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IRAQ PRIVATE SECTOR DEVELOPMENT INITIATIVE (PSDI)

FINAL REPORT

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LEADER WITH ASSOCIATE AGREEMENT

EEM-A-00-04-00002-00

ASSOCIATE COOPERATIVE AGREEMENT

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1. Executive Summary

The Volunteers for Economic Growth Alliance (VEGA) was awarded Associate Cooperative Agreement Number EGA-A-00-04-00002-00 from the United States Agency for International Development (USAID) on July 7, 2004. The \$12,089,702 award was used to implement the Iraq Private Sector Development Initiative (PSDI), which operated from July 7, 2004 through January 6, 2006. Under the original agreement, PSDI was scheduled to operate for 15 months, from July 7, 2004 through October 6, 2005. In September 2005, VEGA requested a three-month no-cost extension to complete the disbursement of grant funds and to conduct grant and training evaluation, which was approved by USAID that same month.

The main objective of the PSDI program was to promote the expansion of a competitive and efficient private sector in Iraq. To achieve maximum impact, PSDI made every effort to provide businesses with a customized package of the following services:

- **Training** – The training component of PSDI was geared toward improving business skills and knowledge among the SME sector of the Iraqi private sector as well as among local SME supporting institutions (banks, Chambers of Commerce, business associations, and training institutions, among others).
- **Technical Assistance** – VEGA-PSDI offered technical assistance through the use of paid American and Iraqi consultants. The technical assistance component was designed to reinforce the skills developed in training programs and to complement the provision of grants when possible.
- **Grants** - VEGA-PSDI was responsible for the selection of grantees and disbursement of \$3,000,000 in grant funds. The objective of the grant program was to contribute to and enhance the impact of VEGA-PSDI activities by providing beneficiaries with an injection of funds to start businesses, increase the potential for higher revenue, and to increase employment.

VEGA-PSDI was to establish four Business Training Centers where it would offer services to Iraqi businesses and entrepreneurs. Due to the precarious security situation, however, three regional field offices were established. The office in Erbil served the Northern Region, the office in Baghdad the Central Region, and the office in Basrah the Southern Region. Each office was fully staffed with local staff and offered all VEGA-PSDI services.

Originally, VEGA-PSDI planned to operate with minimal security. However, the deteriorating situation on the ground, forced an adjustment of the original security plan to assure the safety of staff. Enhancements included the addition of 24-hour static security and armored transport for the expatriate staff. The unanticipated higher threat levels posed a serious challenge to the implementation of program activities as originally planned and a non-traditional approach was devised: VEGA-PSDI coordinated its activities with Iraqi business service providers, international development organizations, donors, Coalition Forces, and government agencies, and utilized business service organizations, local consultants, and educational institutions to provide direct delivery of services. In addition, VEGA-PSDI local employees maximized outreach to potential clients and minimized security risks to both expatriate staff and potential clients. Program Officers (PO's) were hired in the Erbil, Baghdad, and Basrah offices. (See Attachment 1 – VEGA-PSDI Local Personnel)

VEGA-PSDI adapted to the challenges and limitations of operating in Iraq and, as a result, largely met its deliverables by the end of the project on January 6, 2006. Seven training modules were developed; general and module-based training sessions for Iraqi entrepreneurs totaled 118; training for 2,419 Iraqi SME representatives and 44 local VEGA-PSDI and business center staff was delivered; technical assistance was provided to 41 SME's; and an international procurement expert offered training and technical assistance to 122 firms. Finally, \$2,946,097 in grants was disbursed to 347 Iraqi SME's and entrepreneurs. Table 1 below summarizes VEGA-PSDI's project deliverables.

Table 1 - Project Indicators

VEGA-PSDI Indicators						
Activity	Impact Measure	15 Months Project Goal (proposed)	Final Numbers			
Establish Business Training Centers	Number of Business Training Centers Operating	4	3 ¹			
	Number of Regional Assessments Undertaken for Potential Sites	6	3 ²			
	Number of Iraqi Business Center Staff Trained	20	44 ³			
	Number of Firm-Level Interventions Undertaken	500	1566 ⁴			
Develop Training Modules	Number of Training Modules Developed	7	7			
	Number of Training Courses Delivered	56	118 ⁵			
	Number of People Trained Per Training Module	240	I 962	II 1234	III 865	IV 1396
			V 1270	VI 653	VII 877	6
	Number of People Trained (Total)	1680	2419 ⁷			
	Number of Women Trained (Training Modules)	(25%)	14% ⁸			
Develop Tool Kits	Number of Small Business Kits Developed	14	8			
	Number of Small Business Kits Distributed	2800	9007			
	Number of Firms who received Tool Kits Receiving Assistance	500	1382 ⁹			
Start-up/Entrepreneur Business Services	Number of Start-up Businesses Offered Service	42	51 ¹⁰			
	Number of New Businesses Created	10	47 ¹¹			
Mid-Market Firms TA (and Training)	Number of Mid-size Firms Receiving Technical Assistance	50	41			
Procurement Training Initiative	Number of SMEs receiving Procurement Training and TA	120	122 ¹²			
Small Grants Program	Number of Grants Distributed	600	347			

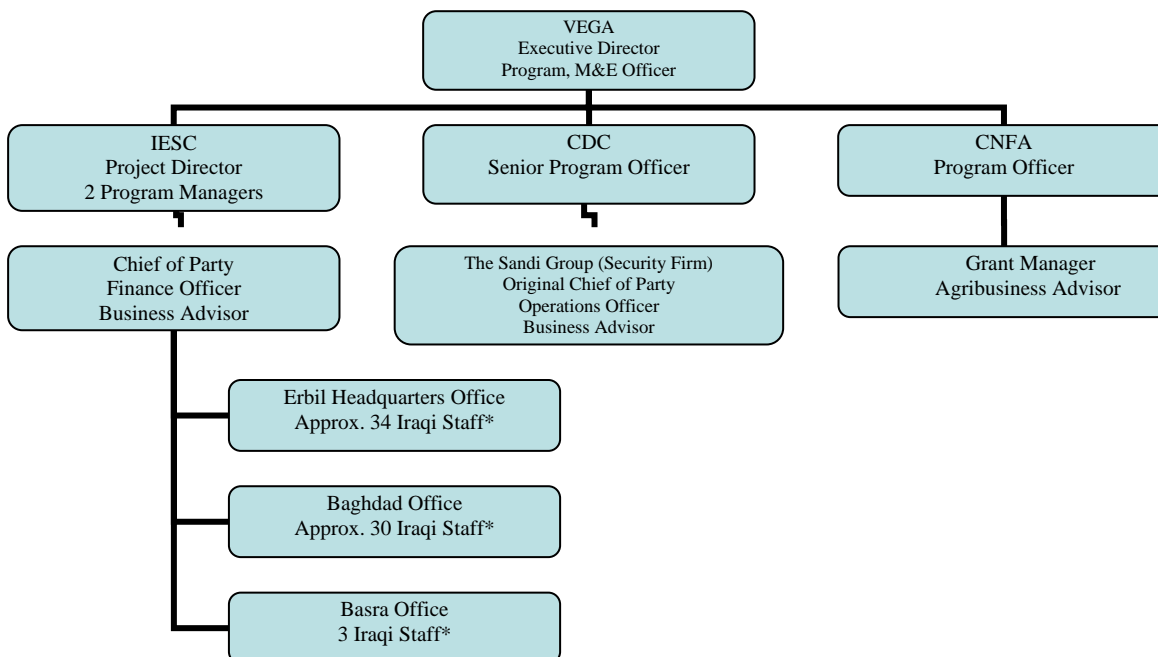
1. The VEGA-PSDI headquarters in Erbil included a dedicated training facility and served as a business training center. The office in Baghdad was strictly used by VEGA-PSDI staff due to security conditions, however training was coordinated and held offsite. In Basrah, the office space served three staff and training was held offsite.
2. Defined as assessments of the Baghdad/Central region, the Erbil/Northern, and the Basra/Southern region by expatriate staff for the purpose of scoping office and training sites, holding public awareness activities to connect with potential beneficiaries, and assessing the industries that needed assistance.
3. In addition to VEGA-PSDI staff, five staff from the Ninevah and Kirkuk business centers were trained. Three staff were also trained from the Hawler Business Center, which never went into operation.
4. The interventions include business planning assistance for 245 grant applicants, 41 technical assistance applicants, and 1280 firms that received training.
5. Training courses include 68 module-based training sessions, 42 customized training sessions, and 8 training-of-trainer (TOT) sessions.
6. Please note that in many cases, training participants were trained on more than one module.
7. Individual trainees include 1634 module-based trainees, 661 non-module-based (customized training) trainees, and 124 indirect beneficiaries were those trained by TOT trainees from ACDI/VOCA to whom VEGA provided TOT training.
8. While module-based training included 14% female attendance, the customized training sessions and indirect beneficiaries included 46% and 42% female attendance rates, respectively.
9. Firms included 350 grant recipients (including three grantees that later withdrew from receiving grant funds due to security concerns or fraud), 8 technical assistance recipients, and 1024 firms that received training.
10. Start-up businesses included three banks and 48 grantees that had been operating for one year or less.
11. New businesses included 34 entrepreneurs who were awarded grants to open new businesses, and 13 grants that were awarded to businesses that had been operating for one year or less.
12. SME's receiving procurement training included 115 firms that were trained by Paul Viko, procurement consultant, and 7 firms that were trained by Cliff Barton, business advisory consultant.

1.1 Project Management

The PSDI project was implemented by three of VEGA’s member organizations, the International Executive Service Corps (IESC), Citizens Network for Foreign Affairs (CNFA), and Citizens Development Corps (CDC). Each partner organization played a role in the headquarters management and field implementation of the project. IESC, as the lead implementing organization, employed the Chief of Party and was responsible for the overall management of the project and deliverables. CNFA managed the grant and agribusiness components, and CDC managed the security contract and led the development of the business toolkits. VEGA, in addition to being the Associate Cooperative Agreement Recipient and USAID’s formal point of contact, coordinated a unified programmatic approach and facilitated the decision-making process between the three implementing partners. The Chief of Party (COP), two Business Advisors, one Agriculture Advisor, one Operations/Executive Officer, one Grants Manager, and one Finance Officer made up the expatriate management team, which was based in Erbil, but rotated through the Baghdad and Basrah offices to ensure adequate oversight.

In addition, VEGA-PSDI relied heavily on its outstanding local staff. Program Officers (POs) in the various offices acted as “client managers.” They identified potential clients, recruited local partners, assured successful training workshops, identified grant applicants and ensured that their applications were ready for presentation to the Grants Committee. The POs were the “local face” of VEGA-PSDI, as they were able to travel to areas not accessible to the international staff and, as Iraqis, eased potential clients’ concerns about possible retaliation from anti-American groups. Thanks to their local contacts and knowledge of business needs in the assigned regions, the PO’s played a pivotal role in bringing clients to VEGA-PSDI.

The illustration below shows VEGA’s internal project management structure. Although not illustrated here, it is important to note that the VEGA-PSDI Chief-of-Party reported to USAID/Iraq’s Cognizant Technical Officer on project implementation matters, and the VEGA Executive Director reported to the Cognizant Technical Officer and the Agreement Officer on matters of adherence to provisions of the Associate Cooperative Agreement.



* Iraqi staff employed between IESC, CDC, and CNFA

1.2 Security

Security for VEGA-PSDI was intended to be minimal. In the original design, an expatriate Security Manager and 56 local security guards were included. In order to keep costs low, project staff would travel unescorted via taxi or in non-armored vehicles, and there were no plans to put the living quarters under 24-hour security. The security budget in the Associate Cooperative Agreement approved by USAID in July 2004 was developed under that scenario and the various security costs were factored into several major budget lines. When disaggregated, these totaled \$970,270.70, as follows:

Security staff salaries:	\$526,255.00
Security staff fringe:	\$104,378.63
Security staff allowance:	\$163,597.29
Security staff travel:	\$176,039.78

Upon arrival in Iraq, VEGA-PSDI staff quickly recognized that higher levels of security were necessary to operate in Iraq and adjustments were made to the original plan, resulting in budget reallocations to accommodate the additional security costs. After soliciting several bids for security services, VEGA-PSDI (through implementing partner Citizens Development Corps) contracted with The Sandi Group for security services that included 24-hour security for VEGA-PSDI facilities and armored vehicles for transporting expat staff to and from off-site locations.

Soon after VEGA-PSDI began operations in Iraq, attacks against civilian organizations increased dramatically. During October and November 2004, the VEGA-PSDI compound was attacked three times. The budget was again modified to reflect the new security requirements. In addition to the added expenses of 24-hour security and armored transport, VEGA-PSDI incurred additional costs when the headquarters in Baghdad were vacated after the attacks and the expatriate staff moved to Erbil. The move, however, allowed VEGA-PSDI to continue operating in Iraq while minimizing the threat to its staff. Total security costs for the duration of the project were \$1,708,000.00, or 14% of the overall budget.

Furthermore, VEGA-PSDI was forced to adjust schedules of program activities to address security threats. On several occasions, the international staff was required to withdraw from Iraq. The November 2004 attacks to the compound forced a withdrawal to Amman until a decision was made on the program's next steps. In January, the international staff similarly withdrew to Turkey for two weeks because of a direct security threat to the program. In addition to the withdrawals, program activities had to be adjusted due to limited mobility. For example, in one instance in August 2005, international staff members were not allowed to leave the compound in Erbil. The "lock down" was apparently caused by a security incident involving expatriate PSDs and a local notable. Because of this "lockdown," planned beekeeping training sessions were postponed and one training session was relocated from Dahouk to the VEGA-PSDI training center in Erbil. The international and local staff adapted and improvised to deal with the continually changing logistical and security conditions, and, as a result, met its deliverables in the training, technical assistance, grants, and the procurement initiative components.

2. Program Activities

2.1 Establish Business Training Centers

As mentioned above, under the original proposal, VEGA-PSDI would have established four Business Training Centers in Iraq. Instead, three regional field offices were established. The office in Erbil served the Northern Region, the office in Baghdad the Central Region, and the office in Basrah the Southern Region. Each office was fully staffed with local Program Officers (POs) and support staff. Because of how the situation developed in Iraq, the regional offices did not function as Business Centers in the way they were originally envisioned. Except for Erbil, both clients—and staff—were not willing to use the offices as "public centers" to support entrepreneurs. VEGA-PSDI adapted its approach and met most of its clients off-site, ultimately achieving the goal of reaching the potential beneficiaries.

2.1.1 Task One: Start-up

The VEGA-PSDI startup team was deployed to Iraq in August 2004 and consisted of an Acting COP (ACOP) and an Executive Officer. A Finance Consultant and two long-term Business Advisors joined in September 2005. The startup team met with the USAID Mission in Baghdad and began program planning, business assessments and startup activities. Despite poor security conditions and the lack of permanent offices, the team achieved most of its planned activities during this period.

After four weeks of research and investigation, four security companies were invited to provide cost estimates for their services. These were evaluated and an Iraqi-American security company, The Sandi Group, was selected to provide mobile and static security services to VEGA-PSDI facilities and staff. Within five weeks, a mini-compound consisting of housing and office space was secured outside of the International Zone.

Through local networks the VEGA-PSDI team hired four support staff and five professional staff members. All of the professional Iraqi staff had previous work experience with NGOs and arrived with substantial experience, thus requiring only short training on VEGA-PSDI procedures and methodology. This initial core group grew to some 70 employees once the program was fully staffed (see Attachment 1 – VEGA-PSDI Local Personnel List).

2.1.2 Task Two: Create Program Awareness

Creating program awareness was one of the main challenges that the program encountered. While promotion of VEGA-PSDI services was necessary, the need for high levels of security forced a less traditional approach to creating program awareness. VEGA-PSDI established business relationships with a number of military and local civilian organizations and, by working with these agencies, created “bubbles of security” where the largest number of potential clients could be reached. Thus, the program was able to reach enterprises in both the “permissive” areas such as Erbil and Sulaymaniah and the “non-permissive” areas such as Falluja and Kirkuk. Local partners included:

- *Baghdad:* Baghdad Business Center; US Army 3BCT/1ID; Iraqi American Chamber of Commerce and Industry; District Advisory Councils; Neighborhood Advisory Councils;
- *Basrah:* Iraqi American Chamber of Commerce and Industry; DFID; Basrah Business Center; Research Triangle Institute; British Army (4th Armored).
- *Erbil and Kurdistan:* Development Alternatives Inc/ARDI; Chamber of Commerce and Industry; Kurdistan Economic Development Association; Kirkuk Business Center; Sulaimaniya Chamber of Commerce; Women Empowerment Organization; ACDI/VOCA Microfinance-Kirkuk.
- *Al Rashid:* District Advisory Councils; Neighborhood Advisory Councils; Al Rashid Chamber of Commerce; Iraqi American Chamber of Commerce and Industry; US Army 5th BCT.1ID; Government Information Center.
- *Sadr City:* US Army 1BCT/1ID; District Advisory Councils; Neighborhood Advisory Councils.

VEGA-PSDI also created a web-site during the start-up phase of the project that included general information in English and Arabic, an e-mail address to contact a staff member, and the grant applications available for download:

http://www.vegaalliance.org/iraq_index.asp

2.1.3 Task Three: Conduct Firm-Level Technical Assistance and Training

The VEGA-PSDI team developed a training plan to teach business skills to Iraqi SMEs and to local SME supporting institutions (banks, chambers of commerce, business associations, and training institutions, among others). The program provided training to local businesses and developed a business training infrastructure to ensure further private sector development, income generation and job creation. VEGA-PSDI staff worked with local businesses and involved local training and consulting organizations to reach beneficiaries throughout Iraq. An integral part of the training component was the identification and selection of business centers, academic institutions, and other interested entities capable of broadly delivering business training, and then assisting these organizations to develop a demonstrated competency in teaching business training skills including teaching methodologies and techniques.

In response to training needs of the local private sector, VEGA-PSDI implemented the activities listed below. The number of participants attending each session varied depending on the complexity and intensity of the training.

- Class-based training on specific topics for targeted groups (based on their needs assessment):
 - For beginners and micro businesses – introductory courses, basic business skills;
 - For people with business experience – advanced business training;
 - Customized training/technical assistance – as a response to local SME needs;
- “Training of Trainers” (ToT) courses for business support organizations and training/consulting institutions;
- Training materials/toolkits dissemination.

On the basis of this strategy, a series of training plans were developed and implemented over the life of the program. The VEGA-PSDI team took the following steps to ensure successful implementation of the training component:

1. Promoted the PSDI project and its training component through a variety of awareness activities.
2. Assessed the capabilities and needs of existing training institutions and business services providers.
3. Developed selection criteria of ideal counterparts.
4. Developed a database of counterparts.
5. Developed selection criteria of target trainees.
6. Developed a database of potential trainees.
7. Assessed the training needs of Iraqi SMEs.
8. Developed training strategy for targeted groups.
9. Translated training materials into Arabic and Kurdish.
10. Copied training materials on CD-ROM for dissemination. Training material hard copies of hand-outs were also printed for distribution at training sessions.
11. Organized training sessions across the country.
12. Conducted monitoring and evaluation of training sessions. Necessary corrections and changes in agenda and training materials/toolkits were made.
13. Distributed business training materials to broad audience of Iraqi SMEs. Local business training/consulting institutions used VEGA training materials/toolkits for further knowledge dissemination.

2.1.4 Task Four: Assess the Business Environment and Selection of Field Locations

The VEGA-PSDI Chief of Party conducted a sector survey, over several weeks, to identify the needs of Iraqi businesses, collecting data on written questionnaires from 249 firms. Additional visits to interview Iraqi entrepreneurs were also carried out. The survey covered enterprises from Kurdistan, Baghdad, Sadr City and Al Rashid in the following sectors: construction, manufacturing, agriculture, retail, finance, social services, NGO’s, health and medicine, and transportation.

Based on the field assessment, VEGA-PSDI identified several problems affecting Iraqi businesses and designed its training and technical assistance services to respond to the needs of those businesses. In addition, the security environment in Iraq was also considered in identifying the best locations for the VEGA-PSDI offices. Specifically, the location of the offices was decided on the following criteria:

- **Security.** Staff safety was a key concern for the program. The offices were located in areas i) considered safe for both the local and international staff and ii) where clients could easily visit. By staying in “green zones” VEGA-PSDI was able to capitalize on the existing security structures in place at each location.
- **Outreach potential.** Offices were located in areas where staff could reach the most clients. From Erbil, cities in Northern Iraq like Mosul and Kirkuk were easily reached. From the office in Baghdad, staff could reach all surrounding neighborhoods and, from Basrah, Program Officers travelled to other areas of Southern Iraq.

2.1.5 Task Five: Start-up of Field Business Training Centers

VEGA-PSDI operated three field offices in Iraq, one in Erbil to serve the North, one in Baghdad to serve the Central region, and one in Basrah to serve the South. The Erbil office became the VEGA-PSDI headquarters after repeated attacks on the original Baghdad headquarters. Houses adjacent to the USAID compound were used as living quarters and

office space. One house was used as a training center and was equipped with computers in a classroom-type setting for use by trainers. Approximately 45 local employees were hired in Erbil and included Program Officers (POs), a Training Manager, Grants staff and other administrative staff. Static security was provided by the Sandi Group.

The Baghdad office was located within a large compound one street over from the CNN offices and consisted of one house with living quarters and office space. For the Baghdad office, 20 local employees were hired to manage the delivery of VEGA-PSDI services. The local employees included POs, training staff and grants staff. Falcon Group provided security at the Baghdad office.

The Basrah office was located initially in the Palace Compound next to the Regional Embassy Office and later in the R&B Compound next to the airport. Thus, there was no need for static security and transportation for the expatriate staff was done with the military or, on a friendly basis, by private security companies.

2.1.6: Task Six: Capacity Building for Business Development Training Centers

VEGA-PSDI offered staff training to develop the business skills of its local employees, training a total of 36 over the course of the program. These employees included Program Officers (POs), Training Managers, Grants Supervisors, a Grants Disbursement Officer, and the Monitoring and Evaluation Officer. Training topics included i) Understanding and assessment of businesses, ii) Basics of financial statements, iii) Basics of business planning, iv) Grant application procedures, v) Business interview techniques (five case studies), and vi) Analysis of applications (three case studies).

Early on in the project, VEGA-PSDI identified and selected three regional business centers, five business associations, and a series of NGOs with training and consulting functions to serve as formal partners in the provision of business training. Criteria used for identifying and selecting business support organizations included the following:

- Demonstrated capability to provide knowledge transfer;
- Access to clients and various businesses.
- Clear concepts for disseminating business skills development knowledge;
- Demonstrated commitment of staff to be trained as trainers in business training;
- Availability of space for training courses;
- Existing information systems;
- Willingness to devote resources to follow-up on future activities.

The VEGA-PSDI team worked with local organizations to improve and/or expand their current training services. In addition, the majority of the partner organizations completed training, both in business skills development, as well as in training skills and techniques. These organizations sent one to four representatives to one of the "Training-of-Trainers" (ToT) courses held in October 2004 and August 2005. With the assistance of the VEGA-PSDI team, the selected organizations developed and were able to offer business training courses on proven approaches, methods, and processes to private companies. They were also able to expand their client base significantly and develop new products.

2.2 Support for Business Start-ups in Target Industry Clusters

During the course of the program, VEGA-PSDI recognized the potential of new businesses to decrease unemployment and generate opportunities for Iraqis. As a result, the program provided training and grants to a number of business startups across various sectors. One example of its offerings was a workshop for entrepreneurs on "How to Start Your Own Business." Overall, more than 300 entrepreneurs eager to start their own businesses benefited from the training, as detailed in Table 2.

Table 2 - Business Start-Up Trainings

Training Workshop Title	Date of Training	Total Participants
How to start small business for handicapped	Dec. 13-15, 2004	17
How to Start a Small Business	Jan. 3-6, 2005	38
How to Start a Small Business	Jan. 15–18, 2005	31
How to Start a Small Business	Feb. 14–17, 2005	32
How to Start a Small Business	March 7-10, 2005	28
How to Start a Small Business	March 29-31, 2005	44
How to start a business project/ Feasibility study	May 7–9, 2005	14
How to start a business project/ Feasibility study	May 7–9, 2005	16
How to start a business project/ Feasibility study	May 8–10, 2005	16
How to start a business project/ Feasibility study	May 9–12, 2005	28
How to start a business project/ Feasibility study	May 14-16, 2005	15
How to start a business project/ Feasibility study	May 14-16, 2005	20
How to start a business project/ Feasibility study	May 21-23, 2005	17
Total Workshop Participants		316

In addition to the training workshops, VEGA-PSDI awarded \$223,031.00 to fund 47 grants to new businesses. Table 3 below provides the location breakdown of the 47 grants to new businesses.

Table 3 - Location of Grants to New Businesses

Location	Number of Grants to New Businesses
Baghdad	32
Al Anbar	6
Sulaymaniya	2
Duhouk	1
Wassit	3
Diyala	2
Karbala	1

2.2.1 Develop General Business Training Courses

The VEGA-PSDI team designed and conducted seven major types of training sessions:

1. Courses on business skills development, understanding of modern business concepts, work with a client - for VEGA-PSDI local personnel/regional program coordinators.
2. Courses on basic business skills development, understanding of business environment and principles of small business management – for micro-businesses and people planning to start-up their business.
3. General business skills development training for SME owners and managers.

4. Customized training sessions for SME owners and managers on certain requested topics (marketing, business planning, work with foreign client, etc.).
5. Training/technical assistance sessions based upon request from the part of Iraqi SME (quality control in the food-processing industry; warehouse management; negotiations and decision making, etc.)
6. "Training of Trainers" (ToT) sessions - for VEGA local counterparts – Iraqi training/consulting institutions.
7. Trainer's skills development - for VEGA local counterparts – Iraqi training/consulting institutions.

The VEGA-PSDI training program targeted a wide variety of micro, small, and medium businesses. The following four major sectors were among the beneficiaries: i) *Service Providers* (retail, personal services, hospitality, repair of consumer electronics, car repair, medical services, training and education, Internet service providers, computer support and repair, business support services, consulting and engineering, general banking, and wholesale trade); ii) *Manufacturing* (local arts and crafts, food processing and packaging, construction materials, carpentry, mechanical shops, foam mattress production, plastic pipe production, and bottling companies); iii) *Agriculture* (beekeeping, tomato production, date production, poultry, and dairy); and iv) *Construction*.

2.2.1.1 VEGA-PSDI Training Modules

As envisioned in the Cooperative Agreement, VEGA-PSDI developed seven training modules to use for training. A total of 21 US volunteer experts were involved in this effort. In addition, the VEGA-PSDI team in the field made some modifications to the modules in order to better respond to the interests of beneficiaries. The seven modules were:

1. Principles of market economy and basic business functions.
2. Financial aspects of SME Management.
3. Key Conditions for Winning Contracts and Subcontracts
4. Middle-market Cooperation with Foreign Partners
5. SME Development – General Business Functions for Entrepreneurs
6. Auditing
7. Middle-Market Lending.

2.2.2 Development of “Packaged” Small Business Toolkits

To complement the training modules, VEGA-PSDI developed a set of business tool kits that could be used as self-training aides for SMEs. These were distributed to potential clients, VEGA-PSDI grantees and other beneficiaries, and were also distributed in the training courses. The toolkits covered the following areas:

- How to Start a Business
- Business Plan Development
- Recordkeeping and Bookkeeping
- Financial Statements
- Profit Planning
- Marketing and Sales
- Preparing Bids
- Human Resource Management

2.2.2.1 Identify 10 – 20 High Potential Business Types

As evident in other sections of the report, VEGA-PSDI found manufacturing companies, construction companies, agribusinesses, health clinics, banks, educational institutions, workshops, internet cafes, graphic/print design firms, and family owned-shops in the services sector (hairdressers, seamstresses, auto-mechanics, photographers, grocer, etc.) to have high potential for continued support and growth.

2.2.2.2 Develop Toolkits

See section 2.2.2 above.

2.2.2.3 Develop Rapid Assessment Methodology

See section 2.1.4 above.

2.2.2.4 Provide Firm-Level Technical Assistance

VEGA-PSDI offered technical assistance through the use of VEGA experts and consultants. It was originally expected to initiate 50 TA projects. However, due to security constraints and the high cost of security expenses, among others, only seven paid Expert Consultants were fielded to provide technical assistance in Iraq. In addition to one-on-one consultations, the Expert Consultants provided basic business trainings and made presentations to Iraqi businesses. Originally, it was expected that volunteers could be sent to Iraq to conduct these tasks. Due to the deteriorating security situation and the liability to the sending organizations, there was a consensus among VEGA-PSDI that the risk of sending volunteers was too high. In the end, only two American banker volunteers were deployed to Amman, Jordan to train Iraq bankers in the fall of 2004.

Technical assistance was provided to selected Iraqi businesses through the use of the program's Business Advisors in addition to the seven US-based consultants. VEGA-PSDI fielded such consultants to provide technical assistance to the following sectors in Table 4:

Table 4- Sector Breakdown of Technical Assistance Beneficiaries

Sector Breakdown

Banking	1
Manufacturing	7
Construction	2
Agribusiness	11
Agriculture	20
Total	41

The following is a list of the VEGA-PSDI Consultants and a short description of their assignments.

Business Development – Cliff Barton (November 23 - December 23, 2004)

The Consultant conducted training sessions and provided business development advice for members of business and community organizations in Baghdad. Two weeks of the assignment were spent working with business groups and companies in the Al Rashid District of Baghdad. The final week was spent conducting training and business advisory sessions for handicapped Iraqis interested in setting up business enterprises as a means of supporting themselves and achieving economic independence.

- Prepare Strategic Plan for Al Rashid Chamber of Commerce. The consultant worked with members of the Al Rashid Chamber of Commerce to assess members' needs and prepare a strategic plan to enable the chamber to evolve into a formal, registered business association. This plan helps to define the functions of the Chamber, its principal services, its management structure, and an action plan outlining priorities for the next few months, including registering the Chamber as a formal business association.
- Assess the needs of women in business and women's committees. The consultant met with members of the Al Rashid Women's Advisory Committee to assess their business development needs and their interests in forming a women's business association. The women who participated in these meetings appear to be interested in working together to undertake a combination of community development and business development initiatives.
- Prepare training materials and conduct training programs. The consultant prepared training materials and conducted training programs for two groups of participants. In Al Rashid, the consultant conducted two sessions of an "Improve Your Small Business" seminar. The first session was conducted with members of Al Rashid Chamber of Commerce. The second session on the following day was conducted with members of the Iraqi-American Chamber of Commerce and Industry. In Baghdad, the consultant conducted a "Starting Your Own Business" seminar for handicapped Iraqis seeking to start their own business.
- Business advisory services. Following the training sessions, the consultant conducted business advisory sessions

with workshop participants. The advisory sessions following the seminars in the Al Rashid District focused on developing company capabilities statements and other marketing materials to help secure government and military contracts. The advisory sessions for the participants in the “Starting Your Small Business” seminar helped participants develop components of basic business plans for their proposed businesses, including company description sections and simple financial plans.

District Advisory Councils - Herb Pocklington (April 4 – April 26, 2005)

Herb Pocklington embedded with the US Military and met with members of the District Advisory Councils (DACs) in Sadr City, Al-Rashid and Karkh. Mr. Pocklington’s Scope of Work was to assist the various District Advisory Councils to stimulate private enterprise development and jobs. He recommended that DACs must reorganize themselves into task-oriented sub-groups that have a plan and schedule for their area. The DACs must then unite with other DACs to move the new government in a positive direction.

Banking - Robert Willett (May 1 – May 30, 2005)

Robert Willett provided technical assistance to banks in the Northern and Central regions of Iraq. He spent several days with the Emerald Bank in Erbil where he was able to identify two major problems: 1) lack of international recognition, and 2) lack of ability to open a foreign correspondent bank account. Mr. Willett was able to identify and present the bank owner with a list of 47 international banks looking for correspondent bank accounts in Iraq.

Mr. Willett also met with the owners of the Asia Bank - a bank still in development. He spent most of his time with the newly appointed bank manager and presented some banking materials that he had brought relating to the opening of a bank. Mr. Willett also met with the Al Warka Bank, which is based in Baghdad (with branches in Sulaymaniyah, Kirkuk, and Mosul). In addition, he met with representatives of the Middle East Bank, the Gulf Bank and Credit Bank (all located in Baghdad).

Business Development - James Beardsley (May 18 – June 13, 2005)

James Beardsley was embedded with the US Military in Sadr City and attended a District Advisory Council (DAC) meeting. Following that meeting, he met privately with two members of the Ethics Committee of the National Assembly, the Chairman of the DAC, and two associates. The focus of the meeting was on the need for city planning to unite and prioritize the activities of the many interested groups involved, the need for technical colleges to develop a skilled workforce, a hospitality center including a hotel to host foreign investors, and local Iraqi disappointment with the quality of construction activity to date.

Mr. Beardsley also provided technical assistance to the Hemn Group, a mattress manufacturer in Dahouk. He suggested several basic marketing improvements including: 1) Developing a trademark, an advertising signature, a demonstration or a money-back guarantee that distinguishes the product from the competition and establishes consumer preference, and 2) developing a truly superior product as a line leader which builds Hemn’s reputation and carries the balance of the line.

Business Development - James Hemphill (May 22 – June 15, 2005)

James Hemphill delivered business planning technical assistance to bank representatives in Erbil and Baghdad, Business Development Organization (BDO) representatives, and several medium to large size businesses that were seeking access to credit from banks. Mr. Hemphill also conducted a training session on business plan development in Erbil. Additionally, he met with the CEOs of two leading local companies – Zozik Group and KAR Group – and conducted preliminary training needs assessments. Mr. Hemphill also conducted a four-day Business Planning training course at the VEGA-PSDI Business Training Center in Erbil. Fourteen SME representatives attended the training.

Water Bottling – Joseph Edwards (June 11 – July 11, 2005)

Joseph Edwards provided technical assistance to the Metin Bottled Water Company in Dahouk. Mr. Edwards drafted a basic marketing outline that would increase sales for Metin. He suggested a marketing survey to assess the demands for

bottled water and the development of a marketing plan to attract and secure small and medium bottled water customers. A specific suggestion for Metin was to create another label.

Beekeeping Part I – Andrew Coté (July 14 – August 9, 2005)

Andrew Coté began his consultancy with an assessment of the beekeeping sector conducted through various visits to apiaries in northern Iraq to collect information about the problems and needs affecting beekeepers in the region. He provided training and technical assistance to beekeepers. His specific activities included teaching Iraqi beekeepers correct hive management, which would lead to increased honey production.

Beekeeping Part II – Awdir Hamid (September – October, 2005)

To follow up with the assistance provided by Mr. Coté, an Iraqi consultant visited each apiary (except for one in Baquba, due to security concerns), analyzed its operations, and made specific recommendations on improvements that would boost quality and production.

Agricultural Irrigation – Mr. Noraer Hagoup and Rowand Polis (September - October, 2005)

Mr. Noraer Hagoup served as technical advisor to farms in the Northern region of Iraq on the installation of pivot irrigation systems. Secondly, Rowand Polis traveled to each of the farmers, during which he analyzed their needs and presented estimated production benefits resulting from the installation of the irrigation system.

2.2.3 Establish Entrepreneurship Business Incubator Support

VEGA-PSDI provided services to entrepreneurs as referenced in section 2.2 and throughout the Program Activities section.

2.3 Support for Executives in Target Industries (Provide Firm Level Technical Support 2.3.1)

See sections 2.2.2.4 above and section 2.4 below

2.3.1 Provide Firm Level Technical Support

See section 2.2.2.4 above and section 2.4 below.

2.4 Procurement Training Initiative

International Procurement – Paul Viko (August 26 – September 29, 2005)

Paul Viko provided training and technical assistance for the VEGA-PSDI Procurement Training Initiative. He provided training to 172 individuals during his assignment. The training sessions, “Procurement Best Practices,” focused on the following topics:

- Building supplier/buyer relationships, trust, strategic alliances
- When to use different procurement practices such as RFQ and RFP, and bidding or negotiations.
- Evaluating the Supplier Proposal/what is the buyer looking for
- Negotiation Practices: planning, skills, strategies and tactics
- Aligning supplier strategies with that of the “buyer” and business.

In addition to the training seminars, Mr. Viko provided one-on-one technical assistance to 20 Iraqi companies. Based on his interaction with the Iraqi businesses, Mr. Viko found that there were several challenges facing institutional procurement in Iraq. These challenges include:

- *Graft, kick-backs and favoritism.* Mr. Viko found that this was one of the greatest challenges facing companies and their procurement practices and sales efforts.

- *Size.* Many of the companies attending the seminars or participating in the one-on-one consulting sessions were exceedingly small. This limits the opportunities to put into place “best practices,” for procurement in general or specifically, negotiations, selecting a supplier, etc.
- *“All things to all people” and “jack of all trades but master of none.”* Although these expressions may be considered trite, they apply to a large percentage of the contractors participating in the seminars or in the technical assistance sessions. For a new contractor or even a small existing one to state that they are capable doing widely diverse things can be a red flag to a knowledgeable buyer and actually limit their chances of obtaining attractive contracts. Mr. Viko believes that companies, particularly start-ups or relatively new companies, need to address their special skills or capabilities. They need to examine the “needs” of their potential customers and define their niche, then concentrate on growing from such a base, branching to new areas as they become successful within their chosen specialty.
- *Business Planning.* This is perhaps the greatest deficiency observed during the business consulting sessions. Too many companies have what might be a good idea but do not know how to develop it or assess its likely success.
- *Lack of Internet Usage.* Use of the Internet is one of the best sources of information when attempting to source/buy a particular product. Too few “buyers” are skilled in this tool. From the one-on-one consulting sessions Mr. Viko found that many companies were not using the Internet as an effective tool to improving business functions
- *Understanding costs:* Evidence was clear that too many small-to-medium companies and buyers do not understand “costs,” including “total price” or “total value.”

2.5 Small Grants Program

VEGA-PSDI included a \$3,000,000 grant component. Its objective was to contribute to and enhance the impact of the program’s activities by providing client enterprises and entrepreneurs with an injection of funds where the funds would increase their commercial sustainability, improve their overall performance and sustain or generate jobs. Originally designed as a small grants program, VEGA-PSDI created four categories of grants in response to the needs of the Iraqi businesses:

- Small Grant – Grants less than \$5,000
- Medium Grant – Grants between \$5,001 - \$50,000
- Big Grants – Grants between \$50,001 - \$100,000
- Large Grants – Grants over \$100,000

In order to ensure the proper award and disbursement of the grants, VEGA-PSDI developed a Grants Manual, Grant Application and associated forms. The final version was officially approved by USAID in August 2005.

The grant component was guided by the following five principles:

1. VEGA-PSDI would make grants to small and medium-scale private enterprises (including farmers), business associations, and farmer cooperatives in need of capital to achieve commercial sustainability in business activities.
2. Matching investment in the organization by its owners/members would be a primary consideration in whether to approve grants and in determining their size.
3. Grants would be in the range of \$3,000 to \$100,000 (although the program could, in a few very special cases and with specific case-by-case approval from USAID, award grants in excess of \$100,000, and could also consider grants of less than \$3,000). VEGA-PSDI aimed to have approximately 40% of the dollar value in small grants (under \$5,000), 50% medium (\$5,001-\$50,000), and 10% in large grants (greater than \$50,000).
4. As a basic safeguard against fraud, at least two VEGA-PSDI staff members would visit with each grantee and verify grants terms and uses.
5. Because the full development impact of the grants would in most cases not occur by the conclusion of the program, VEGA-PSDI decided to conduct a survey of grantees during the last two months of the program to measure, to the extent possible, the impact the grants had on grantees’ businesses.

To ensure that the five principles were properly applied, VEGA-PSDI developed a grant application process that was enforced by the Grants Manager and the local grants staff including the Grants Supervisors, Program Officers (POs) and Grants Disbursement Officer. Grants were approved by a committee that consisted of the COP as the chairperson, and, on

an availability basis, the rest of the expatriate staff. Full details on the approval process and the complete Grants Application procedures are detailed in the VEGA-PSDI Grants Manual approved by USAID.

The Grants Manager and/or Chief of Party oversaw disbursement of the grants. The method of payment to grantees was on a cost reimbursement basis, either in full or in installments. Original receipts were provided at all times as proof of purchase and all projects were visited at least once by a Program Officers or the Grants Manager following the initial disbursement to ensure funds had been used according to the Letter of Agreement.

By January 6, 2006, VEGA-PSDI had disbursed \$2,946,097. As detailed in Table 4 (below), \$1,057,567.00 was disbursed in the North, \$1,436,122.00 in the Central region and \$452,385.00 in the South.

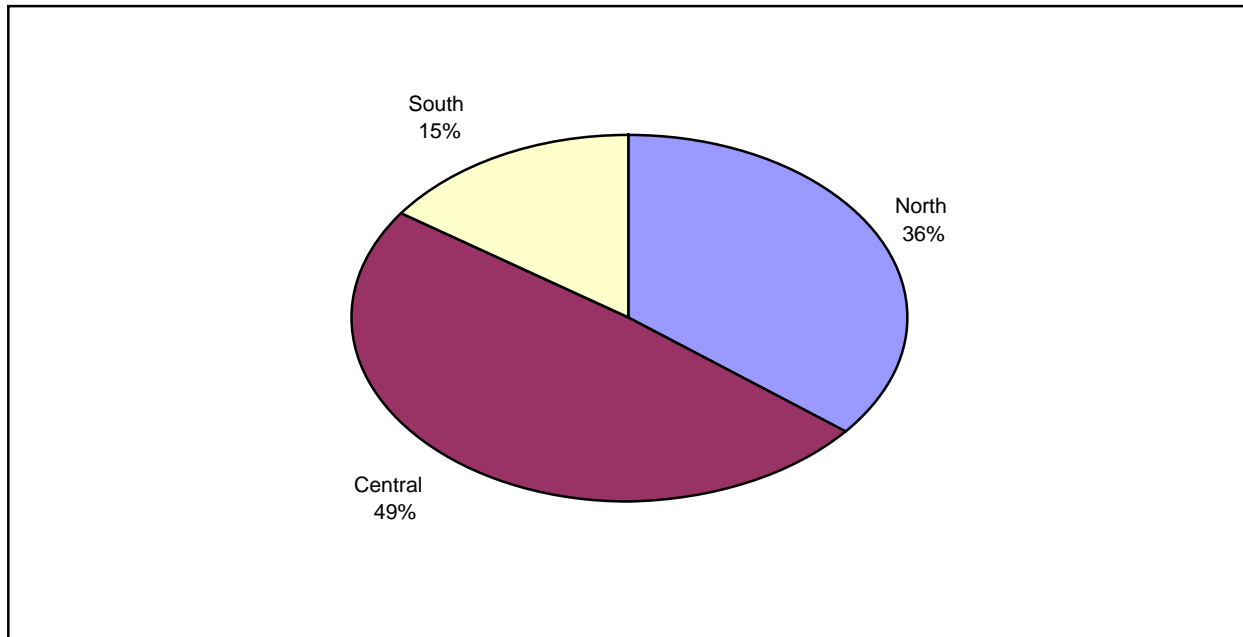
Table 4 – Grants Disbursed by Region

Regional Breakdown	Number of Grants Approved	Grant Dollar Amount Approved
North	87	\$ 1,057,567.00
Central	182	\$ 1,436,122.00
South	78	\$ 452,385.00
Total	347	\$ 2,946,074.00

The final regional allocation for all grants funds was 49% in the Central region, 36% in the North, and 15% in the South, as shown in Chart 1 below.

Chart 1 below shows the regional allocation of Grant Funds.

Chart 1 – Regional Allocation of Grant Funds



3. Evaluation

During the final two months of the project, VEGA-PSDI Iraqi staff conducted evaluations of a representative sample of 104 grantees and 50 trainees to measure short-term impact resulting from VEGA services. In the sections below, the evaluation findings, methodology, and limitations are presented.

3.1 Findings

Grant Program

Industries Assisted

Grantees from eight representative sectors were selected for impact assessment in proportion to the number of grants disbursed in each sector across Iraq in Chart 2 and Table 5 below:

Chart 2: Industries Assisted

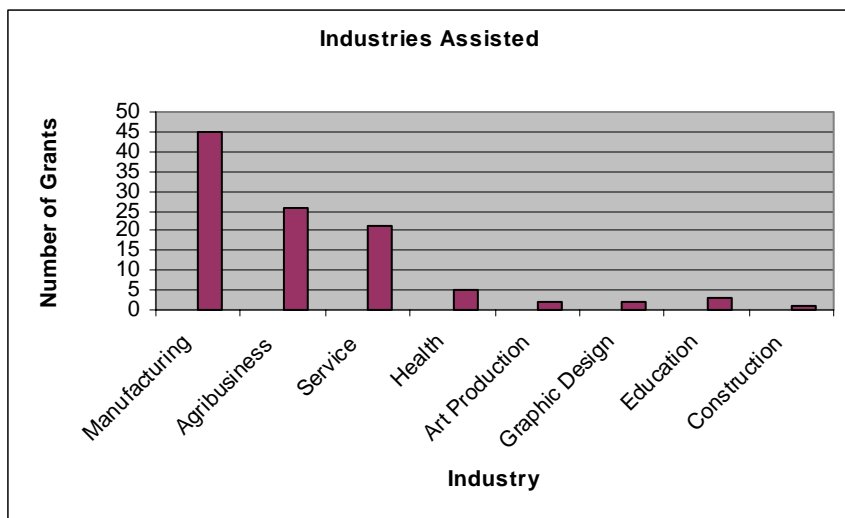


Table 5 – Breakdown of Industries Assisted by Region

Region	Industries Assisted							
	Manufacturing	Agribusiness	Construction	Service	Health	Art Production	Graphic Design	Education
North								
Arbil	17	11		6	1	2		1
Mosul	5	2		1				
Dohuk	2	2						
Sulaimanyah		1						
Total	24	16	0	7	1	2		1
Center								
Kirkuk	5	1		2	1			
Babel		1						
Salahadin	1							
Baghdad	12	4	1	10	3		1	2
Total	18	6	1	12	4	0	1	2
South								
Basra	2	2		2				
Najaf		1						
Amara		1						
Nasrya	1							
Total	3	4	0	2	0	0		0
Total	45	26	1	21	5	2	1	3

Employment Generation

VEGA-PSDI found that the selected grantees had acquired a total of 423 new employees, including 79 (19%) female employees and 344 (82%) male employees over the past year since grants were disbursed, as reflected in Chart 3 and Table 6 below:

Chart 3 – Number of New Employees

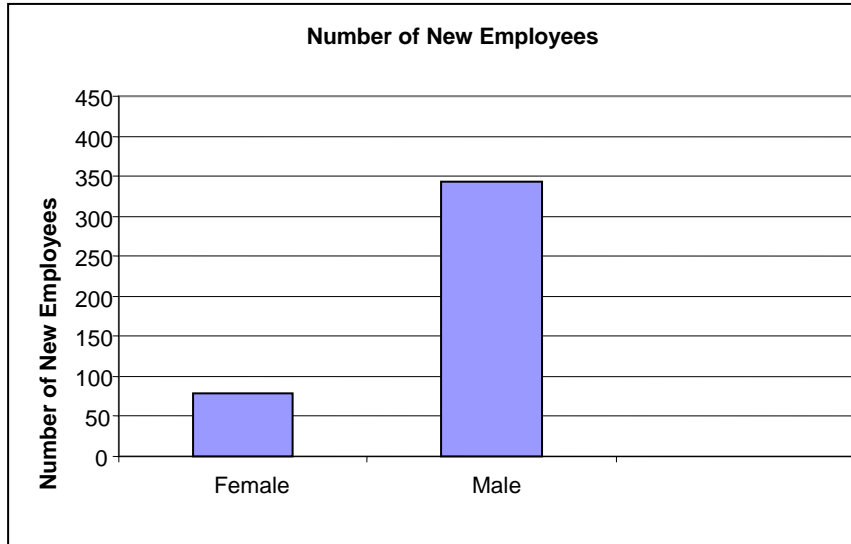


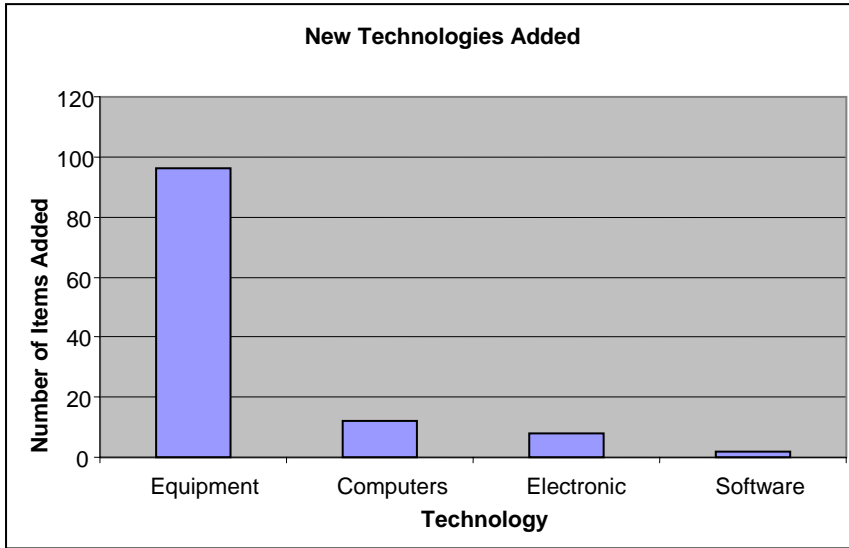
Table 6 – Breakdown of New Employees by Gender and Region

Acquisition of New Technology

Region	Total number of new employees		Total New Employees
	Female	Male	
North			
Arbil	7	83	90
Mosul	0	28	28
Dohuk	0	13	13
Sulaimanyah	1	0	1
Total	8	124	132
Center			
Kirkuk	12	71	83
Babel	0	2	2
Salahadin	0	7	7
Baghdad	59	94	153
Total	71	174	245
South			
Basra	0	40	40
Najaf	0	0	0
Amara	0	2	2
Nasrya	0	4	4
Total	0	46	46
Total	79	344	423

VEGA-PSDI found that 118 items of new technology were acquired by the grantees:

Chart 4: New Technology Added



A breakdown of new technologies acquired by region and type is provided in Table 7 below:

Table 7: New Technology added by Region and Type

Region	New Technology Added			
	Equipment	Software	Electronic Device	Computer
North				
Arbil	33	0	2	2
Mosul	8	0	0	0
Dohuk	3	0	0	0
Sulaimanyah	1	0	0	0
Total	45	0	2	2
Center				
Kirkuk	9	0	0	0
Babel	1	0	0	0
Salahadin	1	0	0	0
Baghdad	32	2	6	9
Total	43	2	6	9
South				
Basra	6	0	0	1
Najaf	0	0	0	0
Amara	1	0	0	0
Nasrya	1	0	0	0
Total	8	0	0	1
Total	96	2	8	12

Introduction of New Products

17 companies reported having introduced new products to customers since receiving a VEGA grant, as reflected in Table 8 below:

Table 8 – New Products Added

Region	Number of Companies that added new products
North	
Arbil	2
Mosul	0
Dohuk	1
Sulaimanyah	0
Total	3
Center	
Kirkuk	0
Babel	0
Salahadin	0
Baghdad	14
Total	14
South	
Basra	0
Najaf	0
Amara	0
Nasrya	0
Total	0
Total	17

Business Plans

As a result of receiving VEGA-PSDI services, 37 companies reported using a business plan for the first time, as reflected in Table 9 below:

Table 9: Companies that Began to Use a Business Plan

Region	Number of companies that began to use a business plan
North	
Arbil	5
Mosul	3
Dohuk	0
Sulaimanyah	0
Total	8
Center	
Kirkuk	2
Babel	0
Salahadin	0
Baghdad	22
Total	24
South	
Basra	3
Najaf	0
Amara	1
Nasrya	1
Total	5
Total	37

Entrepreneurs Assisted

8 of the 104 grantees that received evaluations were entrepreneurs starting a business with a VEGA grant.

Other Donor Assistance

No companies reported having accessed any other donor assistance.

Selected quotes from grantees when asked how the grants have impacted their businesses:

"Previously I was sending patients to other clinics, but now I am able to treat them more quickly and easily in my own clinic. The grant provided me with equipment to perform modern surgery. It also enabled me to hire another doctor and nurse and to attract more patients."

"After the new cutting machine was provided, we signed a contract to manufacture 14,000 mattresses."

"The new Italian diskette that we installed in our splitting machine enabled us to go from splitting 100 meters² of hilan stone to 200 meters². We estimate sales to increase by 40%. We are also recruiting new employees to ensure that we can meet market demand on schedule."

"Using my new electric oven, I went from using 200 kilograms worth of wheat flour per day to 1000 kilograms as I increased my bread production. In addition, the quality of the bread has improved – it is now more spongy, elastic, and soft."

"Receiving a regular source of power through our new generator has enabled us to save \$700 per month in fees that we used to pay for irregular power."

Selected quotes from grantees when asked about their needs for further assistance:

"A training course outside of Iraq to learn about musical instrument manufacturing."

"A training course in Syria or Turkey to learn new techniques for making sweets and to introduce cake production techniques to Iraqis."

"A grant to open a new restaurant that would serve fish using traditional Iraqi cooking methods."

"A grant to purchase a vehicle to transport products to clients in other cities and regions."

"A grant to renovate the factory roof to make the factory a more suitable environment for the laborers during the winter."

"A grant to support expansion of the institute and to start a new private university that would teach the same engineering courses as in the US."

Training Findings

A representative sample of 50 trainees that represented each region of Iraq in proportion to where the training took place was asked to rank how applicable the training was to their business in Chart 4 and Table 10:

Chart 4 – Training Applicability

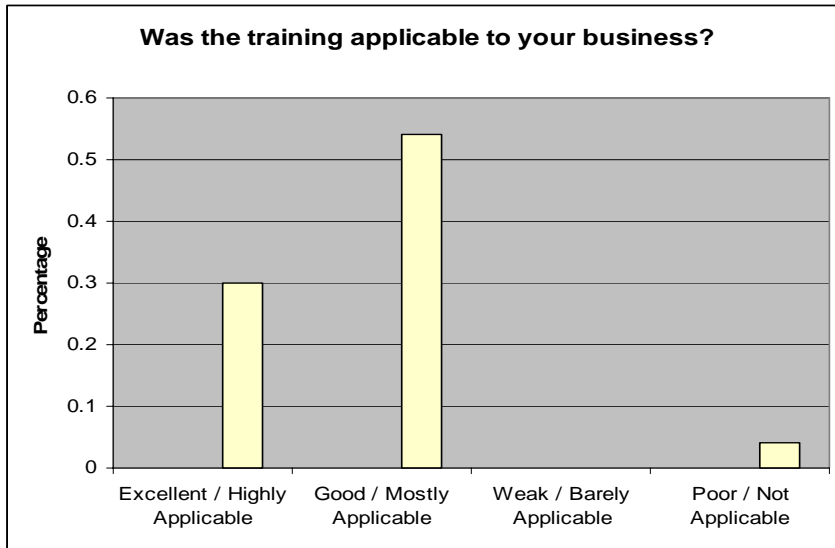


Table 10 – Training Applicability by Percentage

Category	Percentage
Excellent / Highly Applicable	30 %
Good / Mostly Applicable	54%
Average / Somewhat Applicable	12 %
Weak / Barely Applicable	0%
Poor / Not Applicable	4%

The trainees were also asked to rank how the knowledge and skills they acquired from the training impacted their business in Chart 5 and Table 11:

Chart 5 – Training Impact

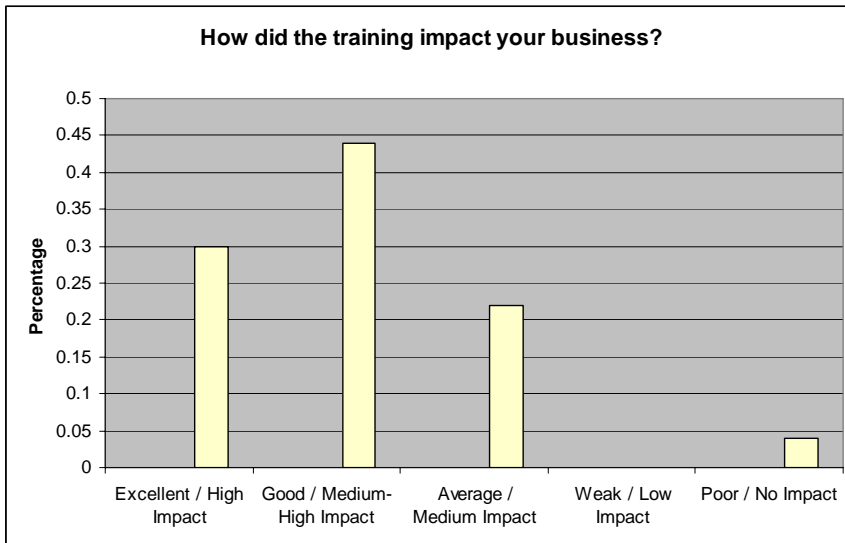


Table 11 – Training Impact by Percentage

Category	Percentage
Excellent / High Impact	30%
Good / Medium-High Impact	44%
Average / Medium Impact	22%
Weak / Low Impact	0%
Poor / No Impact	4%

Selected quotes from trainees when asked how the training has impacted their businesses:

"The training was very useful for me. An example is that I now utilize a balance sheet. I track my factory's assets and I can better project monthly expenditures and plan how to increase my profit."

"By applying the coding methods we learned to classify warehouse equipment, I reduced the possibility of mixing my materials with other company's materials at the warehouse we share."

"There were many ideas presented on honey production that we have not heard before. Some examples are not boiling the sugar, techniques for preventing varoua (a bee disease), and how to build modern bee boxes."

"After the training my profits increased because I made contracts with my employees stating the rights and responsibilities of both parties. Before the training, my employees were leaving suddenly without giving advance notice, which was negatively affecting business, but this problem has been solved through the execution of these contracts."

Selected quotes from grantees when asked about their needs for further assistance:

"A training course at the national level so we can meet businessmen from other regions of Iraq and exchange ideas."

"A training course on public-private partnerships – how to deal with the government and how each party should deal with each other. In addition, it should cover how the government can trust the contractor, and how to provide incentives to the contractor to implement the project in the best way possible."

"A training course in modern warehouse management, especially for new employees so they may learn to apply management systems to their work."

"Periodic meetings among the businessmen of neighboring countries so that we can connect with them after being isolated from the outside world for years."

"A training course that deals with how to work with foreign companies and attract them to do business with Iraqi companies."

3.2 Methodology

The PSDI Associate Cooperative Agreement did not include terms for reporting M&E data beyond completing the indicator chart presented in the Executive Summary. As a result, the M&E tools and systems put into place for the PSDI project sought to measure the short-term impact of VEGA's services according to a methodology that fit the timeframe and staff resources of the project. A Monitoring and Evaluation database was built to capture all data collected and is available upon request.

Grants

Identifying Grantees for Evaluation Site Visits

The VEGA PSDI project approved 347 grants total, including medium sized grants that fell between \$5,000 and \$50,000 US dollars and small grants that fell between \$3,000 and \$5,000. As of October 25, 2005, 29 medium sized grants and 144 small sized grants had been disbursed. In order to schedule evaluation site visits during the the months of November and December, 2005, it was necessary to select the sample of grantees from among the population of grants that had been disbursed by that date for the first round of evaluations and complete the second round of evaluations after all grants had been disbursed.

Size of grant

To select the representative sample of grantees, the first criterion used was to include all medium sized grants from all regions and sectors. This meant that the 29 medium sized grants that had been disbursed by October 25th would be evaluated first, and the remaining medium sized grants would be evaluated last. The second criterion was to select 20% of the small sized grants, which meant selecting 50 grantees from among the 144 that had been disbursed to date

Geographic Spread

To ensure that all regions were represented proportionally to the number of grants disbursed in each region, reference was made to the following breakdown of grants by region:

Region	Number of Grants Approved	Percentage of Grants Approved Per Region
North	87*	35.7 %
Center	149	49.1 %
South	78	15.2 %
Total	314**	

*Note that Kirkuk is included in the North due to program staff from the Erbil office being responsible for the Kirkuk region

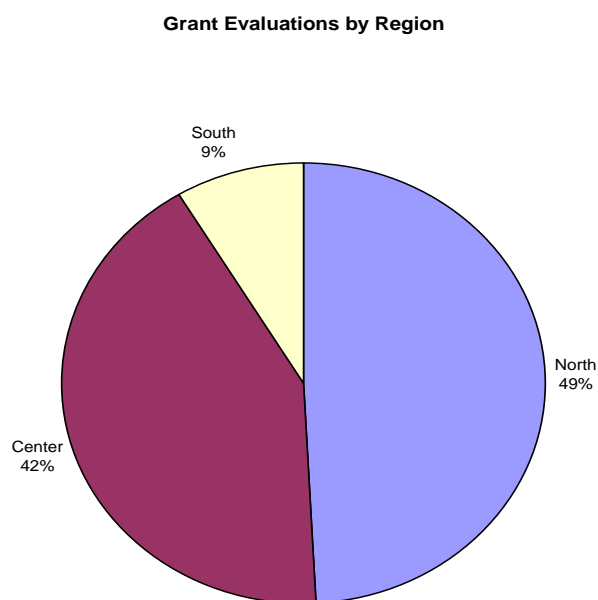
** Note that the total number of grants for the purpose of the representative sample selection was $347 - 36 = 314$ due to 36 small grants having been awarded to Iraqi American Chamber of Commerce participants for travel to a Trade Expo in Jordan. Those grantees were not included in the sample due to the special nature of those grants.

Security and Logistics

It was determined that grantees in certain grantees in the Central region would not receive site visits because of known security threats and logistical barriers traveling to their sites. For this reason, the breakdown of grant evaluations reflected a slightly higher rate in the Northern region and a slightly lower rate in the Central region. Because so few grants had been disbursed to date in the Southern region, a smaller percentage of evaluations took place there as well.

The final breakdown of grant evaluations taking into account the factors mentioned above is reflected below in Chart 6 and Table 12:

Chart 6 – Grant Evaluations by Region



A total of 104 out of 347 grantees received short-term impact assessments, including all medium grants and 50 small grants as reflected in Table 12 below:

Table 12 – Grantee Evaluations by Region and Grant-Size

Region	Total no. of grants	No. of small grants	No. of medium grants	No. of Large grants
North				
Arbil	38	24	14	0
Mosul	8	1	7	0
Dohuk	4	2	2	0
Sulaimanyah	1	1	0	0
Total	51	28	23	0
Center				
Kirkuk	9	2	7	0
Babel	1	0	1	0
Salahadin	1	0	1	0
Baghdad	33	15	18	0
Total	44	17	27	0
South				
Basra	6	3	3	0
Najaf	1	0	1	0
Amara	1	1	0	0
Nasrya	1	1	0	0
Total	9	5	4	0
Total	104	50	54	0

Evaluation Tools

The VEGA-PSDI Iraqi staff were trained to administer the company profile questionnaire for both the collection of baseline data when the beneficiary was first identified as a recipient of VEGA services and again during the evaluation site visit. This questionnaire benchmarked progress made against baseline data and tracked indicators that are correlated to economic growth, such as employment generation, new product development, new technology, access to finance, and others.

In addition to administering the company profile questionnaire during the evaluation site visits, VEGA/PSDI staff completed the site visit report and the success story template, if applicable, and documented their visits with photographs.

VEGA-PSDI staff were trained on techniques for gaining the cooperation of the grantees when conducting site visits. They informed the grantees that VEGA-PSDI is interested in both positive and negative changes that have occurred since receiving the grant.

Timeline

The grant evaluations took place during the final two months of the project:

October: Identified all medium grantees and around 50 small grantees and schedule site visit dates with each.

November (Weeks 1 – 3): Conducted site visits for grants disbursed by October 25, 2005. Approximately two site visits per day took place by teams of PSDI staff, under the supervision of M&E Manager and Chief of Party.

November (Week 4) and December: Completion of site visits for grants disbursed after October 25, 2005.

January (Week 1): Compile evaluation results and review with VEGA-PSDI Chief of Party and VEGA Monitoring and Evaluation Officer.

Training Programs

Identifying Trainees for Evaluation

A representative sample of 50 trainees out of the 2,399 (for which contact information was known) was identified in proportion to the regions where training took place and based on the number of trainees per region as broken down in Table 13 below.

Table 13 - Trainee Selection for Evaluation

Module based training			
Region	Number of trainees	Percentage	Number of Trainees to be contacted
North	647	40%	13
Center	472	29%	10
South	515	32%	11
total	1634	68%	
Customized Training			
Region	Number of trainees	Percentage	Number of Trainees to be contacted
North	469	73%	9
Center	172	27%	4
South	0	0%	
Total	641	27%	
Procurement Training			
Region	Number of trainees	Percentage	Number of Trainees to be contacted
North	67	54%	2
Center	57	46%	1
South	0	0%	
Total	124	5%	
total	2399		50

Trainee Evaluation Tools

Anecdotal sampling was conducted by the Training and Program Managers in each region using a training evaluation questionnaire administered by phone. Anecdotal sampling included questions about what has happened to the trainee since the training, how the training contributed to progress made at the trainee's company, whether the trainee received other VEGA-PSDI services following the training, and what type of training services and assistance the beneficiary will require in the future.

Timeline

The training evaluation questionnaires were administered during the month of November, 2005.

3.3 Limitations

The following considerations limited the accuracy and reliability of the findings:

Time constraints

The original project end date of October 6th, 2005, would not have allowed for evaluations to take place because of the need to first finish programmatic activities. The three-month extension enabled a representative sample of grantees and trainees to be evaluated for short-term impact. While the representative sample provided valuable data, it posed two challenges. The first was that impact resulting from VEGA services may not become measurable in the short-term. It could take a year or longer for beneficiaries to know if their annual sales increased. Farmers would have to wait until the start of the farming season to know whether new seasonal jobs would be created. VEGA-PSDI evaluated beneficiaries that had received services in as few as two months or weeks prior to the evaluation. For this reason, the data collected only provided insights on short-term impact. The second challenge was the inability to evaluate all beneficiaries in the time available – the three-month extension period. This meant that the data collected *represented* short-term impact, but did not measure the cumulative number of jobs created, new technology added, or other possible outcomes. While it is possible to project the results from the representative sample to estimate the possible total number of jobs created and other changes in indicators, VEGA-PSDI refrained from doing so because of the combination of limitations addressed in this section that would reduce the reliability of such a projection.

Lack of time to evaluate Southern Region

Likewise, the late-start for programmatic activities in the Southern Region of Iraq, including grant disbursements that were still occurring when the evaluations began, meant that the Southern Region's evaluations were particularly subject to the time constraints listed above.

National elections and holidays

The closure of the VEGA-PSDI offices during Eid, Christmas, and the national elections in the Fall and early Winter of 2005 further exacerbated the time constraints facing VEGA-PSDI.

Inability of expat staff to conduct site visits and audit beneficiary records

It was not possible for the expatriate staff to conduct site visits to the beneficiaries for several reasons. One reason was that the three business advisors' and the grant manager's contracts ended at the end of September 2005 before the evaluations began. Another reason was that expatriate travel was costly due to the need for personal security escorts, armored vehicles, and other security firm expenses. Only essential travel could be afforded under the no-cost extension, therefore expatriate staff site visits were not considered to be an option.

Inability to reach all beneficiary sites due to security conditions

In several cases in Baghdad, the Iraqi staff were not able to conduct site visits to beneficiaries due to road closures or security conditions. In those cases, the beneficiaries met with VEGA-PSDI Iraqi staff offsite. This meant that the self-reported data from those beneficiaries could not be verified.

Reliability of data

Although VEGA-PSDI Iraqi staff were trained to request and review back-up documentation to verify the beneficiary's responses to the company profile forms as being accurate, there was neither time nor willingness on the beneficiaries' part for full audits to take place. The VEGA-PSDI Iraqi staff were also not independent evaluators since they may have already been acquainted with the beneficiaries. Furthermore, the beneficiaries, out of appreciation for the services they received or for fear of being criticized, may have been inclined to report only positive results or higher-than-actual numbers. For this reason, and because expatriate and independent staff were not able to visit the beneficiaries, the reliability of data submitted is subject to individual staff members' and beneficiaries' judgment. .

Exclusion of technical assistance beneficiaries

The bulk of technical assistance took place towards the end of the VEGA-PSDI project and often overlapped with training and grant recipients. For this reason, there was no evaluation methodology planned specifically for technical assistance beneficiaries, although this is recommended for future projects.

No projection on indirect beneficiaries

VEGA-PSDI did not project the potential number of indirect beneficiaries that benefited from VEGA's services. It would be advisable to do so in future projects, however, since both family and community members benefit from direct beneficiaries' improved economic conditions.

4. Lessons Learned

This section presents thoughts and commentary from VEGA-PSDI staff. In addition, it incorporates the feedback and recommendations of the Iraqi field staff.

Project Implementation in High Security Risk Environment

PSDI reaffirmed the long-established reality that carrying out economic development projects in an environment of high security risk for project staff, host country nationals, and project facilities presents enormous challenges to project implementation, and requires sustained attention and readiness to respond to the evolving security environment

The security-driven travel restrictions limited the mobility and reach of the project's expatriate staff. Fortunately, the project could – and did – rely on the travel mobility, the professionalism, and the personal commitment of the Iraqi staff to ensure that the project's services were delivered as planned.

Project Duration

Designed as a 15-month project, PSDI set out to achieve program goals that are often established for projects of 18-24 months or more in duration. Given the relatively short life of the project, it would have been served well by a design and implementation plan that provided for a very deliberate and focused 2-3 month "implementation start-up phase" that put in place in turn-key fashion the structure (staff and facilities), operating relationships (with USG agencies and Iraqi partner organizations), and operations systems and procedures that could have enabled the project's activities to be carried out with more continuity and faster implementation pace over the full life, albeit short, of PSDI.

Deployment of Project Staff

In response to a deteriorating security environment (including attacks on the VEGA offices) in the Fall of 2004, VEGA moved its operations base from Baghdad to Erbil. This necessitated long-distance communications between the two offices, and substantial travel by expatriate staff between Baghdad and Erbil. It is at least arguable that leaving one expatriate staff person in Baghdad, would have facilitated communications between the two offices, reduced travel by expatriate staff, and provided more opportunity for professional mentoring of Iraqi staff by a senior expatriate project staff member.

Monitoring and Evaluation

The need for a field-based Monitoring and Evaluation position on the field staff became readily evident shortly after the start of the project. Large amounts of data from the various activities needed to be collected and analyzed. This task required a single point-of-contact for M&E and a full-time Iraqi M&E Manager to track all the activities, coordinate the impact assessments, and provide real-time answers to inquiries from the Chief of Party, VEGA headquarters, and USAID. The M&E Manager, designated mid-way through the program, became invaluable to the project's success by creating and managing a master database, indicator chart, and filing system for all M&E data. It proved to be a full-time job and critical to the program's ability to conduct an impact assessment at the end of the project. In the future, the M&E function should be incorporated from the moment of project start up.

Training

The training component offered several lessons that might be of value to the design and implementation of future small-and-medium enterprise strengthening projects:

- *Demand-Driven Courses.* In addition to the module-based training delivered as planned in the original project plan, VEGA-PSDI found that responding to client requests by providing custom-tailored courses, achieving increased impact and trainee buy-in to the overall objectives of the project;
- *Certification Courses.* In retrospect, courses that lead to an international certification (in computers, technology, or accounting, for example) might also have been offered, and could have created substantial new business opportunities to the beneficiary entrepreneurs.
- *Development of Course Materials.* The work of volunteers working outside Iraq to develop the course materials might have been complemented by use of existing internationally-recognized materials in the public domain, such as the World Bank/IFC SME Toolkits.
- *Local Partners.* Engaging local partners such as non-profit groups and business associations was key to meeting the training deliverables. The Iraqi manager working on this component played an invaluable role in identifying, selecting, and managing the local partners who delivered the training courses to SME representatives throughout Iraq.
- *International Standards.* A future program for the development of the private sector in Iraq should include the implementation of international standards such as ISO and HACCP. These not only yield tangible benefits to the enterprise and thus have a significant demonstration effect, but also help to establish a core group that, with appropriate additional TA, could become leading examples of SME exporters.
- *Trade Fairs.* In the future, a program should include participation in trade fairs and study tours for carefully selected entrepreneurs and business men. In the Iraqi context, such a component would be especially valuable in helping to overcome the decades of isolation under the previous regime.

Technical Assistance

The technical assistance component offered the following lessons learned:

- *Sector Assessments.* Ever-changing security conditions made it difficult to conduct the sector assessments as originally envisioned in the Cooperative Agreement. A more rigorous and comprehensive exercise – during a focused project start-up phase, might have provided a more solid base from which to plan the programmatic activities and might have enhanced the integration of activities over the life of the project.
- *Work in cluster groups.* The training and TA on the pivot irrigation system provided to farmers in the North had a multiplier effect, as a numerically and qualitatively significant group was recruited for the assistance. Working with cluster was also more effective because i) it reduced costs and maximized the use of consultants to multiple beneficiaries, and ii) the names of the beneficiaries can more easily be passed on to other USAID projects for additional services (in this case, for example, to the DAI/ARDI project for financing of the irrigation system for the individual farmers).
- *Integrated projects.* The technical assistance and training provided to the beekeepers in the North demonstrated the benefits of an integrated approach. All beneficiaries received training, technical assistance, and a grant, and each component built on the others. With additional time, this beekeeping cluster would have formed a core group that could have been turned into exporters with continued support.
- *Local consultants.* The design and implementation plans of future SME strengthening projects might give higher priority to local expertise. Iraqi experts in various fields were identified and utilized as technical assistance resources. For example, in the beekeeping TA, a local expert worked together with the international consultant (and a local staff member) to provide training and advisory services to the beneficiaries. This approach had the additional benefit of significant knowledge transfer between the experts. Similarly, the international procurement expert was managed in the field by the Iraqi Program Manager, and it resulted in the most successful consulting assignment of the whole project.

Grants

The grants component, although successfully implemented with 98% of the allocated funds being granted to Iraqi small and medium enterprise owners and operators, was seriously affected by the prevailing high-risk security situation in the country. Challenges that this presented, and how they were overcome, follows:

- *Willing Iraqi SME Participants.* Some Iraqi SMEs were not prepared to work openly with US-funded programs given their fears for retribution (which had to be fully respected). Identifying and focusing on those SMEs that were willing to work openly with US programs was done through continuing public outreach by the project staff as a whole, and complemented by reaching out to the professional networks and contacts of the Iraqi project staff.
- *Repayable Portion.* In the future, a small portion of the grant (not more than about 10%) might be made repayable. (A system for repayment would need to be put in place.) This approach could leverage locally-generated resources for expanding the pool of grant funds, and could support an important business operations behavior by emerging SMEs, i.e., use of borrowed capital to develop their individual businesses and generally contribute to the overall economy.
- *Separation from Government.* The program's independence from any government institution (including the refusal to provide information on grantees) was a necessary precaution to preserve the safety of the grantees and also to prevent possibilities for extortion and corruption.

High skill level of Iraqi staff

The availability of highly skilled Iraqi staff enabled VEGA-PSDI to overcome many challenges. The skill sets of the Iraqi staff included:

- Information Technology – ability to arrange for set-up and maintenance of wireless internet services and to create web sites, the M&E database on MS Access, sophisticated MS Excel spreadsheets, Power Point presentations, and data entry.
- Fluency in English, both oral and written, as well as often times 2-3 additional languages
- Academic accreditation in fields such as engineering, English literature, computer science, dentistry, law, history, biology, and business
- Prior work experience with international organizations, namely RTI and the UN, and the US military

Cooperation among Iraqi staff

The Iraqi staff of VEGA/PSDI represented ethnic Sunni and Shiite Arabs, Kurds, Assyrians, Turkoman, Yazidi, and Syrian Catholic and all three regions of Iraq. The staff were a cohesive group that demonstrated the ability of Iraqis to work together across regions and ethnic divides for a common cause. Their cooperation sets an excellent example of the potential for Iraq to become a unified country.

Attachment 1
VEGA-PSDI Local Personnel List

Categories	Position	#
Management	Monitoring & Evaluation Manager	1
	Program Manager (RPC)	1
	Training Manager	1
	Finance Manager	1
	Office Manager	2
	Training Manager	1
	Manager IT/IS/Communication	1
Supervisor	Grants Supervisor	1
	Grants Supervisor	1
	Regional Program Supervisor	1
Coordinator	Executive Administrator	1
	Program Administrator	1
	IT Coordinator	1
	Grants Coordinator (Disbursement)	1
	Head Translator	1
	Transportation Coordinator	1
Officer	Senior Database Programmer	1
	IT Technician	1
	Assistant Database Programmer	1
	Grants Officer	1
	Procurement Officer	1
	Grants Processor	1
	Senior Program Officer	3
	Program Officer	13
	Program Officer Agriculture	3
	Translator	3
Administrative	Administrative Assistant	3
	Training Assistant	1
Operations and Maintenance	General Electrician	1
	Electrical Generator Operator	1
	Cook	1
	Driver	6
	Housekeeper	5
	Gardener	1
	Cook Helper	1
	Compound Maintenance	1
	Total	67