Ministry of Finance (MOF)

on behalf of the Government of Iraq

(Recipient)

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

(Project Implementation Agency)

COVID-19 Adaptation and Recovery Pilot: Supporting Firms Resilience, Access to Finance and Growth in Iraq – P174273

Appraisal Version

Preliminary Stakeholder Engagement Plan

(SEP)

December 11, 2020

1. Introduction/Project Description

An outbreak of COVID-19 caused by the 2019 novel coronavirus (SARS-CoV-2) has been spreading rapidly globally since December 2019, from Wuhan, Hubei Province, China to over 210 countries and territories. It comes at a time when Iraq's economy is already going through multiple crisis and the GOI has limited resources to respond. As of November 4, 2020, the outbreak has resulted in over 596,852 cases and over 1,216,357 deaths world-wide. The outbreak is taking place at a time when global economic activity is facing uncertainty and governments have limited policy space to act. Like its neighbors, Iraq is also affected by the COVID-19 outbreak, which poses a threat to its health system and beyond. The first case of COVID-19 was reported in Iraq on January 3, 2020. As of November 4, 2020, there have been 485,870 confirmed cases and 11,128 associated deaths. The COVID-19 outbreak is stressing an already strained health and private sectors and setting back Iraq's efforts in its fight against poverty. There are concerns that the outbreak will particularly hit the poor, the refugee population and private sector enterprises. The proposed COVID-19 Adaptation and Recovery Pilot (CARP): Supporting Firms Resilience, Access to Finance and Growth in Iraq (P174273) aims to test the effectiveness of selected financial and firm-level interventions. It is aimed at supporting the resilience of viable micro, small and medium enterprises ("MSMEs") and the sustainability of their intermediaries in the aftermath of COVID-19 pandemic. Mobility restrictions, liquidity pressures and uncertainty have had a devasting effect on private sector livelihoods, particularly for unbanked informal firms, micro and small formal firms. The proposed approach is to focus on firm's recovery from COVID-19 on the one hand while laying the foundations for a much larger growth program on the other hand around Financial Inclusion and SME-Support Measures. The design and implementation of the project will be further informed or complemented by the ongoing work under the I3RF bank-executed Financial and Private Sector Technical Assistance. Business continuity can be achieved through (a) the provision of financial support to MSMEs and innovative local private solutions during the recovery phase, and (b) the implementation of mitigation measures at firm-level.

The Iraq CARP project comprises the following components:

COMPONENT 1: FINANCIAL INCLUSION (US$ 4 MILLION)
This component will support immediate relief of the microfinance sector in Iraq, including the most affected formal- and informal-operating small business owners. Two main interventions are being considered: (I) short-term Liquidity support to the informal sector through direct funding to eligible MFIs in the form of grants, and (II) supporting the Central Bank of Iraq (CBI) to develop MF guidelines, establish and operationalize a Microfinance Unit with a focus on strengthening its institutional infrastructure.

COMPONENT 2: SME-SUPPORT MEASURES (US$ 9.1 MILLION)
This component aims to support the strengthening of the SME sector in Iraq, with a particular focus on Small and Growing Businesses (SGBs), a sub-set of SMEs which is key to providing quality employment opportunities and solutions to critical development challenges in Iraq. Two main interventions are being considered: (I) enhancing SME capabilities and resilience through blended learning, vouchers, and matching grants, and (II) catalyzing private investment into Iraqi SGBs through ecosystem support grants.

COMPONENT 3: PROJECT MANAGEMENT (US$ 1.9 MILLION).
This component will finance project management costs over the project life.

COMPONENT 4: CONTINGENT EMERGENCY RESPONSE COMPONENT (CERC)
This component is a contingency component to be considered in the case of a relevant emergency event. It Is unfunded.

The Iraq CARP project is being prepared under the World Bank's Environment and Social Framework (ESF). As per the Environmental and Social Standard ESS 10 Stakeholders Engagement and Information Disclosure, the implementing agencies should provide stakeholders with timely, relevant, understandable and accessible

information, and consult with them in a culturally appropriate manner, which is free of manipulation, interference, coercion, discrimination and intimidation.

The overall objective of this Preliminary SEP is to define a program for stakeholder engagement, including public information disclosure and consultation, throughout the entire project cycle. The Preliminary SEP outlines the ways in which the project team will communicate with stakeholders and includes a mechanism by which people can raise concerns, provide feedback, or make complaints about project and any activities related to the project. The involvement of the local population is essential to the success of the project in order to ensure smooth collaboration between project staff and local communities and to minimize and mitigate environmental and social risks related to the proposed project activities. In the context of infectious diseases, broad, culturally appropriate, and adapted awareness raising activities are particularly important to properly sensitize the communities to the risks related to infectious diseases.

2. Stakeholder identification and analysis

According to the Environmental and Social Standard 10 (ESS10), Project stakeholders are defined as individuals, groups or other entities who:
   (i)   are impacted or likely to be impacted directly or indirectly, positively or adversely, by the Project (also known as 'project-affected parties'); and
   (ii)   may have an interest in the Project ('other interested parties'). They include individuals or groups whose interests may be affected by the Project and who have the potential to influence the Project outcomes in any way.

Cooperation and negotiation with the stakeholders throughout the Project development often also require the identification of persons within the groups who act as legitimate representatives of their respective stakeholder group, i.e. the individuals who have been entrusted by their fellow group members with advocating the groups' interests in the process of engagement with the Project. Community representatives may provide helpful insight into the local settings and act as main conduits for dissemination of the Project-related information and as a primary communication/liaison link between the Project and targeted communities and their established networks. Verification of stakeholder representatives (i.e. the process of confirming that they are legitimate and genuine advocates of the community they represent) remains an important task in establishing contact with the community stakeholders. Legitimacy of the community representatives can be verified by talking informally to a random sample of community members and heeding their views on who can be representing their interests in the most effective way. With community gatherings limited or forbidden under COVID-19, it may mean that the stakeholder identification will be on a much more individual basis, requiring different media to reach affected individuals.

2.1 Methodology

In order to meet best practice approaches, the project will apply the following principles for stakeholder engagement:
- **Openness and life-cycle approach**: Consultations for the project will be arranged during the whole life-cycle, carried out in an open manner, free of external manipulation, interference, coercion or intimidation;
- **Informed participation and feedback**: Information will be provided to and widely distributed among all stakeholders in an appropriate format; opportunities are provided for communicating stakeholders' feedback, for analyzing and addressing comments and concerns;
- **Inclusiveness and sensitivity**: Stakeholder identification is undertaken to support better communication and build effective relationships. The participation process for the project is inclusive. All stakeholders at all times are encouraged to be involved in the consultation process. Equal access to information is provided to all stakeholders. Sensitivity to stakeholders' needs is the key principle underlying the selection of engagement methods. Special attention is given to vulnerable groups, in particular women, youth, elderly and the cultural sensitivities of diverse ethnic groups.
- **Flexibility**: If social distancing inhibits traditional forms of engagement, the methodology should adapt to other forms of engagement, including various forms of internet communication. (See Section 3.2 below).

For the purposes of effective and tailored engagement, stakeholders of the proposed project can be divided into the following core categories:

- **Project-affected Parties** – persons, groups and other entities within the Project Area of Influence (PAI) that are directly influenced (actually or potentially) by the project and/or have been identified as most susceptible to change associated with the project, and who need to be closely engaged in identifying impacts and their significance, as well as in decision-making on mitigation and management measures;
- **Other Interested Parties** – individuals/groups/entities that may not experience direct impacts from the Project but who consider or perceive their interests as being affected by the project and/or who could affect the project and the process of its implementation in some way; and
- **Vulnerable Groups** – persons who may be disproportionately impacted or further disadvantaged by the project(s) as compared with any other groups due to their vulnerable status[1,] and that may require special engagement efforts to ensure their equal representation in the consultation and decision-making process associated with the project.

2.2. Affected parties and other interested parties

Affected Parties that may be subject to direct impacts from the Project. The projects' stakeholders also include parties other than the directly affected. Both affected parties as well as other interested parties are being presented in the table below, categorized according to their relevance to each technical sub-Component:

Components	Project-affected parties	Other interested parties
1.1 Promote MFIs access to finance by addressing bottlenecks on supply and demand sides with short term and medium- to long-term solutions	- Microfinance Institutions - NGO Directorate	- Central Bank of Iraq - Ministry of Finance - Central Organization of Statistics - Iraq Private Banks League - Ministry of Planning - Media Office at CBI, the Iraqi media Network, Ministry of Communications

1.2 Strengthen the legal and institutional framework for the microfinance sector in Iraq	- Central Bank of Iraq:
	  ▪ Banking Supervision Department
	  ▪ Legal Department
	  ▪ Information and Communication Technology Department
	  ▪ Statistic and Research Department
	- Microfinance Institutions
		- NGO Directorate
		- Ministry of Finance
		- Central Organization of Statistics
		- The Center for Banking Studies/ CBI
		- Media Office at CBI, the Iraqi media Network, Ministry of Communications

2.1 Enhancing SME capabilities and resilience through blended learning, vouchers, matching grants	- SMEs - Angel Networks - Commercial Banks - Iraq Private Banks League	- Ministry of Finance - Ministry of Planning - Media Office at CBI, the Iraqi media Network, Ministry of Communications
2.2 Catalyzing private investment into SGBs through Ecosystem support grants to	- Local Investors - Regional investors - MedAngels	- Ministry of Finance - Ministry of Planning - Media Office at CBI, the Iraqi media Network, Ministry of Communications

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[1] Vulnerable status may stem from an individual's or group's race, national, ethnic or social origin, color, gender, language, religion, political or other opinion, property, age, culture, literacy, sickness, physical or mental disability, poverty or economic disadvantage, and dependence on unique natural resources.

2.3. Disadvantaged / vulnerable individuals or groups

It is particularly important to understand whether project impacts may disproportionately fall on disadvantaged or vulnerable individuals or groups, who often do not have a voice to express their concerns or understand the impacts of a project and to ensure that awareness raising and stakeholder engagement with disadvantaged or vulnerable individuals or groups on infectious diseases and medical treatments in particular, be adapted to take into account such groups or individuals particular sensitivities, concerns and cultural sensitivities and to ensure a full understanding of project activities and benefits. The vulnerability may stem from person's origin, gender, age, health condition, economic deficiency and financial insecurity, disadvantaged status in the community (e.g. minorities or fringe groups), dependence on other individuals or natural resources, etc. Engagement with the vulnerable groups and individuals often requires the application of specific measures and assistance aimed at the facilitation of their participation in the project-related decision making so that their awareness of and input to the overall process are commensurate to those of the other stakeholders.

Considering the specific scope of the CARP project, which addresses mainly the macro/meso Level of the concerned sector, whereas the meso Level is being represented by MSMEs/SGBs in Iraq, vulnerable/disadvantaged groups at this stage can be identified to be mainly women, young job-seekers, low-income population and internally displaced people. Especially, regarding Component 2, which aims at support measures for MSMEs, it is important to actively seek for involvement of the listed groups in both, capacity building activities as well as the grant procedures (where possible). Further, when setting up the Microfinance Unit at the Central Bank of Iraq an inclusive approach is important. Especially, the projects involvement in the staffing of the new Unit offers room for ensuring a fair and non-discriminatory recruitment procedure.

The GIZ has two projects currently ongoing in Iraq, which are specifically targeted to the support of youth as well as women. Those are:

- Promoting the Private Sector – investment and jobs create new prospects (https://www.giz.de/en/worldwide/83039.html)
- Startups and Coding – Young Iraqis conquer innovative Technologies (https://www.giz.de/en/worldwide/83225.html)

Those two ongoing projects allow us to leverage on already existing networks as well as identified outreach channels, which also shall be made use of for the planned CARP.

Last but not least and in addition to the above, the GIZ is currently planning a BMZ/EU co-financed project on Financial Inclusion, focusing specifically on forcibly displaces people. Based on the previous stakeholder assessment conducted in reference to this project also the CARP will benefit from identified outreach channels and strategies for engaging this particularly vulnerable group[2] (when it comes to Microfinance).

Vulnerable groups affected by the project will be further confirmed and consulted through dedicated means, as appropriate. Description of the methods of engagement that will be undertaken by the project is provided in the following sections.
The GRM will be culturally appropriate and accessible for PAPs, taking into account their customary dispute settlement mechanism.

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[2] "Forcibly displaced people" were identified also once more as important group to consider during the stakeholder consultation session that took place on the 16th November 2020 (see section 3.1).

3. Stakeholder Engagement Program

3.1. Summary of stakeholder engagement done during project preparation

During the project preparation, consultation meetings were conducted by **engaging over 200 different stakeholders**. A final high-level consultation of **20 selected organizations**, representative of the diversity of all previously consulted stakeholders, took place online, through a survey, e-mail feedback and a virtual consultation session (16th of November, 2020). The list of participants include:

Private sector associations:
1. **Iraq Britain Business Council**: Ashley Goodall; ashley.goodall@webuildiraq.org
2. **Iraqi Private Banks League**: Ali Tariq Mostaf; ali.tariq@ipbl-iraq.org

Intermediaries:
3. **The Station**: Ali Al-Makhzomy; makhzomy@the-station.iq; Ammar Al-khatib; ammar@the-station.iq; Rasha Albani; Rasha Albani rasha.albani@the-station.iq
4. **Five One Labs**: Patricia Letayf; patricia@fiveonelabs.org; Alice Bosley; alice@fiveonelabs.org
5. **Sulaimani University Entrepreneurship Program**: Pat Cline; pat.cline@auis.edu.krd
6. **Mselect**: David Tannourji; david@mselect.iq
7. **Women Empowerment Organization**: Suzan Arif; info@weoiraq.org
8. **Kapita**: Mujahed Waisi; mujahed@kapita.iq; Ali Alsuhail; ali.alsuhail@kapita.iq; Mohammed Hameed; m.hameed@kapita.iq
9. **Innovest**: Bassam Falah; bassam.falah@innovest.me
10. **Iraq Tech Ventures**: Laura Olivier; info@iraqtechventures.com; Mohammed Khudairi; mohammed@khudairigroup.com
11. **Northern Gulf Group**: Christopher Ruth; cr@northerngp.com; Zaab Sethna; zs@northerngp.com

Microfinance
12. **Central Bank of Iraq**: Ms Qismah Saleh; qismah.salih@cbi.iq; Ali Moussa; ali.moussa@cbi.iq
13. **Vitas Iraq**: Moustafa Khalife; mkhalifeh@vitasiraq.com
14. **Izdiharona**: Ahmed Alsaierafi; aalsaraifi@gmail.com
15. **Al-Thiqa**: Abbas Saedy; abbassaedy@yahoo.com

Businesses:
16. **SAP**: Hassan Saleh; hassan.saleh@sap.com; Batoul Husseini; batoul.husseini@sap.com; Khaldoun Homsi; khaldoun.homsi@sap.com
17. **Miswag**: Ammar Ameen; ammar@miswag.net
18. **Lezzoo**: Yadgar Fadhil; Info@Fastwares.com
19. **Sandoog**: Mustafa Obaidi; mustafa@sandoog.net
20. **ShopYoBrand**: Randi Barznji; randi.barznji@gmail.com well as the gathered feedback is being presented. All feedback will be integrated into the conceptualization of the project, which is still ongoing.

Stakeholders were invited to share their thoughts, questions and concerns regarding the current project setup during a 2 hours virtual session. A total of 34 participants attended the meeting. Main points raised included the need for adequate support to the CBI for setting up a Microfinance Unit (as foreseen under Component 1.2 of the CARP), the active consideration of the Kurdish Region (related to different regulations or understandings of regulations applicable to MFIs), the engagement of "actually" interested SMEs in Capacity Development efforts and the clarification of details with regard to the grant schemes.

Overall the stakeholders expressed a very clear understanding of the planned project and confirmed the CARP to have the potential to achieve the planned Impact in its current form. The chart below presents some feedback gathered through the online survey, which is further completed in ANNEX I.
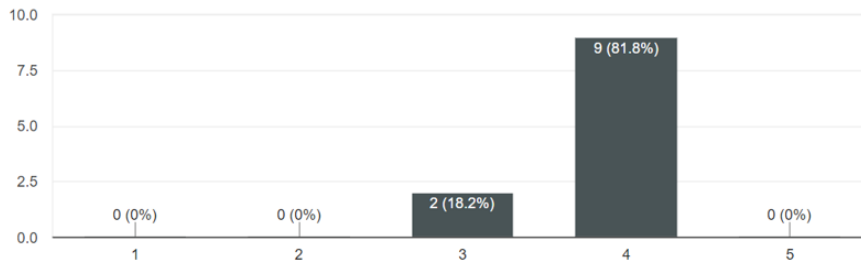
How would you rate the feasibility of the CARP?
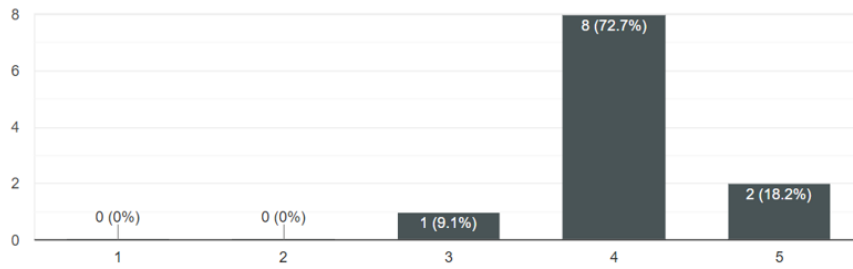
The CARP project has the potential to adequatly address the needs of my/our organisation/company
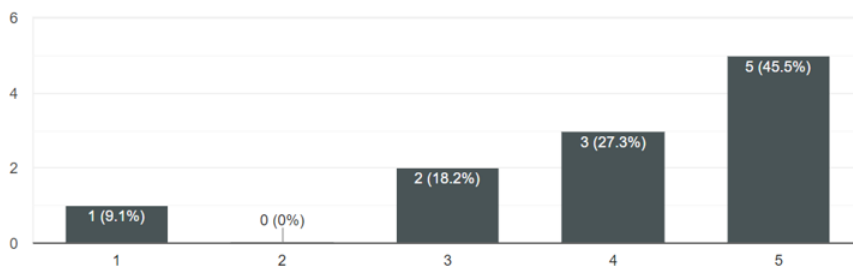
All relevant areas for supporting firms' resilience, non-bank access to finance (i.e. microfinance and early-stage finance) and growth in Iraq are being addressed through the project.

The two technical project Components (i.e. 1 and 2), including their sub-Components (i.e. 1.1, 1.2, 2.1, 2.2) and intended goals are fully clear to me.
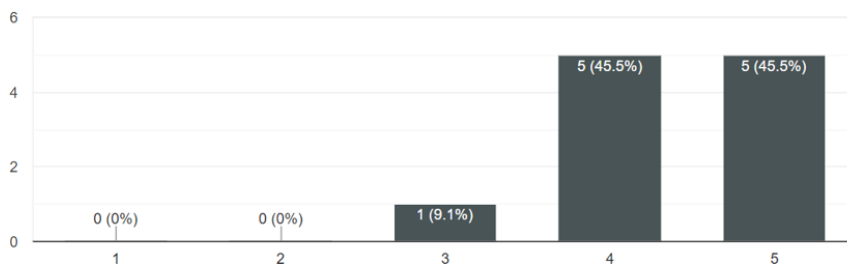
The speed and urgency with which this project has been developed to meet the growing threat of COVID-19 in the country, combined with recently-announced government restrictions on gatherings of people has limited the project's ability to develop a complete SEP before this project is approved by the World Bank. This preliminary SEP was developed and disclosed prior to project appraisal, as the starting point of an iterative process to develop a more comprehensive stakeholder engagement strategy and plan. It will be updated periodically as necessary, with more detail provided in the first update planned after project approval.

Due to the proven efficiency and effectiveness on the virtual consultation meeting held on the 16th November 2020, it is planned to hold similar consultation meetings throughout the project on a bi-annual basis. The participants invited to these meetings shall vary in order to allow as many stakeholders to engage as possible. In addition, we foresee to hold topic/component specific consultation meetings, with the group of stakeholders relevant to that specific component (see section 2.2).

3.2. Summary of project stakeholder needs and methods, tools and techniques for stakeholder engagement

A precautionary approach will be taken to the consultation process to prevent infection and/or contagion, given the highly infectious nature of COVID-19. The following are some considerations for selecting channels of communication, in light of the current COVID-19 situation:

- Avoid public gatherings (taking into account national restrictions or advisories), including public hearings, workshops and community meetings;
- If smaller meetings are permitted/advised, conduct consultations in small-group sessions, such as focus group meetings. If not permitted or advised, make all reasonable efforts to conduct meetings through online channels;
- Diversify means of communication and rely more on social media and online channels. Where possible and appropriate, create dedicated online platforms and chatgroups appropriate for the purpose, based on the type and category of stakeholders;
- Employ traditional channels of communications (TV, newspaper, radio, dedicated phone-lines, and mail) when stakeholders to do not have access to online channels or do not use them frequently. Traditional channels can also be highly effective in conveying relevant information to stakeholders, and allow them to provide their feedback and suggestions;
- Where direct engagement with project affected people or beneficiaries is necessary, identify channels for direct communication with each affected household via a context specific combination of email messages, mail, online platforms, dedicated phone lines with knowledgeable operators;
- Each of the proposed channels of engagement should clearly specify how feedback and suggestions can be provided by stakeholders.

3.3. Proposed strategy for information disclosure

In addition to the planned virtual consultation meetings with different stakeholders on a regular basis (in line with the highly successful session conducted during the project preparation phase on the 16th November 2020) other stakeholder engagement strategy will be applied. GIZ will follow an approach that allows to tap into different existing networks, which ensures the engagement of the largest number of diverse stakeholders as possible as well as avoids recreating on-top mechanisms, which will disappear once the project finishes.

Stakeholder Engagement through existing Governance Structure
Stakeholder engagement is considered to go beyond the project's borders in view of creating permanent structures, which are also effective once the project is finalised. In line with GIZ's general implementation approach, particular attention is directed to reinforcing existing structures (where possible), aiming at an inclusive and transparent stakeholder engagement approach for the relevant sector.

In particular for a project such as the CARP, which aims at setting up sustainable structures at a macro/meso level it is recommended to integrate the stakeholder engagement strategy into already existing structures in order to ensure the aspired sustainability. Therefore, it is foreseen to make use of the existing Governance Framework/Coordination Structure for the National Financial Inclusion (FI) Strategy of Iraq. The framework is headed by the Central Bank of Iraq (CBI), to which the CARP project will have direct access, due to the support in setting up a Microfinance Unit at the CBI (sub-Component 1.2). Therefore, it is proposed to directly tap into this framework and make use of the existing engagement structure, which already gathers the majority of relevant project stakeholders. The chart below presents and overview of the structure and indicates the most relevant sub-committees (red framed) that the CARP will engage with/support in order to ensure relevant stakeholders are being informed about the project progress and have the possibility to provide feedback or raise concerns.
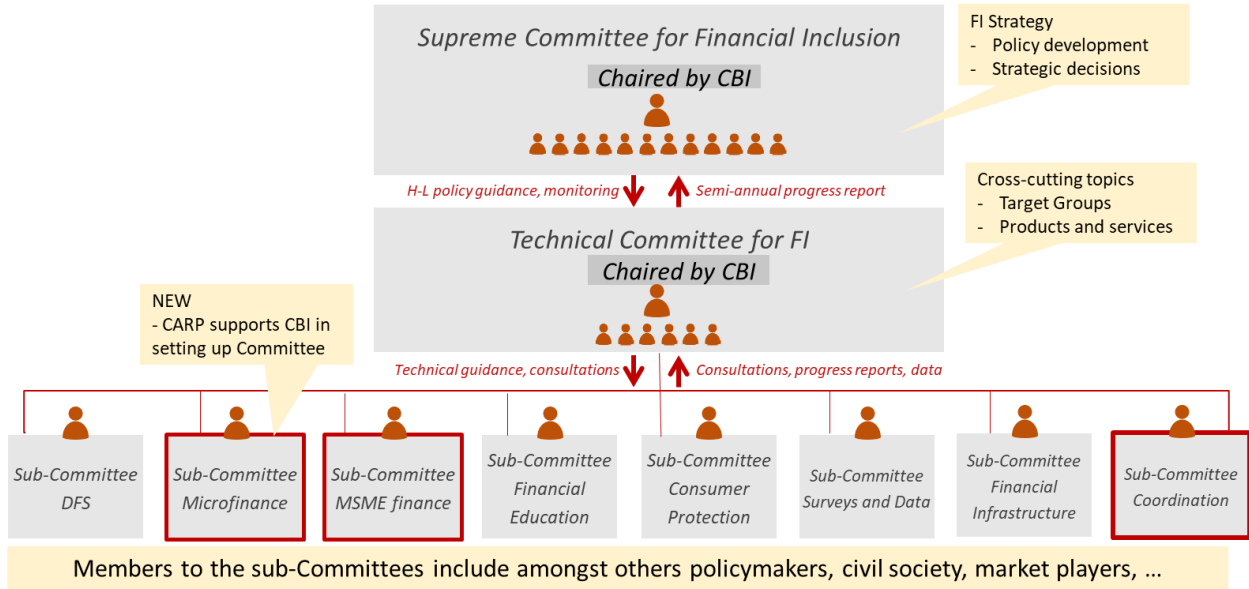
Below a more detailed list of contributors per sub-Committee is being presented. The list is non-exhaustive. As indicating in the chart, also Civil Society, Associations, Market players and relevant networks participate to the different sub-Committees, which GIZ strongly encourages.

Supreme Committee for Financial Inclusion:

Led by the Central Bank of Iraq and its members are from the following entities:

- Ministry of Culture
- Ministry of Education
- Central Organization of Statistics / Ministry of Planning
- The Iraqi media Network
- Research and Development Department/Ministry of Higher Education and Scientific Research
- General Post and Savings Company - Ministry of Communications
- Banking Supervision Department / CBI
- The Financial Operations and Debt Management Department/CBI
- Legal Department / CBI
- Payment Department / CBI
- Information and Communication Technology Department / CBI
- Iraq Private Banks League
- One of the government banks and one representative of the PSPs (Selected periodically)
- Ministry of Communications /Communications and Media Commission
- The Center for Banking Studies/ CBI
- Iraqi National Intelligence Service
- General Secretariat for the Council of Ministers

1. Financial Education Sub-Committee

Led by the Ministry of Culture and its members are from the following entities:

- Iraq Private Banks League
- Ministry of Education
- The Iraqi media Network
- Ministry of Higher Education and Scientific Research
- Media Office/ CBI
- Banking Supervision Department / CBI

2. Medium, Small and Micro Enterprises Sub-Committee

Led by the Financial Operations and Debt Management Department/ CBI and its members are from the following entities:

- Banking Supervision Department / CBI
- Ministry of Higher Education and Scientific Research
- The Ministry of Labour and Social Affairs
- Iraq Private Banks League
- The Financial Operations and Debt Management Department/ CBI

3. Financial Infrastructure Sub-Committee

Led by Information and Communication Technology Department / CBI and its members are from the following entities:
- Iraq Private Banks League
- Payment Department / CBI
- Banking Supervision Department / CBI
- Iraqi National Intelligence Service
- Ministry of Communications/Informatics and Telecommunications Public company
- Ministry of Communications /Communications and Media Commission
- Information and Communication Technology Department / CBI

4. Surveys and Data Sub-Committee

Led by Central Organization of Statistics / Ministry of Planning and its members are from the following entities:

- Administrative and Financial Department/ Ministry of Planning
- Administrative and Financial Department/ Ministry of Trade
- Iraq Private Banks League
- Payment Department / CBI
- Statistic and Research Department/ CBI

5. Consumer Protection Sub-Committee

Led by Banking Supervision Department / CBI and its members are from the following entities:

- Payment Department / CBI
- Legal Department / CBI
- Basra Branch/CBI
- Iraqi Microfinance Network
- Trade Bank of Iraq
- Mashreq al – Arabi Bank
- Arab Payment Services

- Zain Cash
- Banking Supervision Department / CBI

6. Digital Financial Services Sub-Committee

Led by Payment Department / CBI and its members are from the following entities:

- Banking Supervision Department / CBI
- Payment Department / CBI
- Mosul Branch/CBI
- Media Office/ CBI
- Ministry of Communications /Communications and Media Commission of Iraq
- National Bank of Iraq
- Altaif Islamic Bank
- Iraq E-Gate for Financial Services Co.
- AsiaHawala
- Information and Communication Technology Department / CBI

7. Coordination Sub-Committee

Led by Payment Department / CBI and its members are from the following entities:

- Iraq Private Banks League
- Media Office/ CBI
- The Financial Operations and Debt Management Department/ CBI
- Payment Department / CBI

We do understand that aspiring stakeholder engagement through the FI governance structure, headed by the CBI, is likely to be a heavy task. Nevertheless, we consider it as important to not omit this existing structure. **Concrete steps planned include** (see also Section 4.2):

1. GIZ supports the setup of the Microfinance sub-Committee at the CBI (as part of Component 1.2.)
   a. Identification of relevant stakeholders to be engaged in the sub-Committee
   b. Selection of stakeholders (aiming at umbrella-structures in order to ensure broad outreach)
   c. It is strongly encouraged to involve CSOs in this and other sub-Committees
2. GIZ revises together with CBI current lists of stakeholders participating to sub-Committees
3. Suggestion to involve additional stakeholders if need be
4. GIZ will ensure to regularly update the chairs of the respective sub-Committees on CARP project developments as well as participates to meetings, where considered relevant

Stakeholder Engagement through Microfinance Association

In addition to the engagement of stakeholders through the existing FI governance structure, headed by the CBI, it is further recommended to support the creation of an Iraqi Microfinance Association, as it exists in other countries (e.g. Jordan http://tanmeyahjo.com/). Establishing such Association allows for a non-government led approach towards microfinance stakeholder engagement. The example of the Microfinance Association of Jordan presents several aspects such Association could cover, including gathering all general information on the development of the Microfinance Sector in Iraq, offering trainings and coaching to its members, establishing self-regulations, such as a Code of Conduct, presenting market studies and running an Ombudsman, if applicable. Such Microfinance Association would further serve the purpose of advocating, training and mainstreaming E&S standards in view of developing ESMS among MFIs.

Having an organ in charge of stakeholder engagement in the Microfinance Sector in Iraq, which is not government-led, is more likely to be inclusive in the long run than the current structure run by the CBI. Being government neutral, offers more objectivity, which allows also stakeholders to raise their voice who would possibly otherwise be neglected (e.g. not invited to participate to the sub-Committee).

Though, we understand that under the scope of the CARP the establishment for such Association might not be feasible. Nevertheless, it is recommended to look into this aspect in future, in order to ensure adequate and lasting stakeholder engagement in the Microfinance Sector of Iraq.

Stakeholder Engagement with the Iraqi Innovation alliance (IIA)
Further it is planned to conduct stakeholder engagement in close collaboration with the Iraqi Innovation Alliance. The IIA is comprised of 7 entrepreneurship organizations, which collectively have nation-wise coverage across Iraq. Members include Fikra Space, Kapita, The Station, 51Labs, Basra Science Camp, Re:Coded and Mosul Space. Engaging stakeholders by tapping into this network becomes in particular relevant for Component 2, focusing on support measures for MSMEs. Already during the project preparation phase close links where established with the 7 listed members, which benefits the CARP during implementation to ensure outreach.

Stakeholder Engagement with the Microfinance Network
Last but not least, the existing Iraqi Microfinance Network (IMFN) should be engaged. The IMFN started in 2013 and presents an umbrella organisation for all MFIs in Iraq. Unfortunately, they are strongly understaffed at the moment and risk to stop their work entirely. We consider such network as crucial for the purpose of the CARP especially in terms of the potential for outreach to MFIs it presents. Therefore, GIZ will closely coordinate with the IMFN available staff in order to engage them actively in the CARP and organise specific consultation meetings with their Members to discuss MFI related support provided. In addition to the organisation of consultation meeting the IMFN shall serve the purpose of advocating and mainstreaming compliance with E&S standards amongst MFIs. Additional training support can be considered in this regard in view of reinforcing the structured development of ESMS amongst MFIs.

3.4. Stakeholder engagement plan

In line with the above, different engagement and outreach methods are proposed, suitable to the different needs of the stakeholders as below.

Project stage	Target stakeholders	List of information to be disclosed	Methods and timing proposed[3]
Preparation and Implementation	**MoF**	*Regular updates on project developments*	*Steering Committee (bi-annually); direct consultations (ad-hoc; minimum of bi-weekly meetings with operation staff)*
Preparation and Implementation	**MSMEs**	*Regular updates on project developments; GRM procedures*	*Through MSME sub-Committee; Project Website (continuous); Digital Consultation meetings[4] (ad-hoc; minimum bi-monthly); Through planned Capacity Building Activities (upon needs identified during project inception phase);*
Preparation and Implementation	**MFIs**	*Regular updates on project developments, with specific focus on Component 1.; GRM procedures*	*Through Microfinance sub-Committee (to be established); Project Website (continuous); (digital) Consultation meetings (ad-hoc; minimum bi-monthly); Through planned Technical Assistance support (ad-hoc; upon needs identified during project inception phase);*
Preparation and Implementation	**CBI**	*Regular updates on project developments, with specific focus on Component 1.2; GRM procedures*	*Through embedded CARP project advisor (continuous); through Capacity Building and TA support (upon needs identified during project inception phase); Project website; (digital) Consultation meetings (ad-hoc; minimum bi-monthly); Steering Committee (bi-annually)*
Preparation and Implementation	**BDS providers**	*Regular updates on project developments, with specific focus on Component 2.1; GRM procedures*	*Through MSME sub-Committee; Project website (continous9; (digital) Consultation meetings (ad-hoc; minimum bi-monthly), Capacity Building activities support (upon needs identified during project inception phase)*

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[3] The proposed timing applies to the project implementation phase. Merely the (digital) Consultation meetings (ad-hoc; minimum bi-monthly) apply to the preparation project preparation phase.

[4] (digital) Consultation meetings are being organized on a bi-monthly basis in the same frame of the meeting held during project preparation (see Section 3.1). Each meeting is being accompanied by a prior online survey, which allows stakeholders to express their opinion, suggestions and concerns. Participants are being invited on the basis of identified needs – a continuous rotation is ensured, in order to grant each stakeholder group equal access. The sessions are always accompanied by an Arabic speaking moderator in order to ensure full inclusion. Minutes are being distributed to participants subsequent to the meeting for transparency purposes.

Project stage	Stakeholder	Topic of consultation / message	Method used
Implementation	**Commercial Banks**	*Regular updates on project developments, with specific focus on Component 2.1; GRM procedures*	*Through coordination sub-Committee; Project website (continuous); (digital) Consultation meetings (ad-hoc; minimum bi-monthly),*
Preparation and Implementation	**Iraq Private Banks League**	*Regular updates on project developments, with specific focus on Component 2.1; GRM procedures*	*Through coordination sub-Committee; Project website (continuous); (digital) Consultation meetings (ad-hoc; minimum bi-monthly),*
Implementation	**Local investors**	*Regular updates on project developments, with specific focus on Component 2.2; GRM procedures*	*Through MSME sub-Committee; Project website (continuous); (digital) Consultation meetings (ad-hoc; minimum bi-monthly), Capacity Building activities (upon needs identified during project inception phase)*
Implementation	**Regional investors**	*Regular updates on project developments, with specific focus on Component 2.2;*	*Through MSME sub-Committee; Project website (continuous); (digital) Consultation meetings (ad-hoc; minimum bi-monthly)*
Implementation	**Angel Networks**	*Regular updates on project developments, with specific focus on Component 2.2; GRM procedures*	*Through MSME sub-Committee; Project website (continuous); (digital) Consultation meetings (ad-hoc; minimum bi-monthly), Capacity Building activities (upon needs identified during project inception phase)*
Implementation	**MedAngels**	*Regular updates on project developments, with specific focus on Component 2.2; GRM*	*Through MSME sub-Committee; Project website (continuous); (digital) Consultation meetings (ad-hoc; minimum bi-monthly)*
Project Kick-off; bi-annually; Project ending	**Broader Public**	*Regular updates on project developments; GRM*	*Public notices (bi-annually), Project website (continuous), Press releases in the local media through CBI's Media office (bi-annually as well as on specific occasions e.g. Kick-off; establishment of Microfinance Unit at CBI)*

Project stage	Topic of consultation / message	Method used	Target stakeholders	Responsibilities

Complete implementation	*Project progress; Strategic Project decisions; Update of policies/regulations relevant to the project*	*Correspondence by phone/email; one-on-one exchange (where possible due to COVID-19 restrictions); formal meetings; roundtable discussions; Project Steering Committee*	*Government entities*	*GIZ, CBI, MoF, WB*
Complete implementation	*Project progress; Relevant strategic Project decisions; Update on available support measures (grants, vouchers, capacity development)*	*Correspondence by phone/email; one-on-one exchange (where possible due to COVID-19 restrictions); workshops; Available help-desk for grant applicants (MSMEs)*	*Private Business Sector (including Angle networks)*	*GIZ, MSMEs, Angle networks, BDS, WB*
Complete implementation	*Project progress; Relevant strategic Project decisions; Update on available support measures (grants, capacity development)*	*Correspondence by phone/email; one-on-one exchange (where possible due to COVID-19 restrictions); workshops; Available help-desk for grant applicants*	*Microfinance Institutions (MFIs)*	*GIZ, CBI, MFIs, CSO, WB*
Project Kick-off; bi-annually; Project ending	*Objective of the CARP, regular update on progress; Grievance Mechanism*	*Through Media office of CBI/ local media;*	*Broader Public*	*GIZ, CBI, WB*

3.5. Proposed strategy to incorporate the view of vulnerable groups

The project foresees to carry out targeted stakeholder engagement with vulnerable groups to understand concerns/needs in terms of accessing information and other challenges they are faced with. The details of strategies that will be adopted to effectively engage and communicate to vulnerable group will be considered during project implementation.

Identified vulnerable/disadvantageous groups include mainly women, young job-seekers, low-income population and internally displaced people (see section 2.3). In order to ensure those groups are adequately involved in the project specific engagement methods will be applied. Since the mentioned groups are cross-cutting throughout all different stakeholder groups the envisioned methods are being applied throughout consultations with any of the listed stakeholders. Those methods include:
- women-only consultation sessions (for women as part of MFIs, MSMEs, SGBs as well as relevant government structures such as the CBI),
- active involvement of recent graduates (through promotion at Universities and Education centers)
- Collaboration with Youth Centers, supporting young job-seekers
- Diversification of outreach methods beyond digital media, such as through the radio or poster campaigns (to reach population in rural and remote areas)
- Collaboration with and outreach through GIZ project, focused on Financial Inclusion of internally displaced people in Iraq
- Regular consultation meetings (minimum of one per quarter) with vulnerable MSMEs/SGBs[5]

The frequency of the above outreach methods is reflected in the table under section 3.4, as it is cross-cutting throughout all stakeholder groups.

3.6. Reporting back to stakeholders

Stakeholders will be kept informed as the project develops, including reporting on project environmental and social performance and implementation of the stakeholder engagement plan and grievance mechanism.

4. Resources and Responsibilities for implementing stakeholder engagement activities

4.1. Resources

The GIZ will be in charge of stakeholder engagement activities in close coordination with the Central Bank of Iraq (CBI) through the already established sub-Committees of the FI Governance framework.
The budget for the SEP is included in Component 3.

4.2. Management functions and responsibilities

The person in charge to coordinate and overlook the active engagement of all relevant CARP stakeholders is the Project coordinator who will be based in Baghdad. The project coordinator (yet to be defined) will be further supported by the Project Manager, Inken Baader, based at GIZ's headquarters in Germany. Both will ensure to gather all relevant information of the respective technical Component leaders, allowing them to identify the relevant stakeholders for the entire project, as well as per Component, sub-Component, Topic and Activity. The Grievance Mechanism will be managed by the Safeguards specialist (yet to be defined) in cooperation with the CARP project coordinator and the GIZ country Office in Baghdad.

The project implementation arrangements are as follows:
5. GIZ supports the setup of the Microfinance sub-Committee at the CBI (as part of Component 1.2.)

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[5] MSMEs or SGBs can be defined as more vulnerable than others due to: budget limitations; geographical location; focus on niche-product; physical constraints (poor office, equipment conditions); limited network engagement etc.

a. Identification of relevant stakeholders to be engaged in the sub-Committee
b. Selection of stakeholders (aiming at umbrella-structures in order to ensure broad outreach)
c. It is strongly encouraged to involve CSOs in this and other sub-Committees

6. GIZ revises together with CBI current lists of stakeholders participating to sub-Committees
7. Suggestion to involve additional stakeholders if need be
8. GIZ will ensure to regularly update the chairs of the respective sub-Committees on CARP project developments as well as participates to meetings, where considered relevant
9. Support the establishment of a Microfinance Association
10. Actively engage with the IIA in order to reach out to relevant MSMEs
11. Actively engage the INMF and organize specific consultation sessions for its members
12. Conduct bi-annual virtual consultation meetings (similar to the setup of the meeting that took place in preparation of the project on the 16th of November 2020) with selected stakeholders, representative of the broader stakeholder group
13. Running of Grievance Mechanism available to all stakeholders

The entities mainly responsible for carrying out stakeholder engagement activities are GIZ and CBI.
The stakeholder engagement activities will be documented through the minutes of sub-Committee meetings and through quarterly CARP progress reports.

5. Grievance Redress Mechanism

The main objective of a Grievance Redress Mechanism (GRM) is to assist to resolve complaints and grievances in a timely, effective and efficient manner that satisfies all parties involved. Specifically, it provides a transparent and credible process for fair, effective and lasting outcomes. It also builds trust and cooperation as an integral component of broader consultation that facilitates corrective actions. Specifically, the GRM:

- Provides affected people with avenues for making a complaint or resolving any dispute that may arise during the course of the implementation of projects;
- Ensures that appropriate and mutually acceptable redress actions are identified and implemented to the satisfaction of complainants; and
- Avoids the need to resort to judicial proceedings.

5.1. Description of GRM

A formal process is required to manage grievances and minimize social risks. The implementation of this procedure will result in the reduction of social risks, generate systemic change to reduce the volume of grievances and enhance the quality of the relationship between the Project and its stakeholders.

The specific objectives of the grievance procedure are as follows:

- To provide a process by which grievances from communities, groups, individuals, local authorities, NGOs and other local stakeholders can be processed efficiently, and constructively. The goal is to resolve grievances amicably and if possible, minimize the use of the legal system.
- To offer individuals and groups with a way to express their grievances and problems in a rational and transparent manner and demonstrate the important role of stakeholders in program design and implementation.
- To institutionalize a reporting system to take corrective action.
- To establish a transparent relationship based on mutual respect with the communities and other local stakeholders.
- To establish Project responsibility regarding grievances and establish a course of action to manage the grievances in a timely manner.

The Grievance Mechanism will be established no later than 30 days from the signing of the implementation agreement between GIZ and MoF as agreed in DRM, as part of the LMP, which presents part of the ESFM. The establishment of the GRM will follow the aspects presented below:

The overall accountability concerning the management of the Grievance Mechanism Procedure lies with the CARP Project Coordinator. The Safeguards Specialist is responsible for overseeing the implementation, monitoring and treatment of the grievances and informing his/her counterpart at the WB of the status of the grievances. At the country level, the GIZ Country Office will support disseminating messages regarding the existence of the Grievance Mechanism Procedure to all relevant stakeholders, collecting grievances, providing his/her telephone contact in case of grievances, and contributing to the resolution of grievances in collaboration with the Safeguards Specialist and.

Background

In general, if an individual or an organization files a grievance it is because an activity carried out by the Project is causing (or could cause) damage or because the claimant perceives the activity as damaging. As such, the claimant expects a response, justification and/or compensation from the Project. All grievances are considered admissible and must be considered, the subsequent investigation will determine whether or not the grievance was justified.

The Grievance Mechanism Procedure is based on several basic principles:
- The process must be transparent, in harmony with the local culture and conducted in the appropriate language.
- The channels of communication between the claimant and the Project remain open for the duration of the process.
- Each community member or group has access to the Project Grievance Mechanism Procedure.
- All grievances are recorded, regardless of whether the grievance is justified or not (the investigation will determine if the grievance is justified).
- All justified grievances deserve to be discussed with the claimant and require a site visit by the Project Coordinator or safeguards specialist (if applicable).

Who may file a grievance?
Any individual, local authority, NGO, community group, organization, company or other local stakeholder who is directly affected or who may have an interest in the Project, including activities, laws and regulation implemented.

What channels are available to file a grievance?
Individuals and/or groups are free to choose the method that best suits them to file a grievance, they may do so in writing or verbally. The following channels of communication are made available to register a grievance.
- Contact the GIZ Country Office. Note that, in this case, the grievance can often be resolved on site, especially if it is related to wrong or incomplete information or a perception by the claimant.
- Drop a letter in the Grievance letter box that will be located outside the GIZ Country Office (this allows for anonymous grievance).
- File a grievance by phone (this allows for anonymous grievance).
- Write a letter to the Safeguards Specialist or Project Coordinator based in Iraq and Germany.
- Express the grievance or issue in any of the stakeholder consultation meetings.

Some individuals and groups might feel more comfortable if they can express their problems through a representative. As a result, stakeholders can also contact the following people to file a grievance:
- IIA
- CBI
- IMFN

Grievance Register

The project will put in place a grievance registers to document all grievances and report progress, Steering Committee and WB. The existence of this register, the procedure and conditions of access will be made known to stakeholders.

Steps to Resolve a Grievance

The following steps describe the method to successfully resolve grievances.

Step 1 - Registration of grievances

The following information must be collected from the claimant:
- Description of the grievance
- First name and surname of the claimant
- Means of contact (or phone number)
- Date when problem occurred
- Gender
- Stakeholder Group (e.g. government, NGO, MSME etc)

Once this information is collected, the person receiving the grievance will inform the safeguards specialist. If the grievance has been received in writing an acknowledgement letter will be sent to the claimant.

Step 2 - Investigation of the grievance

- The project coordinator or safeguards specialist will inform the claimant that the usual time to resolve the grievance is within 30 days. The project coordinator or safeguards specialist will discuss with the claimant the issue and obtain the maximum information from the person who filed the grievance. If it concerns a damage caused by an activity related to the Project, the project coordinator or safeguards specialist will take a photo of the damage (if applicable) and the claimant (except if that person refuses to be photographed), as well as GPS coordinates of the site and other details such as extent of damage.

This additional information will allow to i) determine whether the grievance is legitimate; ii) confirm the severity of the grievance iii) determine the frequency of occurrence.

- The safeguards specialist will classify the grievance by level of severity, as per the Grievance register:

0. Non-justifiable
1. Negligible
2. Minimum
3. Moderate
4. Serious
5. Catastrophic

- In collaboration with the claimant, the safeguards specialist will identify a potential solution and discuss the solution with the Project Coordinator and WB Project representative.
- Once approved, the proposed solution will be formally communicated to the claimant and any other stakeholder involved.

Step 3 – Treatment of Grievance

If the problem can be solved immediately

Grievances of this kind are normally negligible or minor: It is often a request for information or clarification which takes the form of a grievance. However, if the grievances are not handled properly, they can grow and become major. In this case, the project coordinator or safeguards specialist can provide the claimant a verbal explanation, which most often is enough to close the grievance.

If the grievance is not justified

If the object of the grievance or concern is not justified (e.g. unrelated to the Project), the project coordinator or safeguards specialist will inform the claimant. This type of grievance needs to be registered noting that it was not justified, but it is important to keep a record for future reference.

If the grievance is legitimate and requires financial or in-kind compensation

In this case, project coordinator or safeguards specialist will involve the person and partner responsible for the damage (if applicable) to determine adequate compensation. GPS coordinates and photographs will be taken of the damage. If the claimant is satisfied with the compensation proposed, the case will be closed and archived. A Compensation Payment Form will be filled out and signed by the claimant after the payment.

If the claimant is not satisfied with the proposed solution
In such a case, the project coordinator or safeguards specialist will contact the country office to identify a solution with the claimant. If the grievance cannot be resolved, the last solution is resorting to the legal system.
The Project Coordinator and his/her counterpart at the WB will be kept up to date with the progress.

Step 4 - Closure
The safeguards specialist will determine if the grievance has been closed to the satisfaction of the claimant. Once it has been closed, the information will be entered in the grievances register and the grievance can be closed.

Mediation
As discussed above, there are four different ways to resolve a grievance, it will be based on case-by case, depending on the severity of the grievance:
1. Between the Project Coordinator/Safeguards specialist and the claimant or his/her representative.
2. Through the GIZ Country Office.
3. Through the judicial system: this is the last resort, to be used in the event that all other approaches have failed.

Note that every effort should be undertaken to reach a settlement agreement with the claimant without resorting to mediations 3 and 4 described above. However, it is important to note that the claimants are entitled to use any of the mediation methods proposed above.

Specific measures for SEA/SH related grievances
For GBV—and particularly SEA/SH—complaints, there are risks of stigmatization, rejection and reprisals against survivors. This creates and reinforces a culture of silence, so survivors may be reticent to approach the project directly. Some survivors will choose to seek services directly and never report to the GRM. To enable women to safely access the GRM, multiple channels through which complaints can be registered in a safe and confidential manner will be enabled. Channels that allow the submission of anonymous grievance include:

- Drop a letter in the Grievance letter box that will be located outside the GIZ Country Office (this allows for anonymous grievance).
- File a grievance by phone (this allows for anonymous grievance).

Specific GRM considerations for addressing SEA/SH are:

- No identifiable information on the survivor is stored in the GRM.
- The GRM does not ask for, or record, information on more than the following related to the SEA/SH allegation:
  o The nature of the complaint (what the complainant says in her/his own words without direct questioning);
  o If, to the best of the survivor's knowledge, the perpetrator was associated with the project;
  o If possible, the age and sex of the survivor; and
  o If possible, information on whether the survivor was referred to services.
- The GRM will assist SEA/SH survivors by referring them to GBV service provider(s) for support immediately after receiving a complaint directly from a survivor. GBV services provider(s) in Iraq are being identified as part of the Gender Action Plan (as part of the ESCF).
- The information in the GRM must be confidential—especially when related to the identity of the complainant. For SEA/SH, the GRM should primarily serve to: (i) **refer complainants** to the GBV service provider; and (ii) **record resolution** of the complaint.
- Immediate notification of the WB k of any SEA/SH complaints, with the consent of the survivor

6. Monitoring and Reporting

6.1. Involvement of stakeholders in monitoring activities

Not applicable.

6.2. Reporting back to stakeholder groups

The preliminary SEP will be disclosed in English and Arabic languages. The preliminary SEP will be updated and redisclosed no later than 30 days from the signing of the implementation agreement between GIZ and MoF as agreed in DRM to provide more detailed information regarding the methodologies for information sharing in fragility and conflict areas, stakeholder mapping and updated as necessary in the course of project implementation in order to ensure that the information presented herein is consistent and is the most recent, and that the identified methods of engagement remain appropriate and effective in relation to the project context and specific phases of the development. Any major changes to the project related activities and to its schedule will be duly reflected in the SEP. Quarterly summaries and internal reports on public grievances, enquiries and related incidents, together with the status of implementation of associated corrective/preventative actions will be collated by responsible staff and referred to the senior management of the project. The summaries will provide a mechanism for assessing both the number and the nature of complaints and requests for information, along with the Project's ability to address those in a timely and effective manner. Information on public engagement activities undertaken by the Project during the year may be conveyed to the stakeholders in two possible ways:

- Publication of project progress report, including interaction with the stakeholders.
- A number of Key Performance Indicators (KPIs) will also be monitored by the project on a regular basis, including the following parameters:
    - Numbers of stakeholder (groups) participating to CBI sub-Committees
    - Number of sub-Committees taking place
    - Frequency of sub-Committee meetings
    - Number of project-internal grievance received within a reporting period
    - Number of public grievances received within a reporting period
    - Number of project-internal grievance resolved within a reporting period
    - Number of public grievances resolved within a reporting period