

## **SECTION C - DESCRIPTION/SPECIFICATIONS/STATEMENT OF WORK**

### **Tijara: Provincial Economic Growth (PEG) Program**

#### **C.1 BACKGROUND**

In support of USAID/Iraq's Strategic Objective 8, "Private Sector Economic Opportunities Expanded," this Scope of Work (SOW) sets forth the design and implementation intention for the Tijara - Provincial Economic Growth (PEG) Program. Tijara means, "trade" in Arabic.

For the past thirty years Iraq was a largely state-run economy with minimal private sector participation. Centralized decision making and a state with a dominant position in the direct production of goods and services have resulted in a business environment that severely disadvantages private sector development across the country. Future increases in employment and income could be substantial if domestic and international business linkages are encouraged and expanded in potentially competitive industries.

Since the 2003 overthrow of the Baathist regime, the United States and its coalition partners along with the Government of Iraq have undertaken to rebuild Iraq public and private sector institutions. Reconstruction funds have supported the transformation of Iraq from an authoritarian, centrally-planned state to a market-based democracy. However, the country is now in the grips of an insurgency with sectarian violence which has slowed progress.

Nevertheless, evidence suggests that private sector growth in the informal economy has partially met the growing demand for consumer products and filled the void for some services formerly provided by the government. Iraq's private sector lacks substantial support of financial institutions and Iraqi government agencies. With an appropriate enabling environment, business development can spur economic growth which will further reinforce other stabilization efforts.

Support to the micro, small and medium enterprise (MSME) sector in Iraq has been identified as a critical element in the effort to improve Iraq's economic potential. Since 2003, a microfinance industry has been forming in Iraq as part of this effort. Microfinance has been supported and promoted by the U.S. Department of State through the Iraq Reconstruction Management Office (IRMO) and USAID, as well as by the Multinational Force in Iraq (MNF-I) through Strategic Effects and Civil Affairs teams. About three-quarters of the Iraqi labor force is engaged in private sector activities, the majority of them informal sector business. The combination of poverty, limited formal job opportunities, and a lack of bank services has created a high demand for microfinance services that should remain strong for the short to medium term and is likely to continue into the long-term.

#### **C.2 OVERALL OBJECTIVES AND GOALS**

The objective of the PEG Activity is to grow the Iraqi economy in selected manufacturing and service sectors and promote private sector development by increasing access to finance.

Under Component One, the Contractor shall provide business development services with a focus on sector competitiveness by training businesses in selected industries, supporting effective business associations, promoting association advocacy, creating an enabling environment which reduces current constraints to business operations, developing market information systems, and establishing public-private partnerships. Where an opportunity exists to select between numerous viable sub-sectors, consideration may be given to those sub-

sectors which have a significant formal presence in the economy and can therefore enhance debt service capacity and have the ability to document creditworthiness.

Under Component Two, the Contractor shall focus on expansion of commercial lending through microfinance institutions and banks by identifying and reducing market lending risks; providing training and technical assistance; disseminating information, education, knowledge management and research; and operating a grant facility.

The Contractor shall build on the achievements of previous USG efforts in this area and shall avoid duplication of other donor efforts. This program will also support the *International Compact with Iraq* (see [www.iraqcompact.org](http://www.iraqcompact.org)) in areas related to Private Sector Development and Investment Promotion as well as Financial Sector Restructuring.

The Contractor shall work in coordination with the Government of Iraq, the US Government-managed Provincial Reconstruction Teams (PRTs) as well as appropriate US Government agencies and offices in Washington D.C. and Baghdad. The Contractor shall seek to leverage USAID's existing investments in vocational education provided through the Community Stabilization Program, provincial development initiatives promoted by the Local Governance Program, business association and accounting assistance delivered by Izdihar, economic policy work conducted by the Economic Governance II Activity and other initiatives. Financial service providers supported by USAID and other US Government Agencies including Microfinance Institutions, the Iraq Middle Market Development Foundation and the Iraqi Company for Bank Guarantees should be utilized when necessary.

Provincial Reconstruction Teams (PRTs) are joint civil-military initiatives that assist provincial governments to develop a transparent and sustained capability to govern, promote security and the rule of law, promote political and economic development, and provide the requisite provincial administration to meet the basic needs of the population. It is USG policy to utilize the PRT mechanism in provincial and local government support programs to coordinate assistance at the provincial level.

In addition to the PRTs, the Contractor must recognize that the US Government is concentrating on reconstruction efforts in strategic cities in Iraq. These cities are currently Baghdad, Basra, Mosul, Baquba, Najaf, North Babil, Fallujah, Kirkuk, Ramadi, and Samarra. (See Annex 1).

The focus shall be on the non-agricultural sectors since another USAID-funded activity, the *Inma Agribusiness Program*, will focus on agriculture issues. PEG resources shall support businesses through a value chain approach in at least three selected manufacturing or service sectors depending on criteria such as employment potential, domestic and international competitiveness, future growth, and security issues. Note that many issues related to the Financial Services sector are covered under Component Two not Component One.

The Contractor shall be required to field not less than five teams – three sectoral teams, one commercial lending team and one headquarters team -- in at least four provincial offices (including Baghdad) to implement the activities and achieve the results outlined in this Scope of Work. The advisory teams must be made up of long term consultants and specialized short term expertise when necessary. The team shall work on the range of activities under the two main programmatic components outlined below. *Note: (language to be deleted in final contract): For purposes of evaluating this proposal, in addition to Commercial Lending and Baghdad, the Offerors should use the following three sectors and provincial offices in their Technical Approach: Information and Communications Technology in Erbil, Cement in Ninewa, and Plastics in Basra Offerors will be allowed five additional pages in the technical proposal to*

*address their own Technical Approach regarding sector competitiveness and provincial economic growth in Iraq with specific recommendations on which sectors and cities should be selected as part of this program.*

Policy and regulatory involvement shall be demand driven and directly related to issues concerning selected sectors. The immediate objective in establishing a reform agenda shall be to focus on issues that inhibit growing a business or expanding an industry rather than generic economic policies.

Efforts shall involve business associations; but only if those associations can encourage reform which shall contribute to increases in a company's bottom line income or serve as a networking forum to improve organization and cooperation within specific industries or regions. When assisting business associations, the focus shall be on existing associations or careful nurturing of new associations with an emphasis on long term sustainability.

The U.S. Small Business Administration can be seen as a model for PEG with the Activity supporting business development through advisory services, financial assistance, business advocacy, contracting opportunities, training and targeted programs for specific audiences. Over the course of the Activity, the Contractor shall work closely with Iraqi public and private sector partners as well as NGOs to ensure that this model and the services provided by the Activity are transferred to a sustainable Iraqi organization or government agency prior to the completion of the contract.

USAID/Iraq, through public-private partnerships, is interested in improving the capacity and productivity of the private sector by introducing business associations, firms and government organizations to new ideas, technologies and ways of managing their businesses, which is expected to establish the foundations for a vibrant market economy.

### **C.3 STRATEGY**

USAID/Iraq's Strategic Objective (SO) 8 "Private Sector Economic Opportunities Expanded" is intended to restore economic growth and development in Iraq, reform key institutions and practices, and build their capacity to ensure long-term growth and improve the general welfare of all Iraqis. This contract specifically addresses Intermediate Result (IR) 8.2 – Increased Capacity of the Private Sector.

### **C.4 ILLUSTRATIVE ACTIVITIES AND INDICATORS**

The following illustrative activities and indicators provide a description of the responsibilities the Contractor shall undertake and complete over the life of the contract. The details contained in each summary description provide an illustrative example of expected results.

#### **(a) COMPONENT 1: PROVISION OF BUSINESS DEVELOPMENT SERVICES WITH A FOCUS ON SECTOR COMPETITIVENESS**

##### ***Component 1: Activity 1 - Provide Business Development Services (BDS)***

The Contractor shall provide direct BDS technical assistance and training to privately-owned enterprises and support to Iraqi BDS providers. Business service delivery shall be implemented

through a combination of direct provision, training of trainers, business associations, and existing institutions such as local universities.

The Contractor shall also improve the productivity and ability of local businesses to compete in local, provincial or national markets. The Contractor shall provide a systematic approach that would include the development of at least three service or manufacturing sectors based on an analysis of the systemic constraints in the value chain, a competitive strategy for addressing these constraints, upgrading the businesses engaged in a chain, assessing businesses ability to access finance, and promotion of the commercial provision of services to support competitiveness over the long term.

Potential sectors include cement, construction, plastics, tourism, pharmaceuticals, media, ceramics and glass, information and communications technology, and transportation among others. Shortly following mobilization, the Contractor shall finalize the selected sectors jointly with USAID and other US Government officials as well as key Iraqi stakeholders. The Contractor shall then identify issues related to these sectors through short, analytical studies preferably utilizing already existing materials when and if possible.

The Contractor must develop customized training and technical assistance work plans for each of the selected industries. The training and technical assistance to individual businesses in selected sectors may include business planning, financial statements, accounting and auditing, information and communications technology, packaging, marketing, advertising, sales and government contracting, among others. Where warranted by demand and opportunity, these services shall be expanded to encourage international trade, such as training in customs and international business development.

A lack of adequate market information has been noted as a major challenge to private sector development in Iraq. The Contractor shall conduct market studies, working with a local partner, in order to provide information to donors, entrepreneurs, investors, and other stakeholders. These studies shall examine the structure and size of markets for major Iraqi products, as well as identify significant impediments to their function, focusing on targeted provinces and cities. This information, provided in English and Arabic, shall be used to guide investment decisions, reduce transaction costs, improve business operations, and link producers to local and regional markets.

The Contractor must ensure that these businesses are also capable of accessing finance through microfinance institutions, private banks, and other financial intermediaries to enable additional business expansion, and job creation. Activities in Component One of PEG shall be complemented by the provision of commercial lending in Component Two.

Any assistance to state-owned enterprises is subject to USG review and current US policy and must be approved by USAID.

The Contractor is expected to utilize local expertise when it is available and, when it is not, the Contractor shall seek regional expertise. By hiring regional experts, the Contractor shall also benefit from their knowledge of regional trade patterns, cultures, and languages.

#### Component 1: Activity 1 - Illustrative Activities:

- (a) Identify the specific business development and financial needs and develop a strategic approach to providing services and training.

- (b) Design a program to provide business development services and financial skills training in a manner that does not undermine existing Iraqi-provided services and that builds local capacity to provide sustainable services in the long run.
- (c) Implement a program to develop selected sectors that align with the Mission's objectives and priorities.
- (d) Produce brief analyses of the selected sectors together with a local partner which shall be used to develop the BDS work plans and association work plans and be made available to the Government of Iraq, other donors and the Iraqi business community.
- (e) Strengthen public/private sector capacity to provide BDS services to selected sectors focused on increasing income and generating employment.
- (f) Create market information systems that inform businesspersons and policy makers on specific issues related to the selected sectors.

Component 1: Activity 1 - Illustrative Indicators:

- (a) Number of businesses receiving USG supported assistance to improve their management practices.
- (b) Number of businesses receiving USG supported assistance to invest in improved technologies.
- (c) Number of businesses participating in USG assisted value chains in selected sectors.
- (d) Number of businesses receiving business development services from USG assisted sources.
- (e) Number of businesses linked to larger-scale firms as a result of USG assistance to the value chain of selected sectors.
- (f) Number of businesses receiving capacity building assistance to export as a result of USG assistance.
- (g) Number of jobs created as a result of USG assistance.

***Component 1: Activity 2 - Develop Effective Business Associations to Promote Sectoral or Regional Advocacy***

The Contractor shall provide direct technical assistance, training, and grants to existing local, regional, and national business associations to strengthen private sector policy advocacy and to develop business linkages. The goal is to stimulate growth in selected sectors through more effective business associations.

Iraqi business associations are at various stages of development. In assisting business associations, the focus shall be on existing associations or careful nurturing of new associations which would lead to direct benefits for businesses in the selected sectors.

The Contractor shall provide assistance to establish and strengthen business associations' training capacities to their members and to the business community at large; to establish and improve their bottom-line based advocacy and local problem solving capabilities; to improve member services; to strengthen internal management so they can serve as proponents of and catalysts for economic reform and achieve sustainability.

Trade and market promotion activities often lead to immediate results for members and demonstrate the direct benefit of association membership; while public hearings and roundtables are also crucial to promote direct and constructive dialogue between business and government. Business associations shall serve as policy advocates for their membership on issues relevant to local, provincial and national government policies.

The Contractor shall also design and deliver business related training directly and in cooperation with the local authorities, universities, and other appropriate local institutions. The Contractor shall ensure that training materials are of a high quality reflecting the latest trends and international best practices that are appropriate in the Iraqi environment. When cooperating with local institutions, the Contractor shall offer competitive grants to upgrade their course materials, offerings and staff. Technical assistance and training to business organizations could include areas such as basic business skills, business plans, financial analysis and reporting, operations managements, business processes, information and communication technology, insurance products and risk management, warehouse receipts financing, cost/benefit analysis, marketing, supply chain, contract management, project management, and proposal preparation among other topics.

Grants to associations could also increase their ability to communicate, manage, and implement internal projects such as trade and market promotion, public hearings and roundtable discussions. In addition, the development of training programs that can subsequently be delivered to their members is important for the generation of revenue streams for sustainability. Note that other organizations have offered such services at no charge, which is not consistent with the longer term goal of nurturing commercially viable BDS providers in Iraq. In coordination and collaboration with USAID, US Embassy, and PRT officials, the Contractor shall support a policy dialogue between business associations and Iraqi authorities to create, reform, legislate, and or decree regulatory and administrative policies and practices that shall constitute an enabling environment conducive to enterprise growth and development related specifically to the selected sectors. The Contractor shall engage with government authorities, universities, and other influential opinion-shaping institutions to raise awareness of the advantages of private sector-led growth and development and the policy issues relevant to the selected sectors and commercial lending.

The business advocacy agenda shall include bottom-line based, demand-driven lobbying for a private sector friendly legal and regulatory environment including, for example, taxes and local government fees and permit regimes, factor import and export regimes, supporting national government development and preservation of inter-provincial trade free of restraint. Mechanisms to promote certain specific reform agendas could include public presentations, trade shows, sponsoring business-oriented shows on television and radio, other public relations or media efforts, establishing certification or professional accreditation, and member service delivery.

A necessary part of the policy agenda to ensure successful private sector development in Iraq must be the national government retaining the right to regulate inter-provincial commerce in order to guarantee the flow of commerce free from local restraints imposed by provincial or other sub-national authority. The Contractor, through its technical assistance and policy dialogue and through coordination with other USG projects, departments, and agencies, shall make its best efforts to ensure that authorities avoid the implementation of regulations and laws that may unreasonably restrain intra-Iraq trade.

The Contractor shall also coordinate with the efforts of other USG projects in particular, USAID's Economic Governance II (EGII) Project to develop a commercial legal framework that fosters the rule of law and is conducive to private sector-led economic growth in Iraq. The Contractor shall review and recommend amendments as appropriate to the existing laws and regulations for the specific targeted sectors at provincial and local levels, while EGII continues to work on building a sound and transparent national legal framework for economic policy.

An excellent baseline of the current challenges for private sector led growth can be found in Annexes: *The Iraq Competitiveness Analysis* (Annex 2) and the *Investor Roadmap of Iraq* (Annex 3). The Contractor shall make its best efforts to ensure that the business enabling environment is harmonized across the provinces and conforms to international practices.

\$5,000,000 shall be dedicated to association capacity building activities in the first two years and \$750,000 in each of the two option years. See Section B.4.

Component 1: Activity 2 -Illustrative Activities:

- (a) Identify existing business associations in the selected sectors and targeted provinces that could benefit from technical assistance and the development of training programs.
- (b) Work collaboratively with partners to provide support to strengthening associations, including consulting on strategic plans, marketing and advocacy, member services, and training programs.
- (c) Manage a competitive grants program for Iraqi business associations and other Iraqi business support organizations with financial support, equipment or in-kind contributions.
- (d) Identify key legal, regulatory, and procedural constraints that affect the development of businesses in the selected sectors and implement an action plan to improve the regulatory and enabling environment related to the selected sectors.

Component 1: Activity 2 - Illustrative Indicators:

- (a) Number of new members in private business associations as a result of USG assistance.
- (b) Number of public-private dialogue mechanisms utilized as a result of USG assistance.
- (c) Number of business associations that are at least 50 percent self-funded as a result of USG assistance.
- (d) Number of proposed improvements in laws and regulations affecting the operations of business in selected sectors drafted with USG assistance.
- (e) Number of consultative processes with the private sector as a result of USG assistance.
- (f) Number of capacity-building service providers receiving USG assistance.

**Component 1: Activity 3- Establish Public-Private Partnerships**

The Global Development Alliance (GDA) is USAID's commitment to change the way assistance is implemented. GDA mobilizes the ideas, efforts and resources of governments, businesses and civil society by forging public-private alliances to stimulate economic growth, develop businesses and workforces, address health and environmental issues, and expand access to education and technology. The Global Development Alliance approach extends USAID's reach and effectiveness in meeting development objectives by combining its strengths with the resources and capabilities of other prominent actors. (See Annex 4).

Funding of \$1,600,000 in the first two years and \$400,000 in each of the option years has been set aside for public-private partnerships for GDA activities in at least four targeted provinces selected by the Contractor with prior approval of USAID. See Section B.4

The Contractor shall be responsible for identifying potential partners and establishing the alliances in accordance with relevant USAID standards and practices. Alliances under this program shall focus on activities that shall improve businesses in the selected sectors, develop new markets, and contribute toward provincial economic growth. The Global Development

Assistance Website is provided for your reference:  
[http://www.usaid.gov/our\\_work/global\\_partnerships/gda/](http://www.usaid.gov/our_work/global_partnerships/gda/).

The Contractor shall seek and obtain non-U.S. Government in-kind and financial support for at least 50% of the total cost for each individual project activity approved by the CTO under the partnership budget line item. All of the funds set aside for partnership activities represent incentive funding for potential public-private partnerships that the Contractor is to initiate, form and manage over the performance period of the contract

Component 1: Activity 3 - Illustrative Activities:

- (a) Solicit proposals from potential partners which lead to at least four partnerships commencing by the end of year one.
- (b) Promote project initiatives and Iraqi business information on a regular basis to potential partners such as multinational companies and Iraqi-American organizations to encourage future partnerships.

Component 1: Activity 3 - Illustrative Indicators

- (a) Number of public-private partnerships formed as a result of USG assistance.
- (b) Amount of contributions from partners leveraged as a result of USG assistance.

***Component 1: Optional Activity 4: Supply Senior Level Specialists to the PRTs***

The Contractor may be requested to provide additional short term (three to six months) and long term (one year) staffing to the PRTs in technical areas such as industry specialists, business development consultants, and economic advisors.

PRTs are supporting the provincial councils, and each PRT is expected to have a qualified economic development team as well as a USAID Representative as part of its structure. The Contractor must present organizational, management, and technical approach to providing provincial support and a plan for working with the PRTs in the event this option is exercised under the contract. Upon request the Contractor will provide technical program implementation specialists supported by short-term specialists. The technical specialists will implement the local activities. Should the PRT option be exercised, the Baghdad Office of PEG must have a PRT Coordinator as a staff member.

**(b) COMPONENT 2: EXPANSION OF COMMERCIAL LENDING THROUGH MICROFINANCE INSTITUTIONS (MFIS) AND BANKS**

***Component 2: Activity 1 - Provide Training and Technical Assistance***

The Contractor shall consider a range of innovative and traditional training techniques to ensure that sustainable microfinance and increased commercial lending is achieved through existing microfinance institutions and banks. \$3,000,000 shall be dedicated to training activities in the first two years and \$500,000 in each of the two option years. See Section B.4.

***Microfinance training:*** Best Practice training in the key areas of microfinance is on-going in Iraq and shall be built upon and expanded. All training activities shall be fee-based in order to promote future sustainability of microfinance and bank training courses in Iraq.



Training shall include and enable local service providers to implement future training and ensure that continued availability of training provision. Training in best practice standards: governance, delinquency management, financial analysis, cash-flow based lending and other topics is shall be provided by the Contractor. Working with the microfinance providers on industry standards in financial performance and conduct is encouraged.

Training to banks, particularly the members of the Iraqi Corporation for Bank Guarantees (ICBG), shall focus on increasing their capacity for assessing the risks of small and medium businesses and providing a high quality range of commercial lending services required in this business environment

When appropriate, grants to existing microfinance institutions to allow them to conduct their own training in conjunction with the Contractor shall be considered.

**Technical Assistance:** Training, especially classroom based training, is effective only up to a certain point. The Contractor shall provide a plan for providing short and long term technical assistance directly to the microfinance institutions, loan guarantee corporations, and banks on an appropriate basis.

#### Component 2: Activity 1- Illustrative Activities:

- (a) Conduct or support training related to microfinance and commercial lending.
- (b) Develop existing or new private banking organizations to provide loan guarantees to businesses.
- (c) Work with Iraqi organizations or universities to become training providers of new courses related to financial services in the first year.
- (d) Encourage financial and operational sustainability of microfinance institutions.
- (e) Facilitate linkages between and among microfinance institutions, banks, and other financial intermediaries.

#### Component 2: Activity 1- Illustrative Indicators:

- (a) Number of microfinance institutions and branch offices supported by USG financial or technical assistance.
- (b) Percent of USG-assisted microfinance institutions that have reached operational sustainability.
- (c) Percent of USG-assisted microfinance institutions that have reached financial sustainability.
- (d) Number of businesses receiving USG supported assistance to access bank loans.
- (e) Number of businesses that successfully accessed bank loans as a result of USG assistance.
- (f) Number of financial sector staff trained with USG assistance.
- (g) Amount of private financing mobilized with USG assistance through a loan guarantee.

#### **Component 2: Activity 2 - Disseminate Information, Education, Knowledge Management and Research**

**Information and Education:** Microfinance is relatively new in Iraq and even banking services are limited, in scope and in provision. Providing reliable information and education to the general public, appropriate government bodies (local, provincial, and national), religious institutions, US Government partners and other donors is essential. The general population,

government, business, and religious leaders need to share the same understanding of commercial lending specifically and financial services generally in order for it to gain acceptance as a legitimate and sustainable part of the Iraqi financial market and to serve the needs of businesspersons. An understanding of the importance of access to finance is required if they are to operate in local, regional and international markets, increase employment and fuel economic growth. Given that microfinance and cash-flow based lending in Iraq currently operates in a conflict environment, additional understanding is required regarding what results can and cannot be expected under today's challenging business climate. Iraqi Ministries such as the Ministry of Labor and Social Affairs are becoming more interested in microfinance and the Contractor shall work with Iraqi government counterparts to incorporate best practices and help to ensure future success of policy actions related to capital lending. Also, Non-Bank Financial Institution legislation and regulation will become more of an issue as the microfinance industry grows in Iraq.

**Knowledge Management:** Knowledge management increases efficiencies in systems and markets, allowing parties to access and optimize information. This is especially important in Iraq where informal knowledge and information sharing is limited by restricted movement. There is also a tendency in any conflict affected country to limit knowledge to internal resources whereas a solid knowledge management strategy shall leverage regional and international information and knowledge. A further element of a strong knowledge management system is its ability to allow for collaborative learning which can also provide the basis for industry advocacy. Specifically, detailed, comprehensive and regular reporting is required on microfinance and banking statistics to inform key government and industry stakeholders. The Contractor shall use existing software and reporting formats that are internationally accepted.

**Research:** The Contractor shall direct or assist local microfinance, bank, consulting or other persons to do research on the current financial landscape – both formal and informal – in order to understand and respond to the needs of the market. This research activity shall feed into the demand for training and technical assistance, partners and partnerships and provide background and a basis for appropriate information, education and knowledge management activities. Given the Iraqi environment, web-based and in-person responses to these activities are also encouraged.

#### Component 2: Activity 2 - Illustrative Activities:

- (a) Organize quarterly meetings of MFIs in Iraq and one annual Summit of microfinance stakeholders in Iraq each year.
- (b) Provide comprehensive reporting to USAID and other USG stakeholders which provides key data on the microfinance industry in Iraq on a monthly basis.
- (c) Disseminate periodic information in Arabic and English to public, private, and donor sector stakeholders on microfinance developments and issues pertaining to Iraq.

#### Component 2: Activity 2 - Illustrative Indicators:

- (a) Number of local organizations provided with technical assistance for strategic information activities.
- (b) Number of information gathering or research activities.
- (c) Number of proposed improvements in laws and regulations affecting the operations of microfinance institutions or banks drafted with USG assistance.

### **Component 2: Activity 3 - Operate a Grant facility**

The Contractor will develop a grant making mechanism totaling \$20,000,000 in the first two years and \$4,000,000 in each of the option years (see Section B.4) that would be established at the program start to help accomplish the goals of the Activity.

**Large Loan and Operating Capital Grants:** The Contractor shall design an appropriate mechanism to provide large grants for operational and loan capital, predominantly to new or existing microfinance institutions to allow them to expand into new markets and increase the depth and reach of their product offerings. Grants would be between \$100,000 and \$10,000,000

**Project Grants:** The Contractor must develop a rolling grant mechanism for proposals from banks, MFIs or other financial service providers that are seeking to pilot test a new product or process and require technical assistance and/or limited operating equipment to accomplish greater outreach or market penetration. The grants shall not be greater than \$200,000.

#### Component 2: Activity 3 - Illustrative Activities:

- (a) Issue at least three large grants and two project grants within the first six month of operation and a total of at least seven large grants and five project grants by the end of the first year of the Activity.
- (b) Provide grants to least two new MFIs funded by USAID through the PEG Program by the end of the second year of the Activity.
- (c) Ensure availability of microfinance facilities in all 18 provinces of Iraq and all strategic cities by the end of the first year of the Activity.

#### Component 2: Activity 3 - Illustrative Indicators:

- (a) Number of clients at USG-assisted microfinance institutions.
- (b) Number of people gaining employment or better employment as a result of USG-funded commercial lending programs.

**Disposition of Assets:** During the last year of the Contract term at least 90 days before the termination date of the Contract, the Contractor shall provide to USAID in writing a proposed plan for disposition of the loan or credit assets remaining at the termination of the Contract. USAID shall approve or disapprove the proposed disposition plan in writing, at least 45 days prior to the termination of the Contract. However, regardless of any prior approval of all or portions of the proposed disposition plan, USAID reserves the general right to direct or redirect such disposition, including by refund to USAID, of all loan and credit assets financed by USAID up to three years after the termination date of the Contract.

**Microenterprise Development:** USAID's Automated Directive System (ADS) Programming Policy, Chapter 219, Micro enterprise Development is hereby incorporated by reference. The Contractor shall comply with the requirements of ADS 219. The full text of this policy may be downloaded from <http://www.usaid.gov/policy/ads/200/219.pdf>

## **C.5 CROSS CUTTING ISSUES**

The Contractor shall consider anti-corruption, gender, and the environment as important cross-cutting issues that must be included in all programmatic elements of PEG. While substantial budgetary resources should not be specifically dedicated to these cross-cutting issues, they must be addressed in some way in all relevant activities. Innovative and cost-effective approaches to anti-corruption, gender, and environmental initiatives are encouraged.

## **C.6 GRANT FUNDS**

The Contractor shall apply the plug figures provided in Section B.4 for the base contract years and in the two option years for the award of grants that support the achievement of program objectives for operational and loan capital for Microfinance Institutions and for Business Association Development. These amounts will be used solely for the grant and will not cover any administrative costs. The Contractor shall award grants under this contract.

The Contractor shall comply in all material respects with USAID's Automated Directives System (ADS) Part 303 in awarding and administering grants, as well as 22 CFR 226 to the extent that it may be relevant to such grants. However, the grants must enable USAID, through the Contractor, to terminate the grant activities unilaterally in extraordinary circumstances. The Contractor shall not award cooperative agreements. Prior USAID approval in accordance with ADS 302.5.6 must be obtained by the Contractor.

The CTO must approve the criteria for and the selection of all grantees. All grants must be closed-out by the Contractor prior to the estimated completion date of the contract. The Contractor shall comply in all material respects with Contract Information Bulletin (CIB) 90-12 regarding grant close-out. The Contractor shall award and manage an overall minimum of \$40,900,000.00 in grants and partnership agreements over the base and option periods (see Section B.4). Large grant awards shall range between \$100,000.00 and \$10,000,000. The small awards shall not exceed \$200,000.00 in grants over the life of the contract. These grants shall be awarded competitively. Limited competition may be considered. However, a program description and a list of prospective applicants must be approved by the Cognizant Technical Officer. Activities to be undertaken by the Contractor will include, but not be limited to, the following:

- (a) Develop and standardize a format for application submissions, which is consistent with USAID guidelines. This will include establishing administrative management procedures to ensure the expeditious processing and review/recommendation of applications. Contractor shall follow ADS 303 in all respects and is not required to submit a Grants Management Manual for USAID approval. Hiring of a Grants Manager to manage the Contractor's NGO grants; The Grant Manager salary will not be deducted from the grants funds but will be disbursed from the contract core funding;
- (b) Obtain prior approval from the Cognizant Technical Officer before soliciting applications from organizations interested in the activities as provided in this document;
- (c) Chair the technical review committee evaluating applications made under the grant program. In this capacity, the Contractor shall include review, summarize and categorize the proposals for consideration by USAID in line with "minimum" proposed evaluation criteria that will be proposed by the Contractor and approved by USAID;
- (d) The Contractor shall also coordinate with the CTO on the scheduling of selection meetings during which USAID, and partners, if appropriate, will meet to review applications;
- (e) Communicate with parties interested in and/or submitting applications to assist in any modifications to the documentation needed to comply with USAID submission procedures; and notify applicants as to USAID actions and decision on whether or not to provide funding for proposed activities;

- (f) Carry out any necessary pre-award actions with respect to the proposed grantees, such as financial reviews, assessment of management capability;
  - (g) Negotiate and execute grants, to implement their applications (with respect to grants, terms of each agreement shall include an agreed upon mechanism for making a grantee contribution in support of Grant objectives);
  - (h) Ensure post-award management provided in accordance with the relevant regulations, including but not limited to reporting, audits, etc in accordance with USAID directives and policies;
  - (i) Monitor grantee contributions and adherence to Regulation 216 requirements as necessary; and,
  - (j) Close out all grants in accordance with the Contractor's requirements. Grants and modifications to grants must be approved by USAID prior to award.
  - (k) The Contractor may not award Grants to Foreign Governments:  
<http://usaid.gov//ADS/300/302.doc>, <http://usaid.gov//ADS/300/350.doc>
- All USAID approvals in accordance ADS 302.3.4.8 must be obtained by the Contractor.

