

**United Nations Development Programme Iraq**

**[****Support for Private Sector Development in Iraq – No. 00087253]**

**Annual Progress Report**

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| **Project Title:** | Support for Private Sector Development in Iraq |
| **UNDP Project #:** | 00087253 |
| **Project Duration:** | 12 months |
| **Project Resources:** | UNDP TRAC |
| **UNDP Iraq Focal Point:** | Shigeru Handa, Team Leader, Loan ManagementMaan Al Maree**,** UNGC Iraq Focal Point, Private Sector Development Programme  |

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| **UNDAF Outcome(s)** | Inclusive, more equitable and sustainable economic growth |
| **CP Outcome(s):** | Enabling policy and frameworks for rapid economic recovery, inclusive and diversified growth and private sector development |
| **Output(s):** | Establishment and Implementation of Private Sector Development Strategy of Iraq |
| **Implementing Partner:** | United Nations Development Programme Iraq |
| **Responsible Partner:** | United Nations Development Programme Iraq |
| **Project Location(s):** | Nationwide |

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# Executive summary

The Government of Iraq, with the assistance of the UNDP and international community, has made some steps in building an enabling environment for private sector development and in restoring the competitiveness of local production. Social dialogue between the GoI and the Private Sector has been initiated on employment and poverty reduction. UNDP Iraq has contributed to private sector development in Iraq through the Private Sector Development Programme for Iraq (PSDP-I) funded by the Iraq Trust Fund, jointly implemented by seven UN agencies, which operationally closed at the end of 2012. PSDP-I achieved a series of results that will pave the way for private sector development in terms of policy reforms and downstream activities and for diversifying the Iraqi economy.

UNDP Iraq presented the draft Private Sector Development Strategy of Iraq (PSDS) in January 2013 as a follow up activity of PSDP-I. The PSDS encompasses a policy vision for economic diversification. This draft strategy was initially reviewed under the leadership of the Task Force for Economic Reform (TFER) by the GoI. The 2nd draft was presented to the TFER in December 2013 as a result of series of consultation meetings with the TFER, other key government ministries, private sector and international key development partners. It is envisaged to have the Strategy endorsed by both the GoI and the Private Sector in early 2014. PSDS envisages the establishment of the Private Sector Development Council (PSDC), under the Economic Committee of the Council of Ministers and the establishment of national and governorate level Technical Committees for each key target strategy area and associated implementation programmes.

The PSDS of December 2013 aims to provide a road map for the Government of Iraq, to follow over the period of 2014-2030; during the PSDS implementation it is envisaged that Iraq will score higher on international indices that measure country’s business environment (e.g. The World Bank’s annual report : Doing Business in Iraq), the private sector in Iraq will become more productive, more competitive, and able to provide an increasingly larger number of new job opportunities to Iraq’s work force.

Implementation of the PSDS-I will allow the Government of Iraq to find solutions that address the priority needs of the business community and to diversify the economy for its inclusive growth. While moving ahead with economic reforms, the Government of Iraq will make available financial resources for: 1) Enhancing SME competitiveness, 2) Partnering SMEs with State Owned Enterprises. Initially, the Government of Iraq will lead on implementing the Strategy. Gradually, the implementation role will be transferred to the private sector.

The Government of Iraq will achieve the objectives of the Strategy using a three-pronged approach: the Three Development Pillars;

a. Pillar I: Understanding Iraq’s Private Sector

b. Pillar II: Improving Iraq’s Business Environment

c. Pillar III: The SME Support Programme

A fourth pillar, Pillar IV, the Implementation Pillar, will carry out the work on the three development pillars; The objective of this project is to support GoI establishing the enabling, predictable, easy business environment for the Private Sector development of Iraq.

II. Brief strategy:

The importance of the private sector and the need to support its development emerged in the past years as a major and urgent requirement to ensure economic and social growth as well as peace and stability in Iraq. The current National Development Plan (NDP) for 2010-2014 recognizes this role emphasizing as a key challenge faced by private sector the ‘lack of clarity on the private sector’s role in effective development’ and the need to address this challenge as success factor for Iraqi wellbeing. The UNDAF 2011-2014 states this commitment by dedicating special attention to the role of the private sector and empowerment of civil society, with particular attention to women, children, youth, and the most vulnerable.

The project meets UNDAF key result area on Restoring the Foundations for Development and it addresses priority #2 on Inclusive, more equitable and sustainable economic growth, under the UNDAF as well as the CPD 2011-2014.

By aiming to create a proactive responsible private sector, the project will also enhance the contribution of businesses to the MDGs; in view of the approaching end of MDGs timeframe (2015) and the ongoing efforts by the international community to define a post-2015 development agenda in line with the Rio+20 outcomes focused on sustainable development. Strengthening the Iraqi private sector will help integrating Iraqi economic players into this global framework of action, with benefits both at country and international level.

MDG(s) being addressed:

Goal 1: Eradicate extreme poverty and hunger

Goal 3: Promote gender equality and empower women

Goal 7: Ensure environmental sustainability

Goal 8: Develop global partnerships for development

National Development Plan goal(s) being addressed:

• Enhancing the Private Sector’s Developmental Role

• Partnership between the Private and Public Sectors

• Promoting an Environment that Encourages Investment

• Strengthening the Private Sector’s Role in Regional Development

UNDAF priority area being addressed: #2: Inclusive more equitable and sustainable economic growth

CPAP outcome and output being addressed: Restoring the foundations for development

# Context

This proposed project is built upon the successful implementation of the multi-agency programme of Private Sector Development Programme for Iraq (PSDP-I) from 2009 to 2012. The objectives of this project are 1) to support Government of Iraq (GoI) establishing the enabling, predictable, easy business environment for the Private Sector development of Iraq, through endorsement of the Private Sector Development Strategy of Iraq and its implementation, 2) to provide preparatory technical assistance to the Ministry of Oil (MoO) for the formulation of a manpower development plan develop skilled labors in the oil sector as well as 3) to continuously support the Private Sector in Iraq to be engaged in the development through corporate social responsibility through UN Global Compact Local network and establishment of CSR (Corporate Social Responsibility) Centre. The Concept Note of this project together with the final report of PSDP-I and the Steering Committee presentation are attached for the background information.

The importance of the private sector and the need to support its development emerged in the past years as a major and urgent requirement to ensure economic and social growth as well as peace and stability in Iraq. The current National Development Plan (NDP) for 2013-2017 recognizes this role emphasizing as a key challenge faced by private sector the ‘lack of clarity on the private sector’s role in effective development’ and the need to address this challenge as success factor for Iraqi wellbeing.

By aiming to create a proactive responsible private sector, the project enhanced the contribution of businesses to the MDGs; in view of the approaching end of MDGs timeframe (2015) and the ongoing efforts by the international community to define a post-2015 development agenda in line with the Rio+20 outcomes focused on sustainable development, the UN Global Compact has been mandated to collect and channel the contribution of the private sector into this global process. Local Networks worldwide have been requested to do the same at country level, in recognition of the key role of businesses and regional/national aspects relevant for defining and achieving development goals.

The UNDAF 2011-2014 states this commitment by dedicating special attention to the role of the private sector and empowerment of civil society, with particular attention to women, children, youth, and the most vulnerable.

According to the UNDAF (2011-2014), Iraq ‘faces a critical period during which economic diversification and development of the private sector must be undertaken while also maintaining the delicate balance of access and opportunity for vulnerable groups’.

Promotion of CSR according to UNDP global policies and in line with the principles of the UN Global Compact, is also envisaged by the CPAP 2011-2014 as part of the partnerships strategy of UNDP, aimed to support the Iraqi National Development Plan in its emphasis on the responsibility of private sector to contribute financially and through employment generation to the national development process. This would also respond to issues identified as critical in the CCA and UNDAF 2011 – 2014, related to: realization of human rights; linking sustainable economic growth to social justice (jobs, services and social protections); mitigating environmental pressures; building equity and quality into Iraq’s social services, towards local poverty reduction and reconciliation; and investing in human capital, especially women and future human capital through youth and children.

The PSDS addresses the following challenges ; (1) an absence of supportive policies and strategies, (2) inappropriate legislative and regulatory framework and lack of enforcement of the existing framework, (3) a non-transparent public procurement system, (4) incompetent financial instruments, (5) an absence of an efficient and permanent GoI/Public Sector – Private Sector consultation platform and governance system, (6) suboptimal capacity, knowledge, and organization of the private sector itself, in particular on issues related to responsible and sustainable business practices, preventing the private sector from playing a determinant role in country’s social and economic development. In addition, the lack of skilled labor throughout Iraq is a critical issue for private sector development: it is a key cause of unemployment, and appropriate training could lead to more inclusive growth and poverty alleviation. It is designed to tackle these challenges.

The key partner in the PSD Strategy formulation and implementation is PMAC and the main stakeholders are PMAC, MoP, MoF, MoIM, MoO and UNGC Iraq LN. The expected beneficiaries are private sector in Iraq.

# II. Performance review

## Progress review

### **Overall progress towards the CPAP outcome and output(s)**

Through this initiative, the GoI has been able to achieve “restoring the foundations for development”.

The GoI adopts the PSDS strategy which aims at establishing an enabling policy and frameworks for rapid economic recovery, inclusive and diversified growth and private sector development. Also, the PSDS formulation supported by design of social dialogue mechanism increases sub-national capacity for facilitating private sector role in local economic development and job generation.

Also, promotion of CSR according to UNDP global policies and in line with the principles of the UN Global Compact, is also envisaged by the CPAP 2011-2014 as part of the partnerships strategy of UNDP, aimed to support the Iraqi National Development Plan in its emphasis on the responsibility of private sector to contribute financially and through employment generation to the national development process. This responds to issues identified as critical in the CCA and UNDAF 2011 – 2014, related to: realization of human rights; linking sustainable economic growth to social justice (jobs, services and social protections); mitigating environmental pressures; building equity and quality into Iraq’s social services, towards local poverty reduction and reconciliation; and investing in human capital, especially women and future human capital through youth and children.

### **Capacity development**

The project enhanced the role of Iraqi private sector as a development actor and partner by building its knowledge and capacity to implement corporate social responsibility projects, particularly through the establishment of a national CSR centre. This activity built on previous efforts initiated by UNDP to introduce CSR in Iraq as a as a factor for positive change, in particular through the launch of the UN Global Compact (GC) Iraq Network (October 2011). The Network grew to include more than 90 members after only one year, becoming an increasingly recognized platform for Iraqi companies committed to raise their business standards and contribute to the economic, social and human development of the country. Further efforts are needed however to enhance the capacity of the members to translate commitment into action.

### **Impact on direct and indirect beneficiaries**

Throughout the year, the project managed to reach the following beneficiaries by involving them in the consultation process to formulate the PSDS to reflect their views, interests and concerns. However, the formulation of PSDS is a start and it is important to continuously engage them in the implementation of the PSDP which will be in 2014 and beyond.

* Prime Minister’s Advisory Commission (PMAC)
* Iraqi Cabinet and COMSEC
* Iraqi Council of Representatives
* Ministries of Finance, Industry and Minerals, Labour & Social Affairs, Planning, Transport, Electricity, Oil and Trade.
* Central Bank of Iraq
* National Investment Commission
* Private sector and unions, such as: Iraqi Federation of Industries (IFI) and its branches in Erbil and Ramadi, Iraqi Businessmen Union, Association of Iraqi Businessmen, Association of Iraqi Banks, Iraqi Contractors and individual Enterprises, Federation of Chambers of Commerce and Industries, Iraqi Federation of Chambers of Commerce in Basra, in Erbil, and in Ramadi, as well as individual chambers
* NGO partners, such as the Iraqi Institute for Economic Reforms (IIER), Iraq Centre for Business Community Development (ICBCD), Women Empowerment Organization.

## Implementation strategy review

### **Participatory/consultative processes**

As a cumulative outcome, the Private Sector Development Strategy of Iraq was developed, including inputs from Iraqi businesses and to be finalized in consultation with the Government, the Iraqi Private Sector, and international development partners, which will contribute to an efficient, predictable and transparent business enabling environment that will eventually lead to economic growth, diversification and job creation in Iraq.

The activities are planned as below and the first one was mostly complete and the second/third ones will be shifted to 2014. As to the fourth point, it was concluded that there would be no necessity to provide follow up supports:

1. Facilitate the consultation process among the GoI, the Private Sector and the international community to endorse the PSDS which includes the communication tools to the public after endorsement.
2. Support the establishment of Private Sector Council (PSC) to implement the PSDS starting from priority areas and provide the monitoring function.
3. Support the establishment of SME agency by providing necessary capacity building.
4. Provide follow up supports including minimum contributions to PSDP-I downstream activities if required, including capacity development supports to the Micro Financial Institutions and to downstream implementing partners.

### Quality of partnerships

The achievements by PSDP-I UN participating agencies under this outcome led to an overall acceleration of the reform process in the policy and legislative areas relevant for the creation of an enabling business environment in Iraq. This was achieved in particular through establishment of mechanisms for partnership and interaction with the Iraqi Government, private sector entities and bilateral/multilateral organizations working on private sector development.

### National ownership

In terms of relations with the Government, the PSDS is implemented through a management mechanism agreed upon with the GoI that aims to strengthen the country’s ownership in the process of reforms for private sector development. PSDS’s activities are identified, planned for and regularly reviewed in a joint work plan with the Programme Management Team (PMT) and the Task Force for Economic Reforms (TFER) and the Working Group. All activities were planned for and implemented in close consultation with the relevant GoI bodies and other stakeholders by order of the Council of Minister Secretariat (COMSEC) and TFER. This management mechanism under national ownership has been very successful.

### **Sustainability**

The PSD was motivated by the intention to guarantee local ownership as well as sustainability of the new approaches and processes beyond project duration. The TFER was taking the initiative to formulate and implement the PSDS under its national ownership with UNDP’s constant support.

##

## Management effectiveness review

### Quality of monitoring

UNDP had regular meetings with TFER (at least on quarterly basis) as well as key stakeholders to review the project progress. The Team Leader visited Baghdad every month to meet the TFER to discuss the PSDS formulation and CSR initiatives. In these meetings, the bottlenecks and issues were discussed and the actions to be taken were agreed for next meeting.

### Timely delivery of outputs

The following outputs were mostly achieved, though the project faced some delays. Concerning the output 1, the initial endorsement of key GoI counterparts were obtained, but the final consultation with the private sector was shifted to 2014. Therefore, we expect the full achievement will be in early 2014.

**Output 1**

Private Sector Development Strategy of Iraq endorsed by both GoI and private sector through a participatory process and implementation steps in place

**Output 2**

Manpower Development Strategic Plan with MoO formulated

**Output 3**

Capacity built for Iraqi companies to implement CSR and inclusive business models based mainly on UNGC principles such as human and labour rights, environment, anti-corruption and women economic empowerment, and establishment of an autonomous ‘Iraqi CSR Centre’ as operational centre for such activities:

### Resources allocation

About 70% of the project was used for development activities cost (consultancy, consultation meetings, missions for monitoring activities etc). So, no issue in particular was observed.

### Cost-effective use of inputs

Promoting a new concept of PSDS/CSR etc within the GoI required intensive consultation process and long discussions. It could be considered that the project could have achieved more with the available resources by pushing the GoI to move faster. It has taken more time, but through intensive consultation with GoI, the project was led under the GoI ownership.

# III. Project results summary

The project partially achieved its outputs. Though there were some delays in some activities, these delayed activities were shifted from 2013 under GoI’s ownership and commitment to achieve in 2014.

**Output 1**

Private Sector Development Strategy of Iraq endorsed by both GoI and private sector through a participatory process and implementation steps in place;

- Activity action 1: Facilitate the consultation process among the GoI, the Private Sector and the international community (including wide range of female stakeholders) to endorse the PSDS, which was drafted as a result of PSDP-I multi agency program funded by Trust Fund from 2009 to 2012;

Activity result 1: The consultation was made several times to reach the 2nd final draft with GoI in October 2013, the Private Sector and international community (World Bank, USAID etc). However, since the wider consultation meeting was required to ensure the inclusive process, the final consultation was shifted to January 2014 due to the limited time toward the end of 2013.

- Activity action 2: Support the establishment of Private Sector Council (PSC) based on gender inclusiveness criteria to implement the PSDS starting from priority areas and provides the monitoring function

Activity result 2: Due to the delay of an official endorsement of PSDS, this was not achieved and shifted to 2014.

- Activity action 3: Support the establishment of SME agency by providing necessary capacity building

Activity result 3: Due to the delay of an official endorsement of PSDS, this was not achieved and shifted to 2014.

- Activity action 4: Provide follow up supports to PSDP-I downstream activities if required, including support to the Micro Financial Institutions and to downstream implementing partners.

Activity result 4: The follow up supports were not requested by GoI and UNDP did not find its support sustainable without establishing the PSDS.

**Output 2**

Formulation of a Manpower Development Strategic Plan with MoO

Activity action 1: Assist with the establishment of the Partnership Steering Committee (PSC) and based on the guidance and recommendations of the PSC, prepare and present a draft work plan to address the objectives outlined in the MoU and determine the magnitude and breadth of additional work to be done.

Activity result 1: Due to the delay of an official endorsement of PSDS, this was not achieved and shifted to 2014.

Activity action 2: Provide initial preparatory technical assistance to the MoO in order to define the scope of a comprehensive Technical Assistance Package for the formulation of a manpower development strategic plan that will address gaps in skills and capacities.

Activity result 2: Due to the delay of an official endorsement of PSDS, this was not achieved and shifted to 2014.

Activity action 3: In conjunction with MoO’s efforts, provide supplementary technical assistance to the MoO in order to prepare the proposed manpower, knowledge, and technology development strategic plan, informed by needs and priorities related to the purpose identified in Article I of the MOU and taking into account (1) cost estimations related to the plan; (2) utilization of potential sources of funding, including those funds allocated via obligations of IOCs that are serving as Contractors to the MoO; (3) development of a model to prioritize allocation of identified funds to be utilized in an optimal manner over time; and (4) advice on the establishment of a necessary management and quality assurance system.

Activity result 3: Due to the delay of an official endorsement of PSDS, this was not achieved and shifted to 2014.

Activity action 4: Develop a joint programme between MoO and UNDP for the following 3-5 years which will identify, to the appropriate level of detail, the analysis and interventions required to arrive at the purpose identified in Article I of the present MOU, based on the discussions with PSC and work done for the above 3 points, and based the interest of the Government of Iraq and availability of resources.

Activity result 4: Due to the delay of an official endorsement of PSDS, this was not achieved and shifted to 2014.

**Output 3**

Capacity built for Iraqi companies to implement CSR and inclusive business models based on UNGC principles such as human and labour rights, environment, anti-corruption and women economic empowerment, and establishment of an autonomous ‘Iraqi CSR Centre’ as operational centre for such activities

Activity action 1: Support the establishment and strengthening of the governance bodies of the UNGC Iraq Network (Secretariat, Steering Committee, Representative and Focal points) through finalization of Steering committee Terms of reference and holding transparent elections for new Representative and SC members, to be elected based on principles of gender and geographic inclusiveness.

Activity result 1: UNGC Iraq Network (Secretariat, Steering Committee, Representative and Focal points) have been established, and Steering committee Terms of reference has been completed.

A transparent elections for new Representative and SC members was held in December 2013 and new steering Committee has been elected based on principles of gender and geographic inclusiveness through UNGC LN and UNDP encouragement to ensure the gender balance and geographical representation prior to the election. UNGC LN and UNDP allocated a session before the election took place in this regard.

Activity action 2: Provide support and training to at least 30 Iraqi companies to adopt, implement and report on CSR principles and projects and facilitate participation of Iraqi companies in regional and global training meetings on CSR / UNGC.

Activity result 2: The project supported the strengthening of good governance mechanisms through enhanced Steering committee oversight and UNDP’s constant follow up to review the compliance of reporting requirements among the UNGC LN members and provided capacity building through trainings to individual companies for more than 30 Iraqi companies to adopt, implement and report on CSR and inclusive business practices, particularly in support of environment, human and labour standards, transparency and women empowerment.

Activity action 3: Facilitate administrative procedures for the registration of the Iraq CSR centre as legal entity according to national law and support the CSR centre to become the operational basis for the activities of the UNGC Network, in particular for the promotion of CSR practices in the UNGC areas of environment, human rights, women economic empowerment.

Activity result 3: Steering Committee prepared the draft bylaw of CSR Iraq, and agreed on registering it officially in the NGOs registration office as local NGO. All UNGC Iraq LN members were asked to participate and support the establishment of CSR. UNDP supported PMAC to prepare an Official letter to NGOs registration office to facilitate the registration of the first CSR in Iraq.

IV. Implementation challenges

The project implemented under the Inclusive Growth and Private Sector Sub-Cluster under the Economic Recovery and Poverty alleviation Pillar (ERPAP).

Output 1, An international consultant was hired to provide the technical support to the Project Manager. He is responsible for organizing the consultation meetings, collecting inputs from the GoI, the Private Sector and the international community, and reflecting these inputs as required and preparing the PSDS for the endorsement by the GoI. He also supports the GoI in establishing PSC to implement the PSDS with monitoring mechanism in place under the guidance of the Project Manager. One of the challenges faced is the communication with GoI and private sector entities was sometimes ineffective according to the security situation and the large number of official holidays, which caused the delay in achieving the goals on time. Also, the slow response of GoI and the private sector in providing inputs changed the timeline of project work plan.

Output 2, a Multi-Sectoral team is responsible for all activities under the guidance of the Area Based Development and Local Service Delivery Sub-cluster in close coordination of the project manager under the Inclusive Growth and Private Sector Sub-cluster. The challenges at this point is the time required for certain procurement procedures of finalizing LTA to dispatch the required experts and the operational arrangements for the UNDP staff.

For output 3, a National Project Coordinator (NPC) was hired in UNDP office in Baghdad, he has coordinated and overseen the implementation of the project and ensured coordination with national stakeholders, in particular PMAC, and the representatives of private sector and civil society. The NPC acted under the supervision of the Project Manager and with the assistance of an Advisor on CSR and Private sector development (international consultant). The Project Coordinator and the CSR Advisor composed the UNDP UNGC team to be part of the *Secretariat of the UNGC Iraq Network*, in charge of: supporting the activities of the Network, manage relationships with government and other stakeholders, coordinate communication with Network members, provide support to the Network governing bodies upon their establishment.

The main implementation challenges from an operational point of view was the difficulty and impossibility to work side by side with beneficiaries located in the Red Zone of Baghdad. Security restrictions and extremely limited number of Red Zone movements made it difficult to travel to field locations and to organize meetings with Iraqi counterparts and to interact with UNGC Iraq Local Network and Steering Committee members on the ground outside the International Zone. The complicated procedures for getting Iraqi counterparts into the International Zone and the limited number of escorts available to handle visitors' requests caused more problems and delays.

## Project risks and actions

Some risks identified in the project design:

- The political affiliation of key Government counterparts, which materialized especially at local level where in some cases the counterparts delayed or impeded activities for political reasons.

UNDP team, in coordination with GoI, CoR, Private Sector Representative, Civil Society Leaders, had to first support the endorsement of the PSDS by the CoM and second to adopt and implement the Private Sector Laws by CoR.

- Insufficient commitment or inability by the GoI to pursue the process of reforms initiated by the programme (being the goal of PSDS to put in place a process of reforms for private sector development, full achievement can only rely on GoI’s willingness and ability to adopt and implement those reforms, which is still unclear as legislative processes in Iraq are long and involve a large range of actors). For this reason the UNDP team is working closely with GoI and Private Sector Entities counterparts for following up and pushing for adopting and implementing these reforms.

- Security situation (as envisaged, progresses in the programme implementation were undermined by the volatile security situation, which often led to changes and re-planning of the activities).

This situation led the UNDP team to authorize the programme coordinator to meet Private Sector Counterparts in any convenient time and place.

- Continuous postponement of the consultative meetings of the program by some of GoI partners, which caused a delay of many of the programme outcomes. UNDP addressed this through continuous communication and coordination with GoI counterparts, as a result , many valuable and fruitful meetings have been conducted.

## Project issues and actions

UNDP provided support to the local private sector by launching the UN Global Compact (UN GC) Iraq Network to advance Corporate Social Responsibility (CSR) and to provide a platform for multi-stakeholder dialogue and business collective action. Through the UN GC, the Iraqi private sector can work towards achieving international standards of sustainable business and enhance its role as partner in the development agenda. The Network became a key business counterpart for the Private Sector Development Strategy of Iraq and will be used for future consultation to enhance and implement the strategy.

Due to the security situation for steering committee meeting regularly in PMAC and the hard procedure of IZ access, and also due to absence of key steering committee members (due to their own business activities) and the non-elected representative of the Local Network, the Steering Committee couldn`t play the active role in supporting the activities of the Network, managing relationships with government and other stakeholders, coordinating communication with Network members, or providing support to the companies upon their engagement in the Local Network.

Based on the above reason and in coordination with PMAC, UNDP, in December 2013, held a General Meeting for the Local Network where a transparent election took place producing a new Steering Committee that represented most of Iraq provinces from South, Mid and North as well as all categories of private sector like Women, NGO, Academia and Business Associations.

Based on the draft Private Sector Development Strategy of Iraq (PSDS) and as a cumulative result of PSDP-I, the project will further support GoI to finalize the PSDS in consultation with the Private Sector and international communities as well as to establish the good governance of implementing the strategy in key focused areas by establishing the PSC and SME agency for enhancing SMEs. The consultative process leading to the endorsement of the PSDS will aim to be fully inclusive to engage different groups of private sector stakeholders, with particular attention to women.

Due to the security situation in Baghdad, the project team couldn`t gather the GoI, NGOs, Line Ministries Representatives, Local and International Business Associations and Business Women.

UNDP held a roundtable meeting in Amman to gather all stakeholders in one place to facilitate the consultation process among the GoI, the Private Sector and the international community including wide range of female stakeholders to endorse the PSDS and received final feedbacks to prepare the 2nd draft PSDS, which will be reviewed at the final consultation meeting in January 2014.

# V. Lessons learnt and next steps

## Lessons learnt

The PSDS is a joint programme wimplemented by UNDP in coordination with GoI. The objective of the programme is built on the needs and requirements of Private Sector in Iraq, The activities of the PSDS are contained in a common work-plan and a related budget.

In terms of relations with the Government, the PSDS was implemented through a management mechanism agreed upon with the GoI that aims to strengthen the country’s ownership in the process of reforms for private sector development. PSDS’s activities are identified, planned for and regularly reviewed in a joint work plan with the Programme Management Team (PMT). All activities were planned for and implemented in close consultation with the relevant GoI bodies and other stakeholders by order of the Council of Minister Secretariat (COMSEC) and UNDP. This management mechanism has been very successful.

The Integrated Management Structure of PSDS was introduced building upon the joint capacity and coordination of UNDP team that was present physically in Baghdad. PSDS team was working under the overall coordination of the UNDP Programme Director who has Physical presence in Baghdad and other locations on the ground. The programme team proved to be an essential element for proper coordination of joint activities and constant follow-up with relevant counterparts.

The presence of the UNDP team in Baghdad was to ensure effective interaction and participation of our main partners, PMAC, MoP, Private Sector Representatives to ensure achievement of the outcomes of this programme, mainly those related to the social dialogue issues, especially their roles in the establishment of the Corporate Social Responsibility CSR.

Another lesson learnt is the establishment of partnerships with relevant organizations and donors emerged to cope with challenges such as unexpected withdrawal by organizations assigned initially to conduct the planned activitie., Even if not planned in the project design these partnerships, such as the partnership established by UNDP with the USAID, served to advance progress towards common goals.

Closer cooperation with the private sector through established mechanisms such as the UNGC Local Network for Iraqi Private Sector and MoU with Shell are also recommended to be pursued and enhanced in other similar projects aimed to private sector development.

Challenges in dealing with the security situation, especially in terms of movement for UN programme team which caused limited interactions with local counterparts, were solved to some extent by recruiting more national staff instead of international ones, as originally planned. This proved to be a useful practice for the assignment where national staff were in a better position to move forward PSDS activities through closer coordination with local government and private sector counterparts.

The timeframe of major institutional changes sought for in PSDS proved unrealistic for a country suffering from great degrees of political instability, poor capacities, and where the interaction with the Iraqi counterparts is severely restrained by restrictions of movement. In some cases, the rationale for some of the reforms and bylaws proposed could have been discussed more in depth and agreed upon in clearer terms, if time had allowed it. Some institutions did not fully buy-in from the start, and consequently did not take the lead of the proposed reforms, leaving these policies and bylaws mid-way.

## Recommendations

The future joint programmes enhance collaborative decision-making by streamlining the sharing and timely exchange of information among UNDP and GoI, Line Ministries and Private Sector Entities to facilitate a real multiple dialogue on policy issues.

The the coordination and management arrangements in multi-administrative efforts of several counterparts should be given close attention, especially when the programme is operating at a number of levels, and when it involves many institutions and stakeholders. The participating institutions should ensure that appropriate work arrangements are made to improve the implementation. It is also important to note that such projects should operate with less ambition and more realistic expectations, even if this requires a longer inception/preparation period. This would allow for a better understanding of the context and for more realistic expectations in terms of project impacts.

One of the recommended issues, that similar programs in Iraq make use of a larger number of national staff, recruited and trained since the programme inception, while a limited number of international experts can be deployed for ad hoc activities on the ground.

Institutional and legislative changes have to be understood, owned and politically committed to by the national and provincial decision makers, before drafts of Policies and Laws can be successfully implemented. This can be achieved when there is direct and regular interaction with decision makers and when well-connected National staff assists in the liaison.

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# VI. Financial Section

*[Note: All financial data presented in this report are provisional. From* UNDP Bureau of Management/Office of Finance and Administration, an annual certified financial statement as of 31 December will be submitted every year no later than 30 June of the following year.]

## Table 1: Funding Overview

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Donor** | **Commitment****(Currency of the Agreement)** | **Received****(Currency of the Agreement)** | **Received (USD)** | **UNORE** | **Balance (Currency of the Agreement)** |
| **TRAC** | USD 400,000 |  | 400,000 | - | - |
| **Total** |  |  | **400,000** |  |  |

The table on funding overview will cover funding since inception of the project, and will include only those contributions for which legal basis i.e. agreement/ letters exchange, exist. Column 1: will include the name of the donor, with a new adjacent cell created for every different agreement signed with the same donor. Column 2, commitment, will include the amount of the commitment as stated in the agreement in the same currency as in the agreement. Column 3: shows the amount of the money received against every commitment. If the currency in the agreement is denominated in USD, this slot can be left blank. Column 4: provides for the US equivalent of the received amount of the local currency, with Column 5: providing the United Nations Operational Rate of Exchange at the date of the receipt of funds. Column 6: provides for the balance of the contribution expected to be received from the donor. This is arrived at through subtraction of total received amount from the commitments.

## Table 2: Expenditure Status (by activity)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Activity** | **Budget** **(A)** | **Donor** | **Cumulative Expenditure Status at[2012]** | **Expenditure in Reporting Year**2013 | **Yearly Total Expenditure****(F=D+E)** | **Total Expenditure****(G=B+C+F)** | **Budget****Balance****(H=A-G)** | **Delivery****Rate****(% I =G/A)** |
| Commitment(B) | -Expenses + full asset cost(C) | Commitment(D) |  Expenses + full asset cost(E) |
|  | 400,000 | 12 | 0.00 | 0.00 | 118.00 | 376,161.16 | 376,279.16 | 376,279.16 | 23,720.84 | % 94 |
| **GMS**  | NA |  |  |  |  |  |  |  |  |  |
| **Total** |  |  |  |  |  |  | 376,279.16 | 376,279.16 |  |  |

## With regards, to GMS, projects should reflect only ATLAS records as GMS is expected to be posted on time this year. Columns 1, 2 and 3 which respectively indicate activity, budget and donor of the project reflect the planned budget as in the AWP. Column 4/5, which indicates Expenditure Status at date of closure of the last reporting phase, will show commitments and disbursement up to that point. It is advised to use the IPSAS project resource management reports - fund resource overview; project resource overview; project budget balance; project transaction detail. This section has been re-aligned with these reports to make the reporting meaningful and easy. Commitments are the written contractual obligations which the project has signed out, while disbursements indicate the amount of money which was actually paid for the obligations. In UNDP corporate terms: OPEN REPORTED COMMITMENTS as at the reporting period ARE UNRECEIPTED POs ONLY. Columns 6/7 similarly indicate commitments and disbursements, however only for the reporting quarter. Column 8, Quarterly expenditure, will sum up the commitments and disbursements in the reporting quarter. Column 9, on total expenditures will add the quarter expenditure (column 8) to the expenditure status at the end of the last reporting quarter (columns 4/5). Column 10, the Balance, is arrived at through subtracting, total expenditure (column 9), from the budget (column 2). Finally the last column, Column 11, delivery, will be expressed in percentage terms, and is calculated by dividing total expenditure (column 9) by the budget (column2).

## Table 3: Expenditure Status (by donor)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Donor** | **Budget** | **Activity** | **Expenditure Status at[Date]** | **Expenditure in ReportingYear**  | **Yearly Expenditure** | **Total Expenditure** | **Balance** | **Delivery** |
| Commitment | Disbursement | Commitment | Disbursement |
|  |  |  |  |  |  |  |  |  |  |  |
| **GMS** |  |  |  |  |  |  |  |  |  |  |
| **Total** |  |  |  |  |  |  |  |  |  |  |

The explanation under this section is similar to the above section, however here the difference is that on this table expenditure is categorized as per source of funding/donor.

**Annexes**

# Year: 2014

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **EXPECTED OUTPUTS***And baseline, associated indicators and annual targets* | **PLANNED ACTIVITIES***List activity results and associated actions* | **TIMEFRAME** | **RESPONSIBLE PARTY** | **PLANNED BUDGET** |
| Q1 | Q2 | Q3 | Q4 | Funding Source | Budget Description | Amount(USD) |
| **Output 1**Private Sector Development Strategy of Iraq endorsed by both GoI and private sector through a participatory processAction plans for implementation in placeBaseline: No PSDS endorsed by GOI (a draft is available but not endorsed)Indicators: Number of inclusive consultations to refine the PSDS; PSDS endorsed; Action Plan endorsed:Institutional arrangement in place for implementation of PSD StrategyTargets: PSDS endorsed through wide consultative mechanism ensuring inclusive and fair representation based on gender, geographic areas, sectors, typology of enterprises criteriaInstitutional arrangement in place with ToR Project Document developed to support implementation stage | Activity result: Private Sector Development Strategy of Iraq (PSDS) established and its associated action plans initiated with optimal institutional arrangement* Activity 1: Facilitate the consultation process among the GoI, the Private Sector and the international community including wide range of female stakeholders to endorse the PSDS.
* Activity 2: Support the establishment of PSC based on gender inclusiveness criteria to implement the PSDS starting from priority areas and provide the monitoring function.
* Activity 3: Develop a Project Document to identify the areas of UNDP’s future support in implementation of PSDS
 | X | XXX | XXX |  | UNDP Iraq | TRAC | International staffInternational consultantTravelContractual ServicesMiscellaneousManagement Cost (Security, Communication etc)  | 9,000 60,00010,00015,0006,000 |
| TOTAL |  |  |  |  |  |  |  |  | 100,000 |