgets & Impact (18 months of programming) YEAF: \$1,440,000 training + \$4,450,000 MFI loan funding = \$5,890,000; YEAF: 1,200 new businesses, 1,540 new jobs; YEAF cost per job created: \$3,825.

³⁹ Paraphrased from the USAID concept note.

	<ul style="list-style-type: none"> • Improves regulatory environment to improve access to credit • Provides team to manage and monitor program • Provides budget support for training institutes
Private Sector	<ul style="list-style-type: none"> • Provides mentoring relations with new entrepreneurs • Provides purchase agreements to provide markets for new businesses start-ups • Offers finance through MFIs or business partnerships
Training Institutes	<ul style="list-style-type: none"> • Provides training to clients

Entrepreneurship development programs (EDPs) are very popular with donors and government agencies as a job creation strategy. They produce occasional brilliant success stories that can be truly inspiring. Moreover, entrepreneurship training has strong educational value. As people learn to plan business strategies and develop motivation, knowledge and skills, these attributes can be applied to any job. Business skills transfer well to every other work environment. Nevertheless, the assessment team found that entrepreneurship training, as practiced, is a rather costly and ineffective way to attack the larger unemployment problem. Here is why.

In entrepreneurship development circles, it is generally understood that most people would prefer a salaried job to risking their assets and spending more time starting and running a business. Most serious entrepreneurship programs select for entrepreneurial talent prior to training. Entrepreneurship is the path for the few, as compared to the path for the many seeking salaried employment. The high number of young people engaged in microenterprises and income generating activities seems to reflect more the lack of access to good jobs than high levels of entrepreneurial talent. This has been called “forced entrepreneurship” by the United Nations.⁴⁰ Many unemployed have no alternative but to turn to informal activities to earn income. But this should not be confused with real entrepreneurship and business acumen.

In entrepreneurship development programs, the job creation numbers are generally overstated because monitoring typically stops a few months after start-up or the receipt of a loan. For example, the IYI YEAF program monitors business start-ups only at week 6 and week 12. Statistically many start-ups fail within the first year. Barriers to entry are typically low for microenterprise start-ups and markets tend to be saturated. Even the businesses that survive “infancy” find it difficult to grow and create jobs, even when driven by strong entrepreneurial talent.

One rule of thumb for successful start-ups and expansions is to think about markets, management and money (finance) in that order. All three must be in place for a successful venture to survive. Many programs leave the critical market piece for last, if addressed adequately at all, and therefore increase the likelihood of failure.

Business services can potentially increase the prospects for survival. Existing business service providers like the SBDCs however, generally lack sufficient know-how to provide services that would really help start-ups grow and develop. For instance, most small businesses need and want assistance to access new markets and develop new positioning strategies for their products. Yet few of the business consultants can offer that kind of specialized assistance based on real business experience. If they can, the expertise is usually for sale and can be expensive. Effective BDS for only small and tiny microenterprises cannot be sustained without continual subsidies, as a general rule.

⁴⁰ United Nations: Youth Employment World YOUTH Report, 2003.

There are other ways in which the prospect of success can be increased in entrepreneurship training. Besides pre-selection tests for entrepreneurial qualities, training can be supplemented with periodic mentoring. Mentoring usually gives more promise of success. One way of providing continuing support for newly started businesses is to form business clubs among graduates, perhaps linked to local chambers of commerce. Dynamic groups can easily become part of larger business associations and receive membership services as well as learn from older members who typically have more experience. Mentoring programs can be delivered to groups of women and youth business clubs (formed after training) and supported by experienced businessmen and businesswomen over a longer period of time. Some business leaders have decided to “give back” to the community and will work as volunteers.

The IYI component under Tijara has developed important linkages with the Ministry of Youth and Sports (MOYS). In February 2012, MOYS planned a youth entrepreneurship program designed to provide youth with training and micro-loans through their 17 Directorate offices across Iraq. The goal of this \$40,000,000 program is to assist 12,500 young entrepreneurs with launching their own businesses. This program will replicate many of the features of the Tijara IYI and YEAF programs, with some modifications. Unfortunately, the program calls for 0% interest loans and extended payment grace periods for those who participate. This undermines the market for microfinance and can be highly destructive to the industry.

Tijara-supported SBDCs provided “How to Start a Business” training of trainers for 150 MOYS staff in preparation of this program. In a September 2012 the assessment team met with a delegation from MOYS and they requested technical assistance to plan and begin this program. The Ministry is willing to consider paying for technical assistance and training to increase the effectiveness of its entrepreneur training programs, to include possible 1:1 match in funding. This positive reception from government circles will definitely help expand the program, but still more efficient ways of working must be found given the size of Iraq’s employment problem and the likely low ratio between numbers trained and surviving businesses after one year.

With the GOI’s great interest in employment creation, now is the time to further leverage the linkage with the MOYS and use their funding capacity to scale up this program.

Recommendations

First, entrepreneurship training should be recast as a part of the larger job creation effort and used selectively as a type of “self-employment readiness training” for the few who show definite aspirations and entrepreneurial abilities along business lines. Rather than place young entrepreneurs in internships, there is scope for developing volunteer mentoring programs with business leaders and business service organizations. Supported by mentors and business leaders, youth entrepreneurship could be integrated into a scaled-up version of workforce development activity described above. Self-employment and entrepreneurship should be linked with both market opportunities and mentors in much the same way as youth seeking jobs are placed in internships or take on an apprenticeship.

Second, self-employment training can be used in working with vulnerable groups to develop market-based, income-generating activities until salaried employment opportunities can be developed.

Third, in fostering entrepreneurship and self-employment there is an important role for more private sector involvement by local business leaders, not just as mentors but as important players in trying to understand and act on the looming unemployment problem. Typically neither government officials nor donors ask the business community to come forward and be a part of the solution. Business leaders can be very useful in mapping the opportunity structures of markets for new business start-ups or as

investors themselves in job-creating businesses. They should be important partners in this activity and often can be tapped to help. Modified in this way, new partnerships with the private sector, not only with GOI, are critical in the next phase of integrating entrepreneurship training into the larger skills development and employment agenda.

Finally, the entrepreneurship training activity should not place too high an expectation that a “good” business plan will attract a bank or investor. It is part of a package that includes management’s experience and resources, market competition and the lender’s appetite for credit risk. Financing for start-ups and expansions will have to be brokered through existing financial institutions in local catchment areas without any capital infusions to MFIs or SME lenders, at least from USAID sources. The team does not recommend hard-wiring loans for trainees but rather allowing the financial institutions to make their own lending decisions. Assistance to MFIs to develop new loan products may be considered as well as ways to decrease lender risk, perhaps supplemented with GOI funds. Presumably, capacity building activities within the existing MFIs would also lead to the ability of these same MFIs to source additional capital from both public and private sources on domestic and international levels.

Finance and Capital

The ability to mobilize investment funds and access to loan capital at all levels of the economy are critical contributors to any job creation strategy. In the concept paper outlined below, USAID proposes several ideas as to how this can be accomplished within a new partnership arrangement with GOI, the private banking and finance sector and NGO MFIs. The table summarizes the cross-cutting role of these partners and their functions to increase access to finance and capital.

The Iraqi microfinance sector consists of 12 NGO MFIs, of which the three largest were created under the Coalition Provisional Authority (CPA) and the other nine under USAID’s Izdihar and Tijara projects. Several government-sponsored MFIs are also operating, including Bright Future Foundation (BFF) in the Iraqi Kurdish Region and MOLSA’s microfinance vehicles. The government microfinance programs are subsidized and more social development oriented than the USAID-funded MFIs.

Supporting Jobs through Finance: Partners and Functions

Partner	Function
Private Sector	<ul style="list-style-type: none"> • Provide finance and investment capital to entrepreneurs for startups and SME expansion, generating greater employment • Finance to microfinance institutions for onward lending to microenterprises • Capital to start up limited liability companies (LLCs) that have grown and require larger loans that MFIs can supply
GOI	<ul style="list-style-type: none"> • Provide an enabling regulatory environment for extension of finance by commercial banks, MFIs and others • Provide an enabling environment to facilitate investment of private domestic capital • Provide an enabling environment to facilitate foreign direct investment in existing enterprises and gaps in existing value chains
NGOs	<ul style="list-style-type: none"> • Provide training through existing SBDCs to entrepreneurs and existing SMEs in preparation of expansion-oriented business plans • Provide staff (such as within existing MFIs) to develop parallel LLCs capable of attracting investment for lending to SMEs
USAID through implementing partner	<ul style="list-style-type: none"> • Provide access by Iraqi institutions to internationally accepted curricula for basic training in preparation of business plans to attract finance and capital investment, especially targeting barriers to entry and special training needs

	<p><i>of youth, women, IDPs and vulnerable minorities</i></p> <ul style="list-style-type: none"> • Provide assistance to training institutions in building strong linkages to lending institutions and potential investors • Provide training to Government of Iraq staff in managing and monitoring the financial sector to promote strong capital flows • Provide partial credit guarantees to funds seeking to capitalize lenders to SMEs • Provide consultation to other USAID programs as appropriate, especially Tarabot and ISRAR, to inform efforts that assist GOI in policy and regulatory reforms that will foster job creation and broad-based economic growth
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These NGO MFIs are beginning to play an important role in providing financing to vulnerable populations and other microentrepreneurs. The NGO MFIs have over 92,000 active borrowers with loans up to \$20,000 (average loan size \$1,520 as of May 2012).⁴¹ As of May 2012 the 12 MFIs Tijara oversees have 109 branches covering all governorates and serving 18 provinces. These NGO MFIs are all operationally sustainable—that is they generate enough revenue to cover all operating costs without grants or subsidies. They will be able to continue lending after the end of Tijara; however, they will be unable to increase their lending to new clients unless they can attract new grant funding or build their capital surplus from retained earnings.

The proposal that the NGO sector, mainly MFIs, would set up new limited liability companies (LLCs) that could attract investment funds that could be lent to SMEs with a strong growth potential, is confusing and not likely to be successful in the current Central Bank environment. Though the Central Bank of Iraq (CBI) has approved a procedure for incorporating and licensing a non-bank financial institution as an LLC, it is not proven to be a mechanism for MFIs to transform their NGO operations into commercial LLCs with a clear ownership structure, since NGOs do not have owners or shareholders. The CBI has ruled that local NGOs cannot use donor grant funds to meet the LLC minimum capital requirements.

Currently there are no prospective sources of new loan capital, either from the GOI, other donors or through borrowing from commercial international development lenders, such as the IFC. In part, the country risk profile of Iraq has not yet reached the standard that attracts international investors in microfinance. The lack of a clear ownership structure and GOI legal and regulatory policy regarding MFIs is also a hindrance to the expansion of this source of finance for economic growth. Yet there may be some prospect for additional grant funding from provincial governments. This needs further investigation.

The idea that the private sector (we assume this means commercial banks) will provide investment capital for start-up businesses with no prior experience does not work out very often and should not be a main part of a new project. Rather, the focus should be on bringing experienced business persons with sound expansion plans to the SME lenders. The private banks do have a loan guarantee program that covers up to 75% of a loan loss and it has been successful in stimulating new SME lending in markets where the banks have already decided to consider SME lending. A new DCA loan guarantee program—portable or portfolio—is not likely to further accelerate SME lending and at 50% coverage it would not be competitive with the existing program.

⁴¹ USAID/Tijara, Advancing Private Sector Development in Iraq Report, June, 2012.

Engaging the MFIs in a longer development process will be difficult if the new project does not provide additional capital as an incentive. The new project may need to change the value proposition by assisting the MFIs to develop new fee income services or new loan products, such as leasing, to reach new markets. The commercial banks may also be interested in these markets. The GOI might be willing to support some of these initiatives if it met some of their trade objectives.

USAID/Tijara has successfully introduced SME lending as a new business at 10 private commercial banks. Four of those banks are now setting up dedicated SME lending teams with support from Tijara. The banks can raise their own funds for lending and are currently increasing their capital from a minimum of dinar 150 billion to 250 billion as required by the CBI. This clearly demonstrates their ability to raise funds in the market. It would be a high priority for a new project to work closely with these SME teams in building their capacity to expand as important sources of SME growth, fueling job creation.

Recommendations

USAID should continue to encourage transparency in operations, client relations and reporting by MFIs and SME lenders. It is a priority for expanding the supply of lending and it promotes fair competition, efficiency and increases the range of services provided.

It is a high priority to push for further changes to the NGO Law that was upgraded to the best international standards in 2010 with appropriate adjustments for the Middle East context. It did not address the special situation of MFIs that are set up under the NGO Law. As a result, the law does not currently permit NGO MFIs to borrow funds for on-lending or transformation to a more suitable legal structure that would come under the CBI's supervision.

In conjunction with revisions to the NGO law relating to MFIs, a new approach should be considered that would set up an apex institution reporting to the Ministry of Finance and capable of overseeing the MFIs and able to raise funds on the capital markets, domestic and international, to on lend to the MFIs as loan capital. A number of these type of MFI apex institutions have been utilized in other countries as transitions from an unregulated microfinance environment to a regulated commercial structure. We have direct experience with a successful apex MFI institution in Afghanistan called Microfinance Institution Support Facility in Afghanistan (MISFA). We suggest USAID include this activity as a priority in any new project. It would also be a high priority for a new project to work with the NGO Directorate and the Ministry of Finance in conjunction with other USAID projects working on regulatory reform to see if progress can be made on the NGO Law for microfinance institutions. It is a major constraint to MFI growth and a resolution might take some time without strong support from the ministries, but the process needs to be pushed.

USAID should be flexible in seeking targets of opportunity for short-term interventions, such as new initiatives by financial institutions to expand SME lending in a new high-growth region, introduce an innovative loan product that supports job creation in a particular industry and for vulnerable groups. Introduction of new technology and competitive bidding for networking, information sharing about job opportunities and linkages to financial resources should be encouraged with competitive bidding and innovation grants for development.

Collaboration with Tarabot and ISRAR should be used to leverage resources and share knowledge on improving the regulatory environment when issues arise that relate to accessing finance and capital projects for job creation to build advocacy and critical support for change at multiple levels.

The focus needs to be on creating business linkages in specific local areas of the country where there are currently large scale commercial or GOI investments generating economic opportunities that

require MSME access to finance. Business investment workshops should be held with companies that need to hire, government economic development staff, BDSCs, financial institutions and other investment funds when a new catchment area is launched. Information needs to be shared as to the opportunities and incentives for all of the stakeholders—private, public, NGO and GOI—to create efficient job markets that can attract lenders and other investors to finance economic opportunities. It is time for the Iraqis at all levels to take the lead in building these networks that identify employment opportunities and stimulate demand for job skills training and access to credit.

Sustainable Microfinance

USAID’s concept suggests a strong commitment to the goal of microfinance sustainability at least at the level of institutions. The table below summarizes USAID expectations of the roles to be played by each partner in the context of strategizing about a potential new program.

Partner	Function
GOI	<ul style="list-style-type: none"> • Provide oversight to MFIs to protect the public interest in loans to low-income and very poor populations • Consult appropriately with the microfinance industry on policy reform
Local NGOs	<ul style="list-style-type: none"> • MFIs will dedicate themselves to stronger institutional governance (such as properly select boards of directors and adhere to appropriate regulations for the management of funds) • Develop an appropriate policy agenda to represent their industry to government
USAID and partner	<ul style="list-style-type: none"> • Will directly train MFI boards of directors and managers in best practices for institutional sustainability

After investing \$120 million in grant funds for loan capital, along with the additional large investments in training and capacity building, USAID is committed to ensure its investment in microfinance institutions will continue to perform over time. At the same time, microfinance, as an industry, has reached a point where it cannot further develop without a fundamental structural transformation. Though most MFIs are operationally sustainable, the larger structural and legal issues threaten the long-term sustainability of the industry unless major reforms are made.

MFIs are registered by the NGO Directorate and are required to comply with the legal and regulatory standards of social charities. The NGO Directorate does not understand NGOs that provide commercial type loan products to micro-businesses and people who want to improve their housing, buy a taxi or a sewing machine, become a hair dresser or open a bakery, charge interest and make a “profit.” The new NGO Law of 2011 is designed for NGOs with social nonprofit mission not financial institutions. As NGOs, MFIs are limited by their legal status and lack of a regulatory environment that would allow them to leverage their retained surplus to raise more money to lend. In short, they are not considered to be commercial for-profit companies.

Clearly, the NGO Directorate is not an appropriate oversight and regulatory body to grow the microfinance sector. Under the NGO law, microfinance institutions can only be capitalized from grants from government and donors. A thriving microfinance sector requires the ability to raise capital from investors, lenders and savers. MFIs need to report to ministries that have the capability of oversight, regulation and supervision, like the MOF or the CBI.

The local NGO structure permits USAID to provide grants for loan capital or operations directly when an international NGO is not involved as the founder. In other countries international MFIs can operate

local MFIs and receive a USAID grant, which provides a mechanism for maintaining good governance. In Iraq, once the USAID grants for loan capital are ended, it will become very difficult for local NGO MFIs to receive additional funding and their ability to expand to meet growing demand for finance is seriously constrained.

Tijara has developed a centralized, standardized PMT/PMS (Performance Monitoring Tool/Performance Monitoring System) that all MFIs associated with Tijara for funding and technical assistance report into weekly, monthly and quarterly. The PMT/PMS system is based on CGAP best practices for the microfinance industry and provides standardized performance data that permit Tijara to carry out a supervisory role over the partner MFIs. The reports are combined into a single industry summary that is provided to the NGO Directorate and to USAID. There is no capacity at the NGO Directorate to evaluate these reports or to provide any level of direct supervision.

Transformation is required for the sector to develop. The team's preferred model is that the GOI—ideally the MOF—would assume the oversight responsibility for the 12 MFIs that have been created with USAID funding since 2003. This could be accomplished through the establishment of a quasi-governmental apex body as an LLC under the MOF with direct control and supervision authority over NGO MFIs. Many successful examples of apex microfinance institutions have been developed. It is a well-established practice in developing a microfinance industry in a number of other countries and has been actively supported by World Bank and USAID as a viable transformation strategy. Moreover, this kind of approach is well understood and can be established in a short time given the commitment of the government.

A new Iraqi microfinance facility (MFF) would provide supervisory controls, training and capacity building for the MFIs to expand their role in financing economic development and job creation, and as a source of investment capital for growth. It would become the focal point for additional government and donor funds to be loaned to MFIs and its operations would be fully covered by interest income paid by its borrowers—the MFIs. It would be responsible for the health of the microfinance industry and would be able to require restructuring of governing boards of directors and management as required, providing a level of accountability at the institutional level that does not currently exist. The new facility would also serve as a mechanism for networking, sharing information, lobbying and advocacy on behalf of the industry.

Recommendations

First, a new project should assist GOI (ideally the MOF) to develop a pathway to transformation for MFIs into independent commercial financial institutions supervised and regulated by a new apex body that reports to the MOF. Since this is not currently a GOI priority, any new project would have to engage with the MOF until such time as commitment for change gains momentum. Once commitment is realized, the project could engage technically with MOF on the technical steps that need to be carried out to develop an apex microfinance facility in Iraq.

Further, USAID should establish an advisory unit to consult with and promote the transformation of the microfinance sector, from the current NGO Directorate to the MOF supported by an appropriate legal and regulatory framework consisted with international best practices.

USAID should also support and facilitate the transfer of Tijara’s supervisory role in collecting MFIs’ performance data, analysis and reporting to The Mix Market,⁴² GOI agencies and the IMFN. As a priority, until the capacity to supervise the MFIs has been established under the MOF, a new project should provide limited continued support, perhaps to a new entity like a second tier financial institution, to continue to collect standardized performance monitoring information. Ideally this would be placed within the MOF under the support of a new project. But other temporary measures might be considered, such as the Iraqi Microfinance Network (IMFN), NGO Directorate or a new project entity. Continued reporting should be a requirement in any disposition of loan funds agreement between USAID and MFIs. This is an important means of maintaining best practices and accountability at the MFI level, and therefore, in protecting USAID’s large investment in the MFI sector.

Improving the Business Environment: World Trade Organization (WTO)

The medium to long term, solutions to the overall employment problem are linked to a range of policies and institutional issues that either spur or hinder economic growth and job creation. In the USAID concept paper, there was mention of technical assistance to the GOI on Iraq’s accession to the WTO.

Partner	Function
USAID and partner	<ul style="list-style-type: none"> • Provide expert advice on special projects
GOI	<ul style="list-style-type: none"> • Demonstrate willingness to collaborate on special projects

Under the Tijara program a significant amount of groundwork and preparatory activities were conducted to assist the GOI’s Ministry of Trade (MOT) in its WTO accession process. Trade policy and market access supports creation and expansion of business in Iraq by removing legal, regulatory and institutional constraints to doing business and facilitating increased foreign investment leading to a more diversified economy and more employment. To date the following have been achieved:

- Completion of two successful WTO Working Party meetings and the submission of the memorandum of foreign trade regime (MFTR)
- Drafting of a WTO Initial Goods Offer, WTO compliant TBT legislation, WTO Initial Services Offer and WTO/WIPO compliant intellectual property rights (IPR) legislation
- Completion of a moderated tariff schedule
- A Reformed Customs Regime, and a Moderated Agricultural Subsidy Scheme

Despite the progress, much still needs to be done. A number of major activities yet to be undertaken are lengthy and complex in nature, and require a level of expertise that Iraq has yet to build. On-going technical assistance will be required from foreign donors such as USAID. The following general activities outline the recommended path to support Iraq’s WTO membership bid:

- GOI would require support in executing a public awareness plan of audience-targeted events and in responding to bi-lateral negotiations issues and requests for amendments.
- GOI would require significant assistance in the drafting of new and amended legislation to comply with all WTO agreements.
- WTO accession would be required to support the completion of Final Goods and Services Offers and WTO Protocols of Accession.

⁴² MIX Market (www.mixmarket.com) is the premier source for objective and unbiased microfinance data and analysis. It provides access to operational, financial and social performance information, including quarterly results, on more than 1,900 MFIs covering 92 million borrowers globally.

The timeline for these efforts are largely dictated by the GOI to make necessary changes to legislation (parliamentary calendar) and the WTO calendar to engage in successive bi-lateral negotiations to finalize market access and tariff offers. This is projected to take at least until 2015 and likely much longer. Moreover there is some indication that the GOI has not given this project high priority with the all the other problems the country is facing.

Recommendations

The team recommends that USAID find another way to continue its support for Iraq's WTO accession perhaps working directly with the MOT through USAID short-term technical assistance and not include this extended and uncertain policy work in a special project within a new program. Although WTO accession would do much to boost the economy and eventual employment, the benefits will accrue in the longer term. Nevertheless, even if the real importance of WTO accession should not be minimized, working in this area may become a diversion from the priority needs of addressing the urgent unemployment problem in the immediate future.

Proposed Alternative

USAID programs that focus on jobs and economic opportunities have achieved much under difficult circumstances over the last few years. But given the magnitude of the youth employment problem and the special needs of women and vulnerable groups, any new program initiative must adopt different ways of working. Three of the most important are: 1) adopting a demand-led approach, 2) massively scaling up employment opportunities and 3) building new and effective partnerships with GOI, business and suppliers of quality outcome-oriented skill development training.

Outcome-oriented training to meet the job skills requirements of employers could look somewhat different in each catchment area. Programs such as the following are representative of those that would be tailored to assist people into the workforce:

- Job Placement (this type of program is expected to assist the largest number of employers and job seekers)
 - Training Partner: SBDCs or other similar NGO, survey employers for current job openings and skill requirements
 - Training: Provide one–two days general skills training to enter the workforce
 - Types of Skill Training: Resume writing, simple PC skills, numeracy, interviewing
 - Pilot programs indicate that employers and newly placed employees will pay for this service
- Basic Skills Training
 - Training Partner: English and computer training centers, SBDCs or other similar NGO
 - Training: Provide longer training regimen of specific skills necessary to enter the workforce
 - Types of Skill Training: English skills, intermediate PC skills, resume writing, numeracy, interviewing
- Special Skills Training: Fast-growing industries and skill training developed
 - Partner: VOTECH, private training institutes
 - Training: Specific skills necessary to enter the workforce
 - Types of Skill Training: Auto repair, welding, sewing, hospitality services, computer, electrical appliance repair, HVAC repair, IT, nurses training, office administration
- Entrepreneurship/Enterprise Development
 - Partner: SBDCs, MFIs, banks
 - Training: How to start/expand a business

- Types of Skill Training: Business function training (marketing, value chain, budgeting, loan proposal development, business plan development).

Understandably, approaches to economic opportunities and job creation have been largely supply driven. This is true almost by definition since the much of the early work emerged out of the process of stabilization. Now that the country is moving into a more positive rebuilding stage, it is time to pay more attention to the demand side and the development of more responsive market systems. Any new initiative must be better informed by demand and market requirements than in the past. In the employment area, implementers must view their work as facilitating a new labor market system with government, private sector and NGOs, rather than doing it all themselves.

Scaling job creation approaches pioneered under IYI will require adopting a more efficient yet nimble information-savvy approach to intermediate supply and demand for employable skills. Critical to this effort is good quality information upon which to make decisions. Information systems are currently inadequate to allow for an in-depth understanding of the effective demand from employers in both sectors and geographic locations and to know what kinds of specialized skills are needed. This information gap also involves the supply side capacity and the real ability of training institutes and other NGOs in terms of their willingness and ability to both adapt to demand and deliver high-quality skills training to get results. The use of better information technologies to gather data needs to be incorporated in any new intervention as well as inform the job creation effort.

Another aspect of the employment problem is the current transition to Iraqi government control and the need for USAID to build more effective partnerships with the GOI. The importance of building strong and trusting working relationships with key GOI ministries and agencies such as MOLSA, MOWA and MOYS at the local, regional and national levels cannot be overemphasized. To the extent possible, these interventions would best be supported through MOUs with the relevant GOI ministries at the national level and at the provincial or regional level. Such a partnership is essential to leverage GOI investment of 1:1 or greater as now required for USAID to commit funding.

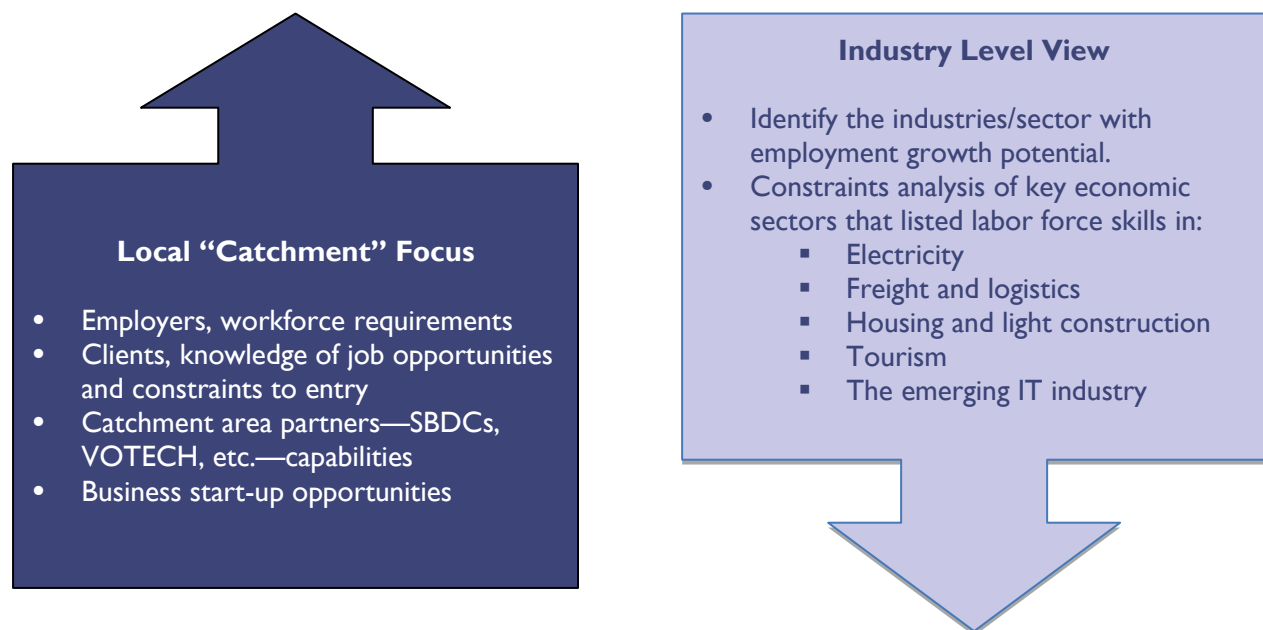
Need for a Comprehensive Approach

The magnitude of the employment challenge and demands on the GOI to take full direction and control of the national economic development agenda requires a new approach by USAID, albeit building on the solid foundation of prior work. The review team recommends that, as an alternative to the project components outlined in the concept paper, USAID consider designing **a comprehensive approach to skills development, employment and entrepreneurship** as the primary thrust of any future intervention with the objective of improving economic opportunities for youth, women and vulnerable groups.

We suggest that USAID take a targeted approach, concentrating resources on specific catchment areas—geographic zones that have a confluence of new investments in specific economic sectors that generate high levels of employment, a local or regional government that supports private economic growth and a large supply of unemployed or underemployed persons who are looking for jobs and are willing to be trained in the skills necessary. By focusing on catchment areas, USAID resources can be focused and used to leverage GOI funding, local funding and the on-going work of NGOs and the private sector investors. Every catchment area contains significant numbers of vulnerable persons, who are the priority for any USAID employment and economic opportunity project.

Our interviews with NGOs and others working on the ground in Iraq give credence to the notion that there is growing economic investment and opportunity in pockets around the country. Specifically, the international oil industry is making very large investments in the Basra region generating a wide range of

outsourcing employment opportunities for SME and microenterprises, but the right skills need to be developed. Basra produces more than four-fifths of the 2.5 million barrels a day of crude oil from Iraq. The US\$1 the local government is paid on every barrel is providing the region with millions of dollars that is potentially could be invested in economic growth, and could be a magnet for serious job creation. One foreign executive based in the city center worries that the boom could benefit only a tiny elite. "The main problem we face today is that Basra has many plans but nothing for the huge numbers unemployed in their twenties," he said. "How do they get access to the work that we bring when they have no skills?" This is a significant and focused opportunity for a new USAID project.



In the Iraqi Kurdish Region the government is promoting international investment, including U.S. companies, in electricity, energy, health, agriculture, construction and housing.⁴³ Erbil is an important catchment area for broad-based economic growth, while the Baghdad region with its high unemployment faces a need to restructure state-owned industries and rebuild agriculture, trade, manufacturing and tourism. Coordinated local government leadership and investment in Baghdad’s rebuilding, as is being done in Basra, would attract investors and generate economic opportunity for women and men, including vulnerable populations and the large number of youth seeking jobs.

Our proposed alternative program leads with information first on supply and demand using two complementary views—one local and geographic and one using an industry or sector perspective as given the diagram above.

Employment and Economic Opportunities: Local Focus

A potential project structure might begin with a detailed micro-level view of selected catchment areas. Companies hire and people go to work in a specific local context. They are influenced by non-local trends and market forces, but a job exists in a specific locale. All jobs are local in the final analysis. Within each catchment area there are employers with specific workforce requirements, business opportunities, potential partners, vocational training institutes, business service providers like SBDCs and chambers of commerce, financial service providers (MFIs, banks) and so forth that can provide the

⁴³ Steve Lutes, Iraq Trip Report, Director U.S.-Iraq Business Initiative, U.S. Chamber of Commerce, July 2012.

job training programs required to link the supply of labor to meet the demand. All these organizations become potential partners and can be linked to other partners in pursuit of the employment agenda.

A sound local approach to data collection starts with a series of labor demand surveys of employers and client segments, business expansion opportunities for small businesses as well as maps the supply of services (training, BDS) both type and quality. The purpose of these surveys is to design workforce development programs and activities that inter-mediate labor supply and demand. We suggest utilizing the benefits of “smart” hand-held technologies to facilitate data collection, analysis, dissemination and decision making. There are practical MIS systems on the market that can be used to capture and manage data to increase efficiency and lower transaction costs.

This local approach potentially could conduct labor demand assessments in every province. We recommend a more limited and phased approach, starting in year one with six to nine locations, to be assessed initially to determine the most appropriate catchment areas based on the final agreed selection criteria for the project to target. In subsequent years this demand-based model could be expanded to additional locations.

Surveys should be conducted on at least an annual basis to provide updated data that inform resource allocation and if necessary refocus project resources within the catchment areas or even used in a new catchment area. Arc-maps should be used to display layers of data and pull in key government officials who see the benefit for planning. Having current information is critical to facilitate creation of a new employment market system that rapidly and nimbly intermediates supply and demand.

On the demand side, information will be collected from employers and other groups on the active business marketplace, including: 1) types and numbers of active businesses (baseline), 2) employer workforce requirements (staffing levels), 3) types of jobs required, 4) skills required to fill open positions or business expansion needs and 5) willingness to bring on interns for possible employment. In addition to the demand side, the survey should collect information on the supply side—people looking for work, our clients. Complementary targeted client focus groups (youth, female, widows, IDP, vulnerable minorities) and focus groups among the general population should be convened to discuss individual employment ambitions, knowledge of job opportunities and constraints to entry into the job market.

In each catchment area, partners and service providers should also be identified. These would include SBDCs, MFIs, VOTECH, other local NGOs and perhaps international NGOs that already retain program management and training staff, training facilities, local marketing channels, solid reputations, business and government contacts and prior clients. The surveys will also engage with business service organizations to capture possible business start-up opportunities. Specifically the approach should ask all survey participants and information sources for business start-up opportunities, including leading businessmen and businesswomen.

The next step is to design and conduct outcome oriented training to meet the job skills requirements of employers and business opportunities. Clients or job seekers will be linked with one of the following types of programs determined to give the best opportunity for entry into the workforce: 1) basic skills training, 2) apprenticeships, 3) entrepreneurship/enterprise development and 4) special skills training such as auto repair, welding, hospitality services, computer skills, electrical appliance repair and IT-related skills.

Local collaborating partners within a catchment area would be engaged as services providers, MFIs, vocational education institutes, business service organizations and so on. Capacity building of local suppliers may be required. A good model may be to use a bidding process to select the most competent

service providers but also provide capacity building to those organizations that did not win. This gives losers the chance to improve and compete on the next round. In that way, a service market is developed that is responsive to client needs.

Another model could be to work with a major employer—such as an oil company that wants to outsource a wide range of services that can be provided by local small businesses—to set up a multi-year contract with a business service center to identify qualified MSME suppliers and provide skills upgrading if necessary. SBDCs would be able to play a major role in coordination or competing for business under the bidding process. Training and support has to be local if employment solutions are to be cost-effective. It is envisioned that the rapid bottom-up demand assessments would be conducted and analyzed within a period of several months. In the case where capacity building is indicated for key local partners, every effort would be made to cost share on activities to the extent possible.

Employment and Economic Opportunities: Industry View

The second and complementary approach should align employability skills with the labor requirements of growing sectors and regions of Iraq. It should survey existing industries and identify the business processes for small, medium and larger scale enterprises that require upgraded skills. Such an approach would develop a roadmap for creating relevant education/training content to fully upgrade the training institutes and other relevant providers. Then, consistent with a market development approach, it would generate a program to bridge the gap between what is needed, by scale of industry and region, and what is currently provided by the vocational and educational institutes.

The program would also take an industry-level view of workforce needs. It would survey growing subsectors and industries that are constrained by the dearth of skilled labor and identify the business processes and needs for small, medium and larger scale enterprises that require upgraded skills to be competitive. Such an approach would develop a roadmap for creating new education/training content within training institutes and other service providers to offer highly relevant materials to meet the private sector's growing needs for skilled employees in the context of a competitive marketplace. Then, consistent with a market development approach, it would generate a program to bridge the gap between what is needed by industry and what is currently provided by the vocational and educational institutes. Industry would align workforce skills with the labor requirements of growing sectors and would both complement and inform the local catchment-area approach to increase employment and improve economic opportunities.

Similar to the local or bottom-up approach, there are three stages. First, identify the industries/sector with employment growth potential. This should begin with the analysis of constraints in key economic sectors that have been identified, such as oil, construction, industrial agriculture, electricity, freight and logistics, housing and light construction and tourism.⁴⁴ In addition, the emerging IT industry is a consumer of newly graduated, educated skilled workers. Early in the process, a rapid industry survey should be conducted to determine the demand for increased levels and numbers of trained and educated workers, by skill level and region. This will serve as the demand analysis for the component.

In a similar vein as above, the services providers like education and training institutes must be identified and their capacity assessed in relation to filling the demand for upgraded skills. A rapid training institution survey should be conducted to determine the supply of skilled and educated new entrants into the labor force, by skill, skill level and region. This will serve as the supply analysis for the component.

⁴⁴ Damien McElroy, Basra rises from the ruins of Saddam Hussein's reign, Telegraph News, June 4, 2012.

After the demand and supply are known, an outcome-oriented training program must be designed to satisfy the gaps between new supply of and demand for upgraded work force development entrants, or re-trainees. These demand-supply survey designs would take into account any current survey information, such as the economic constraint-based market assessments that Tijara and others have conducted. Given the inventory of existing educational and vocational institutions, the most appropriate location for satisfying labor requirements must be determined sorted by industry by subject, skills levels and region. This analysis would define the parameters of such an economic development and employment program.

Entrepreneurship

A further activity stream under the program would deal with entrepreneurship training as a special type of skill development need. Most people would like to have a paying job rather than run a business if given a choice. But there are those with entrepreneurial talent who would favor the business track. For this group, the program would select both existing and aspiring entrepreneurs for specialized training. Working with the MOYS and other groups that offer entrepreneurship development, the program would assist them to become more market-led and, therefore, increase the chances of success. Similar to the employment side, business service providers like SBDCs and chambers of commerce, financial service providers (MFIs, banks) and so forth would be assessed for the ability to provide needed business development services. Successful trainees would be supported in their new business ventures by mentoring from volunteer business leaders, including leading businesswomen in the local area. Vouchers for BDS services might be considered if the services that can be provided will really meet the demand of aspiring and existing young entrepreneurs. Fostering youth business clubs linked to business service organizations could also increase efficiencies of continued support for new start-ups and mentoring for expression of entrepreneurial talent.

Financing for start-ups and expansions should be brokered through existing financial institutions without any capital infusions to MFIs or SME lenders, at least from USAID sources. The team does not recommend hard-wiring loans for graduates but rather allowing the financial institutions to make their own lending decisions. Assistance to MFIs and SME lenders to develop new loan products may be considered as well as ways to decrease lender risk, perhaps supplemented with GOI funds.

Gender Inclusion

A gender lens should be used throughout the program to understand the economic and social norms associated with being male or female in Iraq and its consequences for workforce development. Industries that typically hire women (such as sales jobs in shopping malls) should be targeted in local catchments areas to assess the demand for skilled employees. The right approach would both ensure that a high percentage of women are beneficiaries of the program by brokering this with employers and increase the likelihood that woman trainees with the requisite backgrounds are placed in jobs. Vouchers and other incentives would be used to attract female heads of households in workforce programs.

Women are not just beneficiaries, but potential leaders and change agents in their communities and industries. The project would involve women leaders in this kind of advocacy role in each local catchment area. Monitoring systems should be put in place to not only collect gender-disaggregated data but establish measures to identify where women's participation is increasing and where their protection against any backlash is enhanced. A program should work with women's business organizations and women leaders, where they can be found, to set up mentoring programs for young women entrepreneurs in catchment areas to provide new role models for girls. Business may be one area in which women's leadership can emerge more quickly in the local and regional context.

A detailed gender analysis should be carried out in each catchment area. Employer needs for skills that are traditionally provided by women must be supplemented with opportunities where women can rise to assume new positions of prominence in non-traditional areas as well.

Addressing employment barriers for women and unequal gender norms

- Building skills for women who must work in the home
- Building professional and leadership skills for women in formal employment
- Improving job prospects for women by providing training
- Sensitizing employers on barriers women face to employment
- Creating male champions in communities that support women's access to employment
- Providing mentoring in secondary schools and universities in program catchment areas for transitioning girls from school to work based on mentoring guides
- Promoting and training on employer and employee codes of conduct to reduce incidences of gender-based violence in the work place
- Prevention of exploitative labor practices
- Targeting women for re-training who may be involved in abusive labor situations
- Forming gender advisory groups in each catchment area

Fast Tracking Jobs for Women is recommended as a cross-cutting theme in the skills development program to provide gender inclusion in employment and entrepreneurship as well as involve women leaders as change agents and role models to advance women in nontraditional jobs and leadership positions. For example, voucher schemes can be used to make certain that women and disadvantaged minorities receive priority and assistance in obtaining training and employment. In the area of entrepreneurship the program should target educated young women who suffer a high unemployment rate compared to men of the same age group and education level and support the more entrepreneurial young women to start businesses.

There are other important components that could be developed once the basic outline of supply and demand is known. Illustrative examples include: 1) a labor exchange, in which new positions and available workers are matched through electronic interchange, 2) a voucher system so that the primary target groups (women, IDPs FHHs, youth) of the project are given both incentive and capacity to engage in advanced/upgraded training programs and 3) a tracking system using mobile devices to identify actual employment that results from the program, as well as training failings to be addressed and resolved.

Special Project: Transformation of Microfinance

Microfinance, as an industry, has reached a point where it cannot further develop without fundamental structural transformation. Although most MFIs are operationally sustainable, the larger structural and legal issues threaten the long-term sustainability of the industry unless major reforms are made.

MFI's are registered by the NGO Directorate and are required to comply with the legal and regulatory standards of social charities, which they are not. The NGO Directorate is not an appropriate oversight and regulatory body to grow the microfinance sector. Under the NGO law, microfinance institutions can only be capitalized from grants from government and donors. A thriving microfinance sector requires the ability to raise capital from investors, lenders and savers. MFI's need to report to ministries that have the capability of oversight, regulation and supervision, like the MOF.

Although transformation is not yet a priority of the GOI, the team recommends that USAID through its future projects should advise both the NGO Directorate and the MOF develop a new pathway for MFI's to transform into independent commercial financial institutions and, for purposes of regulation and supervision, come under a new apex body that reports to the MOF. Establishing an apex body to bring appropriate supervision and regulation as well as coordinate donor and government funding is well-established practice in developing a microfinance industry in a number of other countries and is supported by World Bank and USAID as a viable transformation strategy. Such an approach is well understood by USAID and can be established in a relatively short time given that GOI understands the benefits for the microfinance sector and its potential to impact positively on job creation nationwide.

USAID should also support and facilitate the transfer of Tijara's supervisory role in collecting MFI's performance data, analysis and reporting to The MixMarket and GOI agencies and to the IMFN. This is an important means of maintaining best practices and accountability at the MFI level and, therefore, in protecting USAID's large investment in the MFI sector until an apex institution can be established.

Sustainability

The supply-side model that uses donor or GOI funding to provide more and more training for job seekers is not a sustainable model. It does not ask employers about their needs, it does not cooperate with other similarly minded organizations, it does not consider the cost of the service it offers and it requires continual donor or GOI funding to stay afloat. To be sustainable a new jobs program must:

1. Shift programs from supply-driven to demand-led models, using up-to-date information to match employee skill gaps with training interventions.
2. Get stakeholders to cooperate and share resources to meet common goals.
3. Build the sustainability of training organizations to develop fee-for-service employment placement services (such as the placement model in northern Iraq)
4. Develop new strategic partnerships between training providers and significant funding sources such as the GOI.

The entire premise of a new workforce development program is to broker new partnerships and get local organizations (business, government, NGOs) to work together while pursuing their individual interests. Training institutes need to know what the private sector needs to do their job effectively. Business should be working more closely with training institutes to help them better understand the needs of the workplace. The entire approach is centered on brokering these relationships and getting people working together in a professional and business-like way to contribute to the employment problem. Our facilitation model is to broker, get things working and leave others to continue to work together on their own with the ability to obtain new funding sources either from the market or supplemented with GOI funds without the need for continued donor assistance. Until a better market system can be facilitated, GOI funding will have to fill in the gap.

Any new program must engage fully and cooperate with government, the private sector and the nonprofit community to facilitate the hiring of tens of thousands of people into new jobs. Linkages with the Ministry of Youth and Sports and the Ministry of Labor and Social Affairs, each of which has a

mandate and resources to assist youth, women and disadvantaged people to find employment, have already started. Several social investment funds are now waiting for improvements to MFI board governance and regulatory policies before they will proceed with significant investments in MFI's to increase loan capital to increase loan and business growth. The goal and objectives of any new project is not just to achieve significant gains in youth employment over previous programs, but to leverage resources from these motivated stakeholders so that job creation multiplies beyond the limits for program funding and will develop into virtuous circles of continued progress.

Effective, sustainable approaches to employment or workforce development must both improve the employability skills of individuals, simultaneously building a sustainable system to support improved private sector competitiveness. A sustainable system entails more than simply linking employers with training providers to meet the workforce issues of today. It requires building a demand-responsive system using sophisticated techniques to identify and meet the needs of individuals and employers, both today and into the future.

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Annexes

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