Republic of Iraq
Council of Ministers
Prime Minister's Advisory Commission

Private Sector Development Strategy
2014 - 2030

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Vision Statement

“Developing a viable and thriving national private sector, that is regionally competitive and globally integrated, led by the business community, which contributes to economic diversification, sustainable development and job creation.”

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FOREWORD

The Government presents the Private Sector Development Strategy of Iraq (PSDS), the product of an extended period of internal consultations within the Government, and between representatives from the private sector and international development partners.

The first draft document of the PSDS was initially circulated in January 2013, as the output of a partnership between the Prime Minister's Advisory Commission and participating members from the UN Country Team, specifically the United Nations Development Programme, the International Labour Organization, the United Nations Industrial Development Organization, the Food and Agri culture Organization, UN Habitat, UNIFEM and the United Nations Office for Project Services.

Funded through a grant from the United Nations Development Group's Multi-Donor Trust Fund, the UNCT agencies established the Private Sector Development Programme for Iraq. The PSDP-I engaged with the Government, the private sector and international development actors, preparing the ground for the elaboration of the PSDS, presented here as a road map for the Government and private sector, so as to stimulate, diversify and make fundamental changes to the national economy that will improve the business environment under which the private sector works.

The Theory of Change, presented within the PSDS, is comprised of several elements: the gathering of updated information on the private sector, the creation of an information system containing the data, survey findings, and business registration records collected on the private sector, plus initiatives aimed at reforming the national legal and regulatory framework governing the private sector, establishing mechanisms for improving access to finance for businesses, the provision of financial stimulants and incentives, programmes to integrate the Private Sector, including SMEs, into SOE and large company restructuring, and the establishment of a platform of dialogue and interaction between the Government and the private sector. All actions are aimed at strengthening the private sector, enabling it to become more productive, more competitive, and to expand its role as an increasingly larger contributor to the GDP and employer of the national work force.

The PSDP-I reviewed the ongoing studies and efforts by the World Bank, the USAID, and other international actors working in the field of private sector development. The resulting PSDS owes much to these organizations for the numerous perspectives gained from their experience on the ground.

EXECUTIVE SUMMARY

I. The legacy of decades of direct state control over almost all aspects of the national economy has left the private sector severely weakened; many businesses have closed and there are presently too few job opportunities remaining in the private sector;

II. While fortunate to have oil revenues that finance the Federal budget, continued reliance on oil production to keep the economy running is neither desirable nor sustainable over the long term; this dependency has contributed to an over-reliance on imported goods and equipment, often at the expense of local producers and service providers, many who are unable to compete successfully in the current business environment and regulatory framework;

III. Economic diversification is crucially needed, driven forward by a revitalized national private sector; however, in spite of the many opportunities for expansion, current laws and regulations governing the private sector often act as an impediment to private sector development. In numerous instances, they are constraining the revitalization of the private sector as well as preventing the creation of new jobs;

IV. Reform of the policy and regulatory frameworks is needed, initiated under a Government programme that is responsive to the priority needs of the private sector as articulated in a new dialogue between the Government and the private sector;

V. The Government will consult private businesses regularly and systematically before new and better laws are drafted that impact the business environment. The establishment of a permanent platform for government-private dialogue is essential for corrective actions to be successful that allow businesses to operate more efficiently;

VI. The current limited access to finance makes it an arduous task for businesses to modernize or expand. New avenues to obtain financing, accessible to more businesses, especially SMEs, are needed;

VII. State-owned enterprises are widely viewed as inefficient, and burdened with low productivity. Their operations are costly to sustain and are draining the Federal budget. Additionally, most SOEs are isolated from regional and global markets[1];

VIII. Better integration of SOEs with the private sector would allow them to become more productive, more competitive and would provide new business opportunities arising from stronger ties with regional and global markets; additionally, SOE restructuring and corporatization would open large opportunities for the private sector;

IX. In the past decade, several programmatic efforts were launched to support Iraq's private sector. To date, these efforts remain fragmented and do not fit into a cohesive strategy or a plan of successive actions that can be used by the Government to address the issues currently hindering the emergence of a vibrant private sector;

X. The PSDS presents a road map to consolidate the Government's private sector development efforts for the period of 2014-2030; during the PSDS implementation it is envisaged that Iraq will score higher on international indices that measure the country's business environment and that the private sector will become more productive, competitive, and socially and environmentally responsible, and better able to provide an increasingly larger number of new jobs;

1 The Government initiated the SOE restructuring process in 2010.

XI. Implementation of the PSDS will allow the Government to find solutions that address the priority needs of the business community. While moving ahead with economic reforms, the Government will create a business-friendly environment, and make available financial resources for: (1) enhancing SME competitiveness and (2) partnering the private sector, including SMEs, with SOEs;

XII. Initially, the Government will take the lead role with implementing the PSDS. Over a period of years, the lead role will be transferred to the private sector, and whenever possible, decentralized approaches will be applied to the PSDS implementation;

XIII. The Government will achieve the objectives of the PSDS using a three-pronged approach: the Three Development Pillars:

a. Pillar I : Understanding the Private Sector

b. Pillar II: Improving the Business Environment

c. Pillar III The SME Development Programme

XIV. Under Pillar IV, The Implementation Pillar, all work for the three development pillars will be initiated;

XV. A Private Sector Development Council (PSDC) will be established, made up of government and private sector representatives, to serve as a management oversight body and a platform for dialogue and coordination of the activities set forth in the PSDS;

XVI. Under the PSDC; a Planning, Research and Implementation Unit (PRIU) will be created to implement the activities and put in place the requirements of all four Pillars;

XVII. Pillar I's objective is to make available to the Government and private sector, accurate information on the formal and informal private sector, for strategic planning and decision making purposes;

XVIII. Pillar I will achieve its objective through the following activities:

a. Conduct surveys of the formal and informal private sector;

b. Develop modern information systems for the Government and private sector stakeholders;

c. Develop a network of local business registration centers and validate data;

d. Build capacity in the Government and the private sector on the best use of information when planning, executing, tracking and reporting on progress.

XIX. Pillar II's objectives are:

a. To have in place streamlined policies, laws, regulations and procedures that foster private sector development;

b. To have improved access to finance for private businesses;

c. To have incentives in place for increasing production and innovation, the registration of businesses, private investment and employment;

d. To improve the quality of services provided by private sector institution and associations to businesses;

e. To strengthen quality control, quality assurance, certification and licensing systems.

XX. Pillar II will achieve its objectives through the following activities:

a. Initiate a public-private sector dialogue, whereby businesses are consulted by the Government before new policies and laws are drafted;

b. Revise, simplify and issue new laws in the regulatory framework governing the private sector, with a view to reducing red tape;

c. Revise rules and procedures for improving access to finance for the private sector;

d. Develop and propose new policies and strategic plans targeting the priority sectors that support private business engagement;

e. Introduce incentives for new investments and innovation as well as for increasing the registration of businesses;

f. Strengthen quality control management, quality assurance, certification and licensing systems;

g. Fortify the private sector institutions and associations and the coverage of services to their membership.

XXI. Pillar III's objectives are:

a. To improve SME productivity and competitiveness;

b. To involve the private sector, including SMEs and larger companies, in SOE restructuring and corporatization.

XXII. Pillar III will achieve its object through the following activities:

a. Provide advisory, counseling, business planning, training and networking services to SMEs;

b. Establish a Fund to provide seed capital, soft financing and loan guarantees for the private sector to expand their businesses, to establish new enterprises, to increase competitiveness and to promote entrepreneurship and innovation;

c. Establish a special programme to create business opportunities for the private sector, including for SMEs, with SOEs;

d. Develop industrial zones, business incubators, business development centers and similar initiatives;

e. Establish a special unit to to increase job opportunities for women and to enhance awareness in the private sector of the importance of gender equality and inclusiveness. and;

f. Launch a public awareness campaign.

XXIII. Pillar IV's objective is:

To ensure the efficient and timely implementation of the PSDS.

XXIV. Pillar IV will achieve its objective through the following activities:

a. Establish an oversight, management and control system, i.e. the Private Sector Development Council (PSDC);

b. Establish a Planning, Research & Implementation Unit (PRIU) under the PSDC, to execute the activities of the three development Pillars;

c. Establish a National SME Agency;

d. Establish a monitoring and evaluation (M&E) unit under the PSDC.

XXV. The PSDS will be implemented in three phases

a. Phase One -2014-2017 - Government-led;

b. Phase Two -2018-2022 - Government-led;

c. Phase Three - 2023-2030 - Private sector-led.

XXVI. Success Indicators expected for the PSDS Phase One Timeframe (2014-2017):

a. The Government understands its role as a facilitator and enabler for private sector, and views the private sector as a partner and associate;

b. The private sector understands its role and responsibility as a socio-economic actor and is working collectively to contribute to national economic growth and development;

c. The PSDC is established and functioning;

d. The SME Agency is established and managing an SME Fund;

e. The private sector experiences modest growth contributing by 2017 about 35% of GDP and employing 30% of the work force,

f. Reducing unemployment from the 2011 rate of 11% to the 6% target set by the NDP 2013-2017 thus impacting significantly women and youth.

XXVII. Success Indicators expected for the PSDS Phase Two Timeframe (2018-2022):

a. Increased private sector investments in key economic and development sectors;

b. Private sector contribution increased moderately to provide up to 45% of GDP by 2022;

c. The ranking of Iraq in the World Bank's Doing Business Report has improved markedly;

d. Unemployment reduced to less than 6%.

XXVIII. Success Indicators expected for the PSDS Phase Three Timeframe (2023-2030):

a. Full time employment in the private sector increases to 50% or more of total employment;

b. Private sector contribution increased to provide 60% of GDP by 2030;

c. Fixed capital formation by the private sector amounts to 50% of the national total;

d. All viable State Owned Enterprises restructured, corporatized and integrated into a private sector-led market economy;

e. Unemployment is reduced nationwide to 4% or less.

CHAPTER 1: FUNDAMENTALS OF THE PSDS

1.1 Origins of the PSDS in the Constitution

Article 25 of Iraq's Constitution stipulates that "the State shall guarantee the reform of the Iraqi economy in accordance with modern economic principles to ensure the full investment of its resources, diversification of its sources, and the encouragement and development of the private sector".

1.2 Basic Definition of the Private Sector

Article 8 of the Law of Companies No 21 (1997) states: "A private sector company is established on agreement between two or more persons outside the state sector, using private capital." Article 8 also has a provision that includes private-joint stock or limited liability companies whenever the state holds a share of less than 25% of the capital.

Internationally, it is widely accepted that the private sector is the part of the national economy that is not under direct state control and that is run for profit.

1.3 Rationale: Why a PSDS?

Great promise resides in the nation's national assets, i.e. its human capital, natural resources, fertile land, great wealth of historical sites and religious pilgrimage destinations, and vast market opportunities, given the huge demand for products and services and plentiful financial revenues. Taken together, a national endowment exists with an immense potential for new ventures in all sectors of the economy, led by a resurgent private sector that drives economic growth and diversification.

In the recent past, Iraq has struggled to overcome the legacy of decades of state control over most aspects of the national economy. Moreover, Iraq has become increasingly dependent on oil revenues to drive the economy and to provide the principal source of funds to finance the state budget.

With the private sector in its present diminished state, the men and women who make up the national workforce have few alternatives but to seek employment in government structures or SOEs that are oversized, underproductive and often constitute a net drain on the national economy.

Today, there is increasing awareness of the need to make sweeping improvements to the business environment. Changes are needed if private enterprises are to remain competitive and vibrant enough to offer long term employment opportunities to the national workforce.

Since 2003, Iraq received several international programmes intended to improve the national business environment. While achievements were made, efforts remain fragmented and need alignment under a national master plan that presents a road map for private sector development.

In accordance with the Government's commitment to reform the national economy, the elaboration of the PSDS was commissioned by the PMAC, to allow for a nationally-owned, nationally-implemented strategic plan, to continually improve the environment for doing business in Iraq and to attract more domestic and foreign investors to help ensure sustainable economic growth.

1.4 Background and Constraints[2]

Beginning in 2003, a great deal of work in private sector development was undertaken through economic recovery and diversification programmes, with the assistance of national and international organizations, resulting in a number of analytical studies produced, draft laws and regulations proposed and pilot initiatives materializing on the ground.

2 See Annex - 1.

Over the last five years, the Government has taken additional steps to improve the business environment and to restore the competitiveness of Iraqi businesses. In particular, the Government, through the PMAC, with support from its UN and international partners, launched in 2009 the PSDP-I that combined inputs from members of the UN Country Team[3] in their corresponding areas of expertise and mandate.

These efforts were complemented by the work of other partners, notably the World Bank and USAID, who provided policy level support, initiated studies and offered direct financial and technical assistance to a number of enterprises[4]. The work produced by the PSDP-I and international partners stimulated a reform process introducing new approaches with additional information gained that highlighted the numerous constraints affecting the private sector. Identified during this process was the widely-held conclusion that Iraq's private sector faces numerous impediments hindering its development, including:

1. Lack of effective policies and strategies for supporting the private sector;
2. Outdated and overly-complex legal and regulatory framework designed for a centrally-planned economy;
3. Irregular enforcement of existing policies and laws;
4. Inadequate access to finance;
5. Damaged physical infrastructure and an insufficient energy supply;
6. Shortage of qualified human resources, especially skilled labor;
7. Suboptimal transparency in the public procurement system;
8. Complicated processes for the registration and closure of businesses;
9. Unfair competition from the public sector;
10. Absence of a permanent dialogue between the Government and private sector;
11. Insufficient knowledge on global and regional market dynamics.

The above factors have contributed to the increased closure of private businesses. Therefore, it is evident that the private sector in Iraq is making an inadequate contribution to the GDP and currently lacks the capability to contribute sufficiently to economic diversification or job creation.

1.5 Development Objective of PSDS

The over-arching development objective of the PSDS is to strengthen the private sector and to diversify and revitalize the national non-oil economy, by providing the Government with a roadmap to lead a private sector development change process that, from 2014-2030, will make a significant contribution to economic growth and improve the environment for doing business in Iraq. Progress will be made on realizing the aspirations summarized in the Vision Statement and on advancing the specific objectives, described later in Chapter One.

Activities to be undertaken during implementation will target priority needs that are agreed upon by a consensus reached between the Government and representatives from the private sector.

3 UNDP, ILO, UNOPS, UNIDO, FAO, UN-HABITAT and UNIFEM.
4 See Annex - 2.

A permanent forum will be established for public-private sector dialogue, to contribute ideas and information valuable to the fine-tuning of the Government's private sector development policies and programmes, keeping them on course to achieve much-needed economic growth as well as to increase significantly the number of available employment opportunities for the national workforce. The PSDP will serve the additional purposes of:

a. Repositioning Iraq among the leading regional economies;

b. Bringing about better integration of the national economy with regional and global economies;

c. Contributing to improved market ratings of Iraq as a country providing a favorable environment in which to do business;

d. Providing national and international organizations with a concise and compelling framework for coordinating their agendas on economic and social development.

1.6 Timeframe and Targets

Over the timeframe of 2014-2030, the PSDS is envisaged to be implemented in three successive phases:

A. Phase One: 2014 - 2017

The Government will take the lead role during the implementation of the activities of Phase One, in full partnership with the private sector, local governments and other stakeholders. Phase One will concentrate on priority activities to achieve 'quick wins' in private sector development, particularly the establishment and operationalization of the PSDC, direct support activities to the private sector, establishing a National SME Agency, industrial zones, business development centers, business incubators, enacting key legislation and revamping existing regulations, with public awareness campaigns informing the Nation of positive changes to the business environment[5].

In Phase One, the private sector is expected to achieve modest growth, contributing by 2017 about 35% of the GDP compared to 30.5% in 2012 and providing full-time employment for about 30% of the work force compared to 25% in 2008. The rate of unemployment is expected to be reduced from 11% in 2011 to 6% by 2017, as targeted by the NDP 2013-2017, especially among youth and women.

The PSDS establishes an Interim Action Plan for Phase One that comprises 31 activities distributed over the 4 pillars. Table - 1 provides a condensed summary of these activities, oversight, coordinating, implementing parties and success indicators. Table - 2 indicates the timeframe and estimated costs of these activities. Annex - 3 provides more detailed Activity Profile for each of the proposed activities.

The total estimated cost of Phase One activities is ID 447 billion, 67% (about ID 300 billion) of which will be utilized to provide grants, soft loans, guarantee schemes and various incentives to the private sector.

5 See Table 1 and Table 2.

B. Phase Two: 2018 - 2022

Phase Two will build on the progress of Phase One, once all direct support activities are implemented and operational. This will lead to an expanding private sector, both in size and activity, providing up to 45% of the GDP and up to 35% of full time jobs with the rate of unemployment reduced to less than 6%. Furthermore, there will be substantial improvements in the business environment, investment climate and Iraq's raking in the World Bank's Doing Business annual reports.

By 2022, all SOE's will be restructured or corporatized and integrated with SMEs in value chains and supply clusters.

C. Phase Three: 2023 - 2030

During Phase Three, the Government will gradually transfer the leadership of implementing the PSDS to the private sector. There will be rapid growth of the private sector, achieving at least 60% share of the GDP, contributing at least 50% of fixed capital formation, with the rate of unemployment reduced to 4% or less.

By the end of 2030, the vision of the PSDS will be achieved. Iraq will have a viable, economically, socially and environmentally responsible private sector, operating in an efficient business environment that is internationally competitive and integrated into regional and global markets.

CHAPTER 2: OVERALL APPROACH

2.1 Key Orientations

a. To support the private sector, the Government will find solutions that address immediate and long term priority needs of the business community.

b. While moving ahead with reforms, the Government will establish a Fund, thereby making available financial resources for 1) enhancing SME competitiveness; and 2) to facilitate SME partnering with State Owned Enterprises.

c. Initially, the Government will manage the implementation of the PSDS, gradually transferring the management role to the private sector.

d. The objectives of the PSDS will be brought about using a three-pronged approach: the Three Development Pillars of the PSDS.

e. A fourth pillar, the Implementation Pillar, will carry out the work needed to advance progress on the three development pillars.

2.2 The PSDS

a. Is a flexible instrument and should be viewed as being ready to address an evolving economic context, subject to periodic reviews and fine tuning so as to respond accordingly to new priority needs, fresh opportunities and changing circumstances.

b. Builds on existing institutional arrangements, recent structural reform achievements, shared concerns of stakeholders, policy orientations, ongoing efforts by all economic development actors, as well as on existing opportunities. As such, it will continue to expand the process of reform initiated during recent years that should be further consolidated and accelerated with a shared commitment from all involved parties.

c. Is aligned with the National Development Plan 2013-2017, which constitutes the definitive policy instrument addressing the entire economic and social development context of Iraq.

d. Is aligned with other national strategy policy papers in particular the INES and the SOE Restructuring Roadmap.

2.3 The PSDP Four Pillars

- ♦ Pillar I — Understanding the Private Sector
- ♦ Pillar II — Improving the Business Environment
- ♦ Pillar III — The SME Development Programme
- ♦ Pillar IV — The Implementation Pillar

2.4 Broad Objectives of the Pillars6

Pillar I: Understanding the Private Sector

- To provide Government and private sector stakeholders with accurate information on the formal and informal private sector, for planning and decision making purposes.

6 See Table 1.

Pillar II: Improving the Business Environment

- To have streamlined policies, laws, regulations and procedures in place to foster the private sector;
- To have access to financing available for national businesses;
- To create incentives for increased production and innovation and for the registration, investment and employment in the private sector;
- To improve the quality of services provided to SMEs by the private sector institutions and associations.
- To strengthen quality control, quality assurance, certification and licensing systems.

Pillar III: The SME Development Programme

- To improve SME productivity and competitiveness;
- To involve the private sector, including SMEs and large companies, in SOE restructuring and corporatization.

Pillar IV: The Implementation Pillar

- To ensure efficient and timely implementation of the PSDS[7].

2.5 Role of the Government in the PSDS

Initially the Government will take the lead on the implementation of PSDS; gradually shifting from its current roles of:

a. Principal owner

b. Planner

c. Organizer

d. Investor

e. Producer

To its new roles in private sector development as:

a. Promoter

b. Facilitator

c. Protector

2.6 Role of the Private Sector in the PSDS

The Private Sector will gradually assume the Government's current roles and eventually lead on the implementation of the PSDS in Phase Three.

7 Refer to Annex - 3 for detailed Activity Profiles under each Pillar.

2.7 Roles and Responsibilities during the Transition

During this transition, the Government will be working at:

1. Ensuring that stability and security improves in Iraq to permit businesses to invest, develop and become more competitive;
2. Applying a participatory and inclusive approach with the private sector;
3. Establishing a permanent dialogue and consultation for with the private sector based on mutual respect, aimed at building cooperation and trust;
4. Implementing legislative, regulatory, institutional and policy reforms;
5. Developing the financial support system and instruments for the Private Sector to emerge and grow;
6. Promoting a business environment that attracts investments;
7. Coordinating between stakeholder ministries and institutions;
8. Advocating gender empowerment and gender equity, and fostering a stronger role for women in the Iraqi workforce;
9. Monitoring and evaluating progress in implementing the PSDS;
10. Improving national energy supplies and economic infrastructure;
11. Ensuring quality standards of domestic and imported products;
12. Applying the best environmental practices;
13. Protecting intellectual property rights.

In parallel, the private sector will take the initiative to mobilize itself to assume a pro-active role in:

1. Strengthening private sector institutions and associations, improving their sustainability and coordination while ensuring a higher representation of private businesses within them;
2. Contributing to the Government's effort to establish a permanent platform for dialogue between the Government and the private sector;
3. Participating in the formulation of sector policies and plans that will become components of the national development plans;
4. Assisting the Government in the implementation of the components of the national development plans;
5. Creating active and competent professional and technical organizations to promote the highest standard of services in each profession or trade;
6. Promoting the use of goods, materials and services of local content as substitutes to replace imported goods, materials, and services.

CHAPTER 3 – TARGET SECTORS AND THEMATIC AREAS

3.1 Findings from Studies Conducted during 2010-2012[8]

a. The Nation achieved rapid economic growth averaging slightly less than 10% p.a. over the period 2010-2012; however, the rate of growth is expected to slow to 3.7% and 6.3% in 2013 and 2014 respectively[9]. Growth was driven in recent years by the oil sector, however, in the coming years, non-oil sector growth is expected to reach 14% per annum and emerge as an important contributor to future economic expansion;

b. Foreign investment is still confined to the following five sectors: (i) oil and gas, (ii) manufacturing and industry, (iii) housing and construction, (iv) telecommunications, and (v) electricity generation and distribution. These five sectors attracted 90% of foreign commercial activity in 2010. They are dominated by SOEs, and are also the main recipients of public investment and subsidies;

c. However, other industries offer investment opportunities in Iraq (e.g. chemical, metallurgical, pharmaceutical, tourism and recreation, ICT, and Hi-tech industries);

d. Additional investment opportunities are present in the oil and gas service areas and downstream industries (e.g. refining, petrochemicals, oil products distribution);

e. Increased public expenditure, foreign investment and development are causing a boom in the demand for construction materials. In many parts of the Nation, there are large reserves of the raw materials that are used to produce these materials, which should be better utilized;

f. Abundant native sulfur and phosphate rock reserves, together with plentiful natural gas should allow Iraq to attract sizable domestic and foreign investment in the fertilizer industry;

g. Given the national agricultural potential and growing demand for locally produced food products, there are good prospects for the expansion of the livestock, poultry, fruit and date production, fisheries, as well as dairy and food processing industries.

An assessment of the competitiveness of selected sectors of the economy and the investment opportunities inherent was conducted within the PSDP-I[10], and appears in Table - 3. Also, Table - 3 shows that nearly all sectors (except for textile) offer investment opportunities.

Since 2003, the non-oil economy has been dominated by trade and service sectors while manufacturing and other production sectors fell into decline. This is a consequence of several factors, including an open import policy, adopted by the previous regime in 1998, which is still in place, that facilitated the entry of cheaper imported items to national marketplaces, making it difficult for local products with higher production costs to compete.

With non-oil trade constituting the largest economic sector in terms of number of jobs provided, there is pressing need to adopt and enforce an appropriate legal and regulatory framework (addressed under Pillar II) to improve controls on cheaper imports, particularly with custom clearance, quality control inspection and certification procedures.

8 Refer to Annex - 1 and Annex - 2
9 Source: Ministry of Planning, Department of Economic and Financial Policies, January 2014. See also Annex - 1.
10 Source: UNIDO, PSDP-I, 2012

In parallel, a new trade regime should aim at contributing to increasing the local content of imported items as a key element in the PSDS to support national employment and growth[11]. For this purpose, the PSDS will intervene in the manufacturing sector (under Pillar III) to improve the quality of goods manufactured locally while decreasing their production costs.

3.2 Criteria for Priority Sectors

While in principle, all sectors of the economy should be considered in a private sector development strategy, the PSDS concentrates on SME development, given the shortage of finalized national macroeconomic and sector strategies[12]. Accordingly, this PSDS will focus on sectors that:

1. Offer an opportunity to utilize the Nation's abundant natural resources, particularly its oil and mineral resources;
2. Offer immediate opportunities for public-private partnerships;
3. Are labor intensive and can generate gender inclusive employment opportunities;
4. Where sector strategies and feasibility studies have been finalized or are in advanced stages of preparation;
5. Plan the introduction of new technologies, alternative or renewable energy sources or new production methods that are environmentally friendly.

According to the analyses conducted to date[13] by national and international organizations, all key driving economic sectors have, from these perspectives, tremendous market development and employment generation potentials as shown in Table - 3. Among these, the revitalization of the industrial sector represents a top priority for fostering economic growth through private sector development, especially, if SMEs engage more robustly with SOE restructuring.

Although the private sector's share of GDP increased from 25% in 2002 to 28% in 2008, its share in fixed capital formation decreased substantially from 18% to 2.60% during the same period. The share of the industrial sector, both public and private, dropped from 4.18 - 4.46% in the period 2000-2002 to 2.14% in 2012 with a maximum peak of 2.84% in 2009 (Annex - 1). The PSDS roll out will provide technical and financial support to the industrial and manufacturing sectors of the economy that can establish and sustain supply and value chains within the key strategic non-oil sectors.

11 For example, there is sufficient cement production in Iraq to meet present and future demand in the housing and infrastructure sectors; nevertheless, about 50% of all cement used today is being imported.
12 Notable exceptions are the Industry and Energy sectors. See Table 3.
13 Sector profiles are provided in Annex 4; main sources: Industrial Strategy (draft), INES/World Bank, Investment Climate Assistance/World Bank, UNIDO Investment Map and SOEs reviews, Tijara market studies.

CHAPTER 4: ACTION FRAMEWORK

4.1 PILLAR I – UNDERSTANDING the PRIVATE SECTOR

This Pillar addresses the immediate need for gaining a better understanding of the Iraq's private sector through the registration of businesses, data gathering surveys, mapping and data analysis of Iraq's businesses as well as the market dynamics affecting their viability.

Having more complete data and information on what constitutes today's private sector and the specific contexts which businesses face is essential for making informed decisions and justifying proposed reforms and targeted actions aimed at improving the business environment.

Forward planning and the weighing of separate opportunity costs for investment by state and private organizations will be facilitated through the establishment and operation of a well-designed and readily accessible data and information platform.

By platform, it is meant a system of databases, IT tools and procedures accessible to government and private sector stakeholders, containing the type, number and distribution of formal and informal businesses, which tracks trends, evolving circumstances and other markets factors, to provide updated analyses for users of current constraints and new opportunities.

4.1.1. Objectives of Pillar I

Pillar I objectives are:

1. Augmenting and complementing the statistics prepared by the Central Statistical Organization;
2. Providing governmental institutions with the data needed for budgeting state resources, specifically those aimed at supporting the private sector and the economic growth of the country;
3. Providing the private sector with data needed for strategic investment planning;
4. Increasing significantly the registration of businesses;
5. Contributing information for the enhancement of the public-private sector dialogue.

4.1.2. Activities under Pillar I[14]

More specifically, for achieving the above objectives, four types of activities and actions are envisaged:

a. Surveying the formal and informal private sector in the governorates;

b. Developing modern information systems for the Government and private sector stakeholders and validating all data from surveys and other sources;

c. Developing the capacity of the Government and private sector stakeholders for utilizing information, planning, tracking progress and reporting;

d. Developing a network of local business registration centers.

14 See Annex - 3.

4.2 PILLAR II – Improving the Business Environment

Pillar II addresses the priority need for the private sector to operate in a supportive, predictable and coherent environment within a new legal and regulatory framework, and with more supportive policies.

4.2.1. Objectives of Pillar II

Pillar II objectives are:

1. To have in place streamlined policies, laws, regulations and procedures that foster private sector development;
2. To have improved access to finance for private businesses;
3. To have incentives in place for increasing production and innovation, the registration of businesses, private investment and increased employment;
4. To improve the quality of services provided by private sector institutions and associations to businesses;
5. To strengthen quality control, quality assurance, certification and licensing systems..

4.2.2. Activities of Pillar II[15]

a. Initiate a public - private sector dialogue, whereby businesses are consulted by the Government before new policies and laws are drafted;

b. Revise, simplify and issue new laws in the regulatory framework governing the private sector, with a view to reducing red tape;

c. Revise procedures and rules for improved access to finance for the private sector;

d. Develop and propose new policies and strategic plans targeting the priority sectors that support private business engagement;

e. Introduce incentives for new investments, innovation and increasing the registration of businesses;

f. Fortify the private sector institutions and associations and the coverage of services to their membership.

g. Strengthen quality control, quality assurance, licensing and certification systems;

4.3. PILLAR III – The SME Development Programme

Pillar III contains the actual activities, projects and interventions that will be implemented by the structures of Pillar IV, to the direct benefit of the private sector in general, and to SMEs, in particular. Pillar III will enhance the competitiveness of both (i) SMEs and (ii) SOEs, establishing an improved, mutually supportive and better integrated public-private environment for collaboration and partnership; Pillar III will ensure an effective use of state resources through well-conceived strategic plans, streamlined rules and transparent eligibility criteria for SOEs and SMEs working to achieve increased integration and competitiveness.

15 See Annex 3

4.3.1. Objectives of Pillar III

Pillar III objectives are:

1. To improve SME productivity and competitiveness;
2. To involve the private sector, including SMEs, in SOE and large company restructuring and corporatization.

4.3.2. Activities of Pillar III[16]

To achieve the above objectives, four groups of activities (actions) are envisaged, described in detail in Annex I (SEE Phase One Activity Profiles) in addition to the activities (actions) described in Pillar I and Pillar II:

a. Provide advisory, counseling, business planning, training and networking services to SMEs;

b. Establish a Fund to provide seed capital, soft financing and loan guarantees for businesses to establish new enterprises, increase competitiveness; and to promote entrepreneurship and innovation;

c. Establish a special programme to create business opportunities for the private sector, including SMEs, with SOEs;

d. Development of industrial zones, business incubators, business development services and similar initiatives;

e. Establish a dedicated unit to foster gender awareness and gender inclusion in private businesses , to increase job opportunities for women in the private sector;

f. Launch of a Public Awareness Campaign.

16 See Annex 3

CHAPTER 5: The Implementation of the PSDS

5.1 PILLAR IV – The Implementation Pillar

Pillar IV contains the overall PSDS Management structure, the diverse components of which will be established to ensure the efficient, effective and well-sequenced implementation of all activities and actions in Pillars I, II and III, for the roll out of the PSDS. It is envisaged a PSDC will be established under the Council of Ministers. The PSDC will become the governing body for the PSDS roll out that is managed under Pillar IV.

Pillar IV, will also contain an independent Monitoring & Evaluation unit to review progress during the roll out of the PSDS. The M&E unit will note progress, constraints and significant issues that need addressing and offer timely recommendations for remedial measures and course corrections during the implementation of the activities and actions of the PSDS by the Government, by the private sector stakeholders, by the SME Agency and by any other participating entities, with a view to achieving the goals of the Vision by 2030.

5.2 The Objective of Pillar IV

To ensure the efficient and timely implementation of the PSDS.

5.3 Activities of Pillar IV[17]

Four main activities will be developed under Pillar IV:

a. Establishment of an overall management and control system for the PSDS;

b. Establishment of a PRIU to organize and supervise the actions in all Pillars;

c. Establishment of a national SME Agency;

d. Establishment of an independent M&E system.

Efficient, effective and timely implementation of the PSDS requires a management structure for implementation that guides the process of sustainable private sector development; defines the roles of the Government and private sector in managing this process, striking a balance in decision-making.

5.4 Guiding Principles

The management structure is based on the following fundamental principles:

A. Proactive and balanced role for the Government which entails strategically guiding private sector development while achieving a favorable balance between centralized and decentralized approaches.

B. Active participation of all stakeholders from the onset, to facilitate the phasing out and handing over of the Government's leading role of the PSDS roll out to the private sector. As such, all parties involved in fostering private sector development must be effectively involved in implementation of the roll out from the onset.

C. Competent and dedicated programme implementation structure that undertakes the execution of nation-wide and cross cutting interventions and that provides technical and management support.

17 See Annex 3

D. Monitoring and evaluation arrangements that assess progress in implementation, evaluate performance, draw lessons learned, suggest amendments and identify newly emerging challenges.

E. Capacity building that includes training, technical support and advice to the Government and private sector stakeholders.

F. Gender equity that demonstrates to the general public that the inclusion of women in an empowered role in the private sector is both i) an integral part of the progress and expected results envisaged in the PSDS roll out and ii) a national priority.

5.5 The Implementation Structure

The implementation structure of the PSDS is envisaged to have (i) streamlined and effective decision making and consultative mechanisms, allowing prompt responses and corrective actions to be taken by decision makers; and (ii) to ensure a voice in decision-making by relevant stakeholders from the Government, the private sector and the general public. For this purpose, the PSDS envisages the establishment the PSDC under the CoM.

The Planning, Research and Implementation Unit (PRIU) will manage nation-wide the crosscutting activities under the PSDS. Furthermore, should the draft Federal Law of Economic Reform be enacted and the Federal Economic Reform Council be established, the FERC will undertake the duties and responsibilities of the PSDC. In this instance, the PRIU will become an integral component of the FERC, undertaking the same functions as envisaged herein.

5.6 The Private Sector Development Council (PSDC)

The PSDC constitutes the highest level institution to oversee the management and implementation of the PSDS. The PSDC shall be a platform for dialogue, engagement, interaction and coordination between the Government and the private sector and make decisions and issue recommendations on the activities under the PSDS. Decisions of the PSDC will be submitted to the CoM for approval or endorsement, when required by its by-laws. The PSDC will have branches or representation offices in the governorates to coordinate the implementation of the PSDS among local stakeholders (local governments, branches of central institutions, local private sector institutions and associations, civil society organizations, local media) and with the PSDC, PRIU and M&E Unit.

The chairmanship of the PSDC shall be determined at a later date. All key stakeholders will be represented in the PSDC including representatives of:

1. Central Ministries and other Government entities (MoF, MoP, MoIM, MoT, MoLSA, PMAC, Central Bank of Iraq);
2. Kurdistan Regional Government;
3. Private sector institutions and associations;
4. Financial institutions, including Iraqi Private Banks League and small and medium financing institutions;
5. Trade Unions;
6. National SME Agency, SOE Restructuring Unit;
7. Local Governments (three on rotational basis).
8. Independent experts (national and international);

At least one third of PSDC membership will be allocated to private sector representatives.

The responsibilities of the PSDC will be:

1. To review and decide on private sector related policies, strategies, programmes, activities and processes, after which the mobilization of relevant Government institutions for the implementation phases will follow by CoM directive;
2. To ensure simplification of existing laws and regulations governing the private sector, and proposing amendments to the current or the adoption of new ones;
3. The coordination of all PSD efforts with central ministries, KRG, non – ministerial entities and local government;
4. The coordination of the of restructuring of SOEs, with the participation of the private sector while ensuring the social mitigation measure are in place;
5. The preparation of national and governorate - level strategies in line with the PSDS;
6. The monitoring and evaluating of the implementation of policies and programmes for PSDS, realigning the PSDS to take advantage of lessons learned, changing circumstances and newly emerging opportunities;
7. The preparation of periodic progress reports on the implementation of the PSDS for submission to the CoM and private sector stakeholders.

The PSDC will consider opening offices at the governorate level to coordinate with local governments and local private sector institutions and associations.

5.7 The Planning, Research and Implementation Unit (PRIU)

Working directly under and accountable to the PSDC, the key to a successful roll out of the PSDS, will be the establishment of a PRIU that will be responsible for planning, researching, organizing, managing and implementing all activities of the PSDS, including:

1. Planning, researching, designing, managing and implementing the activities under Pillars I, II , III and IV;
2. Preparation of annual work plans to be approved by PSDC as endorsed by the CoM;
3. Regular consultation and close coordination between the Government, the private sector and contracted entities;
4. Facilitating regular consultation and close coordination between the PSDC and the KRG and with local government in the implementation of the PSDS, especially through PSDS branches or representation offices.
5. Drafting of new policies and legislation as required for adoption by Government;
6. Designing and drafting technical specifications and terms of reference for all activities to be outsourced;
7. Preparation of all manuals, standards operating procedures and guidelines for the governance and control of PSDS implementation;
8. Procurement of external technical assistance, training services, equipment and all required inputs for the four Pillars;

9. Issuance of Invitations to Bid, contracts and purchase orders;
10. Managing the selection of contracted entities, consulting firms and experts;
11. The initial management of the Seed Capital Fund under Pillar III pending the establishment of an SME Agency to which the Fund will be transferred;
12. Management of public awareness efforts, communications and external relations;
13. Support the PSDC to establish an independent M&E unit for assessing the roll out of the PSDS;
14. Organization and preparation of agendas and minutes of meeting of the PSD Council;
15. Submission of regular progress reports to the PSDC with recommendations on priority actions or policies needed for adoption by concerned institutions and organizations.

In general, the PRIU will undertake overall coordination among central ministries, sectors, commissions, local governments and private sector institutions and associations in addition to implementing activities related to national or cross - sectoral policies and strategies. Other activities will be implemented by central ministries and commissions and local governments according to their competencies to ensure that there will be no overlap or conflict in implementation.

5.8. Monitoring and Evaluation

The establishment of an effective monitoring and evaluation system is essential for managing the PSDS roll out, identifying bottlenecks to progress and recommending corrective actions. The PSDC will be responsible for establishing an independent monitoring and evaluation unit that follows the progress of PSDS implementation and that reports findings to the PSDC for the CoM to take all necessary actions to keep the roll out on track. The Management Structure contains a three-level M&E system for the PSDS roll out, undertaken by a dedicated M&E unit to be established under the PSDC. The M&E Unit will submit regular M&E reports on each on the M&E levels to the PSDC. The M&E Unit will perform the following reviews:

Level 1: Efficiency in the Implementation of the PSDS

This M&E level assesses whether the specific programmes, projects and initiatives of the PSDS have been properly implemented, and whether that implementation was cost-effective.

Level 2: Effectiveness of the Proposed Policies and Support Programmes

This M&E level looks at whether the policies and programmes are adequately suited to implementing the vision and objectives of the PSDS. For this purpose, the M&E Unit will measure performance of the PSDS Implementation by the various entities, against established benchmarks and success indicators.

Level 3: Continued Relevance of the PSDS Vision and Objectives

This M&E level explores whether the vision, the objectives and the proposed activities by the PSDS remain relevant over the passage of time, in view of changing circumstances in the national context, or whether the PSDS needs to be realigned accordingly.

5.9 Public Awareness and Communication

The PSDC will ensure the widest dissemination of information and communication of the elements and progress of PSDS among the Government institutions, regional and local governments, private sector institutions, the Iraqi Diaspora, academic and research institutions and to the general public using available media channels and preparing public awareness materials. In particular, progress with the PSDS roll out will be communicated to members of the Council of Representatives, Kurdistan Regional Parliament and Governorate Councils to ensure awareness and allow these representative bodies to facilitate the implementation of the PSDS for their constituencies.

The PSDC will prepare information dissemination, communication and public outreach strategies designed to build general enthusiasm and support for the PSDS change process.

5.10. Transitional Management

Until the PSDC can be established, PMAC will undertake the transitional management of the PSDS. This shall include:

a. Gaining the endorsement of the PSDS by the CoM;

b. Preparation of proposals for CoM approval, on the mandate, structure, job descriptions, duties and responsibilities, by-laws as well as a manual of standard operating procedures for the PSDC;

c. Preparation of proposals, for CoM approval, on the mandate, structure, job descriptions, duties and responsibilities, work procedures and operational budget for the PRIU.

d. Drafting a CoM resolution / Diwani order for establishing the PRIU and presenting it to CoMSec;

e. Organizing international technical assistance to PMAC as required;

f. Prepare an Interim Action Plan and ensure that budgetary allocations are in place to roll out the implementation of the PSDS promptly , in order to maintain the momentum created by the PSDP-I and the consultative processes that prepared the PSDS. The interim action plan shall include the activities indicated in Table - 4 (the details of these activities, timeframe and required budgetary allocations have been explained in Table - 1, Table - 2 and Annex - 3). The starting point for the Interim Action Plan will be the CoM's endorsement of the PSDS.

g. Assigning an Executive Manager, under PMAC, to undertake the daily coordination and follow - up of the PSDS activities during the transitional period.

Table - 1. Success Indicators, Phase 1 (2014 - 2017)

Pillar	Strategic Objectives	Activity	Responsible Entity(ies)		Success Indicators
			Institutional Oversight / Coordination	Implementation	2014 - 2017
Pillar I: **Understanding the Private Sector**	To make available to the Government and private sector, accurate information on the formal and informal private sector, for strategic planning and decision making purposes. In particular: Augmenting and complementing the statistics prepared by the Iraqi Statistical Office; Providing governmental institutions with the data needed for budgeting state resources, specifically those aimed at supporting the private sector and the economic development of the country; Providing the private sector with data needed for strategic investment planning; Increasing significantly the registration of businesses; Contributing information for the enhancement of the publicprivate sector dialogue.	1.Surveying the formal and informal private sector in the governorates.	PSDC / PRIU	PRIU in collaboration with Central Statistical Organization, local governments and private sector institutions and associations.	Surveys completed and databases established in all governorates.
		2.Developing modern information systems for the Government and private sector stakeholders and validating all data from surveys and other sources;	PSDC / PRIU	PRIU, MoP / NCMDIT / DFEP (Private Sector Division), MoIM / DGID, MoT / DBR / DPSD and private sector institutions and associations.	Pilot modules developed in selected Government and all key private sector institutions.
		3.Developing capacity in the Government and of the private sector stakeholders for utilizing information, planning, tracking progress and reporting;	PSDC / PRIU PSDC / M&E Unit	PRIU, MoP, private sector institutions and associations and international development partners.	Plans, progress reports, strategies prepared (under Pillar 2) and implemented.
		4.Developing a network of governorate - level business registration centers.	PSDC / PRIU MoT Local governments	MoT / Department of Business Registration, local governments, private sector institutions and associations.	Business registration centers established and starting to operate in all governorates.

Pillar	Strategic Objectives	Activity	Responsible Entity(ies)		Success Indicators
			Institutional Oversight / Coordination	Implementation	2014 - 2017
Pillar II: Improving the Business Environment	To have in place streamlined policies, laws, regulations and procedures that foster private sector development;	1.Revise, simplify and issue new laws in the regulatory framework governing the private sector, with a view to reducing red tape.	CoM PSDC	PRIU, TFER (ad interim) MoP, MoIM, MoT, MoA, MoLSA, National Investment Commission and private sector institutions and associations	Priority laws and regulations amended, drafted, streamlined, integrated and enacted and enforced (See Annex 1)
	To have improved access to finance for private businesses;	2.Revise procedures and rules for improved access to finance for the private sector.	CoM PSDC	PRIU, National SME Agency, MoF, private sector institutions and associations and international development actors (technical support only)	Legal and regulatory framework and management plan for a seed and guarantee fund established and adopted for implementation under Activity III-2
	To have incentives in placefor increasing production and innovation, the registration of businesses, private investment and increased employment;	3.Develop and propose new policies and strategic plans targeting the priority sectors that support private business engagement.	CoM PSDC	PRIU, line ministries and private sector institutions and associations	Policies and strategies prepared and adopted in priority areas and sectors
	To improve the quality of services provided by private sector institutions and associations to businesses;	4.Introduce incentives for new investments, innovation and increasing the registration of businesses.	CoM MoF PSDC	PRIU, MoF, National SME Agency, MoT, MoIM and private sector institutions and associations.	Regulatory framework and procedures established and enforced for financial and fiscal incentives
	To strengthen quality control management and quality assurance systems.	5.Strengthening quality control management, quality assurance and certification systems.	CoM PSDC PSDC / M&E Unit	MoP/Central Organization for Standardization and Quality Control, MoT, / PRIU (technical advice) and international development actors (technical support only)	National quality control and quality assurance policy prepared, adopted and enforced, quality control, quality assurance and certification system established / upgraded
		6.Fortify the private sector institutions and associations and the coverage of services to their membership.	PSDC	PRIU in collaboration with Private sector institutions and associations	Increased memberships, improved and expanded service delivery to businesses via implementing the activities under the PSDS and regular consultations held with the Government in relevant PSDS target areas and activities

Pillar	Strategic Objectives	Activity	Responsible Entity(ies)		Success Indicators
			Institutional Oversight / Coordination	Implementation	2014 - 2017
Pillar III: **The SME Programme**	To improve SME productivity and competitiveness; To involve the private sector, including SMEs, in SOE and large company restructuring and corporatization.	1.Providing advisory and counseling, business planning, training and networking services to SMEs.	PSDC / PRIU	PRIU, National SME Agency, MoP, private sector institutions and associations and international development actors (technical support only)	20-30% of the registered private businesses in the governorates successfully utilizing business counseling services, seed and guarantee financial schemes (initially through the PRIU and then through the SME agency).
		2.Establish a Fund to provide seed capital, soft financing and loan guarantees for businesses to establish new enterprises, increase competitiveness; and to promote entrepreneurship and innovation.	CoM MoF PSDC	PRIU, National SME Agency, commercial banks (public and private) and international development actors (technical support only)	
		3.Establish a special program to create business opportunities for the private sector, including SMEs, with SOEs.	PSDC/PRIU MoF	PRIU, National SME Agency, private sector institutions, MoIM, MoF, MoT, MoWR, MoCH, MoO, MoF, MoA	At least 20 successful and sustainable value chains and/or clusters established between SOEs, large companies and SMEs
		4.Development of industrial zones, business incubators, business development services and similar initiatives.	PSDC / PRIU PSDC / M&E Unit	MoIM, MoF, MoP, MoT, local governments and private sector institutions and associations	Plans adopted and implemented in selected governorates. Infrastructure built for at least 3 industrial zones and 3 new Business Centers and incubators established and operational.
		5.Establish a dedicated unit to foster gender awareness and gender inclusion in private sector development and increase job opportunities for women in the private sector.	State Ministry for Women Affairs PSDC / PRIU	Private sector institutions and associations	25% of women employment in formal private businesses. 25% of seed capital and guarantees provided to Women. 15% of women presence in Executive Boards of private sector institutions.
		6.Launch of a Public Awareness Campaign.	CoM PSDC	PSDC/PRIU, Iraqi Media Network, private media and the private sector	Total of 30 central events and at least 6 events held in each target governorate.

Pillar	Strategic Objectives	Activity	Responsible Entity(ies)		Success Indicators
			Institutional Oversight / Coordination	Implementation	2014 - 2017
Pillar IV: **The Implementation Pillar**	To ensure efficient and timely implementation of the Private Sector Development Strategy.	Establishment of an overall management and control system for the PSDS.	CoM PMAC / TFER (facilitation and follow - up with the competent authorities of the Government).		PSDC established and functional within 12 months of the date of Government's endorsement of the PSDS. PRIU and M&E Unit established and operational within 3 months since the establishment of the PSDC.
		Establishment of a PRIU to organize and supervise the actions in all Pillars.	CoM PSDC		PRIU and implementation structure established and functional by end of 2014
		Establishment of an National SME Agency	CoM PMAC / TFER facilitation and follow - up ad interim with the competent authorities of the Government) PSDC / PRIU		Embryonic national SME Agency established in 2015 at central and governorate levels and 20-30% of registered private businesses successfully utilizing its services, seed capital funding and loan guarantee schemes
		Establishment of an independent M&E system	PSDC		An independent M&E system for the PSDS in place and operational by early 2015

Table - 2. Action Plan and Indicative Budget, Phase 1 (2014-2017) (See breakdown in Annex - 3)

Pillars	Activities	2014				2015				2016				2017				Budget				Total Budget Phase 1 (mill. ID)
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2014	2015	2016	2017	
Pillar I: Understanding the Private Sector	1.Surveying the formal and informal private sector in the governorates																					5,000
	2.Developing modern information systems for the Government and private sector stakeholders																					
	3.Developing capacity in the Government and the private sector stakeholders for utilizing information, planning, tracking progress and reporting																					1,300
	4.Developing a network of business registration centers and validate data																					7,200
Pillar II: Improving the Business Environment	1.Revise, simplify and issue new laws in the regulatory framework governing the private sector, with a view to reducing red tape																					3,050
	2.Revise procedures and rules for improved access to finance for the private sector																					1,400
	3.Develop and propose new policies and strategic plans targeting the priority sectors that support private business engagement																					6,100

Pillars	Activities	2014				2015				2016				2017				Budget				Total Budget Phase 1 (mill. ID)
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2014	2015	2016	2017	
	4.Introduce incentives for new investments, innovation and increasing the registration of businesses																					500
	5.Strengthen quality control management, quality assurance and certification systems																					16,500
	6.Fortify the private sector institutions and associations and the coverage of services to their membership																					3,500
Pillar III: The SME Programme	1.Provision of counseling, advisory, business planning, training and networking services to SMEs																					3,800
	2.Establishment of a Fund to provide seed capital soft loans and loan guarantees for businesses to establish new enterprises, increase competitiveness; and to promote entrepreneurship and innovation																					200,300
	3.Establishment of a special programme to create business opportunities for the private sector, including SMEs, with SOEs and large companies																					101,000

Pillars	Activities	2014				2015				2016				2017				Budget				Total Budget Phase 1 (mill. ID)
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2014	2015	2016	2017	
	4.Development of Industrial Zones, Business Incubators, Business Development Centers and similar initiatives																					48,500
	5.Establishment of a dedicated gender unit to foster gender awareness and gender inclusion in PSD and increase job opportunities for women in the private sector																					550
	6.Launch of a Public Awareness Campaign																					1,400
Pillar IV: The Implementation Pillar	1.Establishment of an overall management and control system for the PSDS																					5,400
	2.Establishment of a PRIU to organize and supervise the actions in all Pillars																					14,500
	3.Establishment of a national SME Agency																					19,000
	4.Establishment of an independent M&E system																					8,500
																		Grand Total				447,500

Table - 3. SME Opportunities by Sub-Sector

Main Target Sectors	Target Sub-Sectors	Indicative Areas of Focus for SME Development
Industry	1. Construction Material Industry 2. Metallurgical Industries 3. Chemical and Petrochemical Industries 4. Pharmaceutical Industries 5. Non-Oil Minerals Mining and Processing 6. Mechanical Industries 7. Electronics and Electrical Industries	. Energy, natural and human resource exploitation (1, 2, 5, 6, 7) . Engineering, environment and R&D . Strategic partnerships . Import substitution potential (all) . Product mix and diversification (especially 1, 4, 6 and 7) . Technology upgrade, productivity, marketing and distribution (all) . Suppliers' diversification . Supply and value chains and clusters (all; clustering especially in 3) . Integration with SOEs and mixed sector, including (all), including participation to SOEs restructuring and corporatization . Geographical expansion/diversification (1, 6 and 7) . Financial management . Technical standards and norms, quality control, assurance and certification (all) . Production cost reduction (all)
Agriculture and Agro-Industries	1. Intensive farming 2. Livestock 3. Fisheries and Aquaculture	. Import substitutions . Technology upgrade, productivity, marketing and distribution . Environment, R&D and resource recovery . National and multinational supply and value chains and clusters with private and state agri-businesses . Financial management . Technical standards and norms, quality control, assurance and certification (all) . Startup businesses
Telecommunication and IT Industries	1. Internet Service Providers 2. Repair and Maintenance Services 3. Specialized Software and Website Development	. Integrated supply and value chains with user sectors . Geographical expansion/diversification (all) . R&D . Marketing and strategic partnerships . Quality control and certification . Startup businesses

Main Target Sectors	Target Sub-Sectors	Indicative Areas of Focus for SME Development
Construction and Housing	1. Housing 2. Infrastructures and Basic Services 3. Civil Construction (roads, bridges, dams, specialized buildings, etc.)	. Architecture, design, engineering and R&D . Merging of small businesses . Product mix and diversification . Specialized financial services . Startup businesses
Transport services & Logistics	1. Trucking Services 2. Logistics and Warehousing 3. Maintenance and Repair Services	. Merging of small businesses . Transport costs and financial management . Intermodal transport services . Supply and value chains, cross linkages with other sectors . Quality control and certification . Startup businesses
Tourism	All related sub-sectors	. Service quality and certification . Promotion and advertising . Finance . Strategic partnerships . Human resources . Startup businesses

Table - 4 Interim Action Plan for the Activities of the Transitional Period

	Activity No.	Activity	Start Line[18] (SL) = 0	Timeframe	Implementing Parties
Pillar I	1 - 1	Surveying the formal and informal private sector in the governorates	SL + 6 Months	Continuous	TFER - PMAC (until the PRIU is established and functional), MoP, MoIM, MoT, Local Governments, private sector institutions and associations
	1 - 2	Developing modern information systems for the Government and private sector stakeholders			
Pillar II	2 - 1	Revise, simplify and issue new laws in the regulatory framework governing the private sector, with a view to reducing red tape	SL	Continuous	TFER - PMAC (until the PRIU is established and functional) and private sector institutions and associations in coordination with CoMSec
	2 - 2	Revise procedures and rules for improved access to finance for the private sector	SL	Continuous	TFER - PMAC (until the PRIU is established and functional) coordination with CoMSes, MoP, MoIM, MoT, MoA, MoLSA, National Investment Commission and private sector institutions and associations
Pillar III	3 - 6	Launch of a Public Awareness Campaign	SL	Continuous	TFER - PMAC (until the PRIU is established and functional), Iraqi Media Network, private media and private sector institutions and associations
Pillar IV	4 - 1	Establishment of an overall management and control system for the PSDS	SL + 6 Months	6 Months	TFER - PMAC (until the PRIU is established and functional),, DPM - EA, CoMSec, KRG, Local Governments and private sector institutions and associations
	4 - 2	Establishment of a PRIU to organize and supervise the actions in all Pillars	SL	4 Months	TFER - PMAC (until the PRIU is established and functional) in coordination with CoMSec

18 - The Start Line is the date of CoM's endorsement of the PSDS.

Annex - 1

Overview of the Private Sector

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Tables

1. Background

Until 1950s, the private sector had a privileged position among the national priorities and benefited from the state's extensive support and financial aid. However, with increasing oil revenues in the early 1950s, the status of private sector started to decline. The role of the private sector declined further in 1964 with the setback of nationalization of most private businesses[18] and the adoption of centrally - planned, "socialist" model of economy, where the public (socialist) sector dominated almost all economic activities except agriculture, retail trade, ownership of dwellings and social and personal services. Consequently, businesspersons shifted into low-risk, short cycle, continuous demand activities, particularly in trade and real estate.

This domination of the public sector on economic activities continued until 1987 when the economic difficulties forced the GoI then to adopt an "open door policy as regards the private sector" and ceased direct intervention in agriculture as part of the economic liberalization and privatization programme, the so-called "Administrative and Economic Revolution". The period 1987-1990 witnessed the privatization of state-owned farms and public sector factories, liberalizing the labor market, establishing a stock market; allowing private commercial banks, encouraging Arab investment, providing incentives to private sector institutions and enactment of laws and regulations that supported an expanded role of the private sector in the national economy. These measures enhanced the private sector's status and expanded its role in economic activities, particularly in industry and agriculture as reflected in its share of GDP generation (Table - 1). With the imposition of international sanctions on Iraq in 1991, the role of the public sector retreated and the private sector dominate the economic activities until 1999 when the GoI decided to open the market for cheap, subsidized imports, which dumped the domestic market. This resulted in the closure of over 33,000 MSMEs and over 100,000 workers lost their jobs.

The plight of the private sector culminate after 2003 with insecurity, political instability, open import policy, inappropriate investment climate, lack of competent financial instruments, deteriorated infrastructure and capital flight. These, associated with escalating oil revenues, reduced the private sector's share in the national economy and in GDP generation.

In short, the period since the 1950s witnessed shifting roles between the public and private sectors. Yet, these shifting roles have been arbitrary rather than planned, responsive and mitigative to severe political and socioeconomic circumstances rather than the consequence of sound economic policy and weren't associate with in-depth change in the vision, mind-set and policy of the GoI towards the private sector.

2. Main Features of Iraq's Private Sector

2. 1. Private Sector Dynamics

The private sector in Iraq has been, and still, dominated by individual, micro- and small businesses, mainly operating in retail and trade, construction and transportation services as well as in light industry. The majority of businesses are owned by sole proprietors, with most of the remainder being family partnerships[19]. Iraq possesses few large, typically family-owned and run multi-industry conglomerates, active in retail, domestic trade and construction. However, large private businesses are emerging in Iraq in ICT, particularly mobile communications, in technical services for oil and gas

18 In July 1964, the GoI issued the Law of Nationalization of Some Companies and Facilities No. 99 (1964) and the Law of Nationalization of Commercial Banks No. 100 (1964) that nationalized all commercial banks, insurance companies and the 27 largest private industrial firms having capital of ID 70,000 (then about US$ 250,000) and above. The GoI issued also Law Regulating the Statuses of Some Companies and Corporations No. 103 (1964) requiring profit sharing with workers, and participation of workers in management.

19 ILO Survey of Firms.

industry and in manufacturing industry. According to the NDP 2013-2017, the number of private industrial SMEs increased from 10,339 to 11,181 while the number of large enterprises increased from 412 to 420 in the period 2009 - 2010.

A 2012 survey of 950 MSMEs conducted by ILO[20] in three Qadas[21] provided some useful information on the structure and distribution of MSMEs: agriculture (5.6%), manufacturing (8.6 %), construction (19.2 %), trade and retail (54.6%), other services (12%). To the opinion of the surveyed MSMEs, access to finance, infrastructure and availability of skilled labor constitute the main success factors for business development and/or expansion.

Activity-wise, the private sector dominates in agriculture, wholesale and retail trade, hotels and tourism, ownership of dwellings and personal and social services while contributed only 27.9-39.7% to manufacturing industry in 2009-2010, where The relative significance of private sector contributions to the GDP at current prices differed by economic sector. In agriculture, ownership of dwellings, and personal services, the private sector provided up to 100%, while in manufacturing industries, the private sector provided 27.9% and 39.7% in 2009 and 2010 respectively. This latter increase relates to the increasing number of private sector industrial enterprises, both large and SMEs.

Agriculture is dominated, on one side, by private businesses mostly owned by individuals and, from the other side, by overwhelming role of the Government in providing soft loans, particularly through Agricultural Initiative launched in 2009, and in offering subsidized prices of some products, especially cash crops, as well as its dominance over the seeds and agricultural technology markets thus preventing the private sector to develop. Also, the agricultural sector currently lacks organized cooperatives or similar structures.

Manufacturing industry accounts for about 17,500 production facilities[22] formed by public companies (1.5 %), mixed companies (0.2 %) and private companies[23] (98.3 %), distributed among the food sector (2463), textiles (2919), chemicals (2251), construction materials (6327) and metal processing (3526). In the period 2008-2010, the MoIM licensed about 1,400 new industrial projects (with a peak of 500 reached in 2010). Actual performance is not monitored or recorded, but it is estimated that not more than 20 - 25% of the private manufacturing industry firms still operating or in business.

Seventeen industrial mixed sector companies are operating at the moment where the private ownership shouldn't exceed 75% of the capital, according to the Company Law No. 21 (1997). These produce a wide range of industrial commodities ranging from air coolers, air filters, welding rods, paints to electronic and electrical equipment and appliances.

Between 40 and 50 production-sharing contracts with local and foreign companies have been signed over since 2008, including German, French and Turkish companies (in the cement, fertilizers, automotive, agricultural equipment, mechanics, metallurgy, electrical and electronic industries). More recently, a $1 billion contract was signed with Turkey's UB Holding to restore the large iron and steel factory that was looted during the 2003 invasion in the southern Al Basra Governorate.

20 ILO, Micro, Small and Medium-sized Enterprises in Iraq; A Survey Analysis, 2012, http://www.psdc-iraq.org/sites/default/files/ILO%20Iraq%20MSME%20Analysis%20Final.pdf.

21 Sulaymaniya, the Marshlands, and Al Hillah.

22 Directorate General of Industrial Development of the MoIM. In contrast, the Iraqi Federation of Industries accounts for 44,518 members as "industrial projects" distributed among many more sub-sectors, including extraction, food, textile, chemicals, wood, paper, construction materials, basic metals, metals, manufacture, services etc.

23 Defined as "licensed industrial projects".

According to World Bank Investment Climate Assessment (ICA) report, despite numerous constraints, productivity of firms in Iraq is nonetheless comparable to several other countries in the Middle East and North Africa (MENA) region. In the private sector, productivity[24] varies from one activity to another. In particular, Iraqi private firms have better performance in the region in textile and garments, chemicals, pharmaceuticals, non-metal and equipment sectors, while there is ample scope for improved productivity in food processing and electronics[25]. Labor productivity[26] presents even more significant variations among activities. In the chemical and pharmaceuticals industry, labor productivity is two times higher than in the electronics sector. Also, higher productivity is usually found in small size firms.

With the distribution of economic activities between the public and private sectors remained unstable and fluctuating, the private sector contribution to fixed capital formation showed declining trend since 2004, ranging between 0.6 and 1.5% with an average of 0.8% of GDP[27], an indicator of disabling environment and adverse investment climate for the private sector.

2. 2. Private Sector Contribution to GDP and Employment

Private sector contribution to GDP generation remained almost stable since 2004, ranging between 26.7 and 33.8% with an average of about 31%. Meanwhile, private sector contribution to non-oil GDP had an overall declining trend, ranged between 76.8 and 59.3% with an average of 64.8% (Table - 1).

There is no accurate and updated information on distribution of the workforce between the public sector and private sector. In the period 2004 - 2008, the private sector provided 21.0-33.3 (23.7% in average) of full-time jobs and 14.0-34.6% (20.7% in average) of part-time jobs (Table - 1). In the same period, the public sector became the major employer, providing an estimated 3.4 million jobs (excluding Kurdistan Region). According to the National Development Plan 2013-2017, the distribution of private sector employees in 2011 varied between 48.8% having full-time jobs and 33.3% having part-time jobs, with women constituting up to 92.2% of those part-time employees.

Agriculture used to be the largest employer in Iraq until few years ago. However, it's providing now only 20% of jobs, almost all in the private sector. Moreover, and in the period 2006 - 2010, the contribution of agriculture to the GDP ranged between 4.4% and 5.8%, but showed a slight trend of improvement since 2009.

The problem of employment in Iraq is becoming a national priority issue, affecting the entire country, especially for the young, who suffer from the highest jobless rate. According to Booz and Company, around 250,000 people entered the labor market per year in the period of 2007 - 2011, and that is expected to increase to 290,000 per year from 2012-2016. This is exacerbated by the fact that 64% of the population is of 24 years or less age and that the age median is only 20 years. In such context, there is no alternative for Iraq but to revitalize and develop the private sector to cope with the ever increasing demand on jobs. This situation is further complicated by the massive out-migration of professionals and skilled labor.

24 Total Factor Productivity, as defined in the ICA report of the World Bank

25 The World Bank, Iraq: Investment Climate Assessment, 2012.

26 According to the ILO, labor productivity is measured as gross domestic product (GDP), which represents the compensation for input of services from capital (including depreciation) and labor directly engaged in the production.

27 Data in Table - 1 have been provided by MoP and used to calculate the range and average. However, These differ from the ones used in National Development Plan 2013-2017, at least for 2009 and 2010 (6.8% and 3.7% respectively).

Table - 1. Public and Private Sector Shares in Generation of GDP, Fixed Capital Formation and Rate of Employment, 1974 – 2012[28]

Year	Private Sector Share (%) in GDP Generation		Private Sector Fixed Capital Formation (of GDP %)	Rate of Employment in the (%) Private Sector	
	Total GDP	Non-Oil GDP		Full Time	Part Time
1974	31.9	74.8	2.5	-----------	-----------
1980	19.2	48.4	4.7	-----------	-----------
1990	22.0	59.7	5.0	-----------	-----------
1995	34.6	92.6	0.4	-----------	-----------
2002	25.0	83.9	1.2	-----------	-----------
2003	25.3	79.3	-----------	21.0	28.0
2004	30.9	72.9	1.0	24.0	34.6
2005	32.8	76.8	0.8	26.6	32.0
2006	29.7	66.1	1.1	33.4	16.0
2007	30.9	65.3	0.7	33.4	14,6
2008	26.7	60.5	0.6	25.0	22.0
2009	33.0	59.3	0.6	-----------	-----------
2010	33.8	59.7	1.5	-----------	-----------
2011	30.3	62.1	0.9	-----------	-----------
2012	30.5	60.9	-----------	-----------	-----------

The contribution of the construction and housing sector to GDP ranged between 3.5% and 5.0% in the period 2006 - 2010 with annual investment ranging between ID 1.6 to ID 2.2 trillion. Several factors contributed to the relative improvement in this sector, including increasing domestic demand and investment (both public and private), improved income and the launch of several housing loan schemes.

There is no reliable information on the size and activities of the informal sector in Iraq. However, there is enough evidence that Iraq's informal economy expanded considerably since 2003. The biggest increases have been in the areas of small-scale urban services with smaller increases in agriculture and various small scale industries. A safe estimate of the size of the informal economy (as of 2006) is around 65 percent of GDP compared to 35% in 2000 although this may be a bit conservative. Approximately 68% of the labor force is engaged in informal activity, on the assumption that many workers listed as unemployed use the informal economy as a coping strategy until formal sector jobs appear[29]. The ILO's MSME survey conducted in 2012 concluded that most microenterprises operate informally.

3. Private Sector Development in National Development Plans

National Development Strategies 2005 - 2007 and 2007 - 2010 considered the revitalization of the private sector one of the four major pillars that dominate the strategic directions in reconstruction and development, and that creating a friendly investment climate to domestic and foreign businesses, small and large and in agriculture, manufacturing and services is a top priority. National Development Strategies 2005 - 2007 and 2007 - 2010 certain requirements to achieve these objectives, including streamlining and simplifying doing business procedures, reforming laws and regulations, corporatization of state - owned enterprises, restructuring state - owned commercial banks, providing soft financing, particularly microfinancing and SME financing schemes, rehabilitating infrastructure, and integrating domestic market with regional and global markets.

28 Source, Central Statistical Organization - Ministry of Planning and the National Development Plan 2010-2014.

29 Robert Looney, 2005, Iraq›s Shadow Economy. International Review of Economics and Business, Vol. LII, No. 4, December 2005, pp. 561-580 and Robert Looney, 2006, Economic Consequences of Conflict: The Rise of Iraq's Informal Economy, Journal of Economic Issues, Vol. XL, No. 4, December 2006, 17 p.

Enhancing the role of the domestic and foreign private sector, whether in size of investment or employment opportunities, with the objective of financing development, has been one of the major general objectives of the National Development Plan 2010 - 2014, which attempted to achieve this objective through:

- Creating An interactive, participatory, and competitive private sector that supports sustainable growth;
- Achieving partnership between the private and public sectors
- Promoting an environment that encourages investment
- Expanding and diversifying the activities that the private sector invests in.

The NDP 2010 - 2014 estimated that private investment will constitute 46% of the total expected investment (ID 100 trillion out of ID 218 trillion).

The NDP 2013 - 2017 comprised detailed analysis of the status of private sector and an evaluation of what have been achieved of the objectives of the NDP 2010 - 2014. NDP 2013 - 2017 reckoned that:

- The role of the private sector in overall economic development is still modest and non-strategic as indicated by the substantial deviation in private sector contribution to fixed capital formation planned to be ID 24.8 trillion in 2011 while the actual didn't exceed ID 1.6 trillion, a -92% deviation.
- The private sector investment policy characterized by inflexibility, lacked diversification and continued to adopt conventional patterns, particularly the labor intensive / low capital modality.
- The private sector had limited role in employment due to the unfavorable business environment and low pay.
- Refrainment of the private sector from participating in environmental activities and from contributing to sustainable development.

The NDP 2013 - 2017 set the national vision to the private sector as "An active, competitive and competent partner" and confirmed the endeavor to accomplish the following objectives:

1. Increasing the rate of private sector contribution to the GDP;
2. Achieving an effective and sustainable partnership between the public sector and the private sector;
3. Increasing job creation with the private sector.

The NDP 2013 - 2017 had a more realistic estimation of 21% to private investment out of the total expected investment (ID 88 trillion out of a total of ID 417 trillion).

4. The Business Environment in Iraq

The World Bank's Doing Business Report is elaborated by the World Bank Group every year since 2004 and aims at measuring the costs to firms of business regulations in 180-183 countries. The report became one of the flagship knowledge products of the World Bank Group in the field of private sector development, and is claimed to have motivated the design of several regulatory reforms in developing countries. The report presents a detailed analysis of costs, requirements and procedures a specific type of private firm is subject in all countries, and then, creates rankings for every country.

Listing of Iraq on Doing Business Report started in 2007. Since then, Iraq has been resting at the bottom (Table - 2). The 10 parameters used in "Doing Business 2014 Report" and Iraq rankings are indicated in Table - 3.

In the "Doing Business 2014: Understanding Regulations for Small and Medium-Size Enterprises" that came out on 29 October 2013, Iraq ranked 151, an remarkable improvement. This improvement is due to the shortening of the time it took to complete key practices from the previous year.

- Iraq went up from 176 to 169 in starting a business because the procedures required to complete this task have been simplified, leading to a dramatic decrease in the time necessary for registration from 77 days in 2012 to just 29 in 2013.
- The number of procedures required to issue construction permits also went down from 13 to 10 resulting in a drop of time necessary for dealing with construction permits from 187 to 139.
- For other categories, Iraq's ranking improved as well. Getting electricity improved from 46 to 39, but the no. of procedures, 5, and time, 47 days, did not change. In addition, registering property comprised 5 procedures and consumed 51 days.
- However, Iraq's ranking for credit facilitation slipped from 174 in 2012 to 180, while that for the legal rights stayed at 3 out of 10. This is mainly because Iraq's banks, whether state - owned and private, seldom provide loans.
- Iraq scored the worst in protecting investors, trade, enforcing contracts, and resolving insolvency. Doing Business Report 2014 indicates that the procedure for importing or export goods took over 80 days, enforcing a contract took 520 days and that Iraq has no procedure to deal with bankrupt businesses.

Table - 2. Ranking of Iraq on the World Bank's "Doing Business Report" 2007 - 2014.

Year	Ranking (of 180-183 countries)	Change
2007	140	
2008	141	
2009	146	
2010	150	
2011	166	
2012	164	
2013	165	
2014	151	

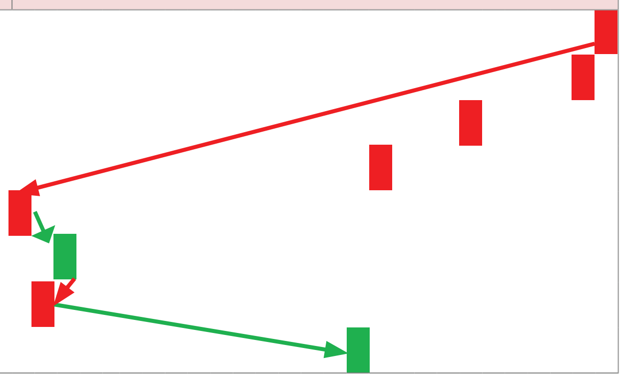

Table - 3. Breakdown the Parameters Used in Doing Business Report 2014 and Iraq's Rankings

Iraq		Middle East and North Africa		GNI per Capita (US$)	5,870
Ease of Doing Business (rank)	151	Upper Middle Income		Population (million)	32.6
Starting a Business (rank)	169	Registering Property (rank)	108	Trading Across Borders (rank)	179
Procedures (number)	10	Procedures (number)	5	Documents to export (number)	10
Time (days)	29	Time (days)	51	Time to export (days)	80
Cost (% of income per capita)	39.3	Cost (% of property value)	8.2	Cost to export (US$ per container)	3,550
Minimum capital (% of income per capita)	13.1			Documents to import (number)	10
		Getting Credit (rank)	180	Time to import (days)	82
Dealing with Construction pPermits (rank)	20	Strength of legal rights index (0–10)	3	Cost to import (US$ per container)	3,650
Procedures (number)	10	Depth of credit information index (0–6)	0		
Time (days)	139	Public registry coverage (% of adults)	0.0	Enforcing Contracts (rank)	142
Cost (% of income per capita)	17.2	Private bureau coverage (% of adults)	0.0	Procedures (number)	51
				Time (days)	520
Getting Electricity (rank)	39	Protecting Investors (rank)	128	Cost (% of claim)	28.1
Procedures (number)	5	Extent of disclosure index (0–10)	4		
Time (days)	47	Extent of director liability index (0–10)	5	Resolving Insolvency (rank)	189
Cost (% of income per capita)	238.1	Ease of shareholder suits index (0–10)	4	Time (years)	NP
		Strength of investor protection index (0–10)	4.3	Cost (% of estate)	NP
				Recovery rate (cents on the dollar)	0.0
		Paying Taxes (rank)	63		
		Payments (number per year)	13		
		Time (hours per year)	312		
		Total tax rate (% of profit)	27.8		

5. Opportunities for Private Sector Development

While difficult to quantify the actual development potential of the private sector, various surveys, studies and researches suggest that concrete opportunities exist for the private sector to develop, contribute to economic growth and employment. These opportunities include, in particular:

- Substantially qualified and underutilized human and huge natural resources.
- Increasingly growing demand of internal markets for goods and services in several sectors.
- An oil industry that constitutes a tremendous opportunity for the private sector to serve both on the upstream and downstream production.
- Great potential and need for innovation by enhancing competition in the domestic market through quality certification, ICT use, introduction modern technologies and, in general, new and inclusive business models.
- Apparent high dynamism in the creation of SMEs since 2007, an indicator of nascent economic recovery.
- The enormous public procurement made by the GoI and the large FDIs and IOCs.

6. Private Sector Institutions and Associations

Iraq's private sector has 3 institutions established by law:

1. Federation of Iraqi Chambers of Commerce, established by Law No. 43 (1989), having branches in all governorates and a membership of over one million.
2. Iraqi Federation of Industries, established by Law No. 34 (2002) and have 36,000 members[30].
3. Iraqi Contractors Union, established by Law No. 59 (1984) (Amended).

Nevertheless, several private sector associations have been established after 2003 on basis of individual or group initiatives, all having the status of civil society organizations[31].

An evaluation of the main private sector institutions and associations conducted by UNIDO in the period 2011-2012[32] revealed:

- the lack of commonly shared strategies and weak inter-coordination;
- weak internal governance and financial structure;
- focus only on advocacy and weak service delivery;
- weak representation of some growing sectors (e.g. mining, chemicals, energy, environment etc.);

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30 This number appeared on the website of the Iraqi Federation of Industries. However, the internal records indicate that the actual membership is 44,518.

31 These include, but not limited to, Iraqi National Business Council, Iraqi Businessmen Association, Iraqi Private Banks League, Iraqi Industrial Gathering, International Businessmen Union, Businesswomen without Borders, Union of Iraqi Importers and Exporters, Iraqi Industrialists and Traders Union, etc. c.

32 UNIDO PSDPI Output Consolidation project, August 2012; surveyed associations: Iraqi Federation of Industries; Iraqi Businessmen Union; Federation of Iraqi Chambers of Commerce; Iraqi Institute of Economic Reform; Directorate Geberal of Industrial Development, MoIM; Iraqi Engineers Syndicate; Iraqi Private Banks League; Iraqi Contractors Union; Market Research and Consumer Protection Centre,Baghdad University; The Modern Agriculture Development Centre.

- suboptimal involvement in national economic reform and private sector development initiatives;
- absence of key services such as business incubators and technology parks/centers and export support facilities at local and national levels. Management training, feasibility studies, etc. are only offered at national level and with limited scope;
- weak adaptation and utilization of ICT facilities; and
- severe sustainability problems causing resulting in several institutions competing with each other to secure memberships and financing.
- that most of these institutions and associations receive direct or indirect support from the Government, thereby losing credibility and independence.

7. The UN Global Compact Local Network

UNDP Iraq launched this initiative in October 2011 in partnership with the GoI (in particular CoMSec and then PMAC). The UNGC Local Network aims at promoting a socially and environmentally responsible private sector, in alignment with global standards of sustainable and inclusive businesses[33].

With an initial small number of Iraqi companies who joined the UNGC by committing to integrate in their business operations the 10 principles of the UNGC.

Since its establishment, the UNGC Local Network grew in size and visibility to become an increasingly recognized platform for Iraqi companies committed to raise their standards and contribute to the economic, social and human development of the country, as a partner of the GoI. The UNGC Local Network includes to date about 90 organizations representing private companies, business associations and NGOs from different parts of Iraq and diversified in terms of size and sector.

8. The Private Sector Development Center

Established as an NGO with the support of the World Bank in 2011, the Private Sector Development Center (PSDC) is a partnership between private sector representative organizations aimed at identifying key barriers to doing business in Iraq and working with the Government to resolve these barriers.

As a joint private sector body focused on reform, it promotes an inclusive and competitive Iraqi private sector through trust building and public-private dialogue, advocating for economic reform and market oriented activities and contributing to business development, investment, economic growth and entrepreneurship.

Besides following up major international funded programmes and participating to major reform related events, the Private Sector Development Center:

- Cooperates, in the area of Women Economic Empowerment, with the Chamber Trade Sweden in Iraq, UN Women and is in the process of launching a dedicated magazine (Nina).
- Established working groups to review the draft Labor law and Social Security Law
- Cooperates with the Ministry of Planning on the review of the on Contractors Classification Criteria.

33 The UN Global Compact (UNGC), the largest global CSR initiative, was launched in 1999 by UN Secretary General as a strategic policy initiative for businesses that are committed to align their operations and strategies with 10 universally accepted principles in the areas of: a) human rights, b) labor, c) environment, and d) anti-corruption.

Annex - 2

Main Private Sector Development Related Programmes

1. UNCT

The Private Sector Development Programme for Iraq (PSDP-I), 2009-2012

The PSDP-I implemented by UN Agencies[34] in cooperation with the Task Force of Economic Reforms intervened at both upstream and downstream levels; in particular and among other:

- Assessment, drafting and proposals for revised laws, regulations and amendments of in 12 core areas (basic legal framework, commercial regime, investment regime, public procurement, economic reform, public-private partnership, arbitration and reconciliation, labor code, agricultural regime, land regime, taxation and customs, banking).
- Restructuring of State Owned Enterprises (SOEs): surveys and overall assessments, policy work, guidelines for implementation and institutional set ups and pilot interventions
- Economic sectors' review and Investment mapping
- Industry: coaching & training support to the formulation of Iraq's Industrial Strategy
- SME development: SME surveys (in three selected governorates), preliminary policy and legislative work
- Guidelines for a PSD Strategy
- Preliminary strategies for the non-oil mineral and solar energy sectors.

2. UNDP

Under the PSDP-I, UNDP conducted the Socio-Economic Infrastructure Needs Assessment for Kurdistan Region (SEINA), co-financed by KRG. SEINA covered all hard infrastructure (electricity, water sanitation and environment, transport, agriculture and irrigation, industry, electricity and social housing) and some soft infrastructure (health, education, vocational and technical education, tourism, urban planning and social housing) components in Kurdistan Region and had the following objectives:

- Execute a rapid and broad-based Socio-Economic Infrastructure Needs Assessment (SEINA) of specific sectors;
- Recommend the priority investments and policy changes that are needed to address present gaps and constraints and to meet future requirements in line with the KRG Vision 2020 to support economic expansion, social development, and sustainable delivery of services that meet the highest quality standards; and
- Identify opportunities for attracting private, foreign, and domestic capital to the leading productive sectors of agriculture, industry and tourism.

In all of these infrastructure sectors, SEINA focused on private sector situation, development needs and investment opportunities.

34 UNDP, UNIDO, ILO, UNOPS, UNHABITAT, FAO, UNIFEM/UNWOMWEN.

3. UNIDO

Enhancing Investments to Iraq through Industrial Zone Development

Key activities / achievements include:

- Improving institutional, policy and regulatory environment for industrial zone development;
- Enhancing capacities of Iraqi stakeholders to plan, finance and manage industrial zones;
- Ensuring appropriate financing and management arrangements for the immediate development of industrial zones in two selected locations;
- Conducting mapping and analysis of existing industrial zones in four governorates, particularly in terms of regulatory and management arrangements adopted and services provided to hosted companies;
- Analyzing the legal and regulatory regime affecting different aspects of the establishment and management of industrial zones and providing advisory services to the GoI for elaborating an industrial zone-specific regulatory and institutional framework;
- Supporting the creation of an inter-ministerial Industrial Zone Committee to coordinate efforts towards the development and operation of industrial zones;
- Drafting a road map for the development of industrial zones, encompassing legal and regulatory aspects and outlining zone development and management options in line with international best practices;
- Conducting a SWOT analysis, an industrial survey and an assessment of the private sector needs in two preselected governorates (Al Basra and Al Najaf); and
- Preparation of a feasibility study for the establishment of an industrial zone in two selected locations in Al Basra and Al Najaf Governorates.

SME Development Programme - Establishing a Network of Enterprise Development Centers (EDCs)

Key activities / achievements include:

- Establishing 4 EDCs in Baghdad, Erbil, Dhi Qar and Al Basra Governorates, providing a wide range of services that included business management training (eLearning), and counseling to entrepreneurs, preparation of business plans and feasibility studies (UNIDO COMFAR model), financial counseling and investment promotion support, particularly Supplier Partnership eXchange (SPX) and international partnership support. These EDCs provided support to around 600 SME projects;
- Facilitating, since 2010, more than 1000 B2B initiatives between Iraqi SMEs and foreign SMEs;
- Supporting at least 37 documented international business partnership and/or RFQ for an estimated value of over US$21 million; and
- Data-basing and business matchmaking using advance IT solutions (SPX-MIS)

Enhancement of Trade Capacities and Performance - Upgrade of the National Quality System (the Legal Framework and Infrastructure for Standards, Accreditation, Metrology, and Conformity Assessment)

Key activities / achievements include:

- Drafting national quality management policy and strategic action plan;
- Strengthening Central Organization for Standardization and Quality Control's capacity in the implementation of the national quality system, including the provision of conformity assessment services (i.e. testing, certification, inspection);
- Establishing an independent, internationally recognized, national accreditation body;
- Accrediting up to 5 testing / calibration laboratories, one certification body and one inspection body (from COSQC where possible) as pilot project for the National Accreditation Body;
- Drafting the national trade policy framework to foster progress in the WTO accession process; and
- Developing capacity of the private sector to identify and articulate interests in relation to trade and WTO negotiations.

Support to the Iraqi Federation of Industries (under preparation)

The objective of this assistance will be to improve IFI's capacities to provide services to the Iraqi private sector, through interventions in four main areas:

- Strategy and governance;
- Database development and management;
- Provision of business support services;
- Partnership and investment promotion services).

4. The World Bank

Formulation of the Governance Action Plan of the GoI (in cooperation with UNDP)

The GAP aims to collate and consolidate governance interventions across the GoI with the ultimate purpose of coordinating, tracking, performance monitoring and evaluating and prioritizing resources. The Governance Action Plan is based on:

- Transparency, that ensures availability of information to the public and clarity of government rules, regulations, and decisions. This is the foundation upon which both accountability and participation are built;
- Accountability, that obliges power - holders to account for or take responsibility for their actions (including financial management); and
- Participation, where citizens (stakeholders) participate and influence decisions, policies, budgets and government activities that affect them; main focus areas include legislation and regulations fostering private sector development and SOEs reform and PPP.

The Private Sector Development Center[35]

Support to the establishment of the Private Sector Development Center (PSDC) as a partnership among Private Sector representative organizations aiming at:

- identifying key barriers to doing business in Iraq and working with the GoI to resolve these barriers
- working with the GoI to resolve these barriers
- contributing to business development, investment, economic growth and entrepreneurship.

Business Planning and Public Private Partnerships

Key activities / achievements include:

- Providing support to three 'pilot' SOEs: the State Company for Drug Industries (SDI), the State Company for Mechanical Industries (SCMI) and Al Mansour State Contracting Company;
- Developing practical business plans, focusing business operations on core activities and markets and structural reforms within these SOEs, aiming also at attracting potential long-term joint ventures with successful private companies;
- Preparing "off take" arrangements for excess employees;
- Supporting the establishment of joint venture between the State Company for Drug Industries and Jordan's Munir Sukhtian Pharmaceutical Group; and
- Setting new business model for Al Mansour State Contracting Co. that focuses on the construction of low income and affordable housing and based on a PPP joint venture.

Corporatization of SOEs and Asset Valuation

- Supporting, in 2012, the creation of the Asset Valuation Unit within the Ministry of Finance as contribution to SOEs corporatization processes to oversee and coordinating SOE asset inventories, developing and disseminating standard templates and managing central repository of asset data.

Regulatory Reform

- Establishing high level Regulatory Reform Units (RRUs) to supporting the CoM in assessing the impacts of proposed legislations / regulations; and
- Developing capacity and providing technical assistance to established RRUs on Regulatory Impact Analysis (RIA), Cost-Benefit Analysis and related tools to ensure the effectiveness of these reviews and reforms.

35 See also Annex 2.

5. International Finance Corporation (IFC)

- Support to the Ministry of Electricity for improving internal governance processes for managing and launching IPP/PPPs.
- US$300 million total investments (2008-2013) supporting private sector and leverage regional investments in the cement (Lafarge), banking, telecommunication (Zain, US$155 million), logistics and warehousing (Gulftainer co., US$45 million), hotel and financial (US$ 45 million) sectors.

6. USAID

Tijara Provincial Economic Growth Programme

Key activities / achievements include:

- Microfinancing;
- SME lending and guarantee schemes;
- Network of Business development services;
- Business enabling environment and investment promotion;
- Youth entrepreneurship; and
- WTO accession assistance and normalization of international trade.

Tarabot Project

Key activities / achievements covered 3 components:

- Civil Service Reform;
- National Policy Management; and
- Administrative Decentralization.

Tarabot aimed at reducing the regulatory burden in core economic areas, creating a National Human Resources Management Information System, strengthening governance, youth entrepreneurship and sustainability as well as the proposed National Center of Government Excellence.

7. Iraq Middle Market Development Foundation (IMMDF)

IMMDF offered multiple types of lending products to Iraqi private enterprises:

- Middle Market Enterprise (MME) Loan
- MME loan product ranges from US$500,000 to US$5,000,000. The loans have been used for the purchase of equipment and/or working capital with a maximum maturity of 5 years.
- Small and Medium Enterprise (SME) Loan
- SME loan product ranges from US$35,000 to US$500,000. The loan proceeds have been used to purchase equipment and/or working capital with a maximum maturity of 5 years.

- Agribusiness Loan
- The agribusiness loan product ranges from US$35,000 to US$2,000,000. The loans have been exclusively used to purchase equipment and/or working capital specifically related to agricultural production.

8. Japan International Cooperation Agency (JICA)

JICA is currently providing infrastructure development loans (electricity, water supply, transportation, oil export facilities and downstream industries, etc.) and the associated capacity development and training assistance for project cycle management (planning, procurement, implementation, financial management and monitoring and evaluation), standardization of GoI's legal and regulatory frameworks and management practices. The ultimate purpose is enhancing foreign direct investment as well as GoI's Federal Budget execution.

9. UNHCR – UNHABITAT

Facilitating Private Sector Investment in Durable Solutions in Iraq

This new joint project focuses on

- Assessment and creation of opportunities to attract private investment in the housing sector in such a way as to benefit vulnerable IDP or returnee communities; and
- Achievement of durable solutions using housing construction as a catalyst.

Annex - 3

Activity Profiles

List of Activities

#		Activity
Pillar I: Understanding the Private Sector		
1.	1.	Surveying the formal and informal private sector in the governorates
1.	2.	Developing modern information systems for the Government and private sector stakeholders
1.	3.	Developing capacity in the Government and the private sector stakeholders for utilizing information, planning, tracking progress and reporting
1.	4.	Developing a network of business registration centers and validate data
Pillar II: Improving the Business Environment		
2.	2.	Revise, simplify and issue new laws in the regulatory framework governing the private sector, with a view to reducing red tape
2.	3.	Revise procedures and rules for improved access to finance for the private sector
2.	4.	Develop and propose new policies and strategic plans targeting the priority sectors that support private business engagement
2.	5.	Introduce incentives for new investments, innovation and increasing the registration of businesses
2.	6.	Strengthen quality control management, quality assurance and certification systems
2.	7.	Fortify the private sector institutions and associations and the coverage of services to their membership
Pillar III: The SME Programme		
3.	1.	Provision of counseling, advisory, business planning, training and networking services to SMEs
3.	2.	Establishment of a Fund to provide seed capital soft loans and loan guarantees for businesses to establish new enterprises, increase competitiveness; and to promote entrepreneurship and innovation
3.	3.	Establishment of a special programme to create business opportunities for the private sector, including SMEs, with SOEs and large companies
3.	4.	Development of Industrial Zones, Business Incubators, Business Development Centers and similar initiatives
3.	5.	Establishment of a dedicated gender unit to foster gender awareness and gender inclusion in PSD and increase job opportunities for women in the private sector
3.	6.	Launch of a Public Awareness Campaign
Pillar IV: The Implementation Pillar		
4.	1.	Establishment of an overall management and control system for the PSDS
4.	2.	Establishment of a PRIU to organize and supervise the actions in all Pillars
4.	3.	Establishment of a national SME Agency
4,	4.	Establishment of an independent M&E system

Introduction

1. Annex - 3 comprises 21 Activity Profiles that constitute the general outline of the detailed action plans of the PSDS in Phase One 2014 - 2030. These Activity Profilers are distributed as follows:
    - Pillar I: 4 activities
    - Pillar II: 7 activities
    - Pillar III: 6 activities
    - Pillar IV: 4 activities
2. These Activity Profiles have been prepared according to the latest available information and estimates. Consequently, detailed action plan might include revisions to the components and estimates according to the latest developments.
3. The PRIU and the competent ministries will prepare the detailed action plans in accordance with the Activity Profile. The PSDC, when established, will oversee the preparation and integration of these detailed action plans.
4. In the Transitional Period, and until the PSDC is established, the TFER, the PRIU and the competent ministries will prepare detailed action plan for the activities of the Transitional Period specified in Section 5.10. and Table - 4 in close coordination with private sector institutions and associations and will ensure CoM endorsement and the required budgetary allocations in the timeframe set for each of these activities in Table - 4.
5. The start line for the implementation of the activities of the Transitional Period will be the date of CoM endorsement of the PSDS. Other activities will have the start lines indicated in Table - 2. However, most of these activities are expected to commence in April 2014.

Pillar I: UNDERSTANDING THE PRIVATE SECTOR				
Activity Profiles Nos. I-1 and I-2				
1.	**Activity Titles**			• Surveying the formal and informal private sector in the governorates • Developing modern information systems for the Government and private sector stakeholders and validating all data from surveys and other sources
2.	**Coordinating Entity**			PSDC / PRIU
3.	**Implementing Entity**			PRIU in collaboration with MoP, MoIM, MoT local governments and private sector institutions and associations
4.	**Oversight Entity**			PSDC
5.	**Related Activities**			
5.	**1.**	COS Surveys and Statistics		
5.	**2.**	ICA (World Bank)		
5.	**3.**	ILO SMEs Survey		
5.	**4.**	Outcomes of Activities II-1 to II-5		
5.	**5.**	Information and statistics available with TFER, ministries, local governments and private sector institutions and associations		
6.	**Brief Description**			
6.	**1.**	Objective		To make available to the Government and private sector, accurate information on the formal and informal private sector, for strategic planning and decision making purposes
6.	**2.**	Beneficiaries		Government, local governments, private sector stakeholders and investors
6.	**3.**	Phase 1 Target		All governorates
6.	**4.**	Scope of Work		
6.	**4.**	**1.**	Preparation and Planning	• Review of previous surveys and available databases and statistics; • Conduct gap and needs analysis for data, information and IT systems; • Define the businesses' census, field survey and updating methodologies as well as the outreach plan (including the preparation of tailored questionnaires); • Design the information system (database); • Set-up the implementation arrangements and plan. • Launching a first public awareness and communication campaign
6.	**4.**	**2.**	Implementation	• Procurement of hardware and software • Launch of business census and field surveys • Data filing, processing and uploading into the database • Data analysis, presentation and administration
7.	**Expected Outputs**			Surveys completed and databases established in all governorates for access to the Government and private sector stakeholders
8.	**Roles and Responsibilities**			
8.	**1.**	Central and Local Governments		• Management arrangements and coordination; • Mobilization of human and financial resources; • Visibility and outreach campaign.

8.	**2.**	Private Sector Stakeholders	• Identification of leader /administrator; • Providing access to information, updates, circulation of questionnaires and responses; • Building awareness of private businesses; • Mobilization of internal resources and staff.
9.	**International Support**		Required
10.	**Time Frame**		
10.	**1.**	Total duration	45 months
10.	**2.**	Overall planning and preparation	months 0 - 6
10.	**3.**	Procurement of external services	months 3 - 6
10.	**4.**	Setting - up the institutional and contractual arrangements	months 3 - 6
10.	**5.**	Conducting reviews, surveys and data filing	months 9 - 42
10.	**6.**	Data processing, analysis, presentation and administration	months 24 - 45
10.	**7.**	Completion and plan for Phase 2 surveys	months 24 - 45
11.	**Indicative Budget**		
	Item		**Cost (million ID)**
11.	**1.**	Procurement Equipment	500
11.	**2.**	Procurement of Technical Consulting Services	2,000
11.	**3.**	Operating and maintenance costs	1,500
11.	**4.**	Training, Conferences, Workshops, etc.	500
11.	**5.**	Travel, Communication, Publications	500
Total			**5,000**

Pillar I: UNDERSTANDING THE PRIVATE SECTOR				
Activity Profile No. I-3				
1.	**Activity Title**			Developing the capacity of the Government and private sector stakeholders for utilizing information, planning, tracking progress and reporting;
2.	**Coordinating Entity**			PRIU
3.	**Implementing Entity**			PRIU, MoP, local Governments, private sector institutions and associations and international development partners
4.	**Oversight Entity**			PSDC
5.	**Related Activities**			
5.	**1.**	UNIDO Assistance to Iraqi Federation of Industries (under preparation)		
5.	**2.**	Activities II-3, II-6		
6.		**Brief Description**		
6.	**1.**	Objective (specific)		To efficiently manage and/or contribute to the implementation of the activities under Pillar II and Pillar III
6.	**2.**	Beneficiaries		Private sector institutions and associations, MoP and relevant ministries
6.	**3.**	Phase 1 Target		Private sector institutions and associations, MoP and relevant ministries
6.	**4.**	Scope of Work		
6.	**4.**	**1.**	Preparation and Planning	• Capacity development / training needs assessment • Consultations • Design and organization of capacity development programmes • Selection of topics and case studies • Organization of capacity development groups
6.	**4.**	**2.**	Training	• Formulation of strategies, plans and reports • Technical and economic feasibility studies • Planning and budgeting • Project cycle management • Utilization and processing of data • Financial analysis and reporting • Working with indicators • Monitoring and evaluation • Case studies

7.	**Expected Outputs**		Plans, policies, strategies, reports and feasibility studies under Pillar II and Pillar III	
8.	**Roles and Responsibilities**			
8.	**1.**	Central and Local Governments	• Arrangement and coordination with PRIU and private sector institutions and associations • Selection of trainer • Selection of trainees • Mobilization financial resources • Provision of training venues and IT facilities	
8.	**2.**	Private Sector Stakeholders	• Identification of leader /administrator; • Selection of trainees • Mobilization of internal resources and staff.	
9.	**International Support**		Required	
10.	**Time Frame**			
10.	**1.**	Total duration	30 months	
10.	**2.**	Preparation and organization	months 0 - 6	
10.	**3.**	Training cycles	months 6 - 30	
10.	**4.**	Impact assessment	month 27 - 30	
11.	**Indicative Budget**			
	Item			**Cost (million ID)**
11.	**1.**	Procurement of equipment		100
11.	**2.**	Procurement of external services		600
11.	**3.**	Training, Conferences, Workshops, etc.		300
11.	**4.**	Travel, Communications, Publications		300
Total				**1,300**

Pillar I: UNDERSTANDING THE PRIVATE SECTOR				
Activity Profile No. I-4				
1.	**Activity Title**			Developing a network of local business registration centers.
2.	**Coordinating Entity**			PSDS / PRIU
3.	**Implementing Entity**			MoT / Department of Business Registration, local governments, Chambers of Commerce and other private sector institutions and associations
4.	**Oversight Entity**			PSDC/PRIU, MoT, local governments
5.	**Related Activities**			
5.	**1.**	Previous work in MoT (Tijara and UNDP)		
5.	**2.**	Activities I-1, I-2, I-3, II,4		
6.	**Brief Description**			
6.	**1.**	Objectives		Improving business registration in the Governorates
6.	**2.**	Beneficiaries		Formal and informal private sector
6.	**3.**	Phase 1 Target		All Governorates.
6.	**4.**	Scope of Work		
6.	**4.**	**1.**	Planning and Preparation	• Planning, design and prioritization • Allocation of human and financial resources • Issuing related instructions and setting work procedures • Capacity development • Public awareness and communication
6.	**4.**	**2.**	Implementation	• Opening and operationalization of local business registration centers • Training • Monitoring and evaluation
7.	**Expected Outputs**			Local Business Registration Centers established, interconnected with MoT›s Department of Business Registration and starting to operate in all 18 governorates
8.	**Roles and Responsibilities**			
8.	**1.**	MoT and Local Governments		• Arrangement and coordination with the PRIU and private sector institutions and associations • Mobilization of human and financial resources • Provision of management and administrative support • Provision of capacity development services • Provision of public awareness and communication support
8.	**2.**	Private Sector Stakeholders		• Provision of counseling services and public awareness and communication support
9.	**International Support**			Required

10.	**Time Frame**		
10.	**1.**	Total duration	42 months
10.	**2.**	Planning and Preparation	months 0 - 9
10.	**3.**	Implementation (phased)	months 9 - 42
10.	**4.**	Impact assessment	months 18 - 21 months 39 - 42
11.	**Indicative Budget**		
	Item		**Cost (million ID)**
11.	**1.**	Procurement of Equipment, Office Space and Office Facilities	1,000
11.	**2.**	Administration	1,000
11.	**3.**	Training	100
11.	**4.**	Operating costs	5,000
11.	**5.**	Travel, Communication, Publication	100
Total			**7,200**

Pillar II: IMPROVING THE BUSINESS ENVIRONMENT				
Activity Profile No. II-1				
1.	**Activity Title**			Revise, simplify and issue new laws in the regulatory framework governing the private sector, with a view to reducing red tape.
2.	**Coordinating Entity**			PSDC
3.	**Implementing Entity**			PRIU and TFER (ad interim) in cooperation with MoP, MoIM, MoT, MoA, MoLSA, National Investment Commission and private sector institutions and associations
4.	**Oversight Entity**			CoM
5.	**Related Activities**			
	1.	Assessment and drafting work carried out under the PSDP-I in cooperation with the TFER›s Working Group on Legislation and by other national and international organizations		
5.	**2.**	Establishment of Regulatory Reform Units (RRUs) to support the CoM in assessing the impacts of any proposed legislations/regulations (World Bank)		
5.	**3.**	Activities II - 2, IV - 2, IV - 3		
6.	**Brief Description**			
6.	**1.**	Objectives		To have in place streamlined policies, laws, regulations and procedures that foster private sector development
6.	**2.**	Beneficiaries		All public and private sector institutions by competence
6.	**3.**	Phase 1 Target		Laws of Federal Economic Reform, Investment, PPP, Land regime, Public Procurement, Banking, Custom, Labor, Companies, Public Companies, Competition, Consumer Protection, Trade, Arbitration, Taxation and Customs.
6.	**4.**	Scope of Work		
6.	**4.**	**1.**	Preparation and organization	• Establishment of joint Government[37] -private sector working group under the PSDC • Definition of priorities and setting the agenda • Review, revision and adoption of improved legislations and regulations • Conducting initial public awareness, outreach and dissemination
6.	**4.**	**2.**	Implementation	• Conducting consultations on specific issues and achieve consensus • Review and integration of pending drafts • Preparation of new draft laws and/or amendments • Harmonization of laws and regulations • Setting deadlines for submission to the Cabinet • Follow - up on the process of legislation and promulgation with the competent authorities of the Government • Continuing public awareness, outreach and dissemination

37 - Including also CoMSec, Local Governments, State Shura Council, banking sector.

7.	**Expected Outputs**		Priority laws and regulations enacted and enforced	
8.	**Roles and Responsibilities**			
8.	**1.**	Government	• Ensure close consultation and active participation of the private sector • Mobilization of specialized expertise • Organization of public awareness and dissemination events • Streamlining and accelerating the drafting, review, adoption and enforcement processes	
8.	**2.**	Private Sector Stakeholders	• Provision of coordinated opinions, recommendations and inputs • Contribution to public awareness and dissemination campaigns among private sector businesses	
9.	**International Support**		Required	
10.	**Time Frame**			
10.	**1.**	Total duration		48 months
10.	**2.**	Establishment of joint public-private consultation group and work agendas		months 4 - 9
10.	**3.**	Recruitment of national and international experts		months 4 - 9
10.	**4.**	Review, integration, drafting of laws and regulations		months 9 - 30
10.	**5.**	Adoption and enforcement		months 2 - 48
11.	**Indicative Budget**			
	Item			**Cost (million ID)**
11.	**1.**	Procurement of equipment		50
11.	**2.**	Procurement of external expertise		2,000
11.	**3.**	Consultations, Conferences, Workshops, etc.		500
11.	**4.**	Travel, Communication, Publications		500
Total				**3,050**

Pillar II: IMPROVING THE BUSINESS ENVIRONMENT				
Activity Profile No. II-2				
1.	**Activity Title**			Revise procedures and rules for improved access to finance for the private sector
2.	**Coordinating Entity**			PSDC
3.	**Implementing Entity**			MoF, PRIU, National SME Agency, private sector institutions and associations and international development actors (technical support only)
4.	**Oversight Entity**			CoM
5.	**Related Activities**			
5.	**1.**	Federal Budget allocations for SME development and the private sector in general		
5.	**2.**	Existing funds (the Industrial Bank, the Agricultural Bank, the Housing Fund, KRG revolving fund for SME development, IMMDF[38] and microfinance schemes)		
5.	**3.**	Previous and ongoing international funded assistance to the banking sector		
5.	**4.**	Activities I-1, II-I, II-3, II-4, II-6, III-2, IV-2, IV-3		
6.		**Brief Description**		
6.	**1.**	Objective		Improved access to finance for the private business through the establishment of a seed capital and guarantee fund
6.	**2.**	Beneficiaries		Private sector businesses
6.	**3.**	Phase 1 Target		MoF, CBI, commercial banks (both state-owned and private), the SME Agency and local governments
6.	**4.**	Scope of Work		
6.	**4.**	**1.**	Preparation of the policy and regulatory frameworks	• Consultations for definition of priority areas of intervention, instruments and criteria, including longer term maturity terms, adequate interest rate and guarantee system • Design of a partially decentralized seed capital and guarantee financial scheme to support the private sector at the central and local levels • Appointment of Interim Financing Scheme Manager[39] • Preparation and adoption of needed legislative and regulatory frameworks in consistency with Activities II-1 and III-2
6.	**4.**	**2.**	Capacity Development	• Training of Central and Local Governments, private sector institutions and commercial and sectoral banks on risk analysis, investment project financing, financial management, monitoring and evaluation and other relevant areas
7.	**Expected Outputs**			• Legal and regulatory framework and management plan for a seed and guarantee fund established and adopted for implementation under Activity III-2. • Adopted overall policy on access to finance for private businesses, particularly SMEs.

38 – Iraqi Middle Market Development Foundation (CHF).

39 - It is proposed that the PRIU, under the supervision of the PSDC, will initially manage the fund and transfer subsequently this function to the SME Agency, once established.

8.		**Roles and Responsibilities**		
8.	**1.**	Central and Local Governments	• Facilitation of consultative processes and achievement of consensus • Arrangements with private sector institutions and commercial and sectoral banks, both stare-owned and private • Adoption and enforcement of relevant policy legislative and regulatory frameworks • State budget allocations, also for interest subsidies	
8.	**2.**	Private Sector Stakeholders	• Provide coordinated opinions and inputs • Contribute to the definition of roles and competencies to be reflected in the relevant legislative and regulatory framework	
9.	**International Support**		Required	
10.	**Time Frame**			
10.	**1.**	Total duration		30 months
10.	**2.**	Joint Government - private sector (incl. banks) consultations		months 0 - 6
10.	**3.**	Recruitment of national and international experts		months 3 - 6
10.	**4.**	Policy formulation and adoption		months 6 - 9
10.	**5.**	Review, integration, drafting adoption and enforcement of legislative and regulatory framework		months 9 - 30
11.	**Indicative Budget**			
	Item			**Cost (million ID)**
11.	**1.**	Procurement of external expert services		1,000
11.	**2.**	Conferences, Workshops, Consultations, Training, etc.		300
11.	**3.**	Travel, Communications, Publications		100
Total				**1,400**

Pillar II: IMPROVING THE BUSINESS ENVIRONMENT				
Activity Profile No. II-3				
1.	**Activity Title**			Develop and propose new policies and strategic plans targeting the priority sectors that support private business engagement.
2.	**Coordinating Entity**			PSDC
3.	**Implementing Entity**			PRIU and private sector institutions and associations, in cooperation with relevant ministries, local governments and SME Agency
4.	**Oversight Entity**			CoM
5.	**Related Activities**			
5.	**1.**	I-1, I-2, I-3,II-6, IV-3, IV-4		
5.	**2.**	INES, the Industrial Strategy, other available sector policies and strategies		
6.	**Brief Description**			
6.	**1.**	Objectives		To have streamlined policies, strategies in place fostering private sector development
6.	**2.**	Beneficiaries		Central and local governments and all private sector
6.	**3.**	Phase 1 Target		Central Government, local governments and all private sector
6.	**4.**	Scope of Work		
6.	**4.**	**1.**	Preparation and Planning	• Organization, consultations and mobilization of stakeholders • Review and update of existing relevant policies, sector strategies and frameworks • Processing of social and economic data as surveyed under I-1 • Harmonization of criteria and structures of policies and strategies
6.	**4.**	**2.**	Implementation	• National, regional, local and international analyses; benchmarking analysis • Formulation of national and local social mitigation plans for excess SOE employees and creation of new jobs. • Formulation of policies and strategies in key economic target sectors
6.	**4.**	**3.**	Dissemination	• Consultations and dissemination events
7.	**Expected Outputs**			Policies and strategies prepared and adopted in priority areas and sectors (social mitigation and PSDS targeted economic sectors)
8.	**Roles and Responsibilities**			
8.	**1.**	Central and Local Governments		• Ensure coordination, consultations and active participation of relevant ministries and the private sector • Set arrangements with private sector institutions and associations for their direct contribution • Allocate resources for the required national and international expertise • Organize awareness dissemination events • Ensure adoption of policies and strategic plans

8.	**2.**	Private Sector Stakeholders	• Provide coordinated opinions, recommendations and inputs • Establishment of necessary central and provincial organizational framework for activity implementation and finalization of arrangements with the central and local governmental stakeholders	
9.		**International Support**	Required	
10.		**Time Frame**		
10.	**1.**	Total duration		27 months
10.	**2.**	Establishment of joint public-private consultation groups by sector		months 0 - 3
10.	**3.**	Recruitment of national and international experts		months 0 - 6
10.	**4.**	Collection, organization and review of available data, statistics, reports, policies and plans		months 3 - 9
10.	**5.**	Implementation (formulations, reviews, adoption)		months 6 - 27
11.	**Indicative Budget**			
	Item			**Cost (million ID)**
11.	**1.**	Procurement of equipment		100
11.	**2.**	Procurement of external services		5,000
11.	**3.**	Training, Conferences, Workshops, etc.		500
11.	**4.**	Travel, Communications, Publications		500
Total				**6,100**

Pillar II: IMPROVING THE BUSINESS ENVIRONMENT				
Activity Profile No. II-4				
1.	**Activity Title**			Introduce incentives for new investments, innovation and increasing the registration of businesses.
2.	**Coordinating Entity**			PSDC
3.	**Implementing Entity**			PRIU, MoF, MoIM, MoT, local governments, National SME Agency and private sector institutions and associations
4.	**Oversight Entity**			PSDC and local governments
5.	**Related Activities**			
5.	**1.**	Existing instruments under the Law of Investment No. 13 (2006), Law No. 2 (2009) Amending the Law of Investment No. 13 (2006) and CoM Regulation No. 7 (2010)		
5.	**2.**	Activities I-1, I-4, II-I, II-3, II-6, III-2, III-3, III-6		
5.	**3.**	Recent and ongoing work on tax system reform (USAID Economic Governance II Project)		
6.	**Brief Description**			
6.	**1.**	Objectives		To have incentives in place for increasing production and innovation, the registration of businesses, private investment and increased employment
6.	**2.**	Beneficiaries		Private businesses, particularly SMEs
6.	**3.**	Phase 1 Target		MoF, MoT, MoIM, local governments
6.	**4.**	Scope of Work		
6.	**4.**	**1.**	Policy and Regulatory Framework	• Consultations for definition of applicable incentives, priority areas, instruments, procedures, and eligibility criteria (re also III-2) • Formulation and adoption of specific policy framework, covering also II-2 • Preparation and adoption of required legal and regulatory framework in consistency with linked activities
6.	**4.**	**2.**	Awareness, Dissemination and Outreach	• Organization of dissemination events in all governorates in cooperation with private sector institutions and associations with the support of the business registration centers to be established
7.	**Expected Outputs**			• Regulatory framework and procedures established and enforced for financial and fiscal incentives • Gradual increase in informal businesses registration
8.	**Roles and Responsibilities**			
8.	**1.**	Central and Local Governments		• Facilitation of consultation process and achievement of consensus • Arrangements with private sector institutions and associations for joint dissemination events • Adoption and enforcement of relevant policy legislative and regulatory frameworks
8.	**2.**	Private Sector Stakeholders		• Provision of coordinated opinions and inputs • Organization of dissemination events in the governorates

9.	**International Support**	Required	
10.	**Time Frame**		
10.	**1.**	Total duration	21 months
10.	**2.**	Joint GoI - private consultations and reviews	months 0 - 3
10.	**3.**	Recruitment of national and international experts	months 0 - 6
10.	**4.**	Policy formulation and adoption	months 6 - 18
10.	**5.**	Review, integration, drafting, adoption and enforcement of relevant laws, regulations and manuals	months 6 - 21
10.	**6.**	Dissemination events	months 6 - 21
11.	**Indicative Budget (ID)**		
	Item		**Cost (million ID)**
11.	**1.**	Procurement of external expertise	300
11.	**2.**	Training, Conferences, Workshops, etc.	100
11.	**3.**	Communication, Consultation, Publication	100
Total			**500**[40]

40 - Complementary budget to that of activity II-2.

Pillar II: IMPROVING THE BUSINESS ENVIRONMENT				
Activity Profile No. II-5				
1.	**Activity Title**			Strengthen quality control management, quality assurance and certification systems
2.	**Coordinating Entity**			PSDC
3.	**Implementing Entity**			MoP / Central Organization for Standardization and Quality Control, MoT, MoIM, PRIU (technical advice), private sector institutions and associations and international development actors (technical support only)
4.	**Oversight Entity**			CoM, PSDC
5.	**Related Activities**			
5.	**1.**	UNIDO (SIDA funded) regional programme on quality infrastructure upgrading (legal framework and infrastructures)		
5.	**2.**	Activities II-1, II-6, III-1, III-2		
6.	**Brief Description**			
6.	1.	Objectives		• Improving national quality management and certification systems. • Improvement of trade capacity and performance in Iraq, fostering integration into the regional and multilateral trading system • Upgrading the national quality system (i.e. legal framework and infrastructure for standards, accreditation, metrology, and conformity assessment)
6.	**2.**	Beneficiaries		MoP (COSQC), MoT, MoIM, all private sector
6.	**3.**	Phase 1 Target		MoP (COSQC), MoT, MoIM, all private sector
6.	**4.**	Scope of Work		
6.	**4.**	**1.**	Policy and Regulatory Framework	• Adoption of relevant national policy and legislation framework, in line with the national quality management goals • Ensuring consensus and commitment among all concerned stakeholders, including ministries, regulatory authorities, academia, private sector institutions, standardization / accreditation bodies, governmental and private inspection bodies, certification bodies, metrology institutions and consumer associations
6.	**4.**	**2.**	Implementation[41]	• Supporting the private sector in certification processes and procedures • Upgrading the quality infrastructure of the GoI
6.	**4.**	**3.**	Awareness Dissemination and Outreach	• Preparation of dissemination and outreach plan • Organization of at least one event in each governorate • Publication of guidelines and manuals

41 - Training is already covered by UNIDO programme

7.	**Expected Outputs**		• National quality control and quality assurance policy prepared and enforced, quality control, quality assurance and certification system established / upgraded • Enhanced national trade policy framework fostering progress in the WTO accession process • Improved imports' quality control and inspection	
8.	**Roles and Responsibilities**			
8.	**1.**	Central and Local Governments	• Implement support measures to enhance the impact of UNIDO project and ensure future sustainability in terms of national quality policy, relevant legislation and application of standards • Allocate resources for the required sub-activities[42]	
8.	**2.**	Private Sector Stakeholders	• Disseminate and apply quality standards, norms and procedures, as well as certification • Cooperate with Governmental stakeholders in the organization of events	
9.	**International Support**		Required	
10.	**Time Frame**			
10.	**1.**	Total duration		42 months
10.	**2.**	Recruitment of national and international experts		months 0 - 6
10.	**3.**	Review, revision, adoption and enforcement of relevant national policy and legislation		months 6- 15
10.	**4.**	Quality infrastructures upgrading		months 12 - 42
10.	**5.**	Support to quality certifications		months 12 - 42
10.	**6.**	Preparation of guidelines and manuals		months 15 - 36
10.	**7.**	Awareness, dissemination and communication		months 12 - 42
11.	**Indicative Budget (ID)**			
	Item			**Cost (million ID)**
11.	**1.**	Procurement Equipment		10,000
11.	**2.**	Procurement of external services		5,000
11.	**3.**	Training, Conferences, Workshops, Publications etc.		1,500
Total				**16,500**

42 - Certifications for SMEs will be funded under Activity III-2 (seed capital fund).

Pillar II: IMPROVING THE BUSINESS ENVIRONMENT				
Activity Profile No. II-6				
1.	**Activity Title**			Fortify the private sector institutions and associations and the coverage of services to their membership
2.	**Coordinating Entity**			PSDC
3.	**Implementing Entity**			PRIU in collaboration with private sector institutions and associations
4.	**Oversight Entity**			PSDC
5.	**Related Activities**			
5.	**1.**			All Activities of the PSDS
5.	**2.**			UNIDO support to the Iraqi Federation of Industries (under preparation)
5.	**3.**			UNIDO assessment of private sector institutions and associations (PSDP-I)
5.	**4.**			Private Sector Development Center (supported by the World Bank)
5.	**5.**			UN Global Compact (UNGC) Local Network
6.	**Brief Description**			
6.	**1.**	Objectives		To improve the quality of services provided by private sector institutions and associations to businesses
6.	**2.**	Beneficiaries		All key private sector institutions and associations
6.	**3.**	Phase 1 Target		All key private sector institutions and associations
6.	**4.**	Scope of Work		
6.	**4.**	**1.**	Overall Assessment and Review	• Mission and services • Representation and membership outreach • Organization and competencies • Legal and regulatory framework and by-laws • Self-sustainability • Advocacy and coordination with other institutions
6.	**4.**	**2.**	Review, Formulation, Adoption and Implementation of strategies and plans	• Reformulation of missions, objectives, roles, internal organization, by-laws and ensuring political independence • Harmonization and integration of functions and services among private sector institutions and associations • Advisory services to the private businesses to the implementation of the PSDS activities • Annual action plans and budgets • Human resources management and capacity development • Information management (in coordination with activities I-2 and I-3) • Sustainability, visibility and communication strategies and plans
6.	**4.**	**3.**	Capacity Development	• Recruitment and training of specialized staff • Advisory and counseling to private businesses in the framework of the PSDS • Publication and dissemination of specific guidelines • Advocacy • Study tours and international networking

7.	**Expected Outputs**		• Increased memberships, improved and expanded service delivery to businesses through implementing the activities under the PSDS-I and regular successful consultation meetings held with the Government in relevant PSDS target areas and activities • Adoption and implementation of jointly agreed strategies and plans • Establishment of a PS Institutions League as a the main coordination and voicing forum • Establishment and operation of PSDS public-private consultation groups • Successful implementation of PSDS activities, as envisaged • Gradual achievement of self-sustainability	
8.	**Roles and Responsibilities**			
8.	**1.**	Central and Local Governments	• Support the joint activities and regulatory revisions of the private sector institutions and associations • Support the formulation ad implementation of private sector institutions and associations strategies and plans • Allocate resources for these purposes	
8.	**2.**	Private Sector Stakeholders	• Establish dedicated structure for this activity and mobilize internal and external human resources for PSDS activities' implementation • Achieve consensus internally and with other private sector institutions and associations • Adopt and implement revised strategies and plans	
9.	**International Support**		Required	
10.	**Time Frame**			
10.	**1.**	Total duration		36 months
10.	**2.**	Overall assessment, programme design and preparation		months 0 - 6
10.	3	Review, formulation, adoption and implementation of strategies and plans		months 6 - 15
10.	4	Capacity Development		months 6 - 36
11.	**Indicative Budget (ID)**			
	Item			**Cost (million ID)**
11.	**1.**	Procurement of equipment		500
11.	**2.**	Procurement of external services		1,000
11.	**3.**	Training, Conferences, Workshops, etc.		1,000
11.	**4.**	Travel, Communications, Publications		1,000
Total				**3,500**

Pillar III: THE SME PROGRAMME				
Activity Profile No. III-1				
1.	**Activity Title**			Provide advisory, counseling, business planning, training and networking services to SMEs
2.	**Coordinating Entities**			PRIU
3.	**Implementing Entity**			PRIU, National SME Agency, MoP, private sector institutions and associations and international development actors (technical support only mostly for training)
4.	**Oversight Entities**			PSDC and local governments
5.	**Related Activities**			
5.	**1.**	Activities I-1, I-2, I-4, II-1, II-2, II-5, III-2, III-3, III-4, IV-3		
5.	**2.**	Ongoing industrial zones development programme		
5.	**3.**	Current Federal Budget allocations and support to SMEs		
5.	**4.**	Existing network of Business Development Centers		
6.	**Brief Description**			
6.	**1.**	Objectives		To improve SME productivity and competitiveness. To improve SMEs planning, financing and implementation of development programmes.
6.	**2.**	Beneficiaries		SMEs
6.	**3.**	Phase 1 Target		20% of registered businesses and 20% of surveyed informal businesses in all governorates
6.	**4.**	Scope of Work		
6.	**4.**	**1.**	Preparation and organization	• Initial arrangements for coordinated delivery of services • Establishment of mixed expert groups and guidelines by focus areas, as embryonic SME Agency system • Definition of mechanisms and procedures for request of services and service delivery, including also online and possible cost-sharing agreements • Survey review (I-1) and consultations with private sector institutions and associations for final definition of priority areas
6.	**4.**	**2.**	Capacity Development	• Training of Trainers • Training of counselors and advisors (as future specialized staff of the national SME Agency)
6.	**4.**	**4.**	Implementation	• Provision of counseling and advisory services through the PRIU and the private sector institutions and associations on financing application, planning and other development purposes • Accreditation system implemented for Iraqi SME development counselors and advisors • Dissemination events • Gradual transfer of competencies to SME Agency
7.	**Expected Outputs**			• Initial expertise of SME agency formed and the National SME Agency establishment process initiated (re activity IV-3) • 2 programme dissemination events in each governorate conducted • 10% - 20% of registered businesses and 10%-20% of surveyed informal businesses successfully assisted

8.	**Roles and Responsibilities**			
8.	**1.**	GoI and Local Governments	• Arrangement over awareness, dissemination, outreach and visibility • Support to accreditation system for SME counselors and advisors • Allocation of financial resources for recruitment of trainers and experts	
8.	**2.**	Private Sector Stakeholders	• Mobilize resources and expertise by sectors • Cooperate with GoI and Governorates over awareness dissemination and outreach • Organize, verify and process applications • Provide business counseling and advisory assistance to SMEs	
9.	**International Support**		Required (training of trainers)	
10.	**Time Frame**			
10.	**1.**	Total duration		48 months
10.	**2.**	Preparation and organization		months 0 - 12
10.	**3.**	Training		months 6 - 18
10.	**4.**	Implementation (provision of services)		months 12 - 48
11.	**Indicative Budget (ID)**			
	Item			**Cost (million ID)**
11.	**1.**	Procurement of equipment		500
11.	**2.**	Procurement of training services		1,500
11.	**3.**	Recruitment of counselors and advisors		500
11.	4.	Conferences, Workshops, etc.		300
11.	4.	Communication, Awareness, Publication, etc.		1,000
Total				**3,800**

Pillar III: THE SME PROGRAMME				
Activity Profile No. III-2				
1.	**Activity Title**			Establish a Fund to provide seed capital, soft financing and loan guarantees for businesses to establish new enterprises, increase competitiveness; and to promote entrepreneurship and innovation
2.	**Coordinating Entities**			PSDC
3.	**Implementing Entity**			PRIU, national SME Agency, commercial banks (public and private)
4.	**Oversight Entity**			CoM, MoF
5.	**Related Activities**			
5.	**1.**	Federal Budget allocations for SMEs		
5.	**2.**	Existing funds (MoIM SME Fund, KRG SME Revolving Fund, IMMDF)		
5.	**3.**	Activities II-2, III-3, IV-2, IV-3		
6.	**Brief Description**			
6.	**1.**	Objectives		Enhancing the competitiveness of SMEs and at establishing an improved, mutually supportive and better-integrated public-private environment for collaboration and partnership. Ensuring an effective use of state resources through well-conceived strategic plans, streamlined rules and transparent eligibility criteria for SOEs and SMEs working to achieve the previous objective A To leverage other financial resources.
6.	**2.**	Beneficiaries		SMEs
6.	**3.**	Phase 1 Target		10%-20% of registered businesses in the governorates
6.	**4.**	Scope of Work		
6.	**4.**	**1.**	General Criteria (indicative)	• Fund composition: 30% grant, 70% revolving soft loan (2 year grace period, 5-10 years maturity, 2% to 5% interest rate) • Eligible amounts: ID 50 - 300 million • Guarantee fund: initial startup amount, then self-financed from repayments (1% - 2% of capital installments) • Eligibility requirements: • Grant component (indicatively): training, market research, business planning, design, search for partners and technologies, networking etc • Soft loan component: investment and other implementation actions as planned under the grant component
6.	4.	2.	Preparation and Organization[43]	• Definition of eligible actions, eligibility criteria and management and reporting procedures; design of the Fund (with branches in the governorates), preparation of manuals of operation • Arrangements with participating banks and private sector institutions and associations • Appointment and empowerment of Interim Fund Manager (under the PRIU until the National SME Agency is established) • Preparation of application forms and selection criteria • Dissemination and visibility

43 - According to legal and regulatory framework established under Pillar II.

6.	**4.**	**3.**	Training	• Training of public/private institutional and banking stakeholders
6.	**4.**	**4.**	Implementation	• Disbursement • Verification • Monitoring and evaluation • Reporting
7.	**Expected Outputs**			• 10-20% of the registered private businesses in the governorates successfully utilizing seed and guarantee financial schemes and National SME Agency services
8.	**Roles and Responsibilities**			
8.	**1.**	Central and Local Governments		• Arrangements with MoP, MoF, banks and private sector stakeholders for yearly Fund allocations and procedures • Arrangements with Local governments
8.	**2.**	Private Sector Stakeholders		• In cooperation with the PRIU, ensure outreach • Provide advisory assistance to SMEs for Fund application • Collection and pre-screening of applications.
9.	**International Support**			Required

10.	**Time Frame**		
10.	**1.**	Total duration	36 months
10.	**2.**	Preparation and organization	months 0 - 12
10.	**3.**	Training	months 6 - 15
10.	**4.**	Implementation	months 12 - 36
11.	**Indicative Budget (ID)**		
	Item		**Cost (million ID)**
11.	**1.**	Fund (including guarantee fund and over a 4-years period))	200,000
11.	**2.**	Procurement of equipment	300
11.	**3.**	Procurement of Technical Consulting Services	2000
11.	**4.**	Training, Conferences, Workshops, etc.	500
11.	**5.**	Travel, Communications, Publications	500
Total			**203,300**

Pillar III: THE SME PROGRAMME				
Activity Profile No. III-3				
1.	**Activity Title**			Establish a special programme to create business opportunities for the private sector, including SMEs, with SOEs.
2.	**Coordinating Entities**			PRIU, National SME Agency, MoIM, MoF, MoT, MoWR, MoCH, MoO, MoA
3.	**Implementing Entities**			Private sector institutions and associations, National SME Agency
4.	**Oversight Entity**			PSDC
5.	**Related Activities**			
5.	**1.**	SOEs restructuring programme (SOE Restructuring Roadmap)		
5.	**2.**	Public Private Partnership and MoF Asset Valuation Unit programmes (supported by the World Bank)		
5.	**3.**	Activities I-1, II-2, I-3, II-1, II-2, II-3, III-1, III-2		
5.	**4.**	Federal Budget allocations for SOEs		
6.	**Brief Description**			
6.	**1.**	Objectives		To involve the private sector, including SMEs, in SOEs restructuring and corporatization and in large (including mixed companies) for establishment of value chains and clusters
6.	**2.**	Beneficiaries		SMEs and SOEs
6.	**3.**	Phase 1 Target		Priority SOEs (restructuring)
6.	**4.**	Scope of Work		
6.	**5.**	**2.** Preparation and Organization		• Preparation of framework cooperation agreements between private sector institutions and associations and relevant ministries fostering SME participation in SOEs restructuring and corporatization • Establishment of joint public-private working groups (by priority SOE sectors) and definition of common working agendas and overall social and economic goals • Establishment of a special grant scheme for SMEs for supporting implementation of eligible actions[44] • Preparation of eligibility criteria, procedures and mechanisms for targeted technical and financial support to SMEs • Preparation of feasibility studies and plans
6.	**6.**	**4.** Implementation		• Negotiations with relevant ministries / SOEs • Formulation and execution of specific agreements • Funding arrangements
7.	**Expected Outputs**			At least 20 successful and sustainable value chains and/or clusters established between SOEs, large companies and SMEs

44 - The grant scheme will provide in general technical advisory assistance and financial support to PSIAs - for management, organization and coordination of the programme - and to groups of SMEs for implementing needed partnership/clustering/value chain related measures (including establishment of new businesses, absorption of SOEs excess employees, legal advice and work, training etc) other than those under Activity II-2, aiming specifically at enhancing SME competitiveness. The financial support to SMEs is estimated in average in about 100 million ID/SOE.

8.	**Roles and Responsibilities**			
8.	**1.**	Government	• Support and facilitate private sector institutions and associations in the preparation, organization and implementation of activities • Provision of soft loan funding schemes to private sector institutions and associations	
8.	**2.**	Private Sector Stake-holders	• Set up dedicated working groups for SOEs restructuring and appoint members with relevant ministries • Organize targeted training for SMEs in relevant programme areas • Coordinate the participation and the inputs of SMEs • Manage the grant scheme jointly with the PRIU • Supervise and monitor the support to SMEs • Ensure outreach and visibility	
9.	**International Support**		Required (management assistance to private sector institutions and as-sociations)	
10.	**Time Frame**			
10.	**1.**	Total duration		39 months
10.	**2.**	Preparation and organization		months 0 - 12
10.	**3.**	Implementation		months 9 - 39
11.	**Indicative Budget**			
	Item			**Cost (million ID)**
11.	**1.**	Grant scheme		100,000
11.	**2.**	Procurement of external expertise		400
11.	**3.**	Training, Conferences, Workshops, etc.		300
11.	**4.**	Communication, Awareness, Publication, etc.		300
Total				**101,000**

Pillar III: THE SME PROGRAMME				
Activity Profile No. III-4				
1.	**Activity Title**			Development of industrial zones, business Incubators, business development centers and similar initiatives
2.	**Coordinating Entities**			PSDC
3.	**Implementing Entity**			PRIU, MoIM, MoF/Free Zones Commission , MoP, MoT, local governments, private sector institutions and associations, National Investment Commission, Governorate Investment Commissions
4.	**Oversight Entities**			PSDC
5.	**Related Activities**			
5.	**1.**	MoIM industrial zone development programmes in Al Basra, Thi Qar and Al Anbar Governorates, Free Zone Commission's programmes		
5.	**2.**	Tijara (USAID), Existing network of Business Development and Support Service Centers, World-Bank and OECD initiatives on economic zone development		
5.	**3**	UNIDO industrial zone development programme in Al Basra and Al Najaf Governorates)		
5.	**4.**	UNIDO Enterprise Development Programme (enterprise development centers in Erbil, Baghdad, Thi Qar and Al Basra)		
5.	**5.**	Activities I-1, I-2, I-4, II-3, II-4, II-5, III-1, III-2, III-4, IV-3		
6.	**Brief Description**			
6.	**1.**	Objectives		• Enhancing SME competitiveness, productivity and competitiveness and, eventually, bring about SME development • Job creation and income generation • Absorption of SOEs' excess employees • Improvement of business environment / investment climate
6.	**2.**	Beneficiaries		SMEs clusters, entrepreneurs, private sector organizations and implementing Governmental entities
6.	**3.**	Phase 1 Targets		Entrepreneurs / self-employed people SMEs, jobless people, SOEs excess employees, youth
6.	**4.**	Scope of Work		
6.	**4.**	**1.**	Preparation and organization	• Selection of Phase 1 priority governorates • Assessments of private sector needs in the selected governorates • Consultation, preparation and completion of arrangements between GoI, governorates and other concerned central and local stakeholders to define the type of support infrastructures needed as well as their prospective location and institutional arrangements • Preparation of national and / or governorate sustainable development plans • Strengthening existing infrastructures and addressing financial management aspects

6.	**4.**	**2.**	Training	• Introductory training programmes (development planning, infrastructure financing, business counselling, clusters and value chains …)
6.	**4.**	**3.**	Implementation	• Targeted surveys and gap analysis • Identification of operators, definition of employment/staffing needs and modalities • Identify possible value chains • Preparation of feasibility studies, design, implementation and management plans and manuals of operation • Infrastructure development for identified industrial zones • Realization and staffing of business centers and incubators and support to start ups
7.	**Expected Outputs**			• National and provincial plans adopted and implemented in the selected governorates • Infrastructures built for at least 3 industrial zones • At least 3 new integrated Business Centers and Incubators established and operational. • Creation of new businesses and growth of existing ones • Generation of new employment.
8.	**Roles and Responsibilities**			
8.	**1.**	Central and Local Governments		• Selecting priority governorates and locations • Conducting private sector needs assessment in the selected governorates • Allocating land and making available the required support infrastructure • Preparing national and / or local development plans for industrial zones • Addressing financing requirements of private businesses • Organizing training programmes
8.	**2.**	Private Sector Stakeholders		• Participating in the consultations for selecting priority governorates and locations • Contributing to the private sector needs assessment • Participating in the preparation of national and / or local plans • Establishing value chains and / or clusters • Participating in the training programmes
9.	**International Support**			Required (management assistance to private sector institutions and associations)
10.	**Time Frame**			
10.	**1.**	Total duration		40 months
10.	**2.**	Preparation and organization		months 0 - 15
10.	**3.**	Training		months 6 - 15
10.	**4.**	Implementation		months 12 - 48

11.	**Indicative Budget**		
	Item		**Cost (million ID)**
11	**1.**	Procurement of equipment	15,000
11	**2.**	Land and buildings	30,000
11	**3.**	Procurement of training and specialized services	1.500
11	**4.**	Training, Conferences, Workshops, etc.	1,000
11	**5.**	Travel, Communications, Publications	1,000
Total			**48,500**

Pillar III: THE SME PROGRAMME				
Activity Profile No. III-5				
1.	**Activity Title**			Establish a dedicated unit to foster gender awareness and gender inclusion in private businesses, to increase job opportunities for women in the private sector
2.	**Coordinating Entity**			State Ministry for Women Affairs
3.	**Implementing Entity**			Private Sector Institutions and Associations
4.	**Oversight Entities**			PSDC / PRIU
5.	**Related Activities**			
5.	**1.**	UNDP›s Women Economic Empowerment Initiative: Integrating Women into the Iraqi Economy		
5.	**2.**	PSD Center “Nina” magazine project (Women Economic Empowerment)		
5.	**3.**	I-1, I-3, II-1, II-2, II-3, II-4, II-6, III-1, III-2, III-4, IV-2, IV-3		
6.	**Brief Description**			
6.	**1.**	Objectives		To enhance gender equality and employment in the private sector with a higher participation of women in the implementation of PSDS activities
6.	**2.**	Beneficiaries		Economically active and business women
6.	**3.**	Phase 1 Target		PSDS assisted businesses and institutions
6.	**4.**	Scope of Work		
6.	**4.**	**1.**	Preparation and organization	• Establishment and operation of the unit • Preparation and adoption of work agendas, staffing and strategic plan • Establishment of a system of incentives for gender - balanced businesses
6.	**4.**	**2.**	Training	• Training of trainers (for participation in PSDS target activities)
6.	**4.**	**3.**	Implementation	• Establishment and staffing of the unit • Visibility, awareness, outreach and dissemination • Follow up with relevant stakeholders • Advisory and counseling assistance for direct enhanced participation in PSDS target activities and generated employment in assisted businesses and institutions
7.	**Expected Outputs**			• Women have up to 25% of jobs in formal private businesses • Women receive up to 25% of the number of seed loans and guarantees provided by the PRIU / National SME Agency • Executive Boards of private sector institutions have at least 15% women members
8.	**Roles and Responsibilities**			
8.	**1.**	Central and Local Governments		• Support gender equality throughout the implementation of the PSDS • Provide financial support for the establishment and initial operating costs of the unit • Setting up and establishing criteria for an incentives system for gender - balanced businesses

8.	**2.**	Private Sector Stakeholders	• Support and ensure increased participation and employment of women throughout the PSDS and • Provide guidance, advisory and counseling assistance for application • Organize dissemination events with SMEs	
9.	**International Support**		Required (consultation, advice and training on women economic empowerment)	
10.	**Time Frame**			
10.	**1.**	Total duration		39 months
10.	**2.**	Preparation, organization and establishment of the unit		months 0 - 12
10.	**3.**	Training		months 6 - 12
10.	**4.**	Implementation		months 12 - 39
11.	**Indicative Budget (ID)**			
	Item			**Cost (million ID)**
11.	**1.**	Procurement of equipment		50
11.	**2.**	Procurement of training and specialized expertise		150
11.	**3.**	Training, Conferences, Workshops, etc.		150
11.	**4.**	Travel, Communications, Publications		200
Total				**550**

Pillar III: THE SME PROGRAMME				
Activity Profile No. III-6				
1.	**Activity Title**			Launch of a Public Awareness Campaign
2.	**Coordinating Entity**			PSDC
3.	**Implementing Entity**			PSDC / PRIU, Iraqi Media Network, private media and private sector institutions and associations
4.	**Oversight Entities**			CoM and Local Governments
5.	**Related Activities**			
5.	**1.**	All PSDS Pillar III activities		
6.	**Brief Description**			
6.	**1.**	Objectives		To disseminate awareness on the development and employment opportunities offered by the PSDS
6.	**2.**	Beneficiaries		All relevant public and private stakeholders
6.	**3.**	Phase 1 Target		All relevant public and private stakeholders
6.	**4.**	Scope of Work		
6.	**4.**	**1.**	Preparation and organization	• Design of the campaign with the involvement of local governments and private sector stakeholders • Arrange with and among media networks and reparation of campaign advertisement plan • Prepare and adopt final implementation plan, with guidelines, presentations, tentative event agendas and working documents, synchronized with PSDS activities • Organize workshops with dedicated training sessions
6.	**4.**	**2.**	Implementation	• Publications for distribution at the events • Roll out of the campaign • Impact evaluation
7.	**Expected Outputs**			• A total of 30 central events and at least 6 events held in each governorate
8.	**Roles and Responsibilities**			
8.	**1.**	GoI and Local Governments		• Plan, organize, facilitate, coordinate and provide the required funding for the public awareness campaign • Conduct impact assessment
8.	**2.**	Private Sector Stakeholders		• Participate in the planning, organization, facilitation and coordination of the public awareness campaign
9.	**International Support**			Required (consultation and technical support)
10.	**Time Frame**			
10.	**1.**	Total duration		48 months
10.	**2.**	Preparation, planning		months 0 - 9
10.	**3**	Implementation		months 9 - 48
11.	**Indicative Budget**			
	Item			**Cost (million ID)**
11.	**1.**	Procurement of equipment		50
11.	**2.**	Procurement of specialized expertise		600
11.	**3.**	Events, Conferences, Media Reports, etc.		450
11.	**4.**	Communication and Publication		300
Total				**1,400**

Pillar IV: THE IMPLEMENTATION PILLAR				
Activity Profile No. IV-1				
1.	**Activity Title**			Establishment of an overall management and control system for the PSDS.
2.	**Coordinating Entity**			PMAC / TFER (facilitation and follow - up with the competent authorities of the GoI and local governments
3.	**Implementing Entity**			
4.	**Oversight Entities**			CoM
5.	**Related Activities**			
5.	**1.**	All PSDS-I activities		
6.	**Brief Description**			
6.	**1.**	Objective		To ensure efficient and timely implementation of the Private Sector Development Strategy
6.	**2.**	Beneficiaries		All PSDS-I relevant GoI and private sector stakeholders (central and local)
6.	**3.**	Phase 1 Target		Establishment and operationalization of the PSDC
6.	**4.**	Scope of Work		
6.	**4.**	**1.**	Preparation and organization	• Identification of participating Government and private sector institutions and nomination of representatives • Preparing the essential documents for the PSDC (mandate, structure, positioning, mode of operation, staffing, operational budget, etc.), drafting the CoM resolution / *Diwani* decree and submitting the package to CoMSec • Ensuring CoM / PM approval and pursuant measures • Preparing and adopting the by-laws of the PSDC • Preparing PSDS startup work agendas according to agreed work plan and defined priorities
6.	**4.**	**3.**	Implementation	• Assignment of technical and administration staff and setting up office facilities • Startup of the PSDS implementation
7.	**Expected Outputs**			• PSDC established and functional within 12 months since the date of endorsement of the PSDS by the Government • PRIU and M&E Unit established and operational within 3 months since the establishment of the PSDC
8.	**Roles and Responsibilities**			
8.	**1.**	Central and Local Governments		• Achievement of consensus among relevant central and local governmental institutions • Collecting and incorporating inputs from the private sector institutions and associations • Establishing an Interim Working Group with private sector representatives to implement all initial Preparation and organizational activities • Providing financial resources and facilities for the establishment and operation of the PSDC

8.	**2.**	Private Sector Stakeholders	• Appointing representatives in the Interim Working Group • Providing inputs to the Government and local governments on the establishment and operation of the PSDC • Nominating private sector representatives in the PSDC (minimum 1/3 of members) • Contribute actively to the initial roll out of the PSDS as agreed within the Interim Working Group and, later, the PSDC	
9.	**International Support**		Required (one adviser)	
10.	**Time Frame**			
10.	**1.**	Total duration		42 months
10.	**2.**	Preparation and organization		months 0 - 6
10.	**3.**	Implementation (establishment of the PSDC)		months 6 - 12
10	**4.**	PSDS Phase 1 roll out)		months 12 - 42
11.	**Indicative Budget (ID)**			
	Item			**Cost (million ID)**
11	**1.**	Procurement of equipment and set up of premises		600
11	**2.**	Procurement of specialized advisory services		300
11	**3.**	Staffing and operational expenses (Phase 1)		3,000
11	**4.**	Conferences, Workshops, Publications etc. (Phase 1)		500
11	**5.**	Travel, Communications, Public Awareness, etc. (Phase 1)		1,000
Total				**5,400**

Pillar IV: THE IMPLEMENTATION PILLAR				
Activity Profile No. IV - 2				
1.	**Activity Title**			Establishment of a Planning, Research and Implementation Unit (PRIU) to organize and supervise actions in all Pillars
2.	**Coordinating Entity**			PMAC/TFER, PSDC
3.	**Implementing Entity**			PSDC
4.	**Oversight Entity**			CoM
5.	**Related Activities**			
5.	**1.**	All PSDS activities		
6.	**Brief Description**			
6.	**1.**	Objectives		• To ensure efficient and timely implementation of PSDS • To ensure full coordination and consistency of the PSDC decisions with PSDS activities • To provide advice and recommendations to the PSDC for timey actions by the PSDC members
6.	**2.**	Beneficiaries		PSDC and all PSDS relevant Government and private sector stake-holders (at central and governorate levels)
6.	**3.**	Phase 1 Target		Establishment of the PRIU
6.	**4.**	Scope of Work		
6.	**4.**	**1.**	Preparation and organization	• Preparation and adoption of PRIU mandate, ToR, structure, mode of operation and staffing schedule • Launch of PRIU establishment procedures
6.	**4.**	**3.**	Implementation	• Appointment of the PRIU management • Set up and staffing the PRIU • Review and prioritization of all work plans • Roll out of PRIU activities
7.	**Expected Outputs**			PRIU structure established and functional within 3 months of the endorsement of the PSDS
8.	**Roles and Responsibilities**			
8.	**1.**	Government		• Timely appointment of the PRIU by the PSDC • Facilitation of all necessary institutional arrangements for PSDS implementation • Allocation of staff, facilities and financial resources for sustaining Phase 1 of PRIU operations and activities
8.	**2.**	Private Sector Stake-holders		• Finalize arrangements with the PRIU for roll out of activities as planned

9.	**International Support**	Required (same adviser for IV-1)	
10.	**Time Frame**		
10.	**1.**	Total duration	45 months
10.	**2.**	Preparation and organization	months 0 - 3
10.	**3.**	Implementation (establishment of the PRIU)	months 3 - 6
10	**4.**	Implementation (PSDC roll out)	months 3 - 45
11.	**Indicative Budget (ID)**		
	Item		**Cost (million ID)**
11.	**1.**	Procurement of Equipment and Setting Up of Premises	1,000
11.	**2.**	Staffing, Administrative and Operational Cost (Phase 1)	10,000
11.	**3.**	Conferences, Workshops, Publications etc. (Phase 1)	1,000
11.	**4.**	Travel, Communications, Public Awareness, etc. (Phase 1)	3,000
Total			**15,000**

Pillar IV: THE IMPLEMENTATION PILLAR				
Activity Profile No. IV-3				
1.	**Activity Title**			Establishment of an independent M&E System
2.	**Coordinating Entity**			PMAC / TFER facilitation and follow - up ad interim with the competent authorities of the GoI
3.	**Implementing Entity**			Independent unit to be established under the PSDC
4.	**Oversight Entities**			CoM , PSDC and local governments
5.	**Related Activities**			
5.	**1.**	All PSDS-I activities		
6.	**Brief Description**			
6.	**1.**	Objectives		• To ensure efficient and timely implementation of the PSDS • To contribute to the enhancement of the PSDS impact by introducing timely corrective measures when needed
6.	**2.**	Beneficiaries		PSDC and all PSDS relevant public and private sector stakeholders (central and governorate level)
6.	**3.**	Phase 1 Target		Establishment of the M&E Unit
6.	**4.**	Scope of Work		
6.	**4.**	**1.**	Preparation and organization	• Establishment of a Government- private sector working group for managing PSDS M&E activities until the PSDC and its M&E Unit become operational • Design of the M&E system (with linkages to Activity I-2) and definition of specific and measurable indicators for each level • Preparation of a M&E plan, including procedures and schedules for each PSDS Pillar and activity (data and information collection, processing, transmission, evaluation and reporting) • Preparation of M&E guidelines and manuals • Identification and screening of possible independent organizations to support M&E activities • Preparation of ToR for the overall M&E unit to be established
6.	**4.**	**2.**	Implementation	• Launch of procedure for the selection and appointment of the PSDS M&E Unit • M&E system establishment and operationalization throughout Iraq • Start-up of M&E activities as agreed with the PSDC and the PRIU
6.	**4.**	**2.**	Training	• Training of M&E Unit staff

7.	**Expected Outputs**		• An independent M&E system for the PSDS in place and operational by early 2015	
8.	**Roles and Responsibilities**			
8.	**1.**	Central and Local Governments	• Timely appointment of the M&E unit by the PSDC (including local offices) • Ensure commitment of central and local public sector stakeholders to provide data & information as planned • Facilitation of all necessary institutional arrangements for M&E activities • Allocation of financial resources for sustaining Phase 1 M&E operations and activities	
8.	**2.**	Private Sector Stakeholders	• Ensure commitment of private sector beneficiaries to provide timely data & information on PSDS activity progress and results	
9.	**International Support**		Required	
10.	**Time Frame**			
10.	**1.**	Total duration		39 months
10.	**2.**	Preparation and organization		months 0 - 3
10.	**3.**	Implementation (establishment of the M&E unit)		months 3 - 6
10	**4.**	Implementation (M&E roll out)		months 6 - 39
11.	**Indicative Budget (ID)**			
	Item			**Cost (million ID)**
11.	**1.**	Procurement of equipment and set up of premises		1,000
11.	**2.**	Staffing, administrative and operational expenses (Phase 1)		5,000
11.	**3.**	Procurement of specialized expertise for training and TA		300
11.	**3.**	Conferences, Workshops, Publications etc. (Phase 1)		200
11.	**4.**	Travel, Communications, Publications (Phase 1)		2,000
Total				**8,500**

Pillar IV: THE IMPLEMENTATION PILLAR				
Activity Profile No. IV-4				
1.	**Activity Title**			Establishment of a national SME Agency
2.	**Coordinating Entity**			PSDC
3.	**Implementing Entity**			PRIU
4.	**Oversight Entities**			CoM and Local governments
5.	**Related Activities**			
5.	**1.**	I-1, I-2, II-1. II-2, II-3, II-4, II-5, II-6, III-1, III-2, III-3, III-4, III-5, III-6		
5.	**2.**	Relevant work under the PSDS		
5.	**3.**	All other SME development related programmes (completed and ongoing)		
6.	**Brief Description**			
6.	**1.**	Objectives		• To ensure efficient and timely implementation of Pillar II and Pillar III of the PSDS • To have focal points for all needed support to SMEs
6.	**2.**	Beneficiaries		All SMEs
6.	**3.**	Phase 1 Target		Selected governorates (5-7 for subsequent consolidation and further expansion in Phases 2 and 3 of the PSDS
6.	**4.**	Scope of Work		
6.	**4.**	**1.**	Preparation and organization	• Setting up framework agreements and arrangements between relevant GoI and private institutions (including the banking sector) • Defining the legal status (under Pillar II) and designing the SME Agency as an independent **network of central and governorate - level units**[45], in consultation with relevant ministries, private sector institutions and associations, commercial banks and other stakeholders • Reviewing and streamlining all policy papers prepared/drafted in the last three years as well as Federal Budget allocations for SMEs • Defining priority support areas, building on PRIU initial work under Activity III-1 • Preparing a final SME Agency strategy and a phased implementation/development plan, covering by-laws, facilities, management, manual of operation, service delivery, human resources management and staffing, financial sustainability strategy • Preparing, adopting and enforcing the relevant legislative and regulatory framework (under Pillar II).
6.	**4.**	**2.**	Training	• Training of GoI and private sector institutions
6.	**4.**	**3.**	Implementation	• Staff selection and assignment • Implementation of logistical arrangements • Training of trainers for SME Agency staff • Seed and guarantee fund management (with commercial and sectoral banks) and provision of services to SMEs, gradually transferring competencies from the PRIU and the PSIAs (under activity III-1)s

45 - Branches in the Governorates could be associated with the Business Development Centers (existing and to be created under activity III-4).

7.	**Expected Outputs**		• Embryonic national SME Agency established in 2015 in Baghdad with branches in selected governorates • 10-20% of registered private businesses successfully utilizing services, seed funding and guarantee schemes	
8.	**Roles and Responsibilities**			
8.	1.	Central and Local Governments	• Establishment of a dedicated joint GoI - private sector working group • Approval and enforcement of law and regulations (under Pillar II) • Appointment of hosting institutions/select appropriate SME Agency locations in Baghdad and in the governorates • Facilitation of arrangements among relevant and participating GoI and private institutions • Appointment of a Project Management Team and of focal points in the governorates • Provide financial resources and facilities for the establishment of the SME embryonic SME Agency and for its initial operations	
8.	2.	Private Sector Stakeholders	• Nominating representatives of private sector institutions and associations in the Government - private sector working group • Appointment of trainees • Preparation of strategies and plans (with specialized support) • Consolidation of advisory and counseling activities under the PRIU (under III-1) and transfer of competencies to the SME Agency • Contribute with additional resources (assets, logistics, equipment etc) as needed and agreed	
9.	**International Support**		Required	
10.	**Time Frame**			
10.	1.	Total duration		36 months
10.	2.	Preparation and organization		months 0 - 9
10.	3	Training		months 3 - 12
10.	4	Implementation (establishment of the SME Agency and its branches)		months 9 - 12
10.	5.	Implementation (initial services roll out)		months 12 - 36
11.	**Indicative Budget (ID)**			
	Item			**Cost (million ID)**
11.	1.	Procurement of equipment and building refurbishments		5,000
11.	2.	Procurement of specialized services and expertise		2,000
11.	3.	Staff, management and operational expenses		9,000
11.	4.	Training, Workshops, Publications etc.		1,500
11.	5.	Travel, Communications, Public Awareness, etc.		1,500
Total				**19,000**

Annex - 4
Priority Legislations
Related to Private Sector Development
that Need to be Urgently Addressed

1. Law of Federal Economic Reform

- Draft endorsed by the CoM and sent to te CoR in August 2013.
- CoR examined the draft in the First Reading in November 2013 and decided to refer back to the CoM to revise.
- Status: Pending

2. Law of Public Private Partnership

- A draft of a framework PPP law was prepared in 2012 by UNIDO under the PSDP-I in consultation with the World Bank
- The draft was subsequently reviewed and revised by the TFER Working Group on Legislation.
- Status: Pending
- The Law, when enacted, needs to be complemented by a set of regulations and / or instructions designed for each sector.

3. Law of Public Procurement

- An Inter-Ministerial Task Force drafted a Public Procurement Law (PPL) in 2007, supported by the World Bank
- In 2011the State Shura Council reviewed the draft and referred back to the CoM.
- Status: Pending

4. Law of Competition and Anti-Monopoly

- The Law of Competition and Anti-Monopoly No. 14 (2010) has been enacted and promulgated on 9 March 2010.
- The Law aims at ensuring free competition and preventing market monopoly as incentives to reduce cost and prices and improving quality of goods and services. This will ultimately promote the development of the private, mixed and public sectors and the satisfactory flow of goods and services in the market.
- Status: Ineffective; the Council of Competition and Anti-Monopoly Affairs to be established in accordance with this Law is not established yet. Also, the Supreme Judicial Council didn't establish yet, in accordance with this Law, the specialized court that should examine the disputes arising from the enforcement of this Law.

5. Law of Companies No. 21 (1997)

- The draft Amendment to the Law of Companies No. 21 (1997) as Amended by CPA Order No. 64 (2004) considers merging with it the Law of Public Companies No. 22 (1997).
- Status: The draft is still pending in the TFER.

6. Law 22 on State Enterprises

- Needs to be amended (improved definition of SOEs, separation between ownership and management, transparency of decision making processes, elimination of the role of the DG as Chairman of the Board, corporatization and privatization etc).
- Status: Please refer to (5) above.

7. Law of Labor

- ILO drafted a new Labor Code in 2009 that, however, was rejected.
- The GoI prepared new draft that includes articles on social insurance, excludes the workers of the public sector, including those employed in the SOEs and obliges private companies to recruit their employees through the Ministry of Labor and Social Affairs.
- The State Shura Council reviewed the draft and referred back to the CoM in 2011.
- The CoM referred the draft to the CoR.
- The CoR completed the First Reading and the Second Reading of the draft in 4 February 2012 and 7 May 2013.
- Status: Pending
- ILO and other international organizations have strongly and repeatedly recommended examining and readdressing various significant issues required for ratification of the "Convention on Freedom of Association and Protection of the Right to Organize" laying the basis for social dialogue between Workers and the Employers, rights of workers and employees, role and rights of the private sector, discrimination and inclusiveness, etc..)

8. Law of Investment

- Needs to be substantially revised (unclear objectives, no distinction between domestic and foreign investments, the vauge definition of the role of the National Investment Commission, which presently acts as implementation body for the state, managing land and other transactions, unclear tax exemptions, unclear dispute resolution mechanism, etc.).
- Law No. 2 (2009) Amending the Law of Investment No. 13 (2006) guarantees the ownership of land by local, Arab and foreign investors for housing projects only.
- Regulations No. 7 (2010 issued by the CoM organized the lease rates for land invested in the various fields..
- Status: Amendments proposed still pending..

9. Law of Bankruptcy

- Despite recommendations for a separate law that better meet international best practices, the Ministry of Trade in cooperation with Tijara Local Economic Development Programme of USAID, prepared draft Law Amending the Law of Trade No. 30 (1984) that addresses bankruptcy.
- The draft is under review of the State Shura Council.
- Status: Pending

10. Law of Consumer Protection

- The Consumer Protection Law No. 1 (2010), that is consistent with international standards and best practices, has been passed and promulgated. However, the Law needs to be enforced and pursuant implementation instructions be issued by the competent authority of the GoI.
- Status: Enforcement pending.

11. Law of Protecting Iraqi Products

- The GoI enacted the Law of Protecting Iraqi Products No. 11 (2010) to contribute to the development of national industry capable of competing in the regional and international markets and to provide protection to Iraqi products against dumping of domestic market with imported, subsidized products.
- The CoR passed on 11 January 2014 Law of Amendment No. 1 to the Law of Protecting Iraqi Products No. 11 (2010) that extends the protection to agricultural products.
- Status: Law of Amendment No. 1 to the Law of Protecting Iraqi Products No. 11 (2010) is pending on the promulgation of the Presidency of the Republic.