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USAID COMMUNITY STABILIZATION PROGRAM (CSP) COUNTERINSURGENCY (COIN): REPORT ON BUSINESS DEVELOPMENT PROJECTS IN BAGHDAD

March 11, 2008

This publication was produced for review by the United States Agency for International Development. It was prepared by International Business & Technical Consultants, Inc., with assistance from the, Baghdad, Iraq.

USAID COMMUNITY STABILIZATION (CSP) COUNTERINSURGENCY (COIN): REPORT ON BUSINESS DEVELOPMENT PROJECTS IN BAGHDAD



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Contracted under 267-C-00-05-00508-00

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List of Acronyms

AC	Advisory Committee
AoR	Area of Responsibility (of IPs)
BDP	Business Development Project
CA	Cooperative Agreement
CIES	Community Infrastructure and Essential Services
CSP	Community Stabilization Program
EGY	Employment Generation and Youth
IACCI	Iraqi American Chamber of Commerce and Industry
IBTCI	International Business & Technical Consultants, Inc.
IP	Implementing Partner
IR	Intermediate Result
IRD	International Relief and Development
M&E	Monitoring and Evaluation
MEPP II	Monitoring and Evaluation Performance Program, Phase II
MOLSA	Ministry of Labor and Social Affairs
MOT	Ministry of Trade
N/D	No Data
PAC	Project Approval Committee
PMP	Performance Management Plan
POD	Program Operation Director
POO	Program Operation Officer
PC	Provincial Council
PRT	Provincial Reconstruction Team
RFA	Request for Application
SO	Strategic Objective
SOW	Scope of Work
TA	Technical Assistance
US	United States
USAID	United States Agency for International Development
USG	United States Government

EXECUTIVE SUMMARY

The International Relief and Development (IRD) Business Development Program (BDP) component of the Community Stabilization Program (CSP) awards micro, small and medium enterprise (MSME) grants to new and existing businesses designed to increase MSME production and to generate employment. International Business & Technical Consultants, Inc. (IBTCI) implements the USAID-funded Monitoring and Evaluation Performance Program, Phase II (MEPP II), which has been tasked to monitor USAID projects. IBTCI utilizes [REDACTED] to supply full-time local field monitors and regional field monitor team leaders.

Monitoring of BDP projects in Baghdad began on July 8, 2007. The criteria for selection were: 1) projects that had been completed; and 2) grants that were over \$1,000. Of the 1,660 projects currently in the system, 352 met the criteria. Sixty of these projects were randomly selected for this monitoring. Forty-nine of the selected projects were monitored. Eleven of the selected projects were not accessible for monitoring and were classified as non-respondents. The primary reason for non-response was poor security. The instrument used by the field monitors, initially developed by IRD for internal monitoring of BDP projects, was augmented by IBTCI to include questions related to grant impact. The monitoring instrument (Annex B) is divided into five sections: a) grant identification; b) survey response information; c) grant utilization and compliance; d) grant implementation against the Bill of Quantity (BoQ); and e) importance of grant to family income.

Key findings of the monitoring include:

1. The business owners are happy with the progress being seen in their businesses as a result of BDP grant and program support and all respondents note that the BDP grant is having a positive impact on their lives.
2. These projects appear to have increased employment opportunities for 228 individuals, 48 of whom are women.
3. Of the 49 total projects with pre and post job figures, 35 did not create any additional jobs for women.
4. Eight of the respondents reported having received BDP sponsored business skills training. These were all Iraqi American Chamber of Commerce and Industry (IACCI) implemented grants.
5. Twenty-nine (roughly half) of the businesses employ family members.
6. Less than half of the business owners are keeping consistent records.
7. Thirty-five grantees reported having business plans. Only one of these reported having not met the objectives of the business plan.
8. Obstacles to project implementation most often cited by grantees included "expensive fuel for generators" and "security". Nine of the grantees reported that there were no obstacles facing their projects.
9. Two projects, CSP-BG-00201 and CSP-BG-424, reportedly faced substantial issues in implementing their projects. The first project, a sandwich panel manufacturing plant for caravans, faced a shutdown due to low demand for its products. The second project, a chain link fence manufacturing project, faced delays in deliveries of essential equipment from BDP.

10. The BDP guidelines need review and clarification. Consider whether the current “one size fits all” grant application policy is suited to micro grants.
11. It would appear that the reporting requirements outlined in the BDP Guide (Annex C) are extremely labor intensive and complex for the grantee and therefore probably will not be followed explicitly.

The MEPP II team makes the following recommendations for the BDP program:*

1. Ensure that when the pre-grant approval site visit is made, the assessment includes whether or not there is appropriate electrical, water, sanitation and security available to support the business and, if not, require that the issue be resolved prior to grant approval.
2. Follow-up with project CSP-BG-00128 to assess the appropriateness of the removal of granted equipment to their residence.
3. Follow-up with project CSP-BG-00424 to see if the required equipment has been delivered.
4. Follow up with project CSP-BG-0021 to determine whether or not the business continues to be viable. At the time of the monitoring, the field monitor noted that the business was not operational however the grantee appeared to be considering moving his business to another location. Given the high dollar amount of the grant, close follow up is highly recommended and should the business remain closed, BDP might consider removing the equipment.
5. Consider modifying grant funding priorities to encourage a more equitable job creation distribution for women if this is a project goal.
6. Review the BDP guidelines to determine whether or not grantees should be required to produce a project monitoring plan (PMP) with indicators against which they must report. It is doubtful the grantees would be able to fully understand the concept of a PMP with indicators. Instead, BDP might consider requiring the grantee to report progress against their approved business plan. (Found in Annex C under reporting and evaluation.)
7. During required tracking when business income, production and/or employment generation are found to be decreasing, or not able to sustain the business, require the grantee to attend business skills training.
8. For high value grants, consider supporting market research to determine whether or not the business proposal is viable and that assumptions about the market for products is valid.
9. Ensure that grantees are aware of other USAID and Government of Iraq (GOI) programs, for example the Izdihar SME project, regional microfinance institutions, and Ministry of Labor and Social Affairs (MOLSA) programs where additional credit might be available.
10. Program management should follow up with the BDP team to determine if grantee training needs assessments are being followed according to the grant guidelines.
11. Grantee record keeping is inconsistent and does not meet the reporting requirements according to the grant guidelines. In particular employment generation is critical to PMP indicators under Sub IR 7.1.1 of the CSP PMP (jobs created). Verifying the number of jobs actually created through good record keeping adds to the assessment of data quality for this important indicator.
12. Assess the overall security situation in the area where equipment is to be housed is sufficient to secure the equipment provided. Understanding that the security situation is dynamic, work with grantees to ensure they are able to the extent possible to secure their equipment.

13. The CSP should consider a review of grant guidelines scaling record keeping requirements to the grant class.

* It should be noted that some of these recommendations were made in the Kirkuk BDP report as a result of IBTCI monitoring and are in the process of being addressed by IRD.

Introduction¹

The International Relief and Development (IRD) Business Development Program (BDP) component of the Community Stabilization Program (CSP) awards micro, small and medium enterprise (MSME) grants ranging from \$500 to \$127,000 to new and existing businesses. The program helps Iraqis initiate or expand businesses by providing training, equipment, supplies and financial assistance. The grants are designed to increase MSME production and to generate employment in the process.

Grant applications are evaluated based on the potential: 1) number of jobs created; 2) income generated; 3) measurable increases in production; 4) ability of the applicant to provide a minimum of 25% in-kind contribution to the project; and 5) impact the activity will have on the community.

Background

International Business & Technical Consultants, Inc. (IBTCI) implements the USAID-funded Monitoring and Evaluation Performance Program, Phase II (MEPP II). Under MEPP II, IBTCI has been tasked to monitor USAID projects. IBTCI entered into a subcontract agreement with [REDACTED] to supply full-time local field monitors and regional field monitor team leaders. This agreement was approved in March 2006.

In November 2006, the Strategic Objective (SO) 7 team requested that IBTCI begin on-going monitoring of the CSP implemented by IRD. The history of previous CSP monitoring by IBTCI as well as IRD's program may be found in Annex A. Monitoring results from the BDP in Baghdad are the subject of this report.

For this round of monitoring the IBTCI monitors met with IRD mobilizers on 14 June in Baghdad. The purpose of the meeting was to: confirm a specific list of projects that were to be monitored; confirm what was to be determined about the projects; and establish the lines of communication that will allow the field monitors to safely access the projects. IBTCI and IRD agreed that the monitors would follow the same procedures used for the initial monitoring in Baghdad. This procedure established an initial IRD point of contact (POC), as well as a POC from IBTCI.

Characteristics of the 1,660 BDP projects identified in Baghdad at the time of the sample selection are shown in Table 1. BDP Grants are assigned by size into one of three "business class" categories: Micro, Small or Medium. Grants are predominantly in the "small" class. The size classes overlap, but broadly indicate the size of the grant amount. BDP grants can be implemented by IRD itself, but also through their sub-contractor the Iraqi American Chamber of Commerce Institute (IACCI). The overall investment by IRD in Baghdad BDP grants at the time

¹ Names of some organizations, people and projects have been taken out for security reasons.

of monitoring was more than \$14.5 million based on the final value provided in the IRD grants database.

Table 1: Final Grant Value of Current BDP Grants

Business Class	Final Grant Value				Number of Grants	
	Mean	Minimum	Maximum	Sum		
Medium	\$57,741	\$20,000	\$127,001	\$5,196,646	97	6%
Small	\$9,823	\$488	\$60,000	\$8,399,073	882	53%
Micro	\$1,443	\$150	\$3,425	\$939,146	681	41%
Total	\$9,107	\$150	\$127,001	\$14,534,865	1660	100%

Given the relatively large number of Baghdad BDP Grant recipients to potentially monitor, it was necessary to select a random sample of grants that would be representative of the whole yet be feasible to interview in a limited time span. Sample design considerations included the status of the grant (whether the grant had been completed), the size of the grant and the grant implementer (IRD or IACCI). The criteria for inclusion of a project into the sample frame were: 1) projects had to have been completed; and 2) grants value was equal to or over \$1,000. Of the 1,660 projects in the system at the time of the selection, 352 met these criteria. These 352 grants are the sample frame from which the sample was drawn.

Initially, fifty BDP Grants were selected at random from the 352 grants in the sample frame. Fifty grants were calculated to have been a sufficient number given assumptions held about non-response and desired precision for the sample results. Later an additional 10 grants were added following discussions with IRD. This was to ensure a sufficient number of completed interviews, as at the time of the initial interviews some of the areas in Baghdad were becoming less permissive. There was concern that monitors might have a problem reaching all the grantees in the sample (this later proved to be the case). The ten additional grants were selected at random from the 352 and added to the sample after confirming that the same grant was not selected twice. The 60 BDP Grant projects selected provided for an accurate assessment of the 352 qualifying projects. This is indicated by the comparative mean grant values and business class distributions from the sample frame and the sample shown in Table 2 below.

Table 2: Grant Value Distribution of the Selected Projects

Business Class	Sample Frame Results			Drawn Sample Results			Completed Survey Results		
	Mean Grant Value	Number of Grants		Mean Grant Value	Number of Grants		Mean Grant Value	Number of Grants	
Medium	\$47,289	15	4%	\$44,933	3	5%	\$50,500	2	4%
Small	\$11,962	276	78%	\$12,059	44	73%	\$12,026	34	69%
Micro	\$2,771	61	17%	\$2,848	13	22%	\$2,848	13	27%
Total	\$11,875	352	100%	\$11,707	60	100%	\$11,162	49	100%

The list of grants by type of project is shown in Table 3. 20% of projects are grocery shops and 30% are livestock related projects. Beyond these dominant types, there is a broad spectrum of

enterprises. CSP should be cautious that they are not generating cookie-cutter projects that may not be viable in the long run. The livestock and grocery projects should be followed more closely to determine whether they are sustainable.

Table 3: Type of Projects Supported by Grants

Project Type	Number of Grants	Column %
Aluminum Factory	1	1.7%
Apiary (Honey Bee)	1	1.7%
Carpentry Workshop	3	5.0%
Construction Materials	1	1.7%
Electric Items Shop	1	1.7%
Electrical Bakery	1	1.7%
Electrical Water Heater Factory	1	1.7%
Fish Breeding Farm	2	3.3%
Fitness Center	2	3.3%
Furniture Shop	1	1.7%
Grocery Store	12	20.0%
Home-based Catering/Cooking Service	2	3.3%
Internet Cafe	2	3.3%
Kindergarten	2	3.3%
Livestock/Poultry/Dairy Farm	18	30.0%
Mobile Phone Store	1	1.7%
Nylon Bags Factory	1	1.7%
Sandwich Panel For Mobile Caravan Factory	1	1.7%
Sewing Factory	2	3.3%
Social Occasion Equipment Rental	1	1.7%
Steel Wire Fence Factory	1	1.7%
Stationary/Library Shop	2	3.3%
Workshop (General)	2	3.3%
Total	60	100%

Monitoring of BDP projects in Baghdad began on July 8, 2007. Of the original 60 BDP grant projects selected for the sample, a total of 49 were reached with the interviews completed. Eleven of the grantees were not interviewed. Table 4 indicates the reasons that grantees were not interviewed. There was no apparent bias introduced through the non-response.

Table 4: Reasons for Non-response

Result of Interview	Frequency	Percent
Completed	49	82%
Not at home or business site	3	5%
Could not locate grantee	3	5%
Security situation prevented access	4	7%
Other (time barred)	1	2%
Total	60	100%

Table 5 lists the non-response grantees by type of non-response. The reason for non-response provides important information for the program. Where the category of non-response is "could not locate grantee" or "not at home or business site" was indicated, the BDP officers are advised to follow-up and attempt to trace these six grantees using the project code number. Monitors typically make three attempts to locate a respondent (in one instance waiting for two hours for his arrival) and it is likely therefore that the grantee has moved on. Whether this is for a culpable

reason or not should be determined. In one instance (CSP-BG-00240) the grantee was reported to have been arrested by the Ministry of Interior. For the other categories on non-response we simply have no information.

Table 5: Grant Projects By Type of Non-response

Project Code	Project Type	Final Grant Value
<i>Could not locate grantee</i>		
CSP-BG-00291	Livestock Farm	\$ 17,822
IACCI-BG-10065	Nylon Bags Factory	\$ 8,300
IACCI-BG-10079	Grocery Store	\$ 2,175
<i>Not at home or business site</i>		
CSP-BG-00058	Stationary Library	\$ 3,675
CSP-BG-00214	Livestock Farm	\$ 18,000
CSP-BG-00240	Electrical Water Heater Factory	\$ 33,800
<i>Security situation prevented access</i>		
CSP-BG-00057	Livestock Farm	\$ 18,816
CSP-BG-00513	Livestock Farm	\$ 9,900
CSP-BG-00617	Poultry Farm	\$ 15,000
CSP-BG-00618	Poultry Farm	\$ 17,000
<i>Time barred</i>		
IACCI-BG-10014	Sewing Factory	\$ 11,000

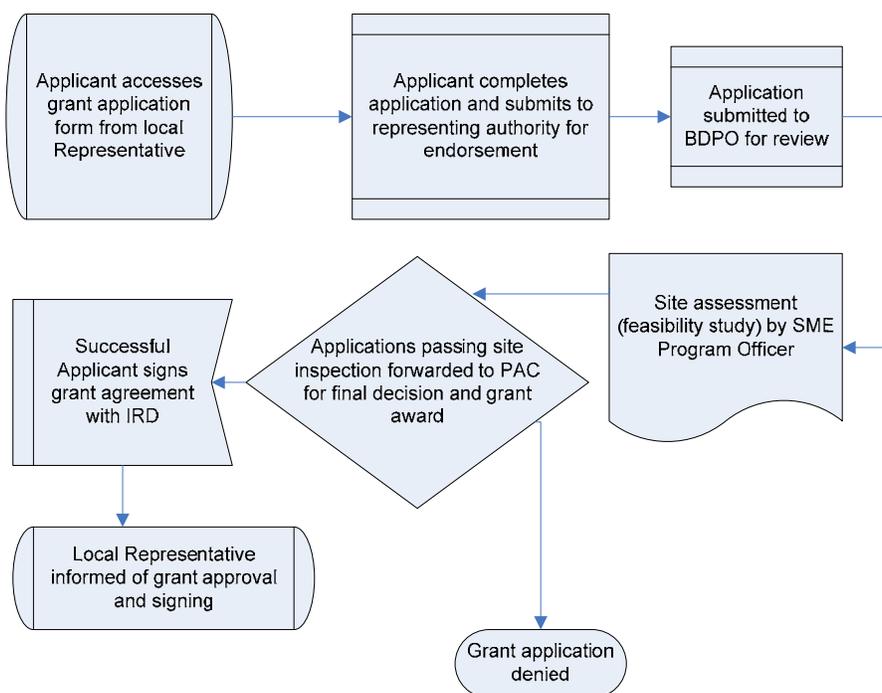
Keeping to the schedule meant that field coordination with project managers and other stakeholders in the project development process needed to be flawless and that the visit areas were permissive at the time of the proposed visits. To achieve this, the [REDACTED] field monitors remained in contact with the IRD staff as well as with IBTCI. In reality, some of the areas in Baghdad were not permissive, and delays resulted. Half of the grantees were interviewed by the end of July; however completing the remaining half stalled. Monitoring was put on hold by IRD during the Shabaniyah Shiite ceremony when Shiite followers marched through the areas where the projects were located. While this interrupted the completion of the monitoring, it was a prudent decision. Every effort was made to complete all the interviews, with the final 18 interviews completed in September and early October.

Methodology

The data collection instrument used by the field monitors was initially developed by IRD for their internal monitoring of BDP projects. IBTCI augmented this instrument to include questions related to grant impact. The monitoring instrument (Annex B) is divided into five parts: a) grant identification; b) survey response information; c) grant utilization and compliance; d) grant implementation; and e) importance of grant to family income. Field monitors were led to the project sites by the IRD field staff to meet with each grant manager. Field monitors attempted to obtain from the project officer the grant Bill of Quantity (BOQ) and other information that would assist in their monitoring. IRD has designed a grant development process for the CSP illustrated below in Figure 1. The process is designed to include local government in the approval process. (For example Baghdad may include: Neighborhood Advisory Councils, District Advisory Councils, Community Action Groups, Ministry of Labor and Social Affairs (MOLSA), Grants

Advisory Committees, Non-Governmental Organizations (NGOs), etc.) Monitors were instructed to attempt to walk through the process for selected projects (to do so for all projects would not have been possible in the time frame).

Figure 1 - The BDP Grant Development Process



1. The applicant submits an application to representing entity for endorsement (signature).
2. The application is submitted to the Business Development Program Office (BDPO) for review.
3. Site Assessment (feasibility study) is conducted by the SME program officers.
4. Applications successfully passing site assessment are forwarded to Project Approval Committee (PAC) for final decision and award of grant.
5. The grant agreement contract is signed with IRD.
6. NAC and DAC are informed of all approved and awarded grants.

The translated individual reports from the field monitors are attached in Annex C and identified by their project ID as they appear in Table 6. The individual reports are summarized in the next section of this report.

Survey Summary

Grant Identification

Table 6: Monitored Projects

Project Code	Project Name	District	Grant Value (in \$)
CSP-BG-00049	Livestock Farm Establishment Supply With Calves	Adhamiya	18,291
CSP-BG-00090	Sheep Farm Establishment Supply With Sheep.	Kadhemiya	14,800
CSP-BG-00091	Grocery Shop Establishment Supply With Goods & Equipment.	Kadhemiya	3,000
CSP-BG-00118	Service Store For Social Occasions Establishment Supply With Equipment.	Rusafa	3,175
CSP-BG-00125	Grocery Store Establishment Supply with Goods & Equipment.	Kadhemiya	3,000
CSP-BG-00126	Grocery Store Establishment Supply with Goods & Equipment.	Kadhemiya	3,000
CSP-BG-00127	Grocery Store Establishment Supply With goods & Equipment.	Kadhemiya	3,000
CSP-BG-00128	Grocery Shop Establishment Supply With Goods & Equipment.	Kadhemiya	3,000
CSP-BG-00141	Grocery Store Establishment Supply With Goods & Equipment.	Adhamiya	3,000
CSP-BG-00143	Homebased Cooking Establishment Supply With Equipment.	Adhamiya	1,223
CSP-BG-00166	Mobile Phone Shop Establishment Supply With Computer & Mobile Phones.	Kadhemiya	2,965
CSP-BG-00168	Grocery Store Establishment Supply With Goods & Equipment.	Kadhemiya	3,000
CSP-BG-00173	Grocery Store Establishment Supply With Goods & Equipment.	Adhamiya	3,000
CSP-BG-00185	Grocery Store Establishment Supply With Goods & Equipment.	Jihad / Baiya'	3,000
CSP-BG-00201	Sandwich Panel Factory For Mobile Caravans Establishment Supply With Machines.	Rusafa	61,000
CSP-BG-00207	Fitness Club Establishment Supply With Equipment.	Doura	13,556
CSP-BG-00212	Livestock Establishment Supply With Calves.	Adhamiya	17,822
CSP-BG-00239	Livestock Farm Establishment Supply With Sheep.	Adhamiya	18,020
CSP-BG-00266	Livestock Establishment Supply With Calves.	Karrada	17,822
CSP-BG-00298	Livestock Establishment Supply With Calves.	Kadhemiya	17,822
CSP-BG-00300	Apiary (Honey Bee) Establishment Supply With Equipment.	Kadhemiya	19,800
CSP-BG-00301	Fitness Club Establishment Supply With Equipment.	Kadhemiya	10,620
CSP-BG-00344	Livestock Farm Establishment Supply With Sheep.	Adhamiya	15,070
CSP-BG-00345	Dairy Farm Establishment Supply With Cows	Adhamiya	14,868
CSP-BG-00396	Nursery & Kindergarten Establishment Supply With Equipment.	Adhamiya	11,160
CSP-BG-00424	Crossing Chain Fence Factory Establishment Supply With Machine	Rusafa	40,000
CSP-BG-00426	Dairy Farm Establishment Supply With Cows.	Karrada	14,868
CSP-BG-00438	Dairy Farm Establishment Supply With Cows.	Kadhemiya	14,868
CSP-BG-00439	Livestock Farm Establishment Supply With Calves.	Kadhemiya	15,008
CSP-BG-00464	Carpentry Workshop Rehabilitation Supply With Equipment.	Rusafa	4,985

Project Code	Project Name	District	Grant Value (in \$)
CSP-BG-00533	Livestock Farm Establishment Supply With Calves.	Rusafa	10,318
CSP-BG-00542	Photocopying & Bookshop Rehabilitation Supply With Equipment.	Rusafa	2,665
CSP-BG-00559	Aluminum Factory Establishment Supply With Machines & Equipment.	Rusafa	11,340
CSP-BG-00635	Fish Lake Establishment Supply With Fish & Fodder.	Adhamiya	19,600
CSP-BG-00877	Nursery And Kindergarten Establishment Supply With Equipment.	Adhamiya	11,000
CSP-BG-00878	Internet Institute & Café Establishment Supply With Equipment.	Adhamiya	9,735
CSP-BG-00882	Carpentry Workshop Establishment Supply With Equipment.	Kadhemiya	14,600
CSP-BG-00949	████████ Bakery Establishment Supply With Equipment.	Adhamiya	26,500
CSP-BG-00962	████████ Sewing workshop Establishment Supply With Machines.	Kadhemiya	18,300
CSP-BG-00986	Fish Lakes Establishment Supply With Fish.	Adhamiya	17,640
IACCI-BG-10008	Baker Grocery Store Supply with Goods	Adhamiya	5,134
IACCI-BG-10012	Homebased Catering Service Supply with Goods and Equipment	Adhamiya	1,400
IACCI-BG-10053	Construction Materials Supply with Goods	Kadhemiya	3,483
IACCI-BG-10055	Carpentry Workshop Supply with Equipment	Adhamiya	3,750
IACCI-BG-10074	Furniture Shop Supply with Goods	Kadhemiya	2,480
IACCI-BG-10088	Grocery Store Supply with Goods	Al-Kark	1,176
IACCI-BG-10108	Electric Items Shop Supply with Goods	Al-Karkh	3,700
IACCI-BG-10124	Internet Caf'e Supply with Equipment	Kadhemiya	4,450
IACCI-BG-10125	Workshop Supply with Machines	Al-Karkh	4,900

All but one of the grants selected for monitoring were completed by the time the monitoring took place. All 49 grantees were interviewed at the site of their business.

Findings from the monitor's site visits are summarized in the tables below. The tables are summaries of the questions asked in the field visit instruments shown in Annex C.

Grant Utilization and Compliance

Table 7 below summarizes grant utilization. All but one of the grants was being implemented as intended in the grant proposal. For this grant, CSP-BG-00424, the blacksmith had not yet received the necessary equipment and supplies from IRD for his proposed chain-link fence manufacturing business.

Table 7: Is the Project Used as Intended

	Q16: Is the site being used for its intended purpose?	Q 17.1 -18: IRD contributions on site according to BOQ and being used?
Yes	48	48

	Q16: Is the site being used for its intended purpose?	Q 17.1 -18: IRD contributions on site according to BOQ and being used?
No	1	1
Total	49	49

For all but one of the projects, CSP-BG-00424, promised equipment and supplies had been delivered by IRD. For another project, CSP-BG-00128, it was reported that three of the items delivered by IRD, a refrigerator, a scale and a generator for use in a grocery store proposal, had been moved to the respondent's house for security reasons. A repeat visit was made by the monitors to determine whether or not security had decreased in the area after the grantee had received the equipment necessitating the removal of the equipment. The grantee noted that security had not decreased in the area since his receipt of the equipment to his home. Further, the grantee noted that US security forces regularly break through doors and locks while conducting searches in the area which made it impossible to keep the equipment secure. It is not clear from the responses of the grantee to the follow-up questions whether or not he ever intended to use the equipment provided in his shop. The monitors noted the shop is operational, however the goods being sold do not require refrigeration. There remains a question regarding CSP-BG-0021 for although the site was visited and the grantee interviewed, the shop was not operational at the location visited. The grantee noted that he was planning to move the business; however it is not clear if or when this will occur or whether or not the business will reopen. This project should be flagged for a follow up visit.

Grant Implementation

Grantee respondents were asked to provide the number of jobs that were created with BDP grant support. This information was compared with the number of jobs reported in the pre-grant application to assess the net increase in jobs supported by the grants. A total of 228 new jobs were reported to the monitors. The number of jobs added per grant ranged from one to 16 with a mean of 4.5. An addition of two new jobs was the figure most reported to the monitors with eleven grantees providing that figure. The next most reported number of new jobs was six (by nine grantees) and three (by eight grantees). There were substantial differences in the reported numbers of jobs added by sex. For men, a total of 180 new jobs were created with a mean of 3.7 jobs among all of the grants. The 48 new jobs filled by women, while not insignificant, was only 21% of the total. It should be noted however that the labor force participation rate for women in Iraq is relatively low at between 15-20% according to recent surveys of employment and unemployment² suggesting that proportionately fewer new job creations being held by women is not surprising. Of the 49 total projects with pre and post job figures, 35 did not create any additional jobs for women.

According to grant guidelines, the following employment must be generated:

1-2	<i>engaged/employed on the particular activity applying for</i>	<i>US\$ 3,000</i>
3-4	<i>engaged/employed on the particular activity applying for</i>	<i>US\$ 10,000</i>
5-9	<i>engaged/employed on the particular activity applying for</i>	<i>US\$ 25,000</i>

² Central Office of Statistics and Information Technology (COSIT), 2004, Survey of Employment and Unemployment 2003.

10 or above engaged/employed on the particular activity applying for

US\$ >25,000

Forty-seven of the forty-nine grantees generated more than the required employment figures (Table 8). While the grantee for project CSP-BG-00201 stated he had seven employees, it was noted elsewhere in the survey that this business was not operational at the time of the monitor's visit as a result of low market demand for his services. CSP-BG-438, which received \$14,868 for a sheep fattening enterprise, has also not met the required employment numbers. This could be because the business is still somewhat new and may not have been functioning at full capacity at the time of the monitoring visit. Monitors attempted to verify the number of employees by asking them to gather and be counted; and then would confirm with the BDP officer that the number was correct.

Table 8: Employment Generation of Grants

Project Code	Project Name	Grant Value	Pre-grant jobs	Post-grant jobs	Total new jobs
CSP-BG-00049	Livestock Farm Establishment Supply With Calves	18,291.00	0	4	4
CSP-BG-00090	Sheep Farm Establishment Supply With Sheep.	14,800.00	0	7	7
CSP-BG-00091	Grocery Shop Establishment Supply With Goods & Equipment.	3,000.00	0	2	2
CSP-BG-00118	Service Store For Social Occasions Establishment Supply With Equipment.	3,175.00	1	2	1
CSP-BG-00125	Grocery Store Establishment Supply with Goods & Equipment.	3,000.00	0	3	3
CSP-BG-00126	Grocery Store Establishment Supply with Goods & Equipment.	3,000.00	0	2	2
CSP-BG-00127	Grocery Store Establishment Supply With goods & Equipment.	3,000.00	0	2	2
CSP-BG-00128	Grocery Shop Establishment Supply With Goods & Equipment.	3,000.00	0	2	2
CSP-BG-00141	Grocery Store Establishment Supply With Goods & Equipment.	3,000.00	0	3	3
CSP-BG-00143	Homebased Cooking Establishment Supply With Equipment.	1,223.00	0	1	1
CSP-BG-00166	Mobile Phone Shop Establishment Supply With Computer & Mobile Phones.	2,965.00	0	2	2
CSP-BG-00168	Grocery Store Establishment Supply With Goods & Equipment.	3,000.00	1	3	2
CSP-BG-00173	Grocery Store Establishment Supply With Goods & Equipment.	3,000.00	0	2	2
CSP-BG-00185	Grocery Store Establishment Supply With Goods & Equipment.	3,000.00	0	2	2
CSP-BG-00201	Sandwich Panel Factory For Mobile Caravans Establishment Supply With Machines.	61,000.00	0	7	7
CSP-BG-00207	Fitness Club Establishment Supply With Equipment.	13,556.00	2	5	3
CSP-BG-00212	Livestock Establishment Supply With Calves.	17,822.00	0	6	6
CSP-BG-00239	Livestock Farm Establishment Supply With Sheep.	18,020.00	0	7	7
CSP-BG-00266	Livestock Establishment Supply With Calves.	17,822.00	0	9	9
CSP-BG-00298	Livestock Establishment Supply With Calves.	17,822.00	0	6	6
CSP-BG-00300	Apiary (Honey Bee) Establishment Supply With Equipment.	19,800.00	0	6	6
CSP-BG-00301	Fitness Club Establishment Supply With Equipment.	10,620.00	0	4	4
CSP-BG-00344	Livestock Farm Establishment Supply With Sheep.	15,070.00	0	6	6

Project Code	Project Name	Grant Value	Pre-grant jobs	Post-grant jobs	Total new jobs
CSP-BG-00345	Dairy Farm Establishment Supply With Cows	14,868.00	0	5	5
CSP-BG-00396	Nursery & Kindergarten Establishment Supply With Equipment.	11,160.00	0	11	11
CSP-BG-00424	Crossing Chain Fence Factory Establishment Supply With Machine	40,000.00	0	6	6
CSP-BG-00426	Dairy Farm Establishment Supply With Cows.	14,868.00	2	6	4
CSP-BG-00438	Dairy Farm Establishment Supply With Cows.	14,868.00	1	2	1
CSP-BG-00439	Livestock Farm Establishment Supply With Calves.	15,008.00	0	8	8
CSP-BG-00464	Carpentry Workshop Rehabilitation Supply With Equipment.	4,985.00	2	5	3
CSP-BG-00533	Livestock Farm Establishment Supply With Calves.	10,318.00	0	5	5
CSP-BG-00542	Photocopying & Bookshop Rehabilitation Supply With Equipment.	2,665.00	2	4	2
CSP-BG-00559	Aluminum Factory Establishment Supply With Machines & Equipment.	11,340.00	0	6	6
CSP-BG-00635	Fish Lake Establishment Supply With Fish & Fodder.	19,600.00	0	6	6
CSP-BG-00877	Nursery And Kindergarten Establishment Supply With Equipment.	11,000.00	0	9	9
CSP-BG-00878	Internet Institute & Café Establishment Supply With Equipment.	9,735.00	0	3	3
CSP-BG-00882	Carpentry Workshop Establishment Supply With Equipment.	14,600.00	0	8	8
CSP-BG-00949	████████ Bakery Establishment Supply With Equipment.	26,500.00	0	11	11
CSP-BG-00962	████████ Sewing workshop Establishment Supply With Machines.	18,300.00	0	16	16
CSP-BG-00986	Fish Lakes Establishment Supply With Fish.	17,640.00	0	6	6
IACCI-BG-10008	Baker Grocery Store Supply with Goods	5,134.00	0	3	3
IACCI-BG-10012	Homebased Catering Service Supply with Goods and Equipment	1,400.00	0	3	3
IACCI-BG-10053	Construction Materials Supply with Goods	3,483.00	0	6	6
IACCI-BG-10055	Carpentry Workshop Supply with Equipment	3,750.00	2	7	5
IACCI-BG-10074	Furniture Shop Supply with Goods	2,480.00	0	2	2
IACCI-BG-10088	Grocery Store Supply with Goods	1,176.00	0	1	1
IACCI-BG-10108	Electric Items Shop Supply with Goods	3,700.00	0	2	2
IACCI-BG-10124	Internet Café Supply with Equipment	4,450.00	0	3	3
IACCI-BG-10125	Workshop Supply with Machines	4,900.00	0	4	4
	Total	546914.00	13	241	228

Record Keeping

Record keeping by grantees was spotty at best. Micro projects tended not to be ardent record keepers. This might be forgiven. Small scale grantees did better with half or more reporting record keeping in all three areas of enquiry. Expenses were tracked more frequently than sales numbers. The two medium size grant holders interviewed (the largest grant size class) indicated they kept no records; this cannot be seen as indicative, only cautionary. The CSP should consider a review of grant guidelines scaling record keeping requirements to the grant class.

Micro grant recipients need not be burdened with excessive record keeping, whereas the larger grant recipients need to support their reporting against the business plan (and for CSP PMP indicators) with good record keeping. The current “one size fits all” approach could be reviewed.

These relatively poor results could be because systems have not yet been established given the short time the businesses have been operational. See Table 9 below for the current breakdown. A lack of record keeping brings into question the ability of the grantee to implement his business plan and for IRD to monitor success. Since employment generation, income generation, and business expansion are linked to the CSP PMP, emphasis in improving record keeping should yield benefits in program management. Confidence in the employment figures mentioned in the previous section is constrained given the lack of record keeping on employment. It is noteworthy that step 8 of the grant application process “the IRD SME program officers will monitor the project for six months to ensure the fulfillment of all project requirements” ... including the documentation of employment and project production indicators. Thus within the current process there is scope for follow-up and improvement of records keeping. Grants implemented by IACCI had marginally better record keeping for expenses and sales (see the next section) presumably associated with training received.

Table 9: Record Keeping

		Business Class							
		Medium		Micro		Small		Total	
		Number of Grants	Col %						
Q20.1 Grantee has expense records	Yes	0	0%	1	8%	21	62%	22	45%
	No	2	100%	12	92%	13	38%	27	55%
	Total	2	100%	13	100%	34	100%	49	100%
Q20.2 Grantee has sales records	Yes	0	0%	1	8%	19	56%	20	41%
	No	2	100%	12	92%	15	44%	29	59%
	Total	2	100%	13	100%	34	100%	49	100%
Q20.3 Grantee has employment records	Yes	0	0%	0	0%	17	50%	17	35%
	No	2	100%	13	100%	17	50%	32	65%
	Total	2	100%	13	100%	34	100%	49	100%

Business Training

For grants that were implemented by IACCI the grantees typically received training, none of the grantees under IRD implementation reported receiving training. It is not clear whether this is intended policy, but it needs attention. According to the grantees, nine of them were advised to attend business training and eight of those had done so (see Table 10 below). All of the grantees who attended training were those from grants implemented by IACCI.

Grant applicants are free to use the services of outside consultants in preparing or providing technical assistance for their application. This means that whereas all applications require the completion of a Feasibility Study Form this does not imply that applicants themselves have the requisite skill set to run a business successfully. Screening grant applicants on their business acumen might evidence the need or lack thereof for training in specific areas. Step 10 of the grant application process refers to a “training need assessment ...conducted with the grantee to identify training needs in business management skills or other technical issues, in order to elevate business awareness and enhance the business capabilities of the grantee to operate a successful business”, but there was not yet evidence that this was taking place. It is possibly prudent to undertake a needs assessment before the grant is issued (depending on a review of the “one size fits all” policy for grant application).

Further, in IRD’s “CSP/BDP Guide & Manual” it is indicated that the CSP training program is to be “linked with the SME Private Business Grant Program; trainee participants will be introduced to the SME grants and encouraged to apply for grants within the guidelines of the program. This linkage will give the business development component more means of success to the entrepreneur who lacks adequate funds to start a business and the essential managerial skill requirements to successfully operate a private business.” For the IRD implemented grants issued thus far this does not seem to be happening. Lack of this training raises concern about the ability of recipients to comply with recipient reporting requirements noted in the same manual (page 14). One requirement that the recipient submit a work plan within thirty days of grant award may be making an unrealistic assumption about grant recipient capabilities, especially since 93% of the grants are for new businesses. The instruction guide and manual referred to above needs a thorough review with a suggested revision to the “one size fits all” process that is presented. For long-term sustainability and growth of the business, BDP must require, and ensure, that grantees consistently keep well-structured records scaled to the magnitude of the enterprise and this can be achieved through training.

Six of the IACCI grantees indicated that they had received training related to their business. According to the topics provided by the respondents, this training was not specific to the technical areas of their business but was more generally useful for business operation such as computer training, or accounting and marketing.

Table 10: Training

			Grant Implementer	
			IRD	IACCI
Q21. Grantee advised to attend business training?	Yes	Grantees	0	9
		Column %	0%	100%
	No	Grantees	40	0
		Column %	100%	0%
Q22. Grantee sponsored to attend business training?	Yes	Grantees	0	8
		Column %	0%	89%
	No	Grantees	40	1
		Column %	100%	11%
Q23. Did grantee receive work related training?	Yes	Grantees	0	6
		Column %	0%	67%
	No	Grantees	40	3
		Column %	100%	33%

Business Abilities of Grantees

Several questions were asked to determine how comfortable the grantees are in their abilities to operate a successful business (Table 11).

For three areas: keeping accurate accounts, marketing their products or services and technically producing their products and services, most grantees felt “moderately competent” or better in their abilities. When asked to assess confidence in their ability to obtain additional credit or banking services, and their ability to obtain professional/legal services their business might need, grantees indicated lower levels of confidence. Differences in levels of confidence about obtaining banking and legal services emerged between micro grant and small grant holders. Small grant holders were more confident than micro grant holders that they could access additional credit to grow their business (8 of the 10 respondents who reported that they were “completely confident” were small grant holders). Less confidence was shown in the grantee’s ability to access professional/legal services; although small grant holders appear to be marginally more confident.

Successful businesses must have the wherewithal to market their services and, when businesses need capital, the ability to arrange for additional financing. With this in mind, it might be prudent for IRD to introduce grantees to local sources of finance that are linked to the USAID portfolio of programs. Specifically these are the Microfinance Institutions In addition MOLSA provides grants and loans to SMEs.

Table 11: Grantee Confidence in Their Abilities

How confident are you in your ability to do the following (respond from 1 – 5, with 1 not at all confident and 5 complete confidence):

	Not at all confident	Limited confidence	Moderately confident	Somewhat confident	Completely confident
Q24.1 Keep accurate accounts?	3	5	14	21	6
Q24.2 Market your product or services?	2	3	16	23	5
Q24.3 Technically produce your product or service?	3	3	15	22	6
Q24.4 Obtain additional credit or banking services?	8	23	8	0	10
Q25.5 Obtain professional/legal services your business might need?	10	25	14	0	0

Business Plans

Most of the grantees reported that they had prepared a business plan (Note that some clarification may be needed in the terminology used). The application process requires a “Feasibility Study” at the application stage for grants exceeding \$3,000, and later a work plan once the grant is awarded), (see Table 12 below). Of those who said they had prepared a business plan, only one grantee, CSP-BG-00424, which is a chain link fence factory project, reported that they were not meeting the objectives spelled out in the plan. When asked why this was the case, the grantee reported that the project had not yet started. This was reportedly due to delays in the delivery of equipment by IRD.

Table 12: Preparation of the Business Plan

	Q25. Did the grantee prepare a business plan?	Q25.1. Has the grantee met the objectives of the plan?
Yes	35	34
No	14	1
Total	49	35

Obstacles

Grantees were asked to describe obstacles facing their projects. Nine of the respondents indicated that there were no obstacles (Table 13 below). The other 40 grantees listed a total of 47 obstacles that fell into seven categories. The obstacles cited most frequently by grantees included “expensive fuel for generators” (12 responses) and “security” (12 responses). The next

most listed obstacles were “electricity” (nine responses), “water shortages” (six responses) and “expensive fodder” (six responses).

Table 13: Obstacles Faced by the Grantees

Obstacle category	Number of responses
Expensive Fuel for Generators	12
Security	12
Electricity	9
Water Shortages	6
Expensive Fodder	6
Fairness of wholesale markets	1
Depressed Markets	1
None	9

Grantees were asked to propose potential solutions to some or all of the obstacles they face. These are presented in Table 14 below along with the obstacles identified by that respondent. In general, it appears that grantees have been able to identify potential solutions to their problems. It is not clear if these solutions have been implemented and/or if they have successfully addressed the obstacles identified.

Table 14: Specific Obstacles and Proposed Solutions from Grantees

Project Id	Obstacle	Proposed Solution
CSP-BG-00125	Electricity was cut-off	Processing of electricity from the street generator
CSP-BG-00185	Bad security situation	Transfer of the project to my house
CSP-BG-00266	Bad security situation	A new site was chosen to protect the bulls inside the farm from straying
CSP-BG-00426	Expensive fodder	By buying old flour
CSP-BG-00438	Poor water supply	Brining water from another place
CSP-BG-00464	Electricity was cut-off	Processing of electricity from the street generator
CSP-BG-00533	Expensive fodder	By buying old flour
CSP-BG-00542	Expensive fuel for generator	Processing of electricity from the street generator
CSP-BG-00559	Electricity was cut-off	Processing of electricity from the street generator
CSP-BG-00635	Electricity was cut-off	Using my own generator
CSP-BG-00878	Electricity was cut-off	Processing of electricity from the street generator
CSP-BG-00962	Bad security situation in the market	Can be resolved by marketing in several locations
CSP-BG-00986	Poor water supply	Now the water level is higher
IACCI-BG-10008	Electricity was cut-off	Processing of electricity from the street generator
IACCI-BG-10012	Electricity was cut-off	Use my generator

Project Id	Obstacle	Proposed Solution
IACCI-BG-10055	Electricity was cut-off	Use my generator

The Importance of the Grant to Family Income

Forty-seven of the grantees indicated that they are able to support their families from the income generated by their business (see Table 15 below). However, two of the six respondents (one of which indicated that they could not support their family from the grant income) note that they are also employed elsewhere. This suggests that at least a small number of businesses are not yet generating enough income to support themselves as well as the business owner and his/her family.

More than half of all respondents (29) noted that they employ family members, although it was not noted how many of the total staff are family. There was no distinction between full and part-time employees. Eight of the grantees indicated that some of their family members are employed elsewhere.

Table 15: Income Generated from Grant

	Q28. Are you able to support your family from the income generated by this business (project)?	Q29. Do you have employment in an occupation not related to this grant?	Q28.1. Are other members of your family employed by this business?	Q29.1. Do other members of your family have employment that is not related to this grant?
Yes	47	6	29	8
No	2	43	20	41
Total	49	49	49	49

According to BDP Guidelines, while it is not mandatory that prospective grantees be considered vulnerable, priority will be given to those who are plus meet the other requirements. All forty-nine of the grantees participate in the Public Distribution System and all of them say the food distributions are critical for the well being of their families (see Table 16 below).

Table 16: Vulnerability of Grantees – Food Supplements

	Q30: Does your family receive food supplements from the Ministry of Trade food distribution system?	Q30.1: Are these food distributions critical for the well-being of your family?
Yes	49	49
No	0	0
Total	49	49

One of the grantees reported receiving supplemental income from the MOLSA (See Table 17 below). It would be interesting to follow the success of these businesses and to note at what point the grantees cease receiving food distributions. Tracking of this information would provide not only success stories, but also a means for USAID to demonstrate to the Ministry of Trade how USAID funding is impacting the Ministry's budget by allowing beneficiaries to be removed from the rolls.

Table 17: Vulnerability of Grantees – Income Supplements

	Q31. Does your family receive income supplements from MOLSA?	Q31.1. Are these income supplements critical for the well-being of your family?
Yes	1	1
No	48	48
Not stated	49	49

It is apparent from the comments made by the grantees that these grants, while mostly small, are having, and should continue to have, a positive impact on the grantees, their families and communities. It is also apparent that the grantees are serious about their businesses and have a desire to succeed.

Recommendations

The MEPP II team makes the following four recommendations for the BDP program:

1. Ensure that when the pre-grant approval site visit is made, the assessment includes whether or not there is appropriate electrical, water, sanitation and security available to support the business and, if not, require that the issue be resolved prior to grant approval.
2. Follow-up with project CSP-BG-00128 to assess the appropriateness of the removal of granted equipment to their residence.
3. Follow-up with project CSP-BG-00424 to see if the required equipment has been delivered.
4. Follow up with project CSP-BG-0021 to determine whether or not the business continues to be viable. At the time of the monitoring, the monitor noted that the business was not operational however the grantee appeared to be considering moving his business to another location. Given the high dollar amount of the grant, close follow up is highly recommended and should the business remain closed, BDP might consider removing the equipment.
5. Review the BDP guidelines to determine the wisdom of a one size fits all grant application procedure.
6. Record keeping by the grantees is inadequate to ensure reliable reporting against business plans, meeting BDP reporting requirements and in support of CSP PMP indicators. This may be related to a lack of training before the grant is awarded. Review how this can be improved (see recommendation 7 below).
7. Review the BDP guidelines to implement Step 10, the training needs assessment, during the late stages of the grant application process. This seems to be in line with the intent of the guidelines, but isn't being implemented.
8. Review the BDP guidelines to consider whether or not grantees should be required to produce a PMP with indicators against which they must report. It is doubtful the grantees would be able to fully understand the concept of a PMP with indicators. Instead, BDP might consider requiring the grantee to report progress against their approved business plan. (Found in Annex C under reporting and evaluation)
9. For high value grants ensure that market research has been conducted to determine whether or not the business proposal is viable and there is a market for the proposed business.
10. Ensure that grantees are aware of other programs in the USAID portfolio that support the provision of finance to MSMEs.

11. The BDP monitoring instrument needs additional clarity in the terminology used when asking about the business plan. Is it the Feasibility Study or the Work Plan?

Conclusion

While this program is just starting in Baghdad under CSP (IRD has implemented a similar program in Baghdad under the CAP I program since 2005), it is clear that for all but one or two of these grantees, the BDP is starting to improve their lives and the lives of others through both impressive employment and income generation.

Annex A: USAID Response to Recommendations in the IBTCI CSP BDP Baghdad Report of 31 October 2007

NOTE: USAID met with IRD on Thursday 28 February 2008 to discuss the BDP Mosul and BDP Baghdad Reports. Seven recommendations out of the eleven in the Baghdad report are the same as those made in the Mosul report. Therefore, the responses to the shared recommendations are copied here from the BDP Mosul report. That is why the IRD response column is blank.

	Recommendations:	USAID Response and Action	USAID Follow-Up:
1	Ensure that when the pre-grant approval site visit is made, the assessment includes whether or not there is appropriate electrical, water, sanitation and security available to support the business and, if not, require that the issue be resolved prior to grant approval.	<p>Same rec. made in BDP Mosul Report (1/11/07) and BDP Kirkuk Report (9/6/07)</p> <p>Business officers review each business site to ensure adequate safety and infrastructure standards exist before issuing the Bill of Quantity. Applicants who do not meet the standards do not receive grants. Grant contracts are contingent on continuing to meet the safety and infrastructure standards throughout the 6-month review process. BDP training of IRD staff covers site assessments and IRD plans to put together a checklist for site assessments to ensure that a thorough review is conducted for each site.</p>	<p>Follow up with IRD in a month's time to see if the site assessment check lists have been created and disseminated to the field staff.</p>
2	Follow-up with project CSP-BG-00128 to assess the appropriateness of the removal of granted equipment to their residence.	<p>██████████ who manages BDP for Baghdad will be following up on this recommendation.</p>	<p>No follow-up needed.</p>
3	Follow-up with project CSP-BG-00424 to see if the required equipment has been delivered.	<p>██████████ who manages BDP for Baghdad will be following up on this recommendation.</p>	<p>No follow-up needed.</p>

	Recommendations:	USAID Response and Action	USAID Follow-Up:
4	<p>Follow up with project CSP-BG-0021 to determine whether or not the business continues to be viable. At the time of the monitoring, the monitor noted that the business was not operational however the grantee appeared to be considering moving his business to another location. Given the high dollar amount of the grant, close follow up is highly recommended and should the business remain closed, BDP might consider removing the equipment.</p>	<p>██████████ who manages BDP for Baghdad will be following up on this recommendation.</p>	<p>No follow-up needed.</p>
5	<p>Review the BDP guidelines to determine the wisdom of a one size fits all grant application procedure.</p>	<p>Same rec. made in BDP Mosul (1/11/07) and BDP Kirkuk Reports (9/6/07). USAID reviewed the new grants cycles with IRD for all three grants: micro-, small-, and medium-sized grants. The PODs and POOs also had asked for a revision of the cycles because the level of work increases based on the level of grant issued. The revised processes should make grants implementation easier.</p>	<p>No follow-up needed.</p>
6	<p>Record keeping by the grantees is inadequate to ensure reliable reporting against business plans, meeting BDP reporting requirements and in support of CSP PMP indicators. This may be related to a lack of training before the grant is awarded. Review how this can be improved (see recommendation</p>	<p>Same rec. made in BDP Mosul Report (1/11/07). During USAID's discussion with IRD, the partner recognized that "most" grantees are not keeping good records during the six-month monitoring period. As a result, IRD recently instated a new policy that requires all existing grantees (of small- and medium-sized grants) who are not keeping adequate records to take the business skills training course. New applicants for medium-sized grants are now required to take the business skills training class and will be required to create an applicable business plan during the two-week class. In Baghdad, new grantees of small-sized</p>	<p>No follow-up needed.</p>

	Recommendations:	USAID Response and Action	USAID Follow-Up:
	7 below).	grants have the option to taking the business skills course, but outside Baghdad, the business course is now mandatory for those applying for a small-sized grant. Those receiving micro grants are given a book-keeping booklet and encouraged to keep business records.	
7	Review the BDP guidelines to implement Step 10, the training needs assessment, during the late stages of the grant application process. This seems to be in line with the intent of the guidelines, but isn't being implemented.	Same rec. made in BDP Mosul Report (1/11/07). IRD says the BDP Guidelines will be updated soon. IRD also reported that the first training needs assessment of IRD employees was conducted in Kirkuk yesterday. The assessment determines the top five training needs of IRD staff in each IRD office. Then specialized internal training programs will be given to the staff.	Follow up with IRD in one month's time to see if the BDP Guidelines have been updated.
8	Review the BDP guidelines to consider whether or not grantees should be required to produce a PMP with indicators against which they must report. It is doubtful the grantees would be able to fully understand the concept of a PMP with indicators. Instead, BDP might consider requiring the grantee to report progress against their approved business plan. (Found in Annex C under reporting and evaluation)	Same rec. made in BDP Mosul Report (1/11/07). USAID and IRD agreed that requiring the grantees to produce a PMP is not realistic. Instead, grantees of medium-sized grants are now required to produce a business plan, which will include business projections and achievable goals. Monitors will check each business against its business plan to determine whether the business is on track. With micro- and small-sized grants, IRD will incorporate benchmarks into each grant contract and will condition support against those benchmarks. IRD has hired a full-time attorney who will help craft the appropriate legal language.	Follow up with IRD every few months to see how well businesses are doing measured against their business plans and whether or not the conditional language in the contracts is inspiring performance

	Recommendations:	USAID Response and Action	USAID Follow-Up:
9	For high value grants ensure that market research has been conducted to determine whether or not the business proposal is viable and there is a market for the proposed business.	IRD says that the business plans for medium-sized grants must demonstrate that a viable market exists for the proposed business. In addition, IRD recently received permission from the Prime Minister's Office to solicit each ministry for its relevant statistics. From this data, IRD will be able to better estimate the viability of certain business plans and will be able to provide this data to its grant applicants.	No follow-up needed.
10	Ensure that grantees are aware of other programs in the USAID portfolio that support the provision of finance to MSMEs.	Same rec. made in BDP Mosul Report (1/11/07). FSPO's Communications Protocol helps define the relationship between the USAID PRT and E-PRT representatives and their respective IRD colleagues. With the resulting improved communications, the PRT and E-PRT representatives are providing the necessary links between IRD and USAID's other relevant program activities.	No follow-up needed.
11	The BDP monitoring instrument needs additional clarity in the terminology used when asking about the business plan. Is it the Feasibility Study or the Work Plan?	Same rec. made in BDP Mosul Report (1/11/07). IRD explained that the "feasibility study" is the site assessment that IRD conducts when considering a grant application. The "business plan" is the grantee's two-year plan that outlines his or her business parameters and goals. Business plans are now mandatory for all applicants of medium-sized grants.	No follow-up needed.

Annex B: MEPP II Background

Background of the CSP and the MEPP II monitoring effort:

The United States is committed to the future success of Iraq. Within USAID/Iraq's Transition Strategic Plan 2006-2008, the first of four strategies delineated is "Focused Stabilization: Reduce the incentives for participation in violent conflict." This is the primary objective of the renamed Community Stabilization Program (CSP). To help plan and manage the process of assessing and reporting progress towards achieving its strategic objectives (SO), USAID/Iraq (hereinafter the "Mission") made final its Performance Management Plan (PMP) in August 2006. In the PMP document, consistent with earlier Mission objectives, the strategy to reduce the incentives for participation in violent conflict is identified as Strategic Objective 7 (SO 7).

The CSP is seen as a key element to transition Iraq to a stable, democratic and prosperous country. Towards this end, Request for Application (RFA) number 267-06-001 was issued on 2 January 2006 seeking applicants to implement the "Focused Stabilization in Strategic Cities Initiative" (FSSCI). International Relief and Development (IRD) was awarded the Cooperative Agreement (267-A-00-06-00503-00) on 29 May 2006. As defined in the Cooperative Agreement "Program Description", the purpose of FSSCI (now the CSP) is to "complement military security efforts, and civilian local government development, with economic and social stabilization efforts. The objectives of CSP are to: 1) create jobs and develop employable skills with a focus on unemployed youth; 2) revitalize community infrastructure and essential services; 3) support established businesses and develop new sustainable businesses; and 4) help mitigate conflict in selected communities." These four objectives were later modified (see Modification 03 below) to: 1) Public works programs and employment generation; 2) vocational training and apprenticeship programs; 3) Micro, Small-Medium Enterprise (MSME) Development program; and 4) Youth Programs (conflict mitigation).

By carrying out these activities the CSP implementing partner should achieve measurable progress towards the Mission's SO 7. The Mission PMP and the CSP PMP identify the measurable indicators that will evidence the achievement of the SO. The Intermediate Result (IR) in the Mission PMP is to show the "number of insurgent incidents decreased."

While the CSP program was started in Baghdad with primarily Community Infrastructure and Essential Services (CIES) projects, it has now expanded both geographically as well as sectorally to address the four key objectives stated in the Scope of Work. IRD is focusing on neighborhoods and districts in cities and peri-urban areas identified by the USG and GOI as areas with the greatest need.

On 19 November 2006, IBTCI was notified by the CTO about "ideas for field surveys." Among these ideas was the use of IBTCI monitors to confirm and validate projects that had been initiated through IRD by the CSP program. That initial monitoring proved successful, and has led to this follow-on effort that continues to monitor the rapidly expanding number of CSP projects. The specific assignment was to use the field monitors to examine CIES projects to:

- a) Confirm location and status of on-going projects and activities, and provide the required evidence of their existence;
- b) Assess that progress is in fact being accomplished in a satisfactory manner in terms of the implementation of projects and/or activities;

- c) Identify any problems or obstacles encountered during implementation, and provide recommendations for improvement;
- d) Assess the quality of projects, activities or services to be provided in relation to required specifications and standards;
- e) Assess community participation and/or level of customer satisfaction of projects and activities, as well as services provided (i.e. training);
- f) Assess if projects are being used for their intended purpose when completed, and of their continuation after the conclusion of program support; and
- g) Assess participation and coordination of CSP with local governments, communities, and with other U.S. government agencies.

The first report submitted by IBTCI in December 2006 covered only the CIES projects being implemented in Baghdad. Since that time, other sectors as well as geographical locations have been added and as a result, IBTCI has undertaken to enlarge the scope of the monitoring to include Business Development and Economic Growth for Youth Projects. Monitoring is on-going in Baghdad, Kirkuk, Mosul and Anbar.

Annex C: BDP Survey Questionnaire

MSME Grants Site Visit monitoring Form

Part A: Grant identification (to be filled by survey administrator from the grants database)

1-MSME Grant Code:	1.1 Project Code:
2-Grant Title:	
3-Governorate:	
4-District:	
5-Sub-district and/or Neighborhood:	
6-Mahalla:	
7-Type of project - MSME Grants....	
8-Grantee Name:	
9-Purpose of Grant -	
10-Pre-Grant employment (if available from application, enter 00 if none, leave blank if not available):	
10.1 Male : _ _ _ ;	
10.2 Female: _ _ _	

Part B: Survey response information

11-Interview date: / / [day (01 to 31)]/month (01 to 12)/year (2007)]
12-Interview result (circle one): 1) completed; 2) not at home; 3) refused; 4) could not locate grantee; 5) other (explain below)
13- Monitor name: _ _ _ _ _
14-Monitor comments if the interview was not completed:

Part C: Grant utilization and compliance

15 – Proposed project completion date; / /
16- Is the site being used for the granted purpose (ref 9 above)? Yes....., No.....
16.1- If No, what is the site currently used for?
17- Kind of IRD existing contribution in the project?
17.1-
17.2-
17.3-
18- Monitor comments on grant compliance:

Part E: Importance of the grant to family income

28- Are you able to support your family from the income generated by this business (project)? Yes....., No

28.1 Are other members of your family employed by this business? Yes....., No

29- Do you have employment in an occupation not related to this grant? Yes....., No

29.1 Do other members of your family have employment that is not related to this grant? Yes....., No

30-Does your family receive food supplements from the Ministry of Trade food distribution system? Yes....., No(skip to 31)

30.1 Are these food distributions critical for the well-being of your family? Yes....., No

31- Does your family receive income supplements from MOLSA? Yes....., No

31.1 Are these income supplements critical for the well-being of your family? Yes....., No

32-Comments by the respondent on the importance of the grant

Annex D: Completed BDP Survey Questionnaires

(Redacted)