International Labour Organization

Evaluation Office

i-eval Discovery

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

QUICK FACTS

Countries:

Evaluation date: 20 July 2025

Evaluation type: Project

Evaluation timing: Mid-term

Administrative Office: RO-Arab States

Technical Office: DW Beirut

Evaluation manager: Dawit Fasil Mengesha

Evaluation consultant(s): Eng. Dareen AlQaseer

DC Symbol: IRQ/22/03/ITA (503059)

Donor(s) & budget: Italian Agency for Development Cooperation (AICS), Ministry of Foreign Affairs and International Cooperation, USD 3,180,189

Key Words: Economic activities, labour and employment and education and training

BACKGROUND & CONTEXT	
Summary of the project purpose, logic and structure	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.
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.

Present situation of the project	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, withing 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.
Purpose, scope and clients of the evaluation	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.[1] To this end, the Midterm Evaluation shall: Summary of Midterm Evaluation Objectives

	Objective 1	**Systematically assess progress at midterm point** (18 months) towards achieving the project's purpose and objectives, and the project's contributions to ILO goals and SDGs.
	Objective 2	**Validate the project's Theory of Change**. Reflect on the validity of the project's Theory of Change, strategy, and assumptions, and identify necessary adjustments.
	Objective 3	**Identify lessons learned and best practices** 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	**Provide recommendations** 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.

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

Methodology of evaluation

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.

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.

MAIN FINDINGS & CONCLUSIONS

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	
Relevance Satisfactory	The project's relevance at midterm is **Satisfactory**. The project strongly aligns with national priorities, ILO's *Decent Work Country Programme for Iraq* (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.
Coherence (internal and external) Satisfactory	**Project coherence at midterm is Satisfactory**. 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.

Effectiveness Satisfactory with a caution	**Project effectiveness at the midterm is Satisfactory, but with caution.** 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.
Efficiency Satisfactory with a caution	**Overall programme efficiency is Satisfactory, but also with a caution.** The ILO project team has demonstrated **Satisfactory efficiency** 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 resource requirements. However, multi-stakeholder components related to policy and access to finance have experienced delays and are not supported by timebound workplans.
Impact Orientation Conceptually Strong but Uneven Progress	**The Impact Orientation is positive.** 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.
Sustainability Strong Potential at Risk by lack of movement to Outcomes and Stakeholder update.	At midterm, the project **shows potential for Sustainability.** 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.

RECOMMENDATIONS, LESSONS LEARNED AND GOOD PRACTICES

Main findings & Conclusions

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 require additional resources to M&E capacity)

Recommendation 1: Strengthen project monitoring and reporting systems to provide evidence-based data and knowledge products for project governance and management. Monitoring systems should be aligned with ILO policy and standards, consider existing CMEP commitments, the Performance Monitoring Tool, and function within the Theory of Change framework. *Why?* 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.

The main Indictors that need to be rephrased:

- Unemployment rate in Muthanna and Basra governorates. (not realistic)
- Number of financial institutions providing loans (Target is 5) for only 150 loans. As they agreed with the CBI to contract with only two banks 75 loans for each.
- Status of enabling business environment reforms.
- Status of foreign and local investors' satisfaction with support services by investment promotion agencies and the wider local Ecosystem.

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)

Recommendation 2: Extend the Theory of Change and revise the assumption. Extend the Theory of Change by September 2025, to update assumptions, the understanding of causal pathways and risk modelling, and to target *intermediate results already underway*, such as policy adoption, institutional ToT, curriculum adaptation, loan pipeline development and disbursal, and coordination events. **Actions should be taken to revise the assumptions through minor reassessment for functional causal pathways from Outputs to Outcomes**. *Why: Core causal 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)

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 finalizing 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.*			

Main lessons learned and good practices

Summary of Leason 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.

LESSON LEARNED ELEMENT	**Training Alone Does Not Activate Enterprises. The Causal Pathway Must Be Complete**
Brief description of lessons learned	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.
Context and any relatedpreconditions	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.
Targeted users / Beneficiaries	Nine hundred project beneficiaries, who have already received training, of which 150 will be identified for startup loans.
Challenges /negative lessons - Causal factors	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.
Success / Positive Issues -Causal factors	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.
ILO Administrative Issues	Project monitoring did not capture the disruptions. Without feedback to project governance and management, the project has not taken targeted corrective actions.

LESSON LEARNED ELEMENT	**Lesson Learned: From the Implementation Outset, Disruption to Causal Pathways Can Result from Inaccurate Assumptions and Coordination Gaps.**
Brief description of lessons learned	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.
Context and any related preconditions	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.
Targeted users / Beneficiaries	Nine hundred project beneficiaries, who have already received training, of which 150 will be identified for startup loans.
Challenges /negative lessons - Causal factors	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.
Success / Positive Issues - Causal factors	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.
ILO Administrative Issues	Project monitoring did not capture the disruptions. Without feedback to project governance and management, the project has not taken targeted corrective actions.