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Midterm Internal Project Evaluation: “Towards More and Better Employment through Enhanced Support to Private Sectors in Southern Iraq – with a Focus on Green Business”

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## List of Acronyms and Abbreviations

Acronyms and Abbreviations	
AICS	Italian Agency for Development Cooperation
BDS	Business Development Services
CBI	Central Bank of Iraq
COP	Conference of the Parties
EESE	Enabling Environment for Sustainable Enterprises
EU	European Union
GYB	Generate Your Business Idea
FE	Financial Education
ICBG	Iraqi Company for Bank Guarantees
IFI	Iraqi Federation of Industries
ILO	international Labour Organization
MFI	Microfinance Institution
MOEN	Ministry of Environment
MOIN	Ministry of Industry
MOLSA	Ministry of Labour and Social Affairs
MOP	Ministry of Planning
MOT	Ministry of Trade
MOYS	Ministry of Youth and Sport
NBDN	National Business Disability Network
NGOs	Non-Governmental Organizations
IYB	Improve Your Business
MSME	Micro, Small, and Medium Enterprises
SYB	Start Your Business
SIYB	Start and Improve Your Business
TU	Trade Union

# Executive Summary

## Summary of the Project Background, Rationale, Purpose and Objectives

The project “Towards More and Better Employment through Enhanced Support to Private Sector in Southern Iraq – with a Focus on Green Business” is implemented under a three-year agreement (IRQ/22/03/ITA) between the International Labour Organization (ILO) and the Italian Agency for Development Cooperation (AICS). The project began in May 2023 and operates in Southern Iraq, with ambitions to scale nationally.

The ILO and Tripartite Stakeholders assess that Iraq’s private sector remains underdeveloped. The sector is characterised by heavy oil dependency, low productivity, widespread informality, and weak access to finance and innovation. These challenges limit diversification and job creation outside the public sector. High youth unemployment and gender gaps in labour market participation exacerbate the issue.

In response, the project implements a coherent set of actions to support private sector transformation, with a strong emphasis on MSME development, improved policy environments, and access to finance. It introduces support for green business models, aiming to promote both job-rich growth and sustainable economic transformation, in line with the ILO’s Decent Work Agenda.

The ILO and its Tripartite stakeholders have completed two years of the three years project cycle. By May 2026, they will contribute to transforming Iraq’s private sector, making it more productive and capable of generating more and better employment opportunities. Within this scope, the project has two broad objectives:

1. Improve business ecosystem for Micro, Small and Medium Enterprises (MSME) in Iraq to grow and thrive through policy options along with national and subnational dialogue among key stakeholders in the private sector development; and
2. Capacitate and empower national and subnational financial and non-financial institutions to better support entrepreneurs and MSMEs to unleash their full potential.

The project’s rationale, and underlying design assumptions correspond to the ILO’s *Decent Work Country Programme for Iraq (2019–2024)*. The project is expected to address structural barriers hindering private sector growth in Iraq, particularly for Micro, Small, and Medium Enterprises, by nurturing an enabling business environment, enhancing financial and business management capacities, and promoting employment creation with a focus on green sectors. These objectives closely align with the Government of Iraq’s *National Development Plan* for the periods of 2024-2028, and related policy objectives.

Paraphrasing from the *Project Logical Framework Matrix* and the *Theory of Change* (Logic and scope of the intervention), the project’s purpose and objectives are made operational in the following logic framework:

### Summary of Project Impact and Outcomes

Overall project objective  
(Impact):

By end 2025 private sectors in Iraq are transformed and productive thereby create more and better employment opportunities.

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The project objective will be met through the successful implementation of three project Outcomes:

1. An Enhanced business ecosystem where MSMEs are supported to adapt, innovate, grow, and thrive with a focus on a green economy.
  2. Improved institutional and MSMEs capacities on SIYB Programme and financial literacy.
  3. Improved financial inclusion of start-ups business and MSMEs in sectors with potential for job creation, including in the green economy.
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## Midterm Evaluation Purpose, Scope and Method

The purpose of this midterm evaluation is to assess the progress to date towards the results desired, identify the main difficulties and constraints encountered, assess the effectiveness and efficiency of the project for the targeted populations, and formulate lessons learned and practical recommendations.<sup>1</sup> To this end, the Midterm Evaluation shall:

### Summary of Midterm Evaluation Objectives

Objective 1	<b>Systematically assess progress at midterm point</b> (18 months) towards achieving the project’s purpose and objectives, and the project’s contributions to ILO goals and SDGs.
Objective 2	<b>Validate the project’s Theory of Change.</b> Reflect on the validity of the project’s Theory of Change, strategy, and assumptions, and identify necessary adjustments.
Objective 3	<b>Identify lessons learned and best practices</b> to inform adaptive management for the remainder of the project, and for the project’s scale up and replicate the project in another Governorate.
Objective 4	<b>Provide recommendations</b> for improving implementation and guiding potential future phases of the project, understanding that the project team and stakeholders will use findings to enhance decision-making, refine strategies, and inform the design of a potential second phase in other governorates of Iraq.

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The Midterm Evaluation applied a theory-based, mixed-method approach grounded in contribution analysis, using the Theory of Change and the OCED DAC criteria as the central analytical framework. During May and June 2025, data were collected through desk review, key informant interviews with project Stakeholders, and focus group discussions Beneficiaries, using a purposive sampling. Triangulation across sources and methods strengthened credibility,

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<sup>1</sup> Paraphrased from Midterm Evaluation Terms of Reference, Section 3: Purpose, objectives, and scope of the evaluation. The original text from the TOR is deconstructed to make the presentation of objectives more specific.

enabling the evaluation to assess the functionality of causal pathways and identify areas requiring adjustment.

### Summary of Midterm Evaluation Findings

The *Terms of Reference* (2025) require that the Midterm Evaluation summarise its findings according to the OCED DAC evaluation criteria for Relevance, Coherence (internal and external), Effectiveness, Efficiency, Impact Orientation and Sustainability. The table “Assessment of Evaluation Criteria” provides a summary assessment of progress at the project’s midterm point, organised within the criteria framework. The assessment is based on secondary data extracted from project monitoring and *Annual Progress Reports*, triangulated with primary qualitative from Stakeholder interviews and Beneficiary Focus Group discussions. A limited amount of 2025 performance data was available from the project’s Indicator Tracker.

Assessment of the Evaluation Criteria	
<p><b>Relevance</b> Satisfactory</p>	<p>The project’s relevance at midterm is <b>Satisfactory</b>. The project strongly aligns with national priorities, ILO’s <i>Decent Work Country Programme for Iraq</i> (2019–2024), and the SDGs. It responds directly to development constraints on Iraq’s private sector, and to beneficiary needs. However, critical design assumptions and have not held true, eroding relevance over time.</p>
<p><b>Coherence (internal and external)</b> Satisfactory</p>	<p><b>Project coherence at midterm is Satisfactory.</b> The project shows strong external alignment with ILO, UN, and Iraqi national policy frameworks for private sector development. However, internal coherence is constrained by underdeveloped coordination between stakeholders and integration between components, limiting the functionality of causal pathways within the project.</p>
<p><b>Effectiveness</b> Satisfactory with a caution</p>	<p><b>Project effectiveness at the midterm is Satisfactory, but with caution.</b> Most of the Foundational Outputs were delivered the Year 1 and Year 2 timelines defined in the Project Document Workplan. However, critical causal pathways to Outcome achievement are not yet functioning. The project, therefore, shows limited progress advancing from Outputs to Outcomes. As a midterm stage the project effectiveness main concern is the external factors that delay loan distribution to beneficiaries with no clear date to be implemented.</p>
<p><b>Efficiency</b> Satisfactory with a caution</p>	<p><b>Overall programme efficiency is Satisfactory, but also with a caution.</b> The ILO project team has demonstrated <b>Satisfactory efficiency</b> in managing activities under its direct operational control, such as training delivery, curriculum adaptation, and initial stakeholder engagement. These elements were delivered on time and with relatively modest</p>

	resource requirements. However, multi-stakeholder components related to policy and access to finance have experienced delays and are not supported by timebound workplans.
<b>Impact Orientation</b> Conceptually Strong but Uneven Progress	<b>The Impact Orientation is positive.</b> The project demonstrates a clear conceptual orientation toward impact, as reflected in its strategic alignment, Theory of Change, and stated objective of transforming Iraq’s private sector to create more and better employment, particularly through green and inclusive growth. At this stage impact can’t be measured as no outcome or Impact-level change is yet observed.
<b>Sustainability</b> Strong Potential at Risk by lack of movement to Outcomes and Stakeholder update.	At midterm, the project <b>shows potential for Sustainability.</b> Sustainability depends on institutional uptake, policy adoption, and operationalisation of the loan mechanism. Each activity is owned by a governmental entity. Green business plan and registration business manual is led by MOT, MSMEs policy led by MOP, and other TOT Programmes have certified trainers from different entities to promote sustainability of the project mandate.

At midterm, the project demonstrates good potential but is experiencing uneven progress along its causal pathways, within and between its Outputs and Outcomes. The **Relevance** and **Coherence** criteria are assessed as **Satisfactory**, reflecting sound project design and alignment with the priorities of Tripartite stakeholders. **Effectiveness and Efficiency are both Satisfactory**, but with a caution that progress is to Outcomes limited.

Multistakeholder stakeholder coordination and assumptions that have not held true are factors producing disruptions in the causal pathways. These issues are interrelated, hinder Outcome achievement and pose risks to long term **Impact Orientation** and **Sustainability**.

Output achievements notwithstanding, the project is not on a clear schedule to achieve its objectives by the date of closure in May 2026. Adaptions to place the project *On Schedule* should focus on accelerating Outcome achievement, by strengthening the causal pathways between successful Output delivery and Outcome achievement. However, weaknesses in the project’s monitoring and reporting systems constrain its ability to track performance and provide timely feedback to the project’s governance and management processes. This impairs the project’s ability to adjust.

**The Midterm Evaluation’s Lessons Learned and Recommendations** build on the project’s design (relevance and coherence) and partial Output progress achieved (effectiveness). Improvements in Effectiveness and Efficiency can be realised through targeted actions that restore functional causal pathways, strengthen stakeholder coordination, reinforce project governance through reliable data, and ensure that underlying assumptions are reviewed and updated. These measures should, in turn, enhance the project’s Impact Orientation and Sustainability.

## Summary of Recommendations

The following recommendations target the critical weaknesses identified in the causal logic and performance conditions of the project, to ensure it meets its Outcome and Impact objectives by May 2026. Collectively, they contribute to bridging the gap between Outputs and intended Outcomes within the limited remaining timeframe available. The project Steering Committee should be engaged, where the recommendations require coordinated action by Tripartite stakeholders.

There are two essential Recommendations:

Addressed to:	Priority	Implementation	Level of Resources
ILO in consultation with the project Steering Committee	High	End of September 2025	Medium (will required additional resources to M&E capacity)
<p><b>Recommendation 1: Strengthen project monitoring and reporting systems to provide evidence-based data and knowledge products for project governance and management.</b> Monitoring systems shall be aligned with ILO policy and standards, consider existing CMEP commitments, the Performance Monitoring Tool, and function within the Theory of Change framework. <i>Why?</i> The project works based on the agreed log frame and indicators. Therefore, the recommendation should be to revise non-related indicators and adapt the monitoring tool with it.</p> <p>The main Indictors that need to be rephrased:</p> <ul style="list-style-type: none"> <li>• Unemployment rate in Muthanna and Basra governorates. (not realistic)</li> <li>• Number of financial institutions providing loans (Target is 5) for only 150 loans. As the agreed with the CBI to contract with only two banks 75 loans for each.</li> <li>• Status of enabling business environment reforms.</li> <li>• Status of foreign and local investors’ satisfaction with support services by investment promotion agencies and the wider local Ecosystem.</li> </ul>			
Addressed to:	Priority	Implementation	Level of Resources
ILO in consultation with the project Steering Committee	High	End of September 2025	Low (done by project staff)
<p><b>Recommendation 2: Extend the Theory of Change and revise the assumption.</b> Extend the Theory of Change by September 2025, to update assumptions, the understanding of causal pathways and risk modelling, and to target <i>intermediate results already underway</i>, such as policy adoption, institutional ToT, curriculum adaptation, loan pipeline development and disbursal, and coordination events. <b>Actions should be taken to revise the assumptions through minor reassessment for functional causal pathways from Outputs to Outcomes.</b> <i>Why: Core causal pathways are non-functional and lack defined intermediate steps. Targeting actions here unlocks the pathways.</i></p>			

The following recommendations are expected to accelerate delivery towards the mid-2026 and:

- **Rebuild causal effects** between activities and results.

- **Mitigate risks** undermining institutional, behavioural, and systemic uptake.
- **Ensure delivery** of key unfinished components (especially policy and finance instruments and coordination).
- **Enable tracking and adaptive management** within the short timeline needed to deliver Outcomes by May 2026.
- **Enhance credibility** of outcome achievement claims through real evidence.

Addressed to:	Priority	Implementation	Level of Resources
ILO in consultation with the project Steering Committee	High	End of September 2025	Low (primary requirement is staff time)

**Recommendation 3: Align stalled intermediate results by the end of September 2025 through formal NDP endorsement, institutional rollout of SIYB, disbursement of first MSME loans, launch of post-training support, and formalisation of coordination platforms to ensure forward movement along the results chain.** *Why: these intermediate results are already initiated but dormant. Without targeted action to activate them, causal pathways remain broken and outcomes (enterprise formation, job creation, and financial inclusion) cannot materialise before project end.*

Addressed to:	Priority	Implementation	Level of Resources
ILO in consultation with the project Steering Committee	High	End of October 2025	Low

**Recommendation 4: Secure institutional uptake and adoption of stalled Outputs** by October 2025 through agreements with SIYB-trained partners, validation of green business plan and shared **action plans to embed green tools and services into institutional delivery systems.** *Why? Because without institutional ownership and action, capacity-building efforts (e.g. SIYB) will not translate into service delivery or system-level change.*

Addressed to:	Priority	Implementation	Level of Resources
ILO in consultation with the project Steering Committee	High	End of October 2025	Will require

**Recommendation 5: Enhance and launch structured post-training support** by October 2025 (mentoring, refresher sessions, and market linkage), **to bridge the gap between capacity-building and enterprise activation and prevent learning loss.** *Why: Because training alone has not triggered enterprise formation. Without structured follow-up and refresher activity, motivation declines, knowledge is lost, and outputs fail to yield outcomes.*

Addressed to:	Priority	Implementation	Level of Resources
ILO in consultation with the project Steering Committee	High	December 2025	Low

**Recommendation 6: Disburse loans to at least 150 eligible MSMEs** by December 2025, through finalising agreements with partner banks, resolving verification delays, and starting loan delivery using the approved blended finance model. *Why: Because financial inclusion is a central outcome, but no loans have been delivered. Delays block business activation and stall the enterprise support pathway.*

Addressed to:	Priority	Implementation	Level of Resources
ILO in consultation with the project Steering Committee	High	December 2025	New activity requiring additional resources

**Recommendation 7:** By September 2025, assess why some beneficiaries might avoid registration or loans, and adjust training and outreach to respond to concerns about taxation, debt, and loss of social support. *Why: Because project logic assumes motivation to formalise or borrow, but evidence shows risk aversion and distrust. Without testing and adjusting for these, uptake will remain low.*

Addressed to:	Priority	Implementation	Level of Resources
ILO in consultation with the project Steering Committee	High	October 2025	Low (use of exiting monitoring resources)

**Recommendation 8:** By October 2025, **introduce simple tracking to monitor whether training, loans, and policy activities are leading to enterprise formation and improved services for MSMEs.** *Why? Because current monitoring does not assess whether outputs lead to outcomes. Without this, adaptive management cannot respond to breaks in the results chain.*

Addressed to:	Priority	Implementation	Level of Resources
ILO in consultation with the project Steering Committee	Medium	October 2025	Low (use of exiting monitoring resources)

**Recommendation 9:** By September 2025, add specific risks to the monitoring plan, such as delays in uptake, institutional disengagement, or coordination gaps, and follow up during quarterly reviews. *Why? Because implementation is vulnerable to institutional, behavioural, and coordination risks. Without risk-tracking, disruptions cannot be managed proactively.*

Addressed to:	Priority	Implementation	Level of Resources
ILO in consultation with the project Steering Committee	Medium	October 2025	Low (use of exiting monitoring resources)

**Recommendation 10: Enhance Inclusive Access Measures.** By September 2025, improve access for persons with disabilities and remote communities by adapting training venues, or expanding outreach in Muthanna, and targeting under-served groups. *Why? Because persistent geographic and disability access gaps exclude key beneficiaries. This undermines equity, SDG alignment, and the project's reach and credibility.*

## Summary of Lesson Learned:

The evaluation provides indicative lessons learned at midterm, derived from triangulated findings across monitoring data, interviews, and focus groups. These observations are provided in addition to the lesson documented in the ILO template. They reflect operational and strategic insights relevant to adaptive management, future design, and potential scale-up of similar interventions. They should inform any revision of the Theory of Change, adaptation of delivery models, and formulation of recommendations for the second phase and potential replication in other regions of Iraq.

<b>LESSON LEARNED ELEMENT</b>	<b>Training Alone Does Not Activate Enterprises. The Causal Pathway Must Be Complete</b>
<b>Brief description of lessons learned</b>	Lesson: Project designs must ensure that training interventions are part of a complete and functioning causal pathway. The right follow-up mechanisms, such as mentoring, simplified access to finance, and post-training incentives, are critical to move beneficiaries from training to business formation, especially in contexts with high risk aversion and structural barriers to formalisation. Delays may result in learning loss and demotivation.
<b>Context and any related preconditions</b>	The project targeted vulnerable groups in southern Iraq, including women, persons with disabilities, and low-literacy individuals, in areas with weak institutional presence and limited market access. Preconditions for enterprise activation, such as accessible finance, simplified registration, mentoring, and a supportive regulatory environment, were not fully in place. The project was designed to address these gaps.
<b>Targeted users / Beneficiaries</b>	Nine hundred project beneficiaries, who have already received training, of which 150 will be identified for startup loans.
<b>Challenges /negative lessons - Causal factors</b>	Training activities exceeded targets and were well received, but this has not led to business activation or formalisation. Gaps in follow-up support, and delays with delivery of other Outputs (MSME policy reform and a business finance instrument mentoring), disrupted the causal pathway from training to enterprise formation, leaving Outcomes unrealised at midterm.
<b>Success / Positive Issues -Causal factors</b>	The training was well received across beneficiary groups, particularly due to its inclusive design, practical content, and the use of visual and tactile learning methods. This positive reception reflects strong curriculum adaptation, effective delivery by trainers, and alignment with participant needs.
<b>ILO Administrative Issues</b>	Project monitoring did not capture the disruptions. Without feedback to project governance and management, the project has not taken targeted corrective actions.

<b>LESSON LEARNED ELEMENT</b>	<b>Lesson Learned: From the Implementation Outset, Disruption to Causal Pathways Can Result from Inaccurate Assumptions and Coordination Gaps.</b>
<b>Brief description of lessons learned</b>	When core assumptions are inaccurate, a project risks starting off-track and disrupting results from the outset. In this case, assumptions about how the causal pathways would work did not hold, leading to early delays in financial access and fragmentation of the results chain. Projects with complex delivery systems must validate assumptions early and build in mechanisms for adaptive coordination.
<b>Context and any related preconditions</b>	The project involved multiple institutional stakeholders, including banks, ministries, and regulatory bodies, in a complex delivery model. Successful implementation depended on early stakeholder alignment, agreement on policy and loan financing instruments, and functioning coordination mechanisms. These preconditions were not fully in place or tested before roll-out, increasing the risk of early disruption when assumptions did not hold.
<b>Targeted users / Beneficiaries</b>	Nine hundred project beneficiaries, who have already received training, of which 150 will be identified for startup loans.
<b>Challenges /negative lessons - Causal factors</b>	Assumptions about institutional cooperation, regulatory readiness, and loan disbursement procedures were not validated prior to implementation. Misalignment among stakeholders, especially around interest rates and verification protocols, caused delays and blocked key causal pathways.
<b>Success / Positive Issues - Causal factors</b>	Despite challenges, the project gained high-level endorsement from key institutions and achieved alignment with national policy frameworks. This strategic relevance helped maintain stakeholder engagement and created an enabling environment for future coordination once operational barriers are addressed. Early policy dialogue efforts should lay the groundwork for macro-level reforms, given stakeholder support.
<b>ILO Administrative Issues</b>	Project monitoring did not capture the disruptions. Without feedback to project governance and management, the project has not taken targeted corrective actions.

# 1. Background and Project Description

## 1.1 Project Background and Context

The project “Towards more and better employment through enhanced support to private sectors in southern Iraq – with a focus on green business” is implemented through a three-year agreement (IRQ/22/03/ITA) between the International Labour Organisation (ILO) and the Embassy of Italy in Iraq (Italian Agency for International Development Cooperation, AICS), in March 2023 and commenced on May 12, 2023. The project is implemented in Southern Iraq. Stakeholders aspire to scale the project up on other parts of Iraq.<sup>2</sup>

The project document sets out the project’s Rationale and Objectives, a comprehensive Theory of Change with logic model and activities, among other elements. The Understanding of Programme Context and Rationale section of the original Technical Proposal for this midterm evaluation is updated based on the context analysis and needs assessment and Alignment with Government priorities / sector strategies sections of the proposal. The ILO’s Iraq Decent Work Country Programme: (DWCP) for the period 2019-2024 is provided the project’s strategic framework (2019). This summary is provided as the contextual rationale for understanding the project’s Theory of Change.

### 1.1.1 Alignment with the ILO Strategy

The ILO-AICS Technical Proposal (2022) aligns with the ILO’s *Decent Work Country Programme Iraq 2019–2024: Recovery and Reform* (2019) in both strategic orientation and operational priorities. It is explicitly aligned with Priority 1 on job creation in the private sector and indirectly reinforces efforts under Priority 3, through policy formation, tripartite dialogue.

Priority 1:	Ensuring that private sector development supports the much-needed creation of new jobs.
Priority 2:	Protection: Reducing vulnerabilities in Iraq through extension and strengthening of social protection, and an effective framework to address child labour.
Priority 3:	Governance: Strengthening labour market to promote the realisation of Fundamental Principles and Rights at Work through improved social dialogue mechanisms.

### 1.1.2 Observations on the project alignment with the Iraqi context and the DWCP

*Project Background and Context* The project “Towards More and Better Employment through Enhanced Support to Private Sector in Southern Iraq – with a Focus on Green Business” is implemented under a three-year agreement (IRQ/22/03/ITA)

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<sup>2</sup> All information in Sections 1.1 to 1.4 is paraphrased from the original ILO Technical Proposal to the AICS, pages 2- 8 (ILO, Technical Proposal: 2023) and the ILO’s *Decent Work Country Plan: Recovery and Reform 2019-2023* (2019).

between the International Labour Organization (ILO) and the Italian Agency for Development Cooperation (AICS). The project began in May 2023 and operates in Southern Iraq, with ambitions to scale nationally. It builds on a structured Theory of Change and logic model, aligning closely with the ILO's Decent Work Country Programme (DWCP) Iraq 2019–2024, which provides its strategic frame of reference.

### ***Alignment with ILO Strategy***

The project aligns strategically and operationally with the DWCP, particularly Priority 1, which promotes job creation through private sector development. It also contributes to Priority 3, focusing on governance and improved labour market institutions through tripartite social dialogue. Both the DWCP and this project emphasise MSMEs as engines of employment, especially for vulnerable populations such as women and youth. Interventions include enabling business environments, enterprise formalisation, and financial inclusion.

At the operational level, the project adopts the DWCP's multi-level approach—macro (policy), meso (institutional), and micro (individual). It implements established ILO tools including the Enabling Environment for Sustainable Enterprises (EASE), Start and Improve Your Business (SIYB), and financial literacy training, all integral to DWCP delivery mechanisms. While the DWCP has limited focus on the green economy, this project expands that agenda, integrating green business support into its employment creation strategies.

### ***Private Sector Transformation for Employment***

Iraq's private sector remains underdeveloped characterised by heavy oil dependency, low productivity, widespread informality, and weak access to finance and innovation. These challenges limit diversification and job creation outside the public sector. High youth unemployment and gender gaps in labour market participation exacerbate the issue.

In response, the project implements a coherent set of actions to support private sector transformation, with a strong emphasis on MSME development, improved policy environments, and access to finance. It introduces support for green business models, aiming to promote both job-rich growth and sustainable economic transformation, in line with the ILO's Decent Work Agenda.

### ***Enhanced Business Ecosystem for MSMEs***

MSMEs in Iraq face major constraints, including limited access to finance, lack of quality business development services, and restrictive regulations. The project aims to strengthen Iraq's MSME ecosystem by improving the regulatory and policy framework, enabling easier business start-up and growth. It also supports environmentally sustainable business models, addressing Iraq's underdeveloped green economy. The interventions target both economic diversification and improved resilience of small businesses.

### ***Strengthening Capacities on SIYB and Financial Literacy***

Entrepreneurs, especially women and youth, often lack the necessary skills to establish and manage sustainable enterprises. In response, the project scales up the ILO's SIYB programme and financial literacy training, while strengthening

national and local institutions to deliver these services. This dual approach—capacity building for individuals and systems—aims to promote entrepreneurial success, support formalisation, and improve access to formal financial services. These measures are expected to increase the long-term sustainability of small enterprises and broaden their contribution to employment creation.

### ***Improving Financial Inclusion in Job-Rich Sectors***

Access to finance is a critical constraint for start-ups and MSMEs, particularly those led by youth and women. The project works to enhance financial inclusion through partnerships with commercial banks and microfinance institutions. It provides targeted support to improve credit access and institutional lending frameworks, especially in green economy sectors with high employment potential. Combined with financial literacy support, these efforts are expected to expand credit uptake, strengthen enterprise resilience, and enable inclusive economic participation.

### ***Supporting Government of Iraq Policy Priorities***

The project is well aligned with Iraq's National Development Plan (NDP) 2024–2028 and sectoral strategies such as the Private Sector Development Strategy (2014–2030). These frameworks recognise key challenges such as overreliance on oil, informality, and poor investment climate—issues directly addressed by the project. By focusing on MSME development, business formalisation, and improved access to finance, the project contributes to Iraq's overarching goals of economic diversification, private sector-led job creation, and inclusive growth. Furthermore, while the project's focus is economic, it also supports broader governance and social objectives through institutional capacity-building, support to policy frameworks, and promotion of equitable access to services.

## **1.1.3 Observations on Strategic and Contextual Coherence**

The project demonstrates strong internal coherence with ILO strategic priorities and clear external alignment with Iraqi national policy. Each major challenge identified in the project is reflected in government strategy documents. The project responds particularly well to cross-cutting frameworks such as the White Paper for Economic Reform and the Private Sector Development Strategy, which guide Iraq's structural transformation agenda.

The project's Theory of Change is contextually grounded and logically designed, reflecting both institutional realities and development priorities. Its interventions at the macro, meso, and micro levels reinforce the foundations for a more dynamic and inclusive private sector, contributing to the transition toward sustainable and decent employment in Iraq.

In summary, each major challenge identified in the project document has corresponding elements in one or more Government of Iraq policies. In its conception and design, they show internal coherence with ILO priorities and Iraqi national strategies across all issues. Some policies, especially the White Paper for Economic Reform and the Private Sector Development Strategy, are cross-cutting and respond to multiple challenges. The project also shows external with the contextual analysis set out in the Project Document.

**Table 2: Alignment of Main Challenges with Government of Iraq Policy and Strategy<sup>3</sup>**

Main Challenges Facing Private Sector Development in Iraq	Government of Iraq's Policy and Strategy
<b>Oil dependency: Iraq's economy is dominated by the oil sector (99% of exports, 85% of revenue), crowding out private sector development.</b>	<i>National Development Plan White Paper for Economic Reform (2020):</i> Calls for economic diversification beyond oil; promotes reforms to develop other sectors (agriculture, industry, banking).
<b>Large public sector and SOEs: Disincentivises entrepreneurship and diversification.</b>	<i>Private Sector Development Strategy (2014–2030):</i> Aims to privatise or restructure SOEs and promote a competitive private sector; enhance role of private enterprises.
<b>Weak competitiveness and low investment: Domestic firms struggle with market access, exacerbated by cheap imports.</b>	<i>Reconstruction and Development Framework (2018–2027) and PSDS:</i> Focus on rebuilding economic sectors, improving competitiveness, and attracting investment.
<b>Challenging business environment: Ranked 172/190 for ease of doing business, with complex and costly registration processes.</b>	<i>Private Sector Development Strategy (2014–2030) and 2022 Government Programme:</i> Commit to simplifying registration, regulatory reform, and improving the investment climate (including a 'one-stop shop' for business registration).
<b>Access to finance: Iraq ranks 186/190 for credit access. MSMEs face rejection, mistrust, and collateral challenges.</b>	<i>The Ministry of Planning, National Development Plan, 2024–2028.</i> Policy and financial support to Micro, Small and Medium Industry.
<b>High informality: 80% of MSMEs are unregistered; informal employment dominates (66.6%).</b>	<i>Private Sector Development Strategy (2014–2030) and White Paper (2020):</i> Promote business formalisation through incentives, regulatory reform, and linking formalisation to access to finance and government contracts.
<b>Youth and gender inequalities: Youth unemployment at 35.8%; low female labour participation at 10.6%.</b>	<i>Poverty Reduction Strategy (2018–2022) and 2022 Government Programme:</i> Prioritise youth and women's employment, empowerment initiatives, and labour market inclusion measures.

<sup>3</sup> This list summarises the Iraq policy documents used during the project design and implementation phases. It was extracted from the original Project Proposal and Annual Progress Reports.

**Regulatory and institutional inefficiencies: Weak systems for taxation, business registration, contract enforcement.**

*White Paper (2020) and Private Sector Development Strategy (2014–2030):* Commits to regulatory overhaul, e-governance, tax system modernisation, and strengthening contract enforcement mechanisms.

## 1.2 Synopsis of the Project Theory of Change

The project’s Theory of Change hypothesizes that *if* the business environment for MSMEs becomes more conducive, *if* private sector development policies are well designed and implemented, and *if* institutional and MSME capacities are enhanced, and if MSMEs are formalised and have access to financial services, then the private sector in Iraq will be transformed and become more productive, thereby leading to the creation of more and better employment opportunities.

To achieve this outcome, the project is structured around two interdependent objectives:

**Objective 1:** Improve the business ecosystem through evidence-based policy dialogue and reform processes.

**Objective 2:** Empower national and subnational institutions to better support entrepreneurs and MSMEs, particularly through enhanced access to finance and business development services.

The Theory of Change operates across three interlinked levels of intervention:

- **Macro level (policy and regulatory environment):** The project promotes evidence-based policy formulation and stakeholder engagement to improve the regulatory and business environment. Strengthened dialogue mechanisms are expected to result in policy reforms that lower barriers to entry and formalisation for MSMEs.
- **Meso level (institutional systems and service delivery):** The project supports capacity development for financial institutions and business service providers, aiming to improve the availability, quality, and relevance of support services available to entrepreneurs and MSMEs. This includes the use of ILO-standard tools, such as the EESE and SIYB models, and adapts them to local institutional settings.
- **Micro level (entrepreneurs and MSMEs):** At the enterprise level, the project delivers training in business and financial management, including tailored financial literacy curricula. These services are designed to increase MSMEs' operational capacity, improve financial readiness, and support their access to formal financial services. By linking training with opportunities for financing and formalisation, the project aims to close critical gaps in the business lifecycle.

Together, these levels form a coherent results chain, where improvements at the macro and meso levels create the enabling conditions for micro-level success, and micro-level outcomes provide feedback and upward momentum for broader systemic change. The intended dynamic is self-reinforcing, as growing and formalised MSMEs contribute to job creation, support green transition, and stimulate further policy innovation. The Theory of Change is built on five critical assumptions, each of which underpins the validity of the causal pathways:

1	Policy dialogue will result in tangible and implemented reforms, not just consultation processes.
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2	Financial and business institutions will be receptive and capable of integrating new tools and service models.
3	MSMEs and potential entrepreneurs, particularly women and youth, will engage with and benefit from project-supported services.
4	Broader contextual risks—such as political instability, corruption, and macroeconomic shocks—will not critically undermine the intended results.
5	Reforms and innovations piloted in southern Iraq will generate scalable learning and inform broader national policy and institutional frameworks.

While Assumption 5 is not explicitly stated in the original project document, it is implicit in the project’s design. The expectation is that pilot interventions in the southern governorates will serve as demonstrative models for national-level replication. This includes both successful tools (such as blended finance mechanisms or green business models) and tested approaches to inter-institutional collaboration.<sup>4</sup>

The Theory of Change recognises that progress toward job creation and private sector transformation depends not only on successful project implementation but also on institutional responsiveness and adaptive governance. The model assumes that reforms will be sufficiently embedded in existing systems to allow for sustainability and scale by the end of the project cycle.

In summary, the project’s Theory of Change outlines a logical and structured pathway to impact, grounded in a comprehensive understanding of Iraq’s private sector constraints. It links evidence-based reform with institutional strengthening and direct support to entrepreneurs, with the aim of catalysing a more inclusive, dynamic, and sustainable private sector that can absorb labour market entrants and contribute to Iraq’s broader economic transformation.<sup>5</sup>

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<sup>4</sup> Section 3.1.2 identifies 13 additional implicit assumptions.

<sup>5</sup> Annex D provides a comprehensive Outcome level narrative summary of the Theory of Change. The summary preserves the intent and logic of the original version and enhances clarity for evaluation purposes by explicitly stating assumptions, risks, and causal pathways, both explicitly stated and implicit in the project’s design.

# 2. Evaluation Approach, Method and Scope

## 2.1 Evaluation Approach

The Midterm Evaluation approach was guided by the ILO’s *Evaluation Policy Guidelines* (2020). The Guidelines state that the purpose of a midterm evaluation is to assess progress at the implementation mid-point, providing evidence-based insights that inform decision-making and adaptive management.<sup>6</sup> A Midterm Evaluation is formative, and utility focused, undertaken to ensure that a project is well placed to meet its objectives:

- It helps determine whether the project is on track to achieve its objectives, identifies challenges and deviations and offers recommendations to improve implementation.
- In observing progress, a midterm evaluation provides insight into the potential for long term impact and sustainability.
- It strengthens accountability to stakeholders and supports future planning.

The Evaluation Question Matrix and Theory of Change approach were purpose designed to generate relevant data. For consistency and comparability, the evaluation applies the same rating scale used in the project’s two Annual Progress Reports.<sup>7</sup>

## 2.2 Evaluation Purpose and Objectives

The specific purpose of this midterm evaluation was to assess the progress to date towards the results desired, identify the main difficulties and constraints encountered, assess the effectiveness and efficiency of the project for the targeted populations, and formulate lessons learned and practical recommendations.<sup>8</sup> To this end, the Midterm Evaluation shall:

Table 4: Summary of Midterm Evaluation Objectives	
Objective 1	<b>Systematically assess progress at midterm point</b> (18 months) towards achieving the project’s purpose and objectives, and the project’s contributions to ILO goals and SDGs.
Objective 2.	<b>Validate the project’s Theory of Change.</b> Reflect on the validity of the project’s Theory of Change, strategy, and assumptions, and identify necessary adjustments.

<sup>6</sup> ILO, *ILO policy guidelines for results-based evaluation Principles, rationale, planning and managing for evaluations*, 4<sup>th</sup> edition 2020.

<sup>7</sup> The project’s Assessment Framework is included as Annex H to this report.

<sup>8</sup> Paraphrased from Midterm Evaluation Terms of Reference, Section 3: Purpose, objectives, and scope of the evaluation. The original text from the TOR is deconstructed to make the presentation of objectives more specific.

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Objective 3.	<b>Identify lessons learned and best practices</b> to inform adaptive management for the remainder of the project, and for the project’s scale up and replicate the project in another Governorate.
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Objective 4.	<b>Provide recommendations</b> for improving implementation and guiding potential future phases of the project, understanding that the project team and stakeholders will use findings to enhance decision-making, refine strategies, and inform the design of a potential second phase in other governorates of Iraq.
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## 2.3 Scope of the Evaluation

The midterm evaluation covers all activities from May 2023 to February 2025 in Basra, Muthanna and Baghdad, assessing relevance, effectiveness, efficiency, sustainability, and potential impact across business ecosystem support, MSME capacity-building, and financial inclusion, with attention to gender, disability, and environmental sustainability.

## 2.4 Summary of the Evaluation Methodology

The midterm evaluation adopts a theory-based and mixed-method approach grounded in contribution analysis and structured to evaluate the performance of the ILO-AICS project, *“Towards More and Better Employment through Enhanced Support to Private Sectors in Southern Iraq – with a Focus on Green Business”*. The evaluation framework is within the project’s Theory of Change, which serves as the central analytical structure to assess the relevance, coherence, effectiveness, efficiency, impact orientation and sustainability of the interventions across macro, meso, and micro levels.

The methodology integrates mixed quantitative (desk review) and qualitative methods (interviews and focus groups), enabling a triangulation of data sources and perspectives. This approach supports a comprehensive understanding of how the project’s interventions contribute to observed outcomes, and where causal pathways may be weak or disrupted. It also allowed for better validation of the findings.

Key elements of the methodology include:

**Theory-Based Evaluation:** The evaluation is built around a reconstructed and refined Theory of Change, allowing for the identification of expected causal linkages, underlying assumptions, and contextual risks. Contribution analysis is employed to examine whether observed changes can reasonably be attributed to the project.

**Evaluation Criteria and Questions:** The methodology is structured around the OECD-DAC evaluation criteria; relevance, coherence, effectiveness, efficiency, and sustainability. Evaluation questions are operationalised through a matrix that links criteria to indicators, data sources, and analysis strategies.

**Triangulation:** The evaluation performed a triangulation across methods, data sources, and stakeholders. This involves cross-validation of evidence from interviews, focus groups, desk review, and monitoring data to strengthen credibility and mitigate bias. Data from different stakeholder groups—including beneficiaries, implementing partners, ILO staff, and national institutions—are compared to identify convergences, discrepancies, and explanatory insights.

Data Collection Methods:

**Desk Review:** A comprehensive review of project documentation, monitoring reports, and national policy frameworks provides the foundation for evaluating strategic alignment and design integrity.

**Key Informant Interviews:** Semi-structured interviews are conducted with ILO staff, implementing partners, government officials, financial institutions, and representatives of chambers of commerce to gather insights into project performance and delivery mechanisms.

**Focus Group Discussions:** FGDs with project beneficiaries, including women, youth, and persons with disabilities, enable the evaluation to assess the inclusiveness, accessibility, and utility of training and financial services. The focus groups were also a venue to test assumptions and surface information whether the causal pathways are functioning.

**Sampling Strategy:** A purposive sampling approach is adopted to capture variation in experience across locations, intervention types, and stakeholder roles. Criteria include gender, disability, employment status, and engagement with different project components.

**Analysis and Validation:** Data are analysed thematically and mapped against the ToC to identify areas of confirmed or broken causal pathways. Validation workshops with key stakeholders may be conducted to review preliminary findings and ensure accuracy.

## 2.5 Limitations on the Midterm Evaluation Method

The methodology acknowledges potential limitations related to data availability, contextual volatility in Southern Iraq, and the challenges of verifying attribution in a multi-stakeholder, multi-level programme. Notwithstanding, the primary limitation was the poor quality of data generated by the project's monitoring system. Both limitations were mitigated through methodological triangulation and transparent reporting of confidence levels in findings.

# 3 Review of Midterm Evaluation Data

## 3.1 Summary of Results from Annual Progress Reporting

Section 3 provides a summary of the programme results identified from the structured Document Review (quantitative) and the semi-structured Stakeholder Interviews and Beneficiary Focus Groups (qualitative). The Section concludes with a triangulation of data between methods.<sup>9</sup>

### 3.1.1 Method and Observations on Performance Monitoring Framework

Outcome and Output results have been assessed using the Project Performance Monitoring Tool indicators and target framework. Also considered is the performance data provided in the two Annual Progress Reports (2023 and 2024).

The Annual Progress Reports should be structured to align with the project’s Comprehensive Monitoring and Evaluation Plan (CMEP 2023) and do not refer to the indicators, targets, or means of verification set out in the ILO’s Project Performance Monitoring Tool, which is intended as a core element of the project’s internal monitoring system. The table itself includes data and targets covering the period from October 2024 to June 2025, with gaps in the 2025 data.

As a result, the project operates with a public-facing reporting instrument (the *Annual Progress Report*) that is not aligned with either the monitoring system design established in the original Project Document (2023) or the internal monitoring instruments developed since project inception, including the CMEP and the Performance Monitoring Tool. There appears to be discrepancies between these instruments that affects the validity of the reporting.

The Annual Progress Reports are narrative in format. They make limited use of monitoring and performance data. Where data is referenced, the sources and method of gathering are not provided. All Outcomes and Outputs are reported as “On Schedule” in both years. However, this status cannot be independently substantiated due to the absence of defined indicators, baseline values, time-bound targets, or timeline benchmarks in the reports themselves. Specifically, the Annual Progress Reports do not apply or reference the indicators, targets, or means of verification defined in the Project Performance Monitoring Tool.

For the assessment of results, the Midterm Evaluation used on the information provided in the two public-facing Annual Progress Reports. To structure the analysis and compensate for the absence of indicator-based reporting, the evaluation overlaid the indicators, targets, and means of verification from the Project Performance Monitoring Tool. An additional factor influencing this choice is that there are some gaps in the tracking table, suggesting that either data collection has not occurred, or it has not been entered yet. The tool, therefore, is not a sufficient alternative.

Consolidated Results from the Annual Performance Reporting for Outcome 1

**Outcome 1: An enhanced business ecosystem where MSMEs are supported to adapt, innovate, grow, and thrive – with a focus on the green economy**

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<sup>9</sup> The supporting notes on for Section 3 are included as part of Annex G.

**Output 1.1 Objective:** *Evidence-based policy making for MSME development.*

**Tracking Table Status:** As of mid-2025, no actuals are recorded for these indicators in the Indicator Tracking Table. This absence of data limits the ability to verify whether targets have been met through the official monitoring system.

<b>Output 1.1: Annual Progress Report Status (2023–2024)</b>	
2023 Status: Reported as <i>On Schedule</i>	Enabling Environment for Sustainable Enterprises (ESEE) assessment drafted and internal review underway.
2024 Status: Reported as <i>On Schedule</i>	-ESEE completed in Arabic and English - National MSME policy committee formed; ministerial meetings held The project launched Iraq’s National Business Disability Network (IBDN) - Tripartite conference conducted (MSMEs policy) - Rapid assessment in oil/gas sector
Summary of Output Achievements	-The project implemented the ILO's ESEE framework, -The development of a National MSME reform resulting in a final diagnostic report, structured stakeholder engagement.  -the ILO in partnership with IFI is collaborating to establish Iraq’s National Business Disability Network, aimed at integrating persons with disabilities, to enhance their access to labour market. workshops were held; policy-related work shows direct linkage for each activity.
Deliverables Observed	<ul style="list-style-type: none"> <li>▪ The Enabling Environment for Sustainable Enterprises report was finalized in 2024.</li> <li>▪ Stakeholder consultations and a validation workshop conducted.</li> <li>▪ the Iraqi national strategy to address inequalities in the workplace within Iraq. The strategy launched in March 2024.</li> <li>▪ The project also contributed to Iraq’s national strategy launched in March 2024, focusing on entrepreneurship and green initiatives to reduce workplace inequalities and create more job opportunities.</li> <li>▪ The project launched Iraq’s National Business Disability Network (IBDN) on December 7, 2024, in collaboration with IFI and ILO HQ, promoting inclusivity for persons with disabilities in the business sector. Ongoing capacity-building support continues.</li> </ul> <ul style="list-style-type: none"> <li>▪ Additionally, a national conference held on July 29–30, 2024, advanced the development of a national MSME policy. The policy is expected to be launched in 2025.</li> <li>▪ The project conducted a rapid assessment of working conditions and the environment in Basra's oil and gas sector. Following this, a workshop was organized, bringing together major oil and gas companies, local government representatives, MOLSA, and DOLSA</li> </ul>

	to discuss the assessment results and explore opportunities to integrate SMEs into the supply chain.
Validity of Project Assumptions	<p>Explicit Assumptions:</p> <ul style="list-style-type: none"> <li>▪ National partners will endorse and implement the MSMEs Development Policy.</li> <li>▪ Stakeholder consultations lead to shared ownership of proposed reforms.</li> </ul> <p>Implicit Assumptions:</p> <ul style="list-style-type: none"> <li>▪ Evidence-based assessments will influence policy decisions.</li> <li>▪ The EESE process is politically and institutionally relevant</li> </ul> <p>The assumptions appear valid. The EESE was completed. Stakeholders participated in consultations, and the MSME policy document was drafted. However, no evidence confirms formal adoption or integration into policy frameworks or use. The assumption of institutional uptake, therefore, remains untested.</p>
Causal Pathways and Functionality	<p>Causal Chain (Implied): <i>EESE diagnostic → consultations → policy adoption → MSME reform → outcome contribution.</i></p> <ul style="list-style-type: none"> <li>▪ The pathway functioned through the diagnostic and consultation stages.</li> <li>▪ The adoption and implementation stages are stalled or undocumented.</li> <li>▪ Absence of indicator data disrupts performance monitoring.</li> </ul> <p>Conclusion: The causal pathway is partially functional but lacks verification beyond the Output stage, leading to Outcomes. Action is required to operationalise the MSMEs.</p>
Risks and Disruptions	<p>These risks weaken the causal link between Output delivery and Outcome achievement and prevent effective course correction:</p> <ul style="list-style-type: none"> <li>▪ Monitoring Risk: Absence of verified indicator data hinders performance tracking.</li> <li>▪ Policy Risk: The MSMEs may not be endorsed or acted upon.</li> <li>▪ Credibility Risk: Lack of triangulated evidence and time-bound targets weakens the credibility of “On Schedule” status.</li> </ul>
Contribution to Outcome (Preliminary Assessment)	<p>Output 1.1 appears:</p> <ul style="list-style-type: none"> <li>▪ Positioned for a possible contribution, if the MSMEs is adopted and used as a policy tool.</li> <li>▪ Current Evidence is insufficient to make an attribution. Evidence is provided of policy uptake or implementation. This may be a reporting gap.</li> </ul> <p>Barrier: Insufficient institutional reporting and absence of real-time monitoring data to determine status and the actions needed. Bureaucratic inefficiencies slow formalization, delaying access to benefits.</p>

**Output 1.2 Increased stakeholders' capacities to unlock entrepreneurial potential (women entrepreneurs), boosting investment and creating better jobs in key sectors, including green businesses.**

**Tracking Table Status**

**Indicator 1.2.1:** *Number of public and private sectors capacitated on green business opportunities*

**Baseline:** 0; **Target:** 10 **Reported Actuals:** Q1 2024: 5, Q4 2024: 1, Q1 2025: 1, Q2 2025: 4, **Total Achieved by Q2 2025:** 11

**Indicator Tracking Table Conclusion:** Target met or exceeded.

<b>Output 1.2 Annual Progress Report Status (2023–2024)</b>	
<b>2023 Status:</b> No Reference	Not mentioned as a distinct activity.
<b>2024 Status:</b> Reported as <i>On Schedule</i>	<ul style="list-style-type: none"> <li>▪ Green business concept identified as a priority through stakeholder consultation.</li> <li>▪ Identify constraints in green economy by awareness campaign launched in collaboration with MOSLA and MOEN.</li> <li>▪ Tripartite dialogue on green workshop to advance national plan for green businesses</li> <li>▪ Action plan for green businesses as three training of trainer session held 78 participants.</li> </ul>
Summary of Output Achievements	<ul style="list-style-type: none"> <li>- Awareness campaign with &gt;400K views</li> <li>- Three TOTs on green economy (youth, government, COP28 reps)</li> <li>- National plan for green businesses initiated with MoT</li> </ul>
Deliverables Observed	<p><b>Deliverables Observed</b></p> <ul style="list-style-type: none"> <li>▪ Strong delivery on awareness and capacity-building.</li> <li>▪ Action plan under development not finished yet.</li> <li>▪ Green growth and entrepreneurship assessments completed.</li> <li>▪ Consultations with public and private stakeholders conducted.</li> <li>▪ 11 institutions capacitated on green business opportunities</li> <li>▪ Training events conducted.</li> </ul> <p><b>Gap:</b> No information on the institutional follow-up, or whether the capacitated entities have integrated green business opportunities into policy or service delivery.</p>
Assumptions and Validity	<p><b>Explicit Assumptions:</b></p> <ul style="list-style-type: none"> <li>▪ Institutional stakeholders are willing and able to apply knowledge gained.</li> <li>▪ A coherent green economy strategy will stimulate MSME development.</li> </ul> <p><b>Implicit Assumptions:</b></p> <ul style="list-style-type: none"> <li>▪ Capacity development leads to institutional change.</li> </ul>

	<ul style="list-style-type: none"> <li>Public-private cooperation in green sectors is politically and economically feasible.</li> </ul> <p><b>Assessment:</b> <i>Largely valid.</i> Training occurred and was absorbed across more institutions than planned. However, the assumption that this translates into behaviour or policy change (Outcome) remains untested. The plan still not full completed and there is not enough reported information.</p>
Causal Pathways and Functionality	<p><b>Implied Causal Chain:</b> <i>Stakeholder capacity building</i> → National Green Businesses Plan → <i>Institutional adoption</i> → <i>MSME growth in green sectors</i> → <i>Outcome contribution</i></p> <ul style="list-style-type: none"> <li>The pathway is functioning up to the development of the National Green Businesses Plan and completion of training.</li> <li>No evidence is available on institutional uptake or follow-through, whether behaviour or policy change has occurred, and will contribute to opening green business options.</li> <li>Performance monitoring is stronger than for Output 1.1 but still lacks verification of post-training outcomes.</li> </ul> <p><b>Conclusion:</b> Causal pathway is functional to the Output level. Effectiveness beyond that point remains uncertain due to monitoring gaps.</p>
Risks and Disruptions	<p>Risks impact both the contribution to Outcome and Sustainability of capacity investments:</p> <ul style="list-style-type: none"> <li><b>Uptake Risk:</b> No system tracks whether training translates to institutional action.</li> <li><b>Strategic Risk:</b> National Green Businesses Plan may not be adopted or implemented.</li> <li><b>Sustainability Risk:</b> Institutional capacities may erode without follow-up or continued support.</li> </ul>
Contribution to Outcome (Preliminary Assessment)	<p><b>Contribution to Outcome (Preliminary Assessment)</b></p> <ul style="list-style-type: none"> <li><b>Positioned for Contribution:</b> Yes, if institutions act on the Green Businesses Plan and accelerate their support to green entrepreneurship.</li> <li><b>Evidence of Contribution:</b> Moderate. Indicator targets are met. However, there is no data on institutional behaviour change or policy application to demonstrate causality between the Green Businesses Plan Output and the Outcome green MSME growth.</li> <li><b>Barrier:</b> Weak feedback mechanisms to capture post-training results or Green Businesses Plan implementation status.</li> </ul>

**Outcome 2: Improved institutional and MSMEs capacities on SIYB Programme and financial literacy.**

**Output 2.1** Improved institutionalization of ILO’s Business management (SIYB) Programme tool in selected national counterpart (s)

**Indicator 2.1:** Number of institutions adapting SIYB Programme and financial literacy tools

**Indicator 2.1.1:** Number of national and subnational institutions capacitated on SYIB  
(Disaggregated by governorates)

<b>Output 2.1 Annual Progress Report Status (2023–2024)</b>	
<b>2023 Status:</b> <i>On Schedule</i>	Initial activities began to promote the SIYB approach and build capacity of institutional partners.
<b>2024 Status:</b> <i>On Schedule</i>	The narrative reports describe capacity-building engagements with national and subnational stakeholders, but without specific institutional names, dates, or quantitative outputs.
Summary of Output Achievements	It is not possible to assess progress from the annual reports or tracking data. The project aimed to strengthen institutional capacity to support entrepreneurship through adaptation and rollout of the ILO’s Start and Improve Your Business programme. Training of Trainers workshops and engagements with implementing partners were referenced. However, the Annual Progress Reports do not confirm how many institutions were fully capacitated or formally adopted the programme. The data on uptake, therefore, is absent.
Deliverables Observed	<p>A capacity assessment of institutional partners was reportedly conducted to identify gaps in entrepreneurship support systems.</p> <ul style="list-style-type: none"> <li>▪ A Training of Trainers (ToT) was implemented for national and subnational institutions on the ILO’s Start and Improve Your Business (SIYB) methodology.</li> <li>▪ References were made to adaptation and localisation of the SIYB curriculum for the Iraqi context, though no materials were annexed or cited.</li> <li>▪ Seven institutions were listed in the Monitoring Tool as having been capacitated and/or adapted the SIYB programme — however, these are recorded as Feb 2025 entries and cannot be verified at midterm.</li> </ul> <p>No documentation is provided to confirm:</p> <ul style="list-style-type: none"> <li>▪ Which specific institutions received training</li> <li>▪ Whether the SIYB tools were integrated into operational programming</li> <li>▪ Whether training has been cascaded to entrepreneurs</li> </ul> <p><b>Conclusion:</b> Several foundational deliverables (training, curriculum adaptation) were initiated or completed. However, due to lack of documentation, the extent of institutional uptake and application remains unclear.</p>
Validity of Assumptions	<p><b>Explicit Assumptions:</b></p> <ul style="list-style-type: none"> <li>▪ Institutional partners will engage in capacity development and adopt SIYB.</li> <li>▪ The training cascade will lead to operational deployment.</li> </ul>

	<p><b>Implicit Assumptions:</b></p> <ul style="list-style-type: none"> <li>▪ Institutional capacity building translates into programme uptake.</li> <li>▪ National systems are willing and able to adopt external tools.</li> </ul> <p><b>Assessment:</b> These assumptions remain untested at midterm as in this reporting period the TOT wasn't conducted yet while some engagements are described, no verified evidence of institutional adoption is presented, and indicator data is absent.</p>
Causal Pathways and Functionality	<p><b>Implied Pathway:</b> <i>Institutional training → Organisational adaptation → Programme rollout → Expanded support for MSMEs → Contribution to Outcome 1</i></p> <ul style="list-style-type: none"> <li>▪ The pathway has partially progressed through early training.</li> <li>▪ There is no verified evidence that institutions have adopted or operationalised SIYB.</li> <li>▪ Gaps in indicator reporting prevent assessment of downstream functionality.</li> </ul> <p><b>Conclusion:</b> Partial progress is made. However, the causal pathway remains theoretical, active above to the activity and output levels, but without evidence of activity between Outputs and Outcome 2.</p>
Risks and Disruptions	<p><b>Risks and Disruptions</b></p> <ul style="list-style-type: none"> <li>▪ <b>Monitoring Risk:</b> Performance data is missing for key indicators, limiting oversight.</li> <li>▪ <b>Implementation Risk:</b> Lack of clarity on which institutions were capacitated or adopted SIYB.</li> <li>▪ <b>Attribution Risk:</b> Without verified uptake, the project cannot claim institutional impact.</li> </ul> <p>These risks undermine the integrity of public-facing self-reported progress and delay performance-based adaptation.</p>
Contribution to Outcome (Preliminary Assessment)	<p><b>Assessment:</b> There is no verifiable Outcome contribution from Output 2.1 at midterm. The reporting shows Output delivery. While foundational activities such as capacity building and training are underway, the lack of data on institutional uptake and operational use of the SIYB model creates a gap in the results chain. Contribution to Outcome 2 remains plausible but unproven, pending verification of implementation and results at the beneficiary level.</p>

**Output 2.2: Iraqi potential entrepreneurs, start-ups and existing MSMEs, including women-led enterprises, benefited from financial literacy support tools.**

**Indicator Performance Summary**

**Indicator Tracker 2.2:** Number of existing MSMEs capacitated on SIYB

**Target:** 100, Verified Actual (by end 2024): 262, Status: Target exceeded

**Indicator Tracker 2.2.1:** Number of trained individual entrepreneurs (≥30% women): Target: 500; Verified Actual (by end 2024): 590, including 44% women.

**Indicator Tracker Status:** Target exceeded

<b>Output 2.2 Annual Progress Report Status (2023–2024)</b>	
<b>2023:</b> Reported as “On Schedule”	<ul style="list-style-type: none"> <li>▪ Entrepreneurship assessments conducted to identify constraints; initial FE training rollout began with a focus on young and women entrepreneurs.</li> </ul>
<b>2024:</b> Reported as “On Schedule”	<ul style="list-style-type: none"> <li>▪ SIYB training expanded; hundreds of individual entrepreneurs and MSMEs supported; training reportedly delivered through local partners. Gender-disaggregated data is included.</li> </ul>
Summary of Output Achievements	<p>The project significantly scaled up training and advisory services for entrepreneurs and MSMEs, focusing on formalisation and green business potential. According to the 2024 report, over 590 individuals (44% women) received training, and more than 26 MSMEs were capacitated using the FE methodology and related tools. These figures are consistent with targets set in the Monitoring Tool. <b>Conclusion:</b> Both indicators were exceeded by the end of 2024, based on available verified data. Disaggregation and reporting were adequate.</p>
Validity of Assumptions	<p><b>Validity of Assumptions</b></p> <p><b>Explicit Assumptions:</b></p> <ul style="list-style-type: none"> <li>▪ Trained entrepreneurs will apply new skills to formalise or expand businesses.</li> <li>▪ Women and youth face barriers that can be addressed through tailored training.</li> </ul> <p><b>Implicit Assumptions:</b></p> <ul style="list-style-type: none"> <li>▪ Capacity-building leads to measurable business outcomes.</li> <li>▪ Local institutions are effective delivery agents.</li> </ul> <p><b>Assessment:</b> Assumptions appear valid at the output level. Training occurred, reached target groups, and exceeded targets. However, assumptions about business outcomes are untested due to a lack of follow-up data on post-training behaviour or enterprise performance. In this regard, the possible benefits of exceeding targets do not correspond to more enterprises formed.</p>
Causal Pathways and Functionality	<p><b>Causal Pathway and Functionality</b></p> <p><b>Implied Causal Chain:</b> <i>Entrepreneur selection → Training → Behaviour change → Business formalisation/expansion → Outcome contribution</i></p> <ul style="list-style-type: none"> <li>▪ The pathway has progressed through training delivery and individual engagement Outputs.</li> </ul>

	<ul style="list-style-type: none"> <li>No data is available to confirm results beyond training (e.g. changes in business practices or employment generation).</li> </ul> <p><b>Conclusion:</b> The causal pathway is functioning to the Output level but breaks at the Outcome transition due to lack of evidence on business outcomes.</p>
Risks and Disruptions	<p><b>Risks and Disruptions:</b> These risks may limit long-term impact and make it difficult to attribute future Outcome-level results.</p> <ul style="list-style-type: none"> <li><b>Evidence Risk:</b> No tracer to track business outcomes.</li> <li><b>Sustainability Risk:</b> Risk of completing training without embedded follow-up support, leading to learning loss.</li> <li><b>Equity Risk:</b> Despite a strong gender ratio, there is no data on results for marginalised groups like disabilities or illiterate beneficiaries who received training.</li> </ul>
Contribution to Outcome (Preliminary Assessment)	<p><b>Assessment:</b> Output 2.2 is well positioned to contribute to Outcome 2. It exceeded training targets and reached the intended groups. However, without data on enterprise performance, formalisation, or employment, the project’s contribution to Outcome 2 remains plausible but unverified.</p>

**Outcome 3: Improved financial inclusion of start-ups business and MSMEs in sectors with potential for job creation, including in green economy**

**Output 3.1: Increased access to affordable financial services for both women and men**

None of the Outcome 3 indicators have actual values recorded. It is not impossible to assess progress based on the Indicator Tracker data.

**Indicator 3.1:** *Number of businesses and MSMEs engaged in financial literacy and financial readiness training*

**Baseline:** 0; **Target:** 50; **Actuals:** Not populated

**Indicator 3.1.1:** *Number of MSMEs accessing credit*

**Baseline:** 0; **Target:** 150; **Actuals:** Not populated

**Output 3.1: Increased access to affordable financial services for both women and men**

<b>Output 3.1 Annual Progress Report Status (2023–2024)</b>	
<b>2023 Status:</b> Reported “On Schedule”	Preliminary stakeholder consultations and ecosystem mapping initiated.
<b>2024 Status:</b> Reported “On Schedule”	The project supported policy engagement for green finance, facilitated dialogue with microfinance institutions, and planned financial literacy training modules. The narrative suggests early-stage activities but reports no confirmed delivery of financial services or credit to MSMEs.

	<p>Planned Activities:</p> <ul style="list-style-type: none"> <li>- Train banks/MFIs (Make Finance Work)</li> <li>- Workshops with CBI, ICBG</li> <li>- Capacity building for bank staff</li> <li>- Awareness/advocacy</li> <li>- Adapt inclusion model</li> <li>- Expand partnerships</li> <li>- Roll out loan disbursement</li> </ul>
<p>Summary of Output Achievements</p>	<p>The project engaged in policy-level dialogue and technical consultation with financial institutions to improve the enabling environment for green finance access. Financial literacy materials were reportedly developed, and outreach was initiated with MSMEs and microfinance institutions. However, no loan disbursements, or financial transactions are documented.</p> <p><b>Reported achievement:</b></p> <ul style="list-style-type: none"> <li>▪ Strategic meetings held; SOPs adapted with ILO-PROSPECTS.</li> <li>▪ Financial Inclusion Week in south Iraq</li> <li>▪ Bank-MSME dialogue platforms</li> <li>▪ Mapping of service providers</li> </ul>
<p>Deliverables Observed</p>	<p><b>Deliverables Observed</b></p> <ul style="list-style-type: none"> <li>▪ Policy consultations with financial actors (unnamed institutions).</li> <li>▪ Planning and adaptation the SOP between the ILO, CBI, ICBG, and partner banks.</li> <li>▪ Outreach to MSMEs and preliminary engagement with MFIs.</li> <li>▪ These Outputs are pending Outcome actions in Year 3 to: Completed financial literacy sessions</li> <li>▪ Partnerships with financial institutions formalised</li> </ul>
<p>Validity of Assumptions</p>	<p><b>Validity of Assumptions</b></p> <p><b>Explicit Assumptions:</b></p> <ul style="list-style-type: none"> <li>▪ Financial institutions are willing to extend services to MSMEs.</li> <li>▪ MSMEs have sufficient credit readiness to access and manage loans.</li> </ul> <p><b>Implicit Assumptions:</b></p> <ul style="list-style-type: none"> <li>• Policy engagement will translate into accessible financial products.</li> <li>• MSMEs prioritise access to green or growth-oriented finance.</li> </ul> <p><b>Assessment:</b> These assumptions are untested. The Output is in a preparatory phase.</p>
<p>Causal Pathways and Functionality</p>	<p><b>Causal Pathway and Functionality</b></p> <p><b>Implied Causal Chain:</b> <i>Ecosystem mapping and engagement → development of financial</i></p>

	<p><i>literacy tools → delivery of training → partnerships with MFIs → loan access → MSME growth → contribution to Outcome</i></p> <ul style="list-style-type: none"> <li>▪ <b>Stages 1–3</b>(engagement, planning) are achieved.</li> <li>▪ <b>Stages 3–6</b> (delivery, uptake, results) remain undocumented or uninitiated.</li> <li>▪ Absence of indicator data obstructs performance verification.</li> </ul> <p><b>Conclusion:</b> The causal pathway is incomplete and not yet functioning beyond planning and consultation.</p>
Risks and Disruptions	<p><b>Risks and Disruptions</b></p> <ul style="list-style-type: none"> <li>▪ <b>Delivery Risk:</b> Without formalised partnerships or tested delivery models, financial training and services may not be implemented.</li> <li>▪ <b>Demand Risk:</b> MSMEs’ interest and readiness for credit are unproven.</li> <li>▪ <b>Monitoring Risk:</b> With all unpopulated indicators, Output 3.1 cannot be independently assessed.</li> <li>▪ <b>Strategic Risk:</b> Delays here affect the credibility of the project’s financial inclusion pillar.</li> </ul>
Contribution to Outcome (Preliminary Assessment)	<p><b>Contribution to Outcome (Preliminary Assessment)</b></p> <p><b>Outcome 3:</b> <i>Improved access to financial services for MSMEs, especially youth- and women-owned businesses.</i></p> <p><b>Assessment:</b> Output 3.1 shows partial progress and is positioned to contribute. However, loan on hold, there is a high risk of non-contribution if activities do not advance beyond the planning stage as the Loan disbursement delayed due to external factor (CBI).</p>

**Output 3.2 – Increased continued tripartite dialogue sessions to identify administrative barriers to registering informal businesses.**

**Indicator 3.1.2:** *Number of financial institutions providing green finance*

**Baseline:** 0; **Target:** 5; **Actuals:** Not populated

<b>Output 3.2 Annual Progress Report Status (2023–2024)</b>	
<b>2023 Status:</b> Reported as “ <i>On Schedule</i> ”	Preliminary consultations with MSMEs, business development services (BDS) providers, and government partners were initiated.
<b>2024 Status:</b> Reported as “ <i>On Schedule</i> ”	The project launched coordination mechanisms in Muthanna and Basra, hosted multistakeholder dialogues, and mapped public-private coordination gaps. However, the progress report provides no figures or verifiable outputs.
Summary of Output Achievements	The project aimed to strengthen collaboration among MSMEs and service providers by initiating multi-stakeholder dialogues and improving coordination systems. It supported the design of public-

	private dialogue mechanisms and attempted to identify bottlenecks in service access. However, the output remains at finalizing stage.
Deliverables Observed	<p><b>Deliverables Observed</b></p> <ul style="list-style-type: none"> <li>▪ BRM drafted by multi-agency committee</li> <li>▪ multistakeholder dialogue events reportedly held.</li> <li>▪ The BRM is now in the final stages of preparation, with the project team working closely with the committee to finalize the document.due April 2025.</li> </ul>
Validity of Assumptions	<p><b>Validity of Assumptions</b></p> <p><b>Explicit Assumptions:</b></p> <ul style="list-style-type: none"> <li>▪ Stakeholders will engage in and sustain dialogue platforms.</li> <li>▪ Dialogue results in actionable collaboration and policy changes.</li> </ul> <p><b>Implicit Assumptions:</b></p> <ul style="list-style-type: none"> <li>▪ MSMEs face coordination-related service barriers.</li> <li>▪ Public-private dialogue is a viable and effective coordination model.</li> </ul> <p><b>Assessment:</b> valid. Stakeholders were engaged, confirmation that dialogue mechanisms were formalised waiting to be translating into action plans.</p>
Causal Pathways and Functionality	<p><b>Causal Pathway and Functionality</b></p> <p><b>Implied Causal Chain:</b> Stakeholder engagement → Dialogue sessions → Action plans → Institutional collaboration → Improved MSME service access</p> <ul style="list-style-type: none"> <li>▪ <b>Stage 1–2:</b> achieved (engagement, some sessions held).</li> <li>▪ <b>Stages 3–5:</b> not yet initiated.</li> <li>▪ Absence of indicator data prevents functional verification of the full pathway.</li> </ul> <p><b>Conclusion:</b> The pathway is partially functional, but unverified beyond early dialogue.</p>
Risks and Disruptions	<p><b>Risks and Disruptions</b></p> <ul style="list-style-type: none"> <li>▪ <b>Operational Risk:</b> Stakeholder participation may not translate into action or sustained coordination.</li> <li>▪ <b>Documentation Risk:</b> Without reporting outputs and deliverables, progress is difficult to validate.</li> </ul> <p><b>Strategic Risk:</b> Delay in building functional platforms weakens integration across programme pillars</p>
Contribution to Outcome	<p><b>Outcome 3:</b> <i>Improved access to financial and non-financial services for MSMEs.</i></p> <p><b>Assessment:</b> Output 3.2 is thematically relevant to Outcome 3</p>

(Preliminary Assessment)	
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### 3.1.2 Observations on the Challenges and Risk Reported

The Midterm Evaluation completed a structured review of the Challenges reported in 2023 and 2024, along with associated risks and potential breaks in the causal pathways. From the Challenges data, the evaluation developed additional insights into the results achieved, risk that may emerge from them and their effects on causality within the project.<sup>10</sup>

Annex I presents a structured inventory of implementation challenges reported in annual progress updates. While framed as “challenges,” these issues in practice are risks that disrupt the project’s causal pathways and hinder the translation of activities into sustainable outcomes. The challenges fall into recurring categories: lack of institutional uptake following capacity-building (e.g. SIYB and Green); Stalled implementation of financial inclusion mechanisms; Gaps between training and enterprise activation; Coordination breakdowns and Unaddressed behavioural and equity barriers.

Risk, therefore, is being identified but with no clear feedback to project governance and management. These disruptions are not isolated events; they often represent systemic weaknesses in the project’s results chain, where activities fail to trigger the expected intermediate steps (e.g. policy adoption, institutionalisation, mentoring, service access), leading to uncertain or broken links between outputs and outcomes.

Each challenge implies a specific type of risk, policy risk, behavioural risk, coordination risk, or sustainability risk. These impair the project’s contribution potential. For example, failure to formalise MSMEs due to cultural and economic disincentives reveals a flawed assumption in the Toc, while the absence of post-training support leaves the business activation pathway incomplete. These causal breaks signal where corrections, adaptations, or bridging mechanisms are required.

From the challenges, therefore, recommendations and corrective actions can focus not only on remedying discrete issues, but on restoring or reconfiguring the causal logic of the intervention. Strategic responses, such as reinforcing post-training mentoring, formalising institutional partnerships, introducing incentive structures for formalisation, or adjusting delivery mechanisms to address equity gaps can mitigate the associated risks and help reconnect outputs to intended outcomes, strengthening effectiveness of the project second half.

## 3.2 Summary of Results from the Interviews and Focus Group Results

### 3.2.1 Consolidated Interview Results and Focus Group Results

Semi-structured interviews were conducted with project Stakeholders. With project beneficiaries, the evaluation conducted Focus Group Discussions. The results are summarised according to the project structure, and key points were the qualitative data converged or there were discrepancies in perceptions.

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<sup>10</sup> See Annex I of this report, “Assessment of Challenges Reported.”

Project stakeholders and beneficiaries generally view the project positively, particularly its focus on inclusive training and alignment with national policy. Beneficiaries appreciated the accessibility of training but expressed frustration over delayed follow-up, limited post-training support, and persistent barriers to formalisation and loan access.

In contrast, institutional stakeholders tended to focus on design coherence and policy alignment, while underestimating the operational and behavioural challenges faced by participants. These differing perceptions may influence participation going forward, particularly if beneficiaries lose motivation due to delays and unmet expectations, while institutions remain focused on upstream outputs rather than downstream uptake.

### **3.2.2 Micro-Level: MSME Capacities and Financial Access**

Focus group discussions confirmed the relevance and accessibility of the financial education and SIYB training packages, particularly for women and persons with disabilities. Beneficiaries highlighted the value of visual and tactile learning tools, which enabled participation by illiterate and semi-literate individuals.

From the progress reporting, over 900 individuals received training, well above the planned target. However, there is limited evidence of follow-on enterprise development. Training was not promptly followed by business activation. Participants noted a loss of motivation and knowledge retention when there was a significant time lag between training and the application of new skills and knowledge. This was partly attributed to the delayed completion of ToT training sessions to be facilitated in Feb 2025.

There remains a weak causal link between training, formalisation, and access to finance. Social and cultural barriers, such as fear of taxation, a preference for informal operations, and gender norms, may discourage business registration and loan uptake. This cultural barrier conflicts with the project assumptions.

Loans facilitation is still under development however the findings shows that the SOPs were set up and the mechanism is going to smoothly applied if the loans in the process of activation. Interviews confirmed that Mashreq Islamic Bank and Alahli Bank are final partners. The proposed loan structure includes a 65% bank loan and a 35% ILO-backed grant, disbursed upon successful repayment. However, negotiations were delayed due to disputes over interest rates, verification procedures required by the Central Bank and the delay in the CBI 4 trillion initiative has directly impacted the project's efforts in facilitating access to finance for SMEs and entrepreneurs. The postponement has stalled the disbursement of loans under the project, delaying beneficiaries' ability to secure the necessary capital for business establishment and expansion.

### **3.2.3 Meso-Level: Institutional Capacity and Local Partnerships**

Stakeholders, including beneficiaries and public officials, expressed general support for green and inclusive enterprise development. However, institutional understanding and implementation capacity remain limited, particularly in Muthanna.

The *Business Registration Manual* was broadly welcomed. Nonetheless, fear of taxation and complex administrative procedures continue to suppress uptake. Interviewees indicated that the manual alone is insufficient to overcome structural and behavioural disincentives to formalisation.

Chambers of commerce and industrial unions were suggested as alternative intermediaries for loan disbursement, indicating possible institutional flexibility not currently reflected in the Theory of Change.

While the Annual Progress Reports indicate efforts to institutionalise training curriculum, interview data suggest limited follow-up and a disconnect between training and real-world business opportunities. These gaps constrain effective uptake and sustainability.

### 3.2.4 Macro-Level: Policy Reform and Systemic Change

Officials from the Ministry of Trade and the Central Bank confirmed that the project's policy dialogues and National Action Plan development align with broader national strategies, validating the ToC's macro-level relevance. However, stakeholders also reported divergent views on interest rates and ongoing coordination challenges with the Central Bank. These findings question the assumption that policy dialogue alone leads to timely and actionable reforms.

### 3.2.5 Contradictions or Gaps Identified

#### Green Business Awareness and Uptake

Despite the reported delivery of ToT sessions, awareness campaigns (including animated videos), and initial progress on a *National Green Business Plan*, reaching over 400,000 online viewers, interview data suggest limited understanding of what constitutes a "green business," particularly among financial education participants. SIYB participants demonstrated marginally higher awareness.

Three green business workshops were conducted:

- **Basra:** 27 attendees, including 13 financial education graduates; 10 grants were awarded through bank and financial institution sponsorship.
- **Basra (December):** 16 women entrepreneurs attended a session on how to establish a green business.
- **Muthanna:** 14 entrepreneurs attended.

Despite these efforts, uptake of green practices remains limited, indicating a gap between awareness-raising and behavioural change and a need for follow-up engagement to reinforce green practice use.

#### Delays in Loan Disbursement

Although the two Annual Progress Reports describe an active loan mechanism under development, interviews revealed delays due to negotiation breakdowns, disagreement over interest rates, and burdensome verification procedures. Coordination challenges with the Central Bank further impeded implementation.

A list of up to 150 eligible loan candidates has been prepared, with loan sizes ranging from USD 3,000 to 12,000 based on business plan. However, no clear timeline for disbursement was provided. Beneficiaries expressed concerns over repayment timelines and the additional financial burdens posed by registration requirements and government fees, especially for early-stage entrepreneurs.

#### Resistance to Business Formalisation

Progress on simplifying registration through the new manual is noted in Annual Progress Reports. However, interviewees described beneficiary resistance due to fear of taxation, the potential loss of MOLSA-provided social protection, and low trust in public institutions. In Muthanna, cultural norms were cited as further barriers to registration for certain groups.

## Disability and Geographic Access

Although the programme aims to be disability-inclusive, interviewees reported that some training venues remained physically inaccessible. While ILO made efforts to improve access, challenges persist. Geographic disparities were consistently reported, with Muthanna lacking both physical infrastructure and institutional presence. These issues receive limited attention in the Annual Progress Reports.

### 3.2.6 Additional Insights That Deepen or Challenge the ToC

#### Behavioural Preferences and Risk Aversion

Some beneficiaries intentionally avoided follow-up, including by changing phone numbers, due to concerns about registration or loan obligations. Others reported a preference for continued government support, such as MOLSA's \$200/month social assistance, over engaging in entrepreneurial activity. These behaviours challenge ToC assumptions around motivation and incentive structures.

#### Institutional Intermediaries and Delivery Alternatives

Stakeholders proposed that chambers of commerce and industrial unions could serve as more trusted intermediaries for loan disbursement, reducing barriers associated with formal banks. The ILO indicated a potential strategy whereby the 35% grant portion of the loan package would be awarded upon successful and timely repayment, reinforcing accountability and enabling reinvestment into additional MSMEs.

#### Demand for Post-Training Support

There is clear demand for additional support beyond initial training. Beneficiaries consistently requested post-training mentorship, refresher sessions, and assistance with market linkages. The absence of structured follow-up limits the progression from training to business activation and weakens the results chain.

## 3.3 Triangulated Findings and Theory of Change Validation: Midterm Evaluation Summary

The Midterm Evaluation triangulated the quantitative (Section 3.1 annual reports and indicator tracking) and qualitative (Section 3.2 interviews and focus groups) data. The triangulation process identified the points on which there was convergence and alignment between the mixed data sources, points of divergence or discrepancy, the possible effects on the validity of reported results, the credibility of causal claims, and the reliability of performance assessments.

The triangulation process partially validated reported results by confirming areas of agreement between qualitative and quantitative data. At the same time, it also revealed discrepancies that question the reliability of some reported outputs and the plausibility of causal claims.

### 3.3.1 Triangulation Summary

Points of Convergence

**Relevance to Stakeholders and Beneficiaries:** All sources confirm that the project is aligned with national priorities, ILO frameworks, and the needs of beneficiaries. Stakeholders support the focus on private sector development, and beneficiaries find the training practical and accessible.

**Stakeholder Commitment:** Interviews confirm that Tripartite Stakeholders broadly support the project's focus on MSME development, job creation, and financial inclusion. They recognise its alignment with national priorities and the ILO's Decent Work agenda.

**Beneficiary Motivation:** Focus group discussions show that beneficiaries are motivated, particularly women and persons with disabilities who found the training accessible and valuable. There is consistent interest in entrepreneurship and applying skills, even though follow-up mechanisms were delayed.

**Training Reach and Inclusivity:** Reports and qualitative data confirm that over 900 individuals were trained, exceeding targets. The use of visual and tactile methods improved access for women, persons with disabilities, and those with limited literacy.

**Delayed Business Activation:** All sources acknowledge a lag between training and business formation, contributing to possible reduced motivation and missed opportunities for immediate impact.

**Cultural Barriers to Formalisation:** Fear of taxation, loss of assistance, and social norms, particularly for women, are consistently cited as major deterrents to formalisation and loan uptake.

Points of Divergence

**Outcome Status Reporting:** Performance reports describe outcomes as "on schedule," but interviews and focus groups highlight limited observable changes, especially in financial services.

**Institutional Ownership:** Reports indicate active institutional participation. However, stakeholders report limited uptake or operational use of tools.

**Readiness of Financial Services:** Reports show progress in designing financial products, while stakeholders describe delays, unresolved procedural issues, and uncertainty around implementation timelines.

New Insights

**Risk of Learning Loss:** Delays between training and follow-up support may cause beneficiaries to forget or lose confidence in applying what they learned.

**Unmet Expectations:** Many beneficiaries expected financial support or business development follow-up after training. The absence of such services has created confusion and frustration.

**Scepticism on Policy Uptake:** Some institutional stakeholders expressed doubts about whether policy documents developed under the project would be implemented or used in practice.

**Beneficiary Risk Aversion:** Some participants actively avoided follow-up due to fear of taxes or debt, contradicting assumptions of motivation and entrepreneurial aspiration in the ToC.

**Unmet Demand for Post-Training Support:** Strong demand for refresher training, mentoring, and market linkages, which are not part of the formal project outputs, suggests the causal chain lacks key intermediate steps.

## 4 Summary Assessment against the Evaluation Criteria

The Terms of Reference require that the Midterm Evaluation summarise its findings against the OCED DAC criteria. The Evaluation Question Matrix and Theory of Change inquiries were designed to generate relevant data. For continuity, the evaluation uses the same ranking standard as the Annual Performance Reports.<sup>11</sup>

### **Overall Relevance is Satisfactory**

The project is assessed as relevant to Iraq's development context, ILO priorities, and the needs of government, employers, and workers. It aligns with Iraq's *National Development Plan (2024–2028)*, which prioritises private sector growth, MSME development, and job creation, particularly for youth and women. The project also reflects the ILO's *Programme and Budget (2022–2025)*, the *Decent Work Country Programme for Iraq (2019-2023)*, and the *United Nations Sustainable Development Cooperation Framework*. Tripartite stakeholders have validated the project's focus areas, particularly the emphasis on improving the business environment, promoting green entrepreneurship, and expanding access to finance.

The intervention responds to long-standing constraints facing Iraq's private sector, including informality, limited access to credit, and fragmented institutional support. These issues have been clearly identified by national institutions and social partners. Employers' representatives highlighted the need for business development services and improved market linkages. The project's design, including its Theory of Change, addresses these priorities through a combination of policy dialogue, capacity development, and direct support to entrepreneurs.

The project is also relevant to the needs of beneficiaries. Focus group discussions confirmed that financial literacy and SIYB training were appropriate and accessible, particularly for women, youth, and persons with disabilities. Participants valued the inclusive training formats and the opportunity to gain business skills in contexts where such opportunities are limited. Delays in implementing follow-up mechanisms, such as access to finance and ongoing support, have constrained the ability of beneficiaries to apply what they learned especially for the ones who will depend on loans to establish a business. Hence relevance to stakeholders and beneficiaries may have eroded over time.

### **Overall Coherence is Satisfactory**

#### Internal Coherence

The project has a robust Theory of Change framework that explains how it will achieve its objectives. However, the project shows strong external alignment with ILO, UN, and Iraqi national policy frameworks for private sector development. However, internal coherence is constrained by underdeveloped coordination between stakeholders and integration between components, limiting the functionality of causal pathways within the project. While the Theory of Change presents a logically structured pathway across macro, Meso, and micro levels, the interlinkages between these levels have not been activated in practice. Assumptions about

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<sup>11</sup> The ranking system is extracted from the Annual Performance Reports and is included as Annex H to this report.

institutional uptake, policy implementation, and coordination between training and financial services have not held, disrupting the causal connections between components.

### **External Coherence**

The project's design shows Satisfactory external coherence, as an instrument for Iraq's national development policies and strategies, as well as complementarity with ILO and United Nations frameworks. It responds to well-established national priorities related to MSME development, employment generation, and financial inclusion. It engages broadly with Tripartite Partners, in Government, the Private Sector and Social Partners, each based in their competence to develop the MSME sector. However, roles and responsibilities across institutions have not always been clearly defined, and coordination mechanism have not yet proved effective.

#### **Project Effectiveness is Satisfactory**

The project's effectiveness is assessed as **Satisfactory**. Outputs have been completed, such as baseline assessments, training sessions, and the development of policy tools, or show partial but tangible progress. The caution is that there is no verifiable contribution to Outcomes at midterm. The project has not yet demonstrated improvements in the enabling environment, institutional capacity, or beneficiary-level economic outcomes.

This is evident under Outcome 1, where there is no data on institutional uptake of the SIYB model, and no follow-up mechanism to assess whether trained individuals have activated businesses. Under Outcome 2, foundational activities such as bank engagement and financial product design are underway, but the loan disbursement mechanism has not been launched, and core services to MSMEs remain inactive. Under Outcome 3, while studies and strategy documents have been developed, there is no evidence of their application or of increased awareness or demand for green entrepreneurship among key stakeholders.

The evaluation data confirms that causal pathways in all three Outcomes are not functioning as expected. The common factor is Assumptions that don't hold true. The project documentation identifies points where expected links, such as between financial literacy training and access to credit, or between policy development and policy implementation, have not occurred or have been delayed. Some related information is noted in the Annual Progress Reports but not defined as breaks in causal pathways issues with mitigating action proposed. The absence of feedback limits the project's ability to adapt its implementation strategies.

#### **Project Efficiency is Satisfactory with a Caution**

Overall programme efficiency is assessed as Satisfactory, although performance varies across different components. Activities under ILO's direct management have been implemented in a timely and resource-efficient manner. The caution is that this efficiency has not extended to components requiring joint action with institutional partners. delayed decision-making, and the absence of a sequenced, costed workplan have constrained the programme's ability to deliver interdependent outputs efficiently.

Dependencies between components have not been managed systematically, and disruptions to sequencing have resulted in delays due to external factors.

Focusing on operational efficiency, the project Implementation is not guided by a unified schedule or delivery framework, and monitoring systems are not linked to progress tracking or resource allocation.

Additional inefficiencies derive from administrative burden and transaction costs. Coordination with partners has required repeated re-engagement and clarification of roles, which increases

staff workload and prolongs delivery. In some cases, investments have been made in Outputs without the enabling conditions for their use, yet it still midterm stage and these caution flags to navigate efficiency issues before the project timeline end.

### **Impact Orientation is Positive**

The project demonstrates a positive orientation toward long-term impact. Its design is broadly coherent and structured around the goal of transforming Iraq's private sector to generate more and better employment, with a focus on green and inclusive growth. This orientation is reflected in the Theory of Change, the selection of outcomes, and the alignment with national and international frameworks. The project articulates a multi-level approach intended to influence policy, institutions, and end users. However, at midterm, the foundations for impact remain under development. The necessary systems, partnerships, and service linkages have not yet been activated, and the pathways through which impact would be achieved are not yet functioning as intended.

### **The project shows potential for Sustainability**

At midterm, several foundational elements with potential for sustainability are in place, including training materials, policy products, and stakeholder engagement. However, most project interventions remain dependent on ILO support and have not been embedded in national systems or institutionalised by partner organisations. Institutional uptake of training tools. some policy proposals remain in draft form, and the financial mechanism has not been launched. The causal pathways linking training, policy, and finance to business formation and employment remain incomplete. Without these linkages, service continuity beyond the project period is uncertain. The knowledge acquired by beneficiaries through training may not be retained or applied in the absence of follow-up support or enabling conditions.

## 5 Conclusions

The project “Towards More and Better Employment through Enhanced Support to Private Sectors in Southern Iraq – with a Focus on Green Business” demonstrates a clear ambition to transform Iraq’s private sector through inclusive, green, and locally grounded approaches. It brings together the strategic priorities and technical capacities of the ILO with a diverse group of Iraqi national and subnational stakeholders, within the tripartite partnership. Through its multi-level design, spanning policy reform, institutional capacity-building, and direct support to entrepreneurs, the project introduces novel instruments to improve the enabling environment for MSMEs, promote financial inclusion, and support green economic transition.

Within this ambition, the project’s complexity and novelty have also created challenges. Activities under the ILO’s direct implementation have proceeded in a timely manner, particularly in training delivery, curriculum adaptation, and initial stakeholder engagement. However, other results depend on coordination among stakeholders, institutional uptake of new concepts, and the development of novel policy and financial mechanisms. In these areas, implementation has progressed more slowly. Delays in formalising partnerships, launching financial products, and institutionalising reforms have resulted in missed project deliverables and disrupted causal linkages between outputs and outcomes.

The midterm evaluation identifies both the challenges and the means to resolve them. Coordination delays, incomplete work sequencing, and untested assumptions have weakened key results chains. Solutions include activating stalled activities and outputs, securing institutional uptake of tools, formalising coordination mechanisms, and introducing post-training support to bridge the gap between capacity-building and enterprise formation. By focusing on these practical actions, the project can restore the integrity of its Theory of Change and accelerate delivery in its final year.

There is a particular concern for the Monitoring and Evaluation framework. Within the project’s Theory of Change, the monitoring and evaluation system plays a foundational role in validating assumptions, assessing causal pathways, and enabling adaptive management to achieve intended results. The presence of two parallel and incompatible monitoring systems, one internal (CMEP and Project Monitoring Tool) and one public-facing (Annual Progress Reports), undermines these functions in two critical ways:

- **Impact on Project Performance:** The lack of alignment between reporting and internal monitoring limits the project’s ability to use real-time performance data to test assumptions, identify delivery bottlenecks, and adapt implementation strategies. It deprives the project of structured feedback loops, and the project risks progressing through activities and outputs without clear evidence of contribution to outcomes.
- **Impact on Credibility of Reporting:** The public-facing *Annual Progress Reports* do not reflect the indicators, targets, or verification methods established in the original design. As a result, claims about progress (e.g. “On Schedule” status) cannot be substantiated, undermining the credibility of results reporting to donors and stakeholders. The absence of verifiable performance data breaks the feedback loop between implementation and accountability, reducing trust in project reporting and creating the risk of reputational harm.

## 6 Additional Observations from the ILO-AICS Project

**These are the additional observation by the independent evaluator:**

**1. Training Alone Is Not Sufficient Impact:** While SIYB and financial literacy trainings exceeded numerical targets, the absence of structured follow-up (e.g., mentoring, coaching, refresher sessions) and achievement with policy and loan-related Outputs meant that training did not translate into enterprise activation. **suggestion:** Training should be integrated into a broader support package that includes mentoring and linkages to markets and finance.

**2. Formalisation Faces Cultural and Economic Disincentives:** Concern for taxation, loss of social benefits, and distrust in public systems may lead beneficiaries to avoid registering their businesses. These cultural/behavioural traits are not understood or addressed by the project. **Suggestion:** Programmes must identify and address structural and behavioural barriers to formalisation and offer incentives for compliance.

**3. Awareness-Raising Does Not Guarantee Behaviour Change:** Despite outreach on green entrepreneurship, few beneficiaries understood or expected to apply green business practices. **suggestion:** Awareness campaigns must be complemented by contextualised, practical demonstrations and post-training support, with tangible and simple green options.

**4. ILO project management minimized the project expenditure to provide the maximum support to this beneficiary; this indicate excellent management that should be applied on other projects.**

**5. ILO maintain a professional relationship with governmental entities and the feedback from interviews were positive and sincerer.**

**6. This project model was achieved previously in the north area of Iraq and now the feedback from stakeholders was promising and positive for such project to be implemented in the south.**

**7. Females present was exceeded the expectation and that's indicate awareness between communities in Iraq regardless the cultural barriers.**

# 7 Recommendations

## Summary of Recommendations

To ensure the project meets its Impact and Outcome Objectives by mid-2026, the following SMART recommendations target the critical weaknesses identified in the causal logic and performance conditions of the project. Collectively, they contribute to bridging the gap between outputs and intended outcomes/impact within the limited remaining timeframe by. The project steering committee should be consulted, where the recommendations require action by tripartite stakeholders.

There are two essential Recommendations:

Addressed to:	Priority	Implementation	Level of Resources
ILO in consultation with the project Steering Committee	High	End of September 2025	Medium (will required additional resources to M&E capacity)
<p><b>Recommendation 1: Strengthen project monitoring and reporting systems to provide evidence-based data and knowledge products for project governance and management.</b> Monitoring systems shall be aligned with ILO policy and standards, consider existing CMEP commitments, the Performance Monitoring Tool, and function within the Theory of Change framework. <i>Why?</i> The project works based on the agreed log frame and indicators. Therefore, the recommendation should be to revise non-related indicators and adapt the monitoring tool with it.</p> <p>The main Indictors that need to be rephrased:</p> <ul style="list-style-type: none"> <li>• Unemployment rate in Muthanna and Basra governorates. (not realistic)</li> <li>• Number of financial institutions providing loans (Target is 5) for only 150 loans. As the agreed with the CBI to contract with only two banks 75 loans for each.</li> <li>• Status of enabling business environment reforms.</li> <li>• Status of foreign and local investors’ satisfaction with support services by investment promotion agencies and the wider local Ecosystem.</li> </ul>			
Addressed to:	Priority	Implementation	Level of Resources
ILO in consultation with the project Steering Committee	High	End of September 2025	Low (done by project staff)
<p><b>Recommendation 2: Extend the Theory of Change and revise the assumption.</b> Extend the Theory of Change by September 2025, to update assumptions, the understanding of causal pathways and risk modelling, and to target <i>intermediate results already underway</i>, such as policy adoption, institutional ToT, curriculum adaptation, loan pipeline development and disbursement, and coordination events. <b>Actions should be taken to revise the assumptions through minor reassessment for functional causal pathways from Outputs to Outcomes.</b> <i>Why: Core causal</i></p>			

*pathways are non-functional and lack defined intermediate steps. Targeting actions here unlocks the pathways.*

The following recommendations are expected to accelerate delivery towards the mid-2026 and:

- **Rebuild causal effects** between activities and results.
- **Mitigate risks** undermining institutional, behavioural, and systemic uptake.
- **Ensure delivery** of key unfinished components (especially policy and finance instruments and coordination).
- **Enable tracking and adaptive management** within the short timeline needed to deliver Outcomes by May 2026.
- **Enhance credibility** of outcome achievement claims through real evidence.

Addressed to:	Priority	Implementation	Level of Resources
ILO in consultation with the project Steering Committee	High	End of September 2025	Low (primary requirement is staff time)
<p><b>Recommendation 3: Align stalled intermediate results by the end of September 2025 through formal NDP endorsement, institutional rollout of SIYB, disbursement of first MSME loans, launch of post-training support, and formalisation of coordination platforms to ensure forward movement along the results chain.</b> <i>Why: these intermediate results are already initiated but dormant. Without targeted action to activate them, causal pathways remain broken and outcomes (enterprise formation, job creation, and financial inclusion) cannot materialise before project end.</i></p>			
Addressed to:	Priority	Implementation	Level of Resources
ILO in consultation with the project Steering Committee	High	End of October 2025	Low
<p><b>Recommendation 4: Secure institutional uptake and adoption of stalled Outputs</b> by October 2025 through agreements with SIYB-trained partners, validation of green business plan and shared <b>action plans to embed green tools and services into institutional delivery systems.</b> <i>Why? Because without institutional ownership and action, capacity-building efforts (e.g. SIYB) will not translate into service delivery or system-level change.</i></p>			
Addressed to:	Priority	Implementation	Level of Resources
ILO in consultation with the project Steering Committee	High	End of October 2025	Will require
<p><b>Recommendation 5: Enhance and launch structured post-training support</b> by October 2025 (mentoring, refresher sessions, and market linkage), <b>to bridge the gap between capacity-building and enterprise activation and prevent learning loss.</b> <i>Why: Because training alone has</i></p>			

*not triggered enterprise formation. Without structured follow-up and refresher activity, motivation declines, knowledge is lost, and outputs fail to yield outcomes.*

Addressed to:	Priority	Implementation	Level of Resources
ILO in consultation with the project Steering Committee	High	December 2025	Low

**Recommendation 6: Disburse loans to at least 150 eligible MSMEs** by December 2025, through finalising agreements with partner banks, resolving verification delays, and starting loan delivery using the approved blended finance model. *Why: Because financial inclusion is a central outcome, but no loans have been delivered. Delays block business activation and stall the enterprise support pathway.*

Addressed to:	Priority	Implementation	Level of Resources
ILO in consultation with the project Steering Committee	High	December 2025	New activity requiring additional resources

**Recommendation 7:** By September 2025, assess why some beneficiaries might avoid registration or loans, and adjust training and outreach to respond to concerns about taxation, debt, and loss of social support. *Why: Because project logic assumes motivation to formalise or borrow, but evidence shows risk aversion and distrust. Without testing and adjusting for these, uptake will remain low.*

Addressed to:	Priority	Implementation	Level of Resources
ILO in consultation with the project Steering Committee	High	October 2025	Low (use of exiting monitoring resources)

**Recommendation 8:** By October 2025, **introduce simple tracking to monitor whether training, loans, and policy activities are leading to enterprise formation and improved services for MSMEs.** *Why? Because current monitoring does not assess whether outputs lead to outcomes. Without this, adaptive management cannot respond to breaks in the results chain.*

Addressed to:	Priority	Implementation	Level of Resources
ILO in consultation with the project Steering Committee	Medium	October 2025	Low (use of exiting monitoring resources)

**Recommendation 9:** By September 2025, add specific risks to the monitoring plan, such as delays in uptake, institutional disengagement, or coordination gaps, and follow up during quarterly reviews. *Why? Because implementation is vulnerable to institutional, behavioural, and coordination risks. Without risk-tracking, disruptions cannot be managed proactively.*

Addressed to:	Priority	Implementation	Level of Resources
ILO in consultation with the project Steering Committee	Medium	October 2025	Low (use of exiting monitoring resources)
<p><b>Recommendation 10: Enhance Inclusive Access Measures.</b> By September 2025, improve access for persons with disabilities and remote communities by adapting training venues, or expanding outreach in Muthanna, and targeting under-served groups. <i>Why? Because persistent geographic and disability access gaps exclude key beneficiaries. This undermines equity, SDG alignment, and the project's reach and credibility.</i></p>			

# Evaluation Annexes

## Annex A: Lessons Learned

The evaluation provides indicative lessons learned at midterm, derived from triangulated findings across monitoring data, interviews, and focus groups. These observations are provided in addition to the lesson documented in the ILO template. They reflect operational and strategic insights relevant to adaptive management, future design, and potential scale-up of similar interventions. They should inform any revision of the Theory of Change, adaptation of delivery models, and formulation of recommendations for the second phase and potential replication in other regions of Iraq.



**Project:** “Towards More and Better Employment through Enhanced Support to Private Sectors in Southern Iraq – with a Focus on Green Business

**Name of Evaluator:** Dareen Alqaseer (Eng.)

**Date:** 20 June 2025

*The following lesson learned has been identified during the course of the evaluation. Further text explaining the lesson may be included in the full evaluation report.*

<b>LESSON LEARNED ELEMENT</b>	<b>Training Alone Does Not Activate Enterprises. The Causal Pathway Must Be Complete</b>
<b>Brief description of lessons learned</b>	Lesson: Project designs must ensure that training interventions are part of a complete and functioning causal pathway. The right follow-up mechanisms, such as mentoring, simplified access to finance, and post-training incentives, are critical to move beneficiaries from training to business formation, especially in contexts with high risk aversion and structural barriers to formalisation. Delays may result in learning loss and demotivation.
<b>Context and any related preconditions</b>	The project targeted vulnerable groups in southern Iraq, including women, persons with disabilities, and low-literacy individuals, in areas with weak institutional presence and limited market access. Preconditions for enterprise activation, such as accessible finance, simplified registration, mentoring, and a supportive regulatory environment, were not fully in place. The project was designed to address these gaps.
<b>Targeted users / Beneficiaries</b>	Nine hundred project beneficiaries, who have already received training, of which 150 will be identified for startup loans.
<b>Challenges /negative lessons - Causal factors</b>	Training activities exceeded targets and were well received, but this has not lead to business activation or formalisation. Gaps in follow-up support, and delays with delivery of other Outputs (MSME policy reform and a business finance instrument mentoring), disrupted the causal pathway from training to enterprise formation, leaving Outcomes unrealised at midterm.

<b>Success / Positive Issues -Causal factors</b>	The training was well received across beneficiary groups, particularly due to its inclusive design, practical content, and the use of visual and tactile learning methods. This positive reception reflects strong curriculum adaptation, effective delivery by trainers, and alignment with participant needs.
<b>ILO Administrative Issues</b>	Project monitoring did not capture the disruptions. Without feedback to project governance and management, the project has not taken targeted corrective actions.




## Template 4.1: Lessons Learned

**Project: “Towards More and Better Employment through Enhanced Support to Private Sectors in Southern Iraq – with a Focus on Green Business”**

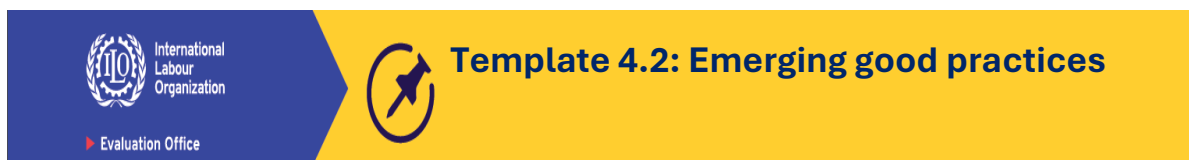
**Name of Evaluator: Dareen Alqaseer (Eng.)**

**Date: 20 June 2025**

<b>LESSON LEARNED ELEMENT</b>	<b>Lesson Learned: From the Implementation Outset, Disruption to Causal Pathways Can Result from Inaccurate Assumptions and Coordination Gaps.</b>
<b>Brief description of lessons learned</b>	When core assumptions are inaccurate, a project risks starting off-track and disrupting results from the outset. In this case, assumptions about how the causal pathways would work did not hold, leading to early delays in financial access and fragmentation of the results chain. Projects with complex delivery systems must validate assumptions early and build in mechanisms for adaptive coordination.
<b>Context and any related preconditions</b>	The project involved multiple institutional stakeholders, including banks, ministries, and regulatory bodies, in a complex delivery model. Successful implementation depended on early stakeholder alignment, agreement on policy and loan financing instruments, and functioning coordination mechanisms. These preconditions were not fully in place or tested before roll-out, increasing the risk of early disruption when assumptions did not hold.
<b>Targeted users / Beneficiaries</b>	Nine hundred project beneficiaries, who have already received training, of which 150 will be identified for startup loans.
<b>Challenges /negative lessons - Causal factors</b>	Assumptions about institutional cooperation, regulatory readiness, and loan disbursement procedures were not validated prior to implementation. Misalignment among stakeholders, especially around interest rates and verification

	protocols, caused delays and blocked key causal pathways. The absence of early coordination mechanisms and contingency planning compounded these issues.
<b>Success / Positive Issues - Causal factors</b>	Despite challenges, the project gained high-level endorsement from key institutions and achieved alignment with national policy frameworks. This strategic relevance helped maintain stakeholder engagement and created an enabling environment for future coordination once operational barriers are addressed. Early policy dialogue efforts should lay the groundwork for macro-level reforms, given stakeholder support.
<b>ILO Administrative Issues</b>	Project monitoring did not capture the disruptions. Without feedback to project governance and management, the project has not taken targeted corrective actions.

## Annex B: Emerging Good Practices



**Project Name: “Towards More and Better Employment through Enhanced Support to Private Sectors in Southern Iraq – with a Focus on Green Business”**

**Project DC/SYMBOL:**

**Name of Evaluator: Dareen Alqaseer (Eng.)**

**Date: 20 June 2025**

*The following emerging good practice has been identified during the course of the evaluation. Further text can be found in the full evaluation report.*

<b>GOOD PRACTICE ELEMENT</b>	<b>Inclusive and Accessible Training Design</b>
<b>Brief summary of the good practice</b> (link to project goal or specific deliverable, background, purpose, etc.)	<b>Emerging Good Practice: Inclusive and Accessible Training Design.</b> The project’s use of visual and tactile learning tools in financial education and SIYB training enabled meaningful participation by illiterate, semi-literate, and disabled beneficiaries. This design choice improved engagement, enhanced learning retention, and ensured that vulnerable groups could benefit equitably from capacity-building activities. It offers a replicable model for inclusive training in low-literacy contexts.
<b>Relevant conditions and Context: limitations or advice in terms of applicability and replicability</b>	This approach is most effective in contexts with high rates of illiteracy, disability, or language barriers. Successful replication depends on trained facilitators, culturally appropriate materials, and sufficient time for adaptation. While effective in small-group settings, scalability may be constrained without dedicated resources for localisation and accessibility tools.

<p><b>Establish a clear cause-effect relationship</b></p>	<p>The use of visual and tactile learning tools (cause) enabled illiterate, semi-literate, and disabled participants to fully engage in training activities (effect), leading to broader beneficiary inclusion and exceeding initial participation targets. This demonstrates that accessible training design directly improves reach and equity in project delivery.</p>
<p><b>Indicate measurable impact and targeted beneficiaries</b></p>	<p><b>Targeted Beneficiaries:</b> Women, persons with disabilities, illiterate and semi-literate individuals in Basra and Muthanna.  <b>Measurable Impact:</b> Over 900 individuals received SIYB and financial literacy training. Focus groups confirmed that inclusive training tools enabled effective participation by vulnerable groups, particularly those who would typically be excluded due to literacy or disability barriers. This design expanded reach and equity, directly supporting the project's inclusion objective.</p>
<p><b>Potential for replication and by whom</b></p>	<p><b>Replication Potential:</b> This practice has strong potential for replication in other regions of Iraq with similar beneficiary profiles, particularly where illiteracy, disability, and marginalisation limit access to conventional training. Its relevance is especially high in underserved governorates with weak institutional infrastructure and vulnerable populations.</p>
<p><b>Upward links to higher ILO Goals (DWCPs, Country Programme Outcomes or ILO's Strategic Programme Framework)</b></p>	<p><b>ILO Strategic Plan (SPF 2022–2025)</b></p> <p><b>Outcome 4: Promoting inclusive and sustainable economic growth and employment.</b> The inclusive training practice supports productive employment creation by equipping marginalised groups with entrepreneurial and financial skills.</p> <p><b>Decent Work Country Programme (DWCP) Iraq 2019–2023.</b></p> <p><b>Outcome 1.1: More and better employment opportunities for women and youth.</b> The training directly targets women and persons with disabilities—populations identified as facing acute labour market barriers in Iraq.</p> <p><b>Outcome 1.2: Enhanced employability through skills development.</b> The inclusive approach aligns with the DWCP's commitment to equitable access to vocational and entrepreneurial training.</p> <p><b>ILO Country Programme Outcomes (2022–2023 and 2024–2025)</b> Contributes to improved access to quality services for vulnerable populations and supports inclusive labour market policies.</p>

## Annex C: Terms of Reference

The External Collaborator will perform for the ILO the work described in detail below (including project code, dates of travel, countries of travel, as necessary) in accordance with the specifications and within the time-limits set out:

The main outputs of the evaluation consist of the following:

- Deliverable 1: Inception Report
- Deliverable 2: Draft midterm evaluation report (to be prepared within two weeks upon completion of interviews)
- Deliverable 3: PowerPoint Presentation on preliminary findings
- Deliverable 4: Final midterm evaluation report with separate template for executive summary and templates for lessons learned and good practices duly filled in as per ILO's standard procedure, the report will be considered final after quality review and endorsement of the ILO Evaluation Manager and Project Manager.

The final report will follow the format below and be in a range of 35-40 pages in length, excluding the annexes:

1. Title page
2. Table of Contents, including List of Appendices, Tables
3. List of Acronyms or Abbreviations
4. Executive Summary with key findings, conclusions and recommendations (in prescribed ILO template)
5. Background and Project Description
6. Purpose of Evaluation
7. Evaluation Methodology and Evaluation Questions
8. Key evaluation findings (organized by evaluation criteria)
9. A table presenting the key results (i.e. figures and qualitative results) achieved per objective (intended and unintended)
10. Clearly identified conclusions and recommendations (identifying which stakeholders are responsible and the time and resource implications of the recommendations)
11. Lessons Learned (in prescribed ILO template)
12. Potential good practices (in prescribed ILO template)
13. Annexes (list of interviews, TORs, list of documents consulted, good practices and lessons learned in the ILO format, etc.)

The quality of the report will be assessed against the ILO Evaluation Office (EVAL) Checklists.

The deliverables will be submitted in the English language and structured according to the templates provided by the ILO.

## Annex D: Narrative Summary of the Project Theory of Change

Annex D provides a narrative summary of the Theory of Change for "Towards more and better employment through enhanced support to private sectors in southern Iraq – with a focus on green business". The summary was extracted from the original project Technical Proposal (2023). It is expected to be a complete, accurate, and logically consistent representation of the project theory. The narrative summary preserves the intent and logic of the original version and enhances clarity for evaluation purposes by explicitly stating assumptions, risks, and causal pathways, both explicitly stated and implicit in the project design.

### Purpose of Reconstructing the Theory of Change

The Theory of Change was reconstructed, in a narrative and detailed form, to clarify and make it explicit:

- The casual pathways expected at each level of results hierarchy, through which change is expected to occur.
- The underlying assumptions (necessary conditions) and risks (the prevalence of threats to the project), explicit and implicit, associated with each part of those casual pathways.

The reconstructed Theory of Change will be used to structure the gathering and organisation of evaluation data. Specifically, and triangulating with the data from the two project Narrative Reports, the reconstructed Theory of Change is used to:

- Better target the Evaluation Question Matrix to address and explore information gaps in the reporting.
- Explore factors within the workings of these pathways, assumptions and risks that have influenced results, to both positive and negative effects.

Based in this information and finding, the midterm evaluation is positioned to respond to the midterm evaluation criteria and fashion actionable recommendations to ensure that the project arrives at the end-term results desired.

### Theory of Change Statement

The purpose of this ILO-AICS project is to stimulate more and better employment opportunities in southern Iraq by strengthening the private sector, with a special focus on promoting green businesses. Bringing the project elements together, the Theory of Change can be stated as a logical if-then proposition:

If the business environment for MSMEs in Iraq is made more conducive through well-designed and implemented private sector development policies, and if institutional capacities and MSME skills are enhanced, and if more MSMEs are formalised and gain access to financial services, then the private sector in Iraq will be transformed and become more productive, thereby creating more and better employment opportunities.

Alternatively, if the project delivers improved policies, strengthened support systems, and greater access to finance, with a focus on green enterprise development, then these combined factors will enable MSMEs to grow and generate sustainable, decent jobs for Iraqi women and men, contributing to inclusive economic development in southern Iraq.

The stated short-term project impact is: By the end of 2025, private sectors in the targeted area are transformed and productive thereby creating more and better employment opportunities. The effect should be more, and better jobs created in a transformed private sector. To achieve this impact, the project will:

Improve the business ecosystem for MSMEs so that they can grow and thrive. This involves developing conducive policies and fostering national and sub-national dialogue among key private and public stakeholders.

Capacitate and empower institutions and MSMEs. Enhancing the capacity of national/subnational financial and non-financial institutions to better support entrepreneurs and MSMEs, enabling these businesses (and especially green enterprises) to reach their full potential.

These objectives address macro-level issues (policy and business environment) and meso/micro-level needs (institutional support services and enterprise capacities), laying the groundwork for sustainable private sector growth and green job creation. If the project delivers improved business policies (Outcome 1), builds institutional and MSME capacities (Outcome 2), and enables financial access for MSMEs (Outcome 3), then MSMEs will grow, formalise, and contribute to sustainable job creation for youth and women in Southern Iraq. This will lead to more and better employment opportunities, especially in green business sectors.

**Narrative Summary of the Reconstructed Theory of Change**

<b>Impact:</b> <i>By the end of 2025, the private sector in the targeted area is transformed and productive, thereby creating more and better employment opportunities.</i>	
<b>Causal Pathway Statement:</b> More and better employment opportunities for youth and women <i>through</i> private sector development in Southern Iraq, with a focus on green business.	
<b>Explicit Assumptions:</b> <sup>12</sup> Stable political and security situation in the target governorates and the country overall.  Continued donor and government support for the promotion of private sector development and job creation.	<b>Implicit Assumptions:</b> Employment created through the project will be decent, sustainable, and socially inclusive.  Macroeconomic conditions remain conducive to private sector growth.
<b>Explicit Risks:</b> Political instability or security deterioration could disrupt implementation.	<b>Implicit Risks:</b> Shifts in government policy or donor priorities could reduce support for employment-related reforms.  High youth and female unemployment persist due to cultural or structural barriers outside project control.

<b>Outcome 1: Enhanced Business Ecosystem for MSMEs</b>
<b>Causal Pathway Statement:</b> Business environment for MSMEs is improved <i>through</i> evidence-based policies and dialogue mechanisms, particularly in green sectors.

<sup>12</sup> Explicit assumptions and risks are identified in the Project Document Annex 1: Logical Framework. Implicit assumptions and risks are derived through read of the documentation but not explicitly stated.

<p><b>Explicit Assumptions:</b></p> <p>Government counterparts cooperate and prioritise MSME development.</p> <p>Political will exists to implement regulatory reforms.</p> <p>Key stakeholders engage in reform and dialogue processes.</p>	<p><b>Implicit Assumptions:</b></p> <p>Reforms are feasible at national and subnational levels.</p> <p>Policy solutions are based on reliable and timely assessments.</p>
<p><b>Explicit Risks:</b></p> <p>Limited government coordination may delay policy change.</p> <p>Resistance from entrenched interests may hinder reforms.</p>	<p><b>Implicit Risks:</b></p> <p>Reforms are captured by elites or implemented ineffectively.</p> <p>Delays may occur due to administrative bottlenecks.</p>
<p><b>Key Outputs and Activities:</b></p> <p>Enterprise assessment in targeted governorates</p> <p>Consultative FGDs, KIIs, and workshops</p> <p>Development of policy briefs and costed policy options</p> <p>Tripartite dialogue on business registration and formalisation</p>	

<p><b>Outcome 2: Strengthened Institutional and MSME Capacities on SIYB and Financial Literacy</b></p>	
<p>Causal Pathway Statement: Public and private stakeholders, including MSMEs, improve their capacity to support enterprise development and financial decision-making.</p>	
<p><b>Explicit Assumptions:</b></p> <p>Relevant institutions and trainers are available and willing to participate.</p> <p>MSMEs and individuals engage meaningfully with training content.</p>	<p><b>Implicit Assumptions:</b></p> <p>Capacity-building leads to behaviour change.</p> <p>Business training tools are relevant and adaptable to context.</p>
<p><b>Explicit Risks:</b></p> <p>Trainer turnover or institutional instability limits knowledge retention.</p> <p>Participants lack resources or incentives to apply for training.</p>	<p><b>Implicit Risks:</b></p> <p>Capacity gains may not translate into improved services or enterprise performance.</p> <p>Cultural and gender norms may limit training uptake among women.</p>
<p><b>Key Outputs and Activities:</b></p>	

ToTs on SIYB and Green Business  
 Refresher workshops and coaching  
 MSME training in business development  
 Financial literacy education for youth and women

**Outcome 3: Strengthened Institutional and MSME Capacities on SIYB and Financial Literacy**

**Causal Pathway Statement:** Access to tailored, affordable financial products increases, *enabling* MSMEs to formalise and grow sustainably.

**Explicit Assumptions:**

Banks and MFIs are willing and able to adopt SME-focused products.  
 Entrepreneurs are bankable and able to meet lending criteria.

**Implicit Assumptions:**

There is real demand for financial services among target MSMEs.  
 Regulatory and operational frameworks support financial access.

**Explicit Risks:**

Financial institutions may see MSMEs as high-risk and avoid lending.  
 SOP development and agreements with CBI may be delayed.

**Implicit Risks:**

Mismatch between products offered and MSME needs.  
 Credit uptake may be low due to lack of trust or financial literacy.

**Key Outputs and Activities:**

Capacity building for banks and MFIs  
 Product adaptation, SOP development, and formal agreements  
 Awareness campaigns to boost credit access and formalisation.  
 Loan disbursement to MSMEs

## Annex E: Project Tracking Indicators

Results Chain	Indicator	Unit of Measure	Baseline	Target
<b>Overall project objective (Impact):</b> By end 2025 private sectors in Iraq are transformed and productive thereby create more and better employment opportunities.	Number of unemployed young women and men benefiting from employment opportunities created by private sectors in the target area.	Number	0	500 (of which at least 30% will be for women)
	Number of new enterprises established in the target area.	Number	0	100 (of which 30% of the enterprises will be owned by women)
	Number of people who benefited from improved jobs (higher income/better working conditions) in the target area. Disaggregated by sex, governorate	Number	0	100 (of which 10% of the jobs improved will be for women)
<b>Outcome 1: An Enhanced business ecosystem where MSMEs are supported to adapt, innovate, grow, and thrive –with a focus on green economy.</b>	1.1: Status of foreign and local investors' satisfaction with support services by investment promotion agencies and the wider local ecosystem	Level of satisfaction	Poor	Good
<b>Output 1.1: Evidence-based policy making for MSMEs development.</b>	1.1.1: Number of policy/directives drafted aimed at fostering ease of doing and setup business	Number	0	2
	1.1.2: Number of policy briefs prepared	Number	0	2
	1.1.3: Number of consultative meetings	Number	0	4

<b>Output 1.2: Increased stakeholders' capacities to unlock entrepreneurial potential (women entrepreneurs), boosting investment and generating economic growth, and creating better jobs in key sectors, including green businesses.</b>	1.2.1: Number of public and private sectors capacities enhanced (disaggregated by type of stakeholders participating)	Number	0	10
<b>Outcome 2: Improved institutional and MSMEs capacities on SIYB Programme and financial literacy.</b>	2.1: Number of institutions adapting SIYB Programme and financial literacy tools	Number	0	5
	2.2: Number of existing MSMEs capacitated on SIYB and FE	Number	0	100
<b>Output 2.1: Improved institutionalization of ILO's Business management (SIYB) Programme tool in selected national counterpart(s)</b>	2.1.1: Number of national and subnational institutions capacitated on SIYB (Disaggregated by governorates)	Number	0	10
<b>Output 2.2: Iraqi potential entrepreneurs, start-ups and existing MSMEs, including women-led enterprises, benefited from financial literacy support tools</b>	2.2.1: Number of trained individual entrepreneurs and those coming from existing MSMEs (Disaggregated by sex and governorates)	Number	0	500 (of which at least 30% of them will be women)
<b>Outcome 3: Improved financial inclusion of start-ups business and MSMEs in sectors with potential for job creation, including in green economy</b>	3.1: Number of businesses and MSMEs engaged in sectors with high potential for job creation and green economy	Number	0	50
<b>Output 3.1: Increased access to affordable financial services for both women and men</b>	3.1.1: Number of MSMEs accessing credit	Number	0	150
	3.1.2: Number of financial institutions providing loans	Number	0	5
	3.1.3: Total volume of finance availed for loan	Volume of loan in IQD	0	750 million – 1 billion dinars

<b>Output 3.2: Increased continued tripartite dialogue sessions to identify administrative barriers to register informal businesses</b>	3.2.1: Number of challenges identified, action plans and recommendations coming out from series of dialogue sessions that feed into the policy formulation	Number	0	5
	3.2.2: Number of dialogue sessions conducted	Number	0	5

**Annex F: List of Documents Consulted**

***Project Documents***

ILO, Towards more and better employment through enhanced support to private sectors in southern Iraq – with a focus on green business, 2023 (undated)

ILO, Decent Work Country Programme in Iraq: Recovery and Reform 2019-2023, 2019

***International Labour Organisation Evaluation Policy and Guidance***

***Performance Reporting***

ILO, Annual Progress Report, Towards More and Better Employment through Enhanced Support for the Private Sector in Southern Iraq with a Focus on Green Business, 12th May 2023 – 31st December 2023

***Background Literature***

## Annex G: List of Persons Interviewed

### List of Persons Interviewed (ILO and Stakeholders)

Organisation	Name	Position
International Labour Organisation	Amaal Bani Awwad	Project Manager
	Mohammed Abdulameer	Sr. Project officer
	Safaa Noori Kadhem	National Consultant
	Dawit Fasil Mengesha	Planning, Monitoring, and Reporting Officer
Italian Agency for Development Cooperation	Pierluigi Candier	Head of programme /Economic Development-Iraq
FGD with Beneficiaries	Muthana beneficiaries (1) Basra beneficiaries (1) TOT (trainer) beneficiaries (1) Beneficiaries who received training regarding the business development and financing (1)	
Focal point Microfinance Institution (1)	Mohammad Hourani	Director of programme and training Division
Focal point in Central Bank of Iraq (1)	Mohamad Al-Abbadi	Livelihood Project Manager
The Ministry of trading (Private sector Department)	Ghada Mustafa	Manager for the Private Sector and Development
Chamber of industrial (Baghdad)	Mahera Alzubaidy	Department Manager
Central Bank of Iraq	Bilal Qasem AlRefai	Director, Sector Skills Development
Iraqi Company for Bank Guarantees	Hussien Hameed	General Manager
The Youth and Sport Directorates (Basra)	Alaaddin Muawya	Manager
Focal point in the Youth and Sport Directorates (Muthana)	Falah Shayal	Manager
Chamber of industry (local chapters (Basra)	Abulhussien	Manager
Chamber of industry (local chapters) (Muthana)	Falah Alhhtemi	Manager
Directorates of Labour (Basra)	Ameera Abdulhussien	Manager for the Private Sector and Development

Directorates of Labour (Muthanna)	Irshaid Taleb	Manager for the Private Sector and Development
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## Annex H: Assessment Framework

For consistency, the evaluation used the same Delivery Assessment Framework as the ILO Annual Project Reports (2023: 6). The framework comprises four metrics:

<b>Highly satisfactory</b>	Implementation of almost all (>80%) outputs is on schedule as envisaged in the implementation plan and almost all (>80%) indicator milestones have been met.
<b>Satisfactory</b>	Implementation of the majority (60-80%) of outputs is on schedule as envisaged in the implementation plan and the majority (60-80%) of indicator milestones have been met.
<b>Unsatisfactory</b>	Some (40-60%) outputs are being implemented on schedule as envisaged in the implementation plan and/or only some (40-60%) indicator milestones have been met.
<b>Very unsatisfactory</b>	Few (less than 40%) outputs implemented as envisaged in the implementation plan and/or only a few indicator milestones are met.
<b>Not relevant to project</b>	Issue is outside the project objectives and/or scope and cannot be addressed by the project.

## Annex I: Assessment of Challenges Reported

Challenge: Weak Institutional Uptake of Policy Reform (Output 1.1)	<p><b>Challenge:</b> While the EESE diagnostic and stakeholder consultations were completed, there was no evidence of formal adoption or implementation.</p> <p><b>Risk:</b> <i>Policy Risk</i> – The MSMEs may not be endorsed or translated into concrete reform. <i>Credibility Risk</i> – “On schedule” reporting is unsubstantiated due to missing verification.</p> <p><b>Causal Break:</b> The causal pathway halts after the diagnostic and consultation stage. Without policy adoption, MSME reforms are not triggered, weakening contribution to Outcome 1.</p>
Challenge: Green Strategy Lacks Institutional Action (Output 1.2)	<p><b>Challenge:</b> Although 11 institutions were trained and a Green Entrepreneurship Strategy (GES) was developed, there is no data on follow-up implementation.</p> <p><b>Risk:</b> <i>Uptake Risk</i> – Trained institutions may not apply new knowledge. <i>Sustainability Risk</i>, no ongoing support could erode capacity gains.</p> <p><b>Causal Break:</b> The pathway functions through training and strategy development but is unverified beyond that. Outcome-level impact remains uncertain.</p>
Challenge: Incomplete SIYB Institutional	<p><b>Challenge:</b> Capacity-building was initiated, but no institutions were confirmed to have formally adopted or implemented SIYB. Monitoring data is absent.</p>

Rollout (Output 2.1)	<p><b>Risk:</b> <i>Implementation Risk</i> – Engagement without uptake. <i>Attribution Risk</i> – Institutional results cannot be claimed without evidence.</p> <p><b>Causal Break:</b> The pathway remains theoretical. Institutional capacity building has not resulted in tangible support to MSMEs, undermining Outcome 2.</p>
Challenge: Training Not Followed by Business Activation (Output 2.2)	<p><b>Challenge:</b> Over 900 individuals were trained, but follow-up was weak. Delays between training and activation led to loss of interest and knowledge.</p> <p><b>Risk:</b> <i>Evidence Risk</i> – No post-training outcomes. <i>Sustainability Risk</i> – One-off training events without support limit impact.</p> <p><b>Causal Break:</b> The chain from training to enterprise formation is broken. Outcomes related to job creation and business formalisation are not supported by evidence.</p>
Challenge: Financial Inclusion Activities Remain in Planning Stage (Output 3.1)	<p><b>Challenge:</b> No loans were delivered. Policy engagement occurred, but without formalised partnerships or implementation.</p> <p><b>Risk:</b> <i>Delivery Risk</i> – Activities may stall before execution. <i>Strategic Risk</i> – Delays weaken the credibility of the financial inclusion objective.</p> <p><b>Causal Break:</b> The pathway does not extend beyond planning. MSMEs are not accessing financial services, severing the link to Outcome 3.</p>
Challenge: Weak Coordination and Institutional Platforms (Output 3.2)	<p><b>Challenge:</b> While dialogue events were held, there were no action plans, institutionalised mechanisms, or evidence of improved service access.</p> <p><b>Risk:</b> <i>Operational Risk</i> – Participation without action. <i>Documentation Risk</i> – Absence of outputs makes progress uncertain.</p> <p><b>Causal Break:</b> Engagement exists but does not evolve into institutional collaboration, limiting potential systemic change.</p>
Challenge: Cultural and Structural Barriers to Formalisation	<p><b>Challenge:</b> Beneficiaries avoid formalisation due to fear of taxation, loss of benefits (e.g., MOLSA assistance), and lack of institutional trust.</p> <p><b>Risk:</b> <i>Behavioural Risk</i> – The incentive structure assumed in the ToC is flawed. <i>Inclusion Risk</i> – Vulnerable groups remain excluded.</p> <p><b>Causal Break:</b> Formalisation is a critical intermediate step in multiple pathways. If avoided, the downstream outcomes (e.g., access to credit, business growth) collapse.</p>
Challenge: Delays in Loan Disbursement	<p><b>Challenge:</b> Though loan partners were identified and a candidate list prepared, disputes over interest rates and verification protocols delayed rollout.</p> <p><b>Risk:</b> <i>Coordination Risk</i> – Institutional disagreements delay implementation. <i>Trust Risk</i> – MSMEs lose confidence in the process.</p> <p><b>Causal Break:</b> Without financial products, the transition from training to business expansion is not viable, especially for women and youth.</p>
Challenge: Accessibility	<p><b>Challenge:</b> Disability access and regional disparities (notably in Muthanna) hinder participation. Some training venues remain inaccessible.</p>

<p>Challenge: Lack of Post- Training Support</p>	<p><b>Challenge:</b> Participants consistently requested mentoring, market linkages, and refresher sessions. These were not systematically provided.</p> <p><b>Risk:</b> <i>Drop-Off Risk</i> – Knowledge decays without reinforcement. <i>Impact Risk</i> – Absence of follow-up constrains the achievement of sustained results.</p> <p><b>Causal Break:</b> Missing intermediate steps between outputs (training) and outcomes (enterprise success) leave the pathway incomplete.</p>
<p>and Equity Constraints</p>	<p><b>Risk:</b> <i>Equity Risk</i> – Exclusion of persons with disabilities or residents in remote areas limits reach. <i>Reputational Risk</i> – Inclusion goals may be undermined.</p> <p><b>Causal Break:</b> Geographic and disability-related access barriers block entry points into the project’s logic model, limiting outcome equity.</p>