

658

N 274

Proj. 9320001  
~~\_\_\_\_\_~~

PD-AAA-491-A1

INTERNATIONAL EXECUTIVE  
SERVICE CORPS  
An Evaluation

A.I.D.  
Reference Center  
Washington, DC

Submitted to the  
Agency for International Development

by  
Robert R. Nathan Associates, Inc.  
Consulting Economists  
Washington, D.C.

May 27, 1977

Development Information Center  
Bureau for Development Support  
Agency for International Development  
Washington, D.C. 20523

## PREFACE

This evaluation of the performance effectiveness and development impact of the International Executive Service Corps was conducted by Robert R. Nathan Associates, Inc., at the specific request of the Bureau for Population and Humanitarian Assistance, Agency for International Development. The work order objective and scope of work are contained in Annex A to this report. The evaluation was carried out during the period March 16-April 22, 1977, in the New York headquarters of IESC and in seven countries in which IESC has ongoing programs: Honduras, Guatemala, Liberia, Turkey, Malaysia, Singapore, and Indonesia. The evaluation team was headed by Joseph R. Gunn and included Marvin R. Brant, Roger Sedjo, and Elwood Shomo.

During the course of the field analyses interviews were held with the IESC country directors, volunteers, and present and former IESC clients and sponsors, as well as with others well informed about the programs. A list of these contacts is provided in Annex B. In addition, detailed discussions were held in the IESC offices in New York with all the vice presidents and with many senior staff members and in Washington with appropriate AID personnel.

Special thanks are due to Mr. Joseph R. Hasulak, Deputy Vice President, Finance and Administration, at IESC in New York, and to the six IESC country directors, for the complete cooperation which they extended to the members of the evaluation team.

A draft version of this report was circulated for comment to AID and IESC and was carefully reviewed in New York by senior representatives of both those organizations and by the authors. This final version contains certain modifications which were made as a result of that review. Responsibility for the entire contents of the report rests solely with the contractor.

## CONTENTS

Preface	i
SUMMARY	1
EVALUATION CRITERIA	5
PROGRAM EVALUATION	8
Program Description	8
Country Selection	12
Programming	15
Project Selection	24
Client Selection	26
American Business Image	34
Conclusion	35
PROJECT EVALUATION	36
Country Experience	36
Factors Necessary for Project Success	43
Common Problems Encountered in Projects	46
IESC Internal Evaluation Procedures	49
EVALUATION OF COST EFFECTIVENESS	53
The Broad Financial Picture	55
Composition of Revenues	65
Application of Revenues	68
Overseas Cost Effectiveness	68
CONCLUSIONS	74
ANNEX A: AID Work Order (Excerpt)	80
ANNEX B: Personnel Contacted	82

## SUMMARY

The IESC has been in existence since 1964. Begun with substantial support from AID and from private U.S. corporate funds, it has evolved into an organization which now relies on contributions from its foreign clients to support over 40 percent of its total costs. Its total annual budget is around \$8 million.

The customary operations of the corps involve sending retired American businessmen to work with businessmen in developing countries. Assignments are of short duration, averaging about 2 1/2 months, and are directed at solving specific managerial or technical problems. The American adviser is a volunteer, receiving only travel and living expenses for himself and his spouse. He is supported in most countries by a resident American country director and a New York-based staff of professional and clerical personnel, including a most impressive recruiting facility.

The goals of IESC are twofold: to provide technical and managerial assistance to the overseas client firms and to improve the image of U.S. business abroad. By all objective measures the Corps is successful in achieving these goals. Clients are usually well pleased with the results of the contributions of the volunteers and, by extension, are favorably impressed with the American enterprise system.

The projects also contribute to the economic and industrial development of the host countries in the form of increased income, expanded trade, increased government revenue, and/or increased employment. These broad national benefits occur in the form of spillovers from the individual enterprise which was assisted by IESC: they are difficult to identify with precision and impossible to quantify.

Because of the logistical issues associated with operating short-term projects with mature volunteers, and also because of the level of effort required to develop each individual project, it is difficult for IESC to operate effectively in countries in which it has no resident presence (an American country director or a locally hired country representative or an office in which a country director calls from time to time). There are now offices in 27 countries. The present list does not include certain important countries which seem to fit clearly within the IESC operating parameters, among them India, Pakistan, Bangladesh, and Nigeria. Conversely, the present list of countries does include some nations, among them Saudi Arabia, Greece, and Kuwait, which would appear to be able to obtain for themselves services of the kind and quality which IESC offers, without requiring the subsidy provided to IESC by the United States government. Accordingly, we would favor the use of a more rigorous internal review procedure by IESC, to evaluate on a continuing basis the justification for its being in some countries and not in others.

Broad programming policies correctly give wide latitude to the country directors to develop their own set of priorities and their own project mix. This is necessary, because only the country director can know intimately the operating environment in the country in which he is located. Generally, however, there is a need for a better sense of programming in some countries. The IESC operation is very small in terms of total dollars expended for a global effort, and a keen sense of national development is necessary for optimal program configuration in any given country. Because most individual projects are successful, and because virtually all successfully completed projects will have some developmental impact, IESC should seek out project opportunities which either give promise of extraordinary impacts or which offer broad economic (or social) benefits as direct by-products of the project purposes themselves. A unit of IESC assistance to a printer of textbooks is, on the face of it, preferable to a unit of assistance provided to a printer of comic books. A pharmaceutical manufacturer is a more desirable recipient of an IESC project than a bottler of soft drinks, other things being equal. In general, IESC headquarters should impart a more disciplined sense of program formulation to its country directors, though they must be left with the discretion to devise sound programs in their individual countries.

These various problems notwithstanding, it is our judgment, after observing IESC in its New York

4.

headquarters and in seven countries on three continents that it is essentially a constructive and worthwhile program. Its goals appear to be altogether consistent and harmonious with the long-term objectives of American assistance to the developing world. It achieves those goals in the large majority of individual projects, and it does so at a cost which is generally reasonable.

## EVALUATION CRITERIA

A widely distributed IESC brochure describes the Corps as "a not-for-profit organization based in New York. It recruits experienced executives, usually retired from United States firms, to serve in the developing countries as volunteer advisers to locally-owned enterprises that request managerial or technical assistance."<sup>1/</sup>

The IESC goals are perhaps more comprehensively contained in the statement of purpose found in the Certificate of Incorporation, May 8, 1964, and amended January 1975. The statement asserts:

The purposes for which the Corporation is formed are to promote and assist economic growth and the well-being of the peoples of the world by fostering, advancing and facilitating the development and utilization of effective executive, managerial and technical skills and practices by commercial enterprises, private nonprofit organizations and government agencies and authorities in countries where such skills and practices are lacking or inadequate for sound economic

---

1. IESC, International Executive Services Corps (June 1976).

growth; and, in furtherance of the foregoing purposes, to conduct research, studies and surveys to determine the specific requirements of such organizations for such skills and practices, and to make available to such organizations the services of executive, managerial and technical persons qualified in the skills and practices required.

The operating philosophy as contained in the Policies and Procedures Manual supplied to the directors of field operations continues:

Consistent with this corporate purpose, IESC's objective is to concentrate on assignments which will have significant impact in the country by reason of the economic importance of the enterprise assisted or by reason of having the multiplier effect inherent in projects such as establishing or improving public services, national resources or vocational training programs.

The AID Noncapital Project Paper (PROP) for the IESC, dated November 1, 1969, and the associated Logical Framework state the following dimensions of the IESC program. The output of the project is designated as "management and other technical assistance lacking in LDCs." The purpose of the project is given

as "To improve management and production of primarily private enterprises by an amount in excess of the cost of the volunteers." The broader program goals to which the IESC project contributes are "To increase the contribution of the private enterprise sector to GNP" and also "To improve the image of American business overseas."

In comparing the objectives of the FROP with the stated goals and objectives in IESC's own documents we find a close correspondence. It is in the context of the stated IESC purposes and goals, as well as the AIE PROP, that this evaluation has been conducted.

## PROGRAM EVALUATION

### Program Description

#### New York

The headquarters of IESC are in New York. At this location are the major offices of the organization, a substantial clerical staff, the central record-keeping facilities, and the volunteer recruiters. To this location the individual country directors forward proposed projects with requests from clients for executive volunteers. The principal responsibility for the programs within a geographic region rests with the regional vice-president. Project applications are forwarded by the country directors to the regional vice-presidents for approval. Upon approval of a project, the description of the project requirements and duties are given to a recruiter, himself a volunteer, whose task it is to identify and recruit a volunteer executive with a background suitable for the tasks.

In addition, the New York office keeps records of projects and volunteers and undertakes some evaluative tasks. The principal policy and American promotional activities also center around the New York office.

The New York office is likewise involved in determining the suitability of potential volunteers which the recruitment process has identified. In some cases, particularly that of a new volunteer who has limited international experience, personal interviews are arranged to be held in New York or elsewhere.

### Field Operations

#### Country Director

Some differences do exist among countries, but field operations are typically directed by a country director, who is salaried. Although tours of duty vary, they are generally longer than a year. In the case of shorter tours or special circumstances, a volunteer country director is often used. The country director has the responsibility of maintaining an ongoing program or, where an ongoing program does not exist, of developing a program that can be expected to become ongoing. It is also the responsibility of the country director, even where there is a local professional staff, to supervise the promotion of the IESC program, to work with the IESC steering committee of locals, to arrange for the signing of agreements with clients, to examine the appropriateness of the various projects and the descriptions of the type of assistance required, and to assist the executive volunteers upon their arrival and be available to assist them in adapting to the stresses of the foreign environment.

The conditions under which the field officer operates appear to vary considerably. In many countries he is assisted by local salaried representatives. Many of the functions of the country director may be undertaken by the local representative, including promotional work and assistance of volunteers, especially when the volunteers' assignments are in a region serviced by the local representative. The kind of office space available to IESC varies, as do the availability of an automobile, a driver, and a clerical staff.

The country director also appears to have de facto control of the direction of the program within the country. He makes decisions as to which sectors, industries, and firms to approach. While the typical country plan appears to be poorly documented, these decisions occasionally seem to be made more or less at random, reflecting no unifying purpose or plan. Clearly, however, such programming decisions strongly affect the thrust and direction of the country program. Although the country director may be influenced by broad directives from New York, a wide range of discretion remains with him.

Additionally, the country director has an important voice in determining the size of the client's contribution. Stated IESC policy calls for a charge based on the client's ability to pay, with sales volume cited as an indication of financial ability. The behavior pattern appears to vary, however. In some countries visited the operational rule appears to be to cover direct costs associated

with providing an executive volunteer. Thus, the first month's contribution is designed to cover the air fare and the first month's per diem, while the contributions made in subsequent months are set at a level sufficient to cover only the additional per diem requirements. Such an operational rule seems to apply to almost all clients in some countries, regardless of ability to pay, with exceptions made for small clients of very limited means.

### Volunteer

The volunteer's task is to provide the expertise requested in the project agreement. A volunteer's success or failure on a project is dependent upon a variety of factors which will be discussed in detail later in this section.

### Steering Committee

The steering committee is composed of a variety of prominent local individuals -- local businessmen and occasionally government representatives. Among other functions of the committee is that of serving as a means for the country director to gain entree to the local business community. The committee also receives and provides local feedback on the IESC program. In addition, it participates in the process of country program formulation. Our impression is that, while the committee meets as a group only infrequently, individual members may provide valuable assistance and contacts to the country directors.

### Country Selection

The selection by IESC of the countries in which it operates appears to be determined largely by considerations as to the potential viability of programs within those countries. Factors considered include the attitude of the host government, partially reflected in questions of taxes which affect IESC's operation. Other determinants appear to include the level of anticipated in-country costs together with an assessment of the potential of the country program to generate sufficient contributions to cover those costs. Important elements in covering in-country costs are the number of projects and the size of the contributions of clients, as well as the exchange rate and the domestic price level.<sup>1/</sup>

Significantly the relative level of development of a country appears not to be the critical determinant in the decision to undertake a country program. For example, some of the more underdeveloped countries and regions, such as the entire Indian subcontinent and much of Africa, either have no program or have had only infrequent and sporadic projects. The lack of a program in some of the less developed regions of the developing world appears to reflect the perceived inability of IESC either to obtain what IESC regards as appropriate government interest or the inability to generate a sufficiently large program.

---

1. One African country has been excluded from project consideration partly because of an exchange rate that makes in-country dollar expenses prohibitively high.

Also, the focus of IESC on assistance to private enterprise makes program viability difficult in the absence of a fairly active private sector, a characteristic, by and large, of the more advanced of the developing countries. Indicative of this is the nature of much of the program in West Africa, which has been directed, to a much larger extent than elsewhere, toward the public sector. On the other hand, it is unclear why Pakistan, for example, is not included.

Generally, IESC does appear in the past to have been most active in the relatively advanced strata of the developing world, where an active private sector is in operation. Countries in this group include Colombia, Turkey, Greece, Singapore, Korea, Brazil, Mexico, and Iran. In addition, smaller programs have been undertaken in wealthy countries such as Saudi Arabia, Kuwait, and Venezuela. Similarly, recent activity suggests that a large percentage of the new projects are similarly located in the more advanced of the developing countries, most of which no longer have active AID programs. For example, the March 31, 1977, IESC status statement indicated that more than 50 percent of the new projects accepted are found in eight relatively advanced countries -- Brazil, Colombia, Peru, Venezuela, Iran, Turkey, Korea, and Taiwan.

We do not challenge the desirability of an IESC effort in some of the more advanced countries of the developing world. As suggested above, the nature of

the IESC program may be such that it is most successful in generating a positive developmental impact in the context of a more advanced developing economy. We see no mechanism or decisionmaking process, however, that addresses the question of when a program ought to be started in one country or discontinued in another. In fact, our field investigation has suggested that some projects could have been undertaken by groups other than IESC. Certainly, as the development process continues, the ability of firms to locate other sources of technical assistance that are not subsidized is enhanced. Some process should be devised to determine when IESC should begin or discontinue a country program.

We do question, however, the appropriateness of IESC programs in wealthy countries such as Saudi Arabia, Kuwait, Venezuela, and Iran. IESC's own Three Year Program Review states that one of the criteria governing country selection is that "the country needs development assistance beyond that which it is able to obtain through normal commercial channels." The financial situation of these countries obviates the need for a subsidized source of technical and managerial assistance. In addition, even if all projects within these countries were to require full cost contributions (which they do not at present), such assistance would be deemed inappropriate, since this assistance could be obtained through normal commercial channels.

## Programming

An IESC rule of thumb is that each country director should generate about 20-30 projects annually. Of course, some variation is allowed in consideration of various unique in-country circumstances. For example, an IESC staff of prestigious, highly competent locals -- such as now exists in Turkey -- suggests a country project capacity considerably larger than the worldwide country average.

IESC program levels vary considerably between one region and another, as tables 1 and 2 show. In view of the fact that the levels of activity vary considerably between years and regions, it may be advisable to consider a reallocation of responsibilities that would combine some of the regions -- that is, it appears difficult to justify all of the regional units that are operating at present.

### Country Programs

Although IESC recently undertook a rather extensive program assessment, which resulted in the Three Year Program Review 1977-79, we find that a number of deficiencies in programming still exist. In general it is the opinion of RRNA that the country programs tend to lack direction. Although IESC is making an effort to improve its ability to assist small business, the country programs do not reflect this concern. Also, for example, although attention was paid to the composition of the country program by

Table 1. Regional Project Activity  
(as of March 31, 1977)

Region	New projects accepted	Projects started	Projects completed
South America	75	56	17
Central America	30	19	18
Europe/Mideast	26	20	16
Africa	20	7	3
East Asia	50	22	22

Source: IESC "Status of All Projects" summary.

Table 2. Regional Project Completions

Region	1972 project completions	1976 project completions
South America	182	154
Central America	115	79
Europe/Mideast	106	93
Africa	16	32
East Asia	133	116
Total	552	474

Source: IESC, "Completions by Annual Volume of Organization," 1972 and 1976.

industrial sector, the Review contains no estimates of the projected number of IESC projects either for the global program or by country. <sup>1/</sup>

It should be noted that it is not entirely clear that every country program requires a well-defined sectoral composition. For example, in a largely laissez faire economy such as that of Singapore, where the direction of development is to a large extent determined independent of governmental direction, a widely diverse program, lacking a central sectoral focus, may well be desirable. Even there, however, an effective mix of private and public projects, as well as concern for secondary impacts, requires careful program direction. By contrast, in an economy such as that of Korea, where the private sector operates within the framework of economic planning and governmental priorities, it might be best to attempt to integrate the priorities of an IESC program with those of the government.

In all cases the country director should be acutely aware of the direction in which social and economic development is proceeding in his country, whether that direction is being taken by government fiat or otherwise. He should formulate his program

---

1. For budget-planning purposes a level of project activity is assumed, both globally and by country as will be seen in the following chapter. In the Review document, however, which purports to set direction and give thrust to the IESC effort, no reference is made to the volume of projects or to any other measures of program activity levels.

in the context of that development, seeking out critical project opportunities wherever he can. IESC is a very thin operation in terms of total fiscal resources and must always strive for leverage in its country programming.

It is our judgment that the programming effort of IESC can and should be improved. This need not require any additional staff. Rather, it would simply reflect an articulation of a program decision-making process that is taking place now, with additional consideration being given to the relation of the country program to the economy. The process we envision would look something like this: At about the middle of the year, IESC headquarters would advise the country directors of the number of projects that were envisioned for the following year for each country, giving them some idea of the overall dimensions and structure of the program -- the number of small-business projects to be included, for example -- and some direction as to the portion of the entire expenses that local contributions were expected to generate. The country director would then prepare an assessment of the overall operational environment in his country, reflecting his understanding of government development policies, broad political factors affecting activities in the private sector, and the likely thrust of other international donor agencies. On the basis of his analysis of these broad developmental parameters, the director would make a projection of IESC projects by industrial sector. In addition, separate small-business goals would be developed. Input into this procedure would come from the country steering committee

as well as from the resident staff of international organizations, the American Embassy, officials of the host government, and official documents. A document incorporating both the inputs from these sources and the country director's view of the country program of IESC would be prepared and forwarded to New York. This document would incorporate the original New York overall dimensions or a review of these with the justification of any changes. New York and the director would continue their exchange until the final country program was acceptable to all concerned. The documented country program would then serve both as a program guide and as a set of goals against which to evaluate the performance of the country director. Obviously, there will be events which will make some elements of the country program inapplicable and result in revisions in other elements of the program. As they occur they should be noted. For example, if during the year of program implementation the government should undertake a new program that emphasizes a particular sector, the director may feel it appropriate to refocus the country program to make it consistent with the new governmental emphasis. The new emphasis would simply be noted in a memorandum with its implication for the country program spelled out. Approval by a regional vice-president would probably be required for redirection of a program.

Besides providing guidelines for a country director, the country program would also assist in smooth transfer of the work to a new director by providing him with a clear articulation of program goals.

Public Sector Activity vs.  
Private Sector Activity

IESC activities have historically been focused primarily on the private sector, though projects are also undertaken for governmental and not-for-profit clients. Table 3 indicates that about 3.5 percent of the projects of IESC since its inception have been in the governmental sector.

The degree of involvement in nonprivate sectors, especially the governmental sector, appears to vary considerably from country to country. It was noted that a large fraction of the projects in Africa were within the governmental sector. The reason given was that the private sector is poorly developed and thus offers severely limited opportunities for projects. This view is reflected in Exhibit VII of the Three Year Program Review, which projects that almost 50 percent of the proposed African projects for 1977 will be within the governmental sector. Although this plan appears not to have materialized in the form envisioned, it is illustrative of the posture of IESC toward the governmental sector in African countries. The incidence of governmental projects appears to be far less in the other regions than in Africa. Of the more than 50 projects outside Africa examined by RRNA, only a few were directed to the governmental sector, and some of these were directed toward the publicly owned companies rather than toward ministries. It was noted that the program in Turkey has had some public-sector projects in the past; there have been none recently, however.

Table 3. International Executive Service Corps  
Projects by Sector  
(Percent)

Sector	1972	1976	1965-75
Agriculture and food processing	14.4	14.8	16.1
Machinery, metal, and electrical equipment and transport equipment	16.4	14.5	11.2
Construction, real estate development, and building materials	10.5	12.2	11.2
Textiles and apparel manufacturing	9.1	8.8	11.0
Communications, transportation services, and utilities	9.6	8.3	8.3
Wholesale and retail merchandising	6.5	4.1	6.4
Chemicals, pharmaceuticals, cosmetics, and petroleum products	6.3	7.3	5.8
Mining, refining, and base metal manufacturing	5.6	6.7	5.8
Banking and finance and insurance	6.2	6.8	5.7
Paper, paper products, printing, and publishing	5.9	5.0	5.2
Health, education, and insurance	3.6	2.1	3.7
Government administration	2.0	3.4	3.5
Miscellaneous industries and services	3.9	6.0	6.1
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Sources: IESC and AID documents.

Some activity was also noted in the not-for-profit sector. One project evaluated in Central America was for a charitable organization. Also, one current project in Liberia and another proposed project were also not-for-profit organizations. In terms over the overall IESC program, however, the activity in this sector is limited.

#### A Note on Programming Quality

It is not possible to judge "good" programming a priori. The IESC Policies and Procedures Manual states, and quite wisely, that "it is difficult to say that any specific type of product or group of products is patently a more desirable candidate for assistance than others." Nevertheless, it may fairly be said that an element of careful program formulation is the effort to include projects which contain some element of social value in addition to the commercial considerations which are necessarily involved in private-sector project identification. All projects, if they are successful, will return more to the client than he contributed toward the cost of the volunteer's services. In the absence of this anticipated conclusion no rational entrepreneur would use IESC. Similarly, since all successful projects will, in the absence of extraordinary and most improbable circumstances, yield some measure of secondary impact beyond the parochial interests of the commercial client. From these two facts it follows that all successful projects -- and most IESC projects are successful -- will have both primary and secondary impacts.

For this reason a country director should seek to give a further dimension to his program, especially in the private sector, by considering the direct role of the prospective client in the development process in the country. To this end, the country director might well ask: Is this firm (or industry) performing a socially useful function? Does it make a direct contribution to national development, over and above its impact on employment, income generation, taxes, and the like? Does it make things or do things that really help people? Is it endowed with anything approximating a "social conscience" which might make it a more worthy firm or industry than others? These questions, which are difficult to pose in the abstract, would be directed at identifying firms or industries which, because of the nature of the good or service which they produce, offer an opportunity to IESC to serve the development aspirations of the host country directly as well as indirectly.

No absolute criteria are suitable under all circumstances. However, it may be possible to cite a few examples of choices which, on the face of it, would seem rational under most conditions. An industry facing a price-elastic demand curve would seem to be preferable to one facing a price-inelastic situation, as it will be in the financial interest of the former to expand production in response to increased efficiency. A labor-intensive industry is probably (though not certainly) preferable to a capital-intensive industry, as benefits will be

shared by more people; a widely held company is probably a better choice than a closely held one, for the same reason. In the textile industry, it would seem preferable to provide assistance to a firm which manufactures hospital linen than one which makes blue jeans. Assistance is probably more wisely given to a pharmaceutical manufacturer than to a brewery; for of truck and bus bodies than to an assembler of luxury automobiles; to a printer of textbooks than to a printer of comic books; and so it goes.

These are simplistic examples, and even here the choices are not perfectly clear but would have to be made on the basis of the facts of each case, not of some exogenously imposed dictum. The point is, country directors should be sensitive to the social values of the projects they select. Because each country director is limited in the number of projects he can identify, he must be selective. While exercising selectivity he should bear in mind the concept of the social benefits which will flow, directly as well as indirectly, from the projects he supports. IESC documents state this case with sufficient clarity, yet we see the need for a better translation of the concept in the field.

### Project Selection

The selection of projects is largely the responsibility of the country director. In general

the process appears to be one of of seizing opportunities as they occur. The opportunities are largely dependent upon the history of the program within a particular country, however, and the promotional work of the incumbent director. In a country in which IESC is developing a new program or in which earlier programs were sporadic, the country director can make the decision as to the sectors of the economy toward which he should direct his promotional efforts. For example, in one country visited by RRNA, recent projects had come almost exclusively from the public sector. Because the overall program had been proceeding poorly, however, the new country director made a decision to focus most of his promotional efforts on the private sector to create a mix of public and private-sector projects. The director was not refusing acceptable projects from any sector, but, with the concurrence of the New York office, was concentrating his promotional efforts in the private sector. Thus, the influx of private-sector projects is gradually changing the character of that program.

In countries with established programs it appears that the program and its direction have developed a momentum of their own. Thus, a new country director inherits a steering committee and an assortment of projects, clients and contacts. It is likely that the nature and direction of the program will remain unchanged in the absence of substantial efforts on the part of the new director to generate new contacts and a new sector emphasis for the projects.

The Three Year Program Review states that the New York headquarters is principally responsible for

the screening of projects received from the field. There was little evidence in the field of a substantive screening function, however. Some broad directives are issued from New York indicating overall IESC priorities, such as small business, but program formulation and configuration seem generally to be the responsibility of the country director.

### Client Selection

Directives as to the nature of client selection are given by New York. The Three Year Program Review 1977-1979 provides the following guidance as to the selection of clients. These are:

1. The client is important to national development and the project aimed at achieving a lasting improvement which will benefit both the client and the economy.
2. The client requests assistance, is willing to make a monetary contribution governed by its ability to pay and is not able to obtain help at an affordable cost from other sources.
3. The client is cooperative.

4. The client firm is principally owned by host country nationals.

These guidelines appear to be followed, in general, subject to various difficulties which are discussed elsewhere in this report. It will be noted, however, that the guidelines do not provide much real direction in project selection and hence allow a wide latitude for discretion on the part of the country director.

#### Client Characteristics

Very often the IESC client is either one of the larger firms of the country or one that is part of a large industrial group with limited ownership. From a promotional point of view, it is useful to have the larger, more prestigious firms as clients as well as having officers of these firms as members of the IESC Steering Committee. In addition, such contacts provide entree into both the business community and the government. Often, projects undertaken during early stages of the development of the large firm are successful because the larger firm can provide organizational and managerial assistance at a critical point in the growth process. Subsequent projects are also often successful, since the larger firm has a well-defined technical task with which it needs assistance and can provide the executive volunteer with the support required for a successful project. However, such a relationship tends to create a situation in which the client returns to IESC for additional assistance both within the context of a single

firm or for additional firms within its industrial group. Accordingly, IESC should be mindful of its client mix and should guard against excessive project concentration among the industrial and commercial elite.

In Table 4 the sizes of IESC client firms in 1972 are compared with the sizes of those in 1976. For firms for which sales volume is provided, another change is found in the incidence of large clients. Projects with clients with sales volumes of more than \$15 million made up 22.5 percent of the total projects for clients with known sales in 1976, compared with only 11.9 percent of that subset of clients in 1972. Of total projects, with both recorded and unrecorded sales volumes, firms with sales of more than \$15 million made up 17.5 percent of the total in 1976, compared to 8.2 percent in 1972. By either measure the data suggest a tendency on the part of IESC to devote more of its resources to projects with larger clients.

One cannot deny that assistance to large firms is likely to have substantial positive impact upon the economy and also upon low-income groups in the form of additional employment. On the other hand, substantial benefits are accruing to the ownership of the firm, and the owners are not among the lower-income groups within the society. In many cases which we examined in the field, the client was judged to have been able to purchase these services elsewhere, without reducing the overall benefits to the economy. On balance, there is good reason to support the advisability of limiting the number of projects that a firm, or other financial unit, may utilize.

Table 4. International Executive Service Corps:  
Clients by Annual Sales Volume

Sales of client firms (millions of dollars)	1972			1976		
	Number <sup>a</sup>	Percent of classi- fied	Percent of total	Number <sup>a</sup>	Percent of classi- fied	Percent of total
0.5 or less	151	29.5	20.5	170	25.1	19.5
0.5-1.0	55	10.8	7.4	48	10.0	7.8
1.0-3.0	85	16.6	11.5	94	19.6	15.3
3.0-5.0	81	15.9	10.9	40	8.4	6.5
5.0-7.0	25	4.9	3.4	24	5.0	3.9
7.0-9.0	29	5.7	3.9	15	3.1	2.4
9.0-11.0	17	3.3	2.3	12	2.5	2.0
11.0-15.0	7	1.4	0.9	18	3.8	2.9
More than 15.0	61	11.9	8.2	108	22.5	17.5
Subtotal	521	100.0		479	100.0	77.8
Not available	56		7.5	32		5.2
Not applicable	175		23.5	105		17.0
Total	742		100.0	616		100.0

a. Number of clients for which IESC accepted projects during the year.

Source: Data provided by IESC.

Client Contributions

The stated policy of IESC is to require contributions from a client that are based upon the client's "ability to pay." The criterion usually cited for making this determination is the client's volume of sales. The country directors have access to client-contribution guidelines, issued by the New York headquarters, which relate the desired contribution to various characteristics of the firm such as volume of sales, whether the client is private or government, whether the firm has had more than four previous IESC projects, and so on. In four of the seven countries in which RRNA undertook field work, however, this policy appeared to be largely inoperative. The reasons varied. In Liberia the IESC program has had a checkered past, but under the present director the program is developing quite successfully. Given the fact that the Liberian program was in its early stages and that Liberia is quite poor, a policy of simply covering direct volunteer costs was deemed appropriate. The de facto operational rule in Liberia appears to be just that: to require a contribution equal to the costs associated with the volunteer's travel and per diem regardless of who the client may be. The exception appears to be an occasional small-client project from which the required contribution is even less than the volunteer's direct costs.

In Turkey, which is more advanced than most developing countries, the required client contribution appears to be an initial \$5,000 for travel and the first

month's per diem, with a subsequent monthly contribution of slightly less than \$2,000 to cover per diem expenses. Contributions of about this magnitude are required of all but the "small firm" clients. The reason given for not requiring larger contributions from wealthy clients is the Turkish law which would eliminate the tax-free status of IESC for larger contributions. Apparently, the clients also would be subject to a higher tax.

Operations in Guatemala and Honduras do not have unique features such as the initiation of a new program or tax complexities. Examination by RRNA of seven recent projects in Guatemala, however, revealed little variation in client contributions. The standard contribution was \$4,000 the first month and \$2,000 each month thereafter. Of the seven firms contacted, two did not contribute this amount. These were a nonprofit charitable organization whose contribution was considerably smaller and a large client (sales volume more than \$20 million) whose contribution was \$5,000 for the single month of the project rather than the standard \$4,000. The other five clients in Guatemala with sales volumes between \$2.0 million and \$7.0 million made identical initial and monthly contributions. One of these clients was a government-owned railroad.

The experience in Honduras is quite similar to that discussed above. Of the six projects reviewed in the field, two were clearly of the small-client, low-contribution type. However, three clients whose

sales volume ranged from \$1.8 million to \$40.0 million for a publicly owned company, all made similar contributions of the equivalent of about \$3,500 for the initial contribution and \$1,500 for each subsequent month. The sixth project, one of only three weeks' duration, resulted in a contribution equivalent to about \$3,500 a month, prorated over three weeks.

In Malaysia and Singapore, contributions generally covered more than the direct costs associated with the volunteer, thus making some return to overhead costs. However, there seemed to be little attempt made to recover full costs from even the largest clients, some of whom, on the basis of sales, assets, and profitability, were obviously able to pay fully for the IESC services received.

The evaluation findings in these countries suggest that the effective contributions policy as applied in the field is to establish a contribution, presumably based upon the travel and per diem expenses of the volunteer with an occasional small recovery of overhead, which is somehow regarded as "normal." Deviations from this norm generally occur for small-client projects deemed "worthy." However, in four of the countries studied -- Liberia, Turkey, Guatemala, and Honduras -- we observed only one example of a client being charged more than that apparent norm, and the increment was a rather modest one of \$1,000. Only rarely were differences observed in the contribution required from government-owned industrial enterprises or projects within government ministries.

The validity of this general observation would appear to be borne out by an examination of the relation of client contributions to volunteer direct expenses on a global basis. Such a comparison may be made from data presented in table 5. The figures reveal that in 1976 client contributions totaled \$3,171,000 while direct volunteer costs amounted to \$3,193,000. Those two sums are so nearly matched -- they are within 1 percent of each other -- as to persuade us that clients' contributions are more closely related to volunteer costs than to clients' ability to pay.

#### The "Ability to Pay" Policy

The "ability to pay" policy and its application are important for two reasons. First, the ability to IESC to undertake additional projects of all types depends upon its ability to spread its external sources of financing over a larger number of projects. Second, IESC is sometimes criticized for subsidizing large, wealthy clients who have the ability to cover total project costs including overhead. To the extent that IESC does not effectively adjust the required contribution to reflect the client's ability to pay, this criticism is well founded.

#### Small Business Clients

As is demonstrated in table 4, IESC has become increasingly removed from small business, despite a stated interest in initiating projects that will more

effectively reach small business. IESC has issued directives to all country directors to increase activities in small business as well as some small-business pilot programs. There is, however, little incentive for the various directors to move strongly toward small business. Since a small-business client is likely to have difficulty making a contribution of normal size to cover even the direct cost of the volunteer executive, these costs must be subsidized either by revenues from other projects within the country or by revenues from other countries. In the case of countries where the contributions typically cover only the expenses of the volunteer, the required additional financing is difficult to generate from in-country contributions and requires additional financing from New York. IESC is also in the process of initiating new types of small-business projects on a pilot basis in an attempt to devise more effective means to address the needs of small firms. In the absence of a fundamentally new approach, however, it appears that some type of further financial assistance or incentive from the New York office will be required if the percentage of clients in small business is to increase.

#### American Business Image

Part of the evaluation of individual projects involved an assessment of the impact of the IESC program upon the image of American business and businessmen. Our approach was not quantitative but varied

from asking the client direct questions concerning his view of American business and businessmen to a more impressionistic judgment of the client's perception of American business as reflected in his comments concerning the projects. In all cases where an impression was gained by one of the three RRNA investigators, it was without exception that the IESC program created favorable impressions.

### Conclusion

In terms of the purposes and goals of AID articulated in the PROP, our evaluation of the IESC program suggests that it

- . clearly generates management and technical assistance lacking in less developed countries;
- . increases the contribution of the private sector to GNP, since client firms generally experience an expansion of production;
- . creates a positive image of American business among its clients.

## PROJECT EVALUATION

### Country Experience

To determine the success of a project both from the point of view of the individual firm and in terms of the impact upon the overall economy, RRNA undertook independent field interviews in seven countries in which there are IESC programs. These countries were Liberia, Turkey, Singapore, Malaysia, Indonesia, Guatemala, and Honduras. These countries were chosen to provide a cross-section of IESC countries. The seven are widely distributed geographically. Six have relatively long histories of participation by IESC, while the seventh is a country with a new, small, and struggling program. Also, the level of economic development varied between countries.

The basic RRNA methodology was to view the success of a project at three different levels:

1. Did the executive successfully complete the technical task for which he was recruited. Was the executive qualified for the assignment in terms of his background and experience? Did he address adequately the specific task for which the client had requested his assistance?

2. Did the executive's activities have an impact on the firm? Can we identify a transfer of technology, procedures, skills, and so forth? Were his recommendations implemented, either while he was active in the project or subsequently? Did the project affect the firm's operations, productivity, procedures in a perceptible manner?

3. Have the changes that occurred in the firm as identified above had positive impacts upon the economy? What are these?

In general, the impacts identified at 2 and 3 will either both be present or both will be absent. That is, if the performance of the firm is improved as the result of the project it will have impacts upon the economy in the form of some combination of improved productivity, increased production, increased employment, increased impacts upon other economic sectors via linkages, and the like. The magnitude of these impacts that is attributable to the IFSC project is not estimated, however the direction of the impacts is traced. Since the work of Solow and Dennison has established that technology is a major causal factor accounting for economic growth, however, the successful transfer of technology can be viewed as prima facie evidence of a positive economic impact.<sup>1/</sup>

---

1. E. F. Dennison, Why Growth Rates Differ (Washington, D.C.: The Brookings Institution, 1967); Robert Solow, "Technical Change and the Aggregate Production Function," Review of Economics and Stability 39:312-20 (1957).

The projects chosen for evaluation were largely projects completed within the past year. This provided a period during which the client could reflect upon the performance of the executive and allowed time for the firm to undertake many of the executive's recommendations should the firm be so inclined. The projects were chosen from country project lists by RRNA personnel before their departure for the various countries. To these lists were added additional projects at the discretion of the evaluator while in the country. Some of these added projects represented "special cases."

On the basis of an investigation of approximately 59 projects in the seven countries indicated, it is our judgment that the IESC program is effective in accomplishing the individual project tasks. Our experience in several of the countries visited is sketched briefly below.

#### Turkey

Of the 20 projects reviewed in Turkey, only 1 was clearly a failure. Of the remaining 19, 17 were totally successful in completing the assignment designated by the client (level 1). Of these 17, 2 were of limited success with respect to follow-on (level 2). One received no follow-on because of the client's decision, based upon external considerations, not to proceed further in that field, while the other project received partial follow-on in the form of a request to the government to provide the firm with a

license to under take a new type of business in Turkey. The impact of the project upon the economy can be felt only when and if the government has approved the project, however.

In the two projects that were less than totally successful, the executive completed major elements of the task outlined by the client but accomplished something less than what the client had hoped for. Both projects resulted in changes in the operation of the firm, and in one case these changes were substantial. In both cases the clients volunteered the opinion that the major share of the blame for the fact that the project was less than completely successful rested within the firm.

The discernible impact of the successful projects on the economy varies. Commonly, the initial impact was to improve the efficiency of the firm. This improved efficiency rarely resulted in a reduction in employment, however, since it allowed for an improved competitive position which resulted in increased production and increased employment within the firm and produced secondary impacts upon supplying firms.

Insight into this process was provided by investigating client projects completed several years ago in addition to the more recently completed projects. A generalization to be drawn from this longer-term experience is that the initial impact of many IESC projects is improvement in either the efficiency or the quality of one of the operations or products of the firm. The initial manifestation of this impact

is largely in lower costs and/or higher profits which enhance the firm's competitive position. Its competitive position improved, the firm expands production, thereby increasing employment, and so forth. The expansion generates stimulatory impacts upon other sectors of the economy -- most directly upon those sectors that supply production inputs for the firm in question.

#### Guatemala and Honduras

Thirteen projects were reviewed, seven in Guatemala, and six in Honduras. Of the total, one failed to satisfy the needs of the client; one was considered by the client to have been of marginal or modest assistance; two were said to have been satisfactory but not outstanding; and the remaining nine projects were described by the clients in the most laudatory terms.

The four clients who were unsatisfied or only partially satisfied included two public agencies, a foundation that served poor farmers, and a bank. The nine clients expressing complete satisfaction with their projects were all private producers. In each case, these nine clients took pains to emphasize the outstanding quality of the advice they had received, the dedication of the volunteers, and the broad range of assistance given them, covering technical and productive areas far beyond what they expected of the volunteer.

The failure was a result of the misreading by IESC/NY of the objectives of the project as described in the agreement with the client or of the qualifications of the volunteer. The volunteer was highly qualified in his own area of specialty and was well liked by the client for his personal characteristics but he was not able to help the client in the specific problem areas described in the agreement.

In the project that was considered to have been only marginally successful, the client felt that the volunteer's total contribution was the confirmation of a decision which the client had already made. The client blamed this on the short term of the project -- one month -- and the need of the volunteer to spend almost the entire period simply learning about the institution and its problem. He also mentioned the inability of the volunteer to speak Spanish as a barrier that kept him from communicating with his counterparts.

Of the two projects considered by the clients to have been satisfactory but not outstanding, in both cases the inability to speak Spanish was mentioned as an impediment, as was the failure to fully understand the milieu.

In each of these four cases, the clients spoke highly of the general ability of the volunteers. There is evidence that the failure or only partial success of these projects was a result of deficiencies in the clients' organizations, among other things.

What the nine totally successful projects had in common was that they were undertaken for profit-making private businesses seeking the solution of problems that directly affected their profitability. The clients were highly motivated to give the volunteers their full support and to get the most from their short period of assistance. It was apparent that the presidents or general managers of these companies who were interviewed felt a common bond with these retired executives and placed a high value on their willingness to help them without fees for their services.

Singapore, Malaysia, and  
Indonesia

Eighteen projects in these three countries were examined. With few exceptions, we found that the Completed Project Summary for each project was generally correct in its assessment of the project performance as viewed by the client and by IESC. Private clients were, for the most part, careful in identifying precisely the kind of expertise needed from the volunteers, and IESC displayed remarkable skill in recruiting the "right" men for the jobs. In only one instance was there a serious problem in matching the volunteer to the task, and all parties to the project -- the client, the recruitment officer, and the country director -- seem to share responsibility for that failure.

The needs of clients were usually found to stem from a desire to increase sales, to improve organizational efficiency, to create profitable new enterprises, and to solve specific technical problems. In

most cases, the fulfillment of the needs of clients resulted primarily in improved efficiency of the enterprise and concomitant improvement in profits. It is possible in some cases to trace (at least conceptually, if not quantitatively) these benefits through the stream of economic activities to increased employment, increased government tax revenue, and similar broad benefits. These effects were not usually at the heart of the project, however. Government projects were found to have had a somewhat more direct social impact than private projects, and we deem them to have been no less worthy in respect to the need to improve managerial and administrative skills.

In general, we found that direct project success was determined in large measure by the ability of the client (and the CD) to perceive and document his need accurately and by the ability of the MESC recruiter to select the right person to meet that need. The broad economic impact of a project was much more difficult to assess and quite impossible to quantify. It occurs, of course, in both private and public projects, but to varying and indeterminate degrees.

#### Factors Necessary for Project Success

On the basis of the findings in the project evaluation by RRNA, we feel that a number of conditions must be present to ensure the success of a

project. Principal among them are the recruitment of an executive with the appropriate skills and background and the predisposition of the client to attempt to derive the maximum benefit from the efforts of the executive. To achieve these optimal conditions, the following conditions must be satisfied:

1. Problem identification. To provide the recruiter with a clear idea of the type of executive required, a precise yet comprehensive description of the nature of the client's problem and the type of assistance expected from the executive is absolutely essential. Often it is useful to identify by make and machine number the equipment with which the executive is expected to be familiar. In general, this process appears to require inputs from both the client and the CD.

2. Recruitment. Upon receiving a description of the nature of the project and the type of executive capabilities required, the IESC recruiter, using the file of some 9,000 volunteers and contacts and recommendations from U.S. industry, attempts to locate and recruit an executive whose background and training match the requirements of the assignment. Once a candidate with what appear to be appropriate qualifications has been identified and an expression of interest on the part of the candidate has been received, a résumé is forwarded to the client for his consideration.

3. Client assistance. The client plays a critical role in the success of a project at several points. As noted above, the client's description of the problem and the type of assistance required are indispensable to the recruitment process. Another critical point is reached when the client assesses the appropriateness of the qualifications of the executive recruited and recommended. The field investigation of RRNA revealed several cases in which the suitability of the nominated volunteer to the client's task was questioned by the client.<sup>1/</sup> In some instances the executive was initially rejected by the client but subsequently accepted; in others new nominations were made.

In addition to having a major function in the successful recruitment of the volunteer, the client must be prepared to provide the executive with the type of assistance that he must have if he is to complete the assignment successfully. This assistance may include such things as access to company data, an interpreter if language is a problem, and office space. Certainly it includes providing the executive with a clear notion of the client's problem and what is expected of the executive as well as access to and discussion with relevant company officials.

---

1. It will be noted that in the current Policies and Procedures Manual, p. 9.01.01, IES<sup>2</sup> articulates a revised policy in which the approval of the client is not required. Field investigations by RRNA suggest that lack of appropriate qualifications is more common than is stated in the manual, and we would recommend maximum involvement of the client in the selection of a volunteer.

4. Volunteer performance. The executives are by and large hard-working and cooperative and their involvement in a successful project almost always appears to result in creating a more positive attitude toward American business and businessmen.

Common Problems  
Encountered in Projects

As noted above, the most critical single factor in determining the success of a project is the selection and recruitment of an executive with the correct qualifications. The IESC capabilities in this operation are quite impressive. The organization has the ability to recruit an executive quickly, often one specialized in a rather narrow managerial or technical area. In general, the documentation prepared by the client and the country director concerning the nature of the assignment and the qualifications required on the part of the executive appears to be quite adequate. Although the IESC Policies and Procedures Manual states that "failure through lack of qualification . . . has been almost negligible" and the record of IESC projects is a highly successful one overall, 5 projects were identified among the 59 covered in our field investigations where the qualifications of the executives were seen in retrospect to have been clearly inappropriate to the projects. In three of these the executives chosen initially were replaced and the projects were subsequently completed successfully. In the other two the executives were not replaced, and

the projects were terminated unsuccessfully. Difficulties that were observed arose when either the documentation was imprecise or otherwise deficient or when the qualifications of an executive recruited were deficient in some respect, despite an accurate documentation of the requirements. In the 5 projects investigated by RRNA in which difficulties arose, there was usually advance warning in that either the client or the recruiter or both were aware of deficiencies in the qualifications of the executive and yet these were overlooked. In some cases IESC appears to have persuaded the client to accept the volunteer. In other cases the client accepted the volunteer despite reservations concerning his qualifications. Occasionally, the qualifications listed in the résumé appeared to be compatible with the assignment but difficulties arose because the executive lacked skills in some areas and that fact was not adequately reflected in the résumé. This situation appeared to be the exception rather than the rule, however.

Although selection of the executive is the single most important element in the success of a project, other difficulties do arise. Many of these difficulties appear to be caused by the lack of proper assistance and involvement on the part of the client. In general clients do attempt to provide the executives with as much assistance and support as they require. The reason is probably that despite the fact that the executive is a volunteer, his presence still represents a substantial expenditure on the part of the firm. Also, the executive is typically involved in dealing with an important problem faced by the firm.

Thus the expenses of the executive and the urgency of the problem typically result in a high degree of cooperation and involvement on the part of the officials of the client firm. Projects with high involvement on the part of the client are almost always successful if the executive possesses the appropriate skills.

In a minority of projects, however, the interest of the client is small and the requisite cooperation and involvement on his part may be lacking. This appears to happen more often in projects involving the government, perhaps because the decision to request the assistance of a volunteer was made for political or bureaucratic reasons or because it was made by a minister with only a superficial involvement in the project. A similar situation was often noted in the private sector when the decision to request the services of the executive was made by someone other than the manager directly responsible for the project. Often the manager appeared to feel threatened by the need for outside assistance. In some cases the client acknowledged that he had not provided the executive with the support required for effective accomplishment of the desired tasks. In these cases the client usually pleaded that the press or other unexpected problems prevented his becoming involved in the project to the proper degree.

Difficulties concerning the executives themselves, unrelated to competence, are relatively few and tend to involve personality conflicts between the executive and the country director or the client or his

employees. Occasionally, health problems involving the executive, his wife, or a relative living in the United States arise. Personal problems that affect performance on the project adversely appear to be rare.

### IESC Internal Evaluation Procedures

IESC has two principal internal evaluation procedures: the "Completed Project Summary," and the "Post Project Review." The principal function of the Summary is to provide a brief factual account of the individual project, such as the location of the client, the home of the volunteer, the date and duration of the project, a statement of the nature of the assistance requested, and so forth. In addition, the Summary provides a brief evaluation of the results of the project consisting of elements of statements by the volunteer, the client, the country director, and the regional vice-president. The Summary is drawn up almost immediately upon completion of the project by a member of the IESC clerical staff in New York, who relies entirely upon information available in the project files. A copy of each Summary is forwarded to AID and appears to be the principal means of keeping AID apprised of IESC's project activities.

As a factual summary of details of completed projects the Completed Project Summary is an adequate instrument. As an evaluative instrument, however, it

is superficial and simplistic. . . . assessment in the field by RRNA of the accuracy of the evaluative portion of the Summary, moreover, indicated that the evaluation tends to be uncritical and unduly optimistic. Several projects that RRNA viewed as failures or at best as partial successes had been evaluated in the Summary as unqualified successes. In addition, the Summary does not generally note the fact that an executive has been replaced, and it thus suggests a higher success rate in recruitment than actually occurs.

The commonly stated IESC success rate of 96 percent with 2 percent partial failures appears to reflect the Summary evaluation and is therefore overoptimistic. Likewise, the statement that "the incidence of failure through lack of qualifications has been almost negligible" again appears to reflect the overoptimistic findings of the Summary.<sup>1/</sup>

The second evaluation tool of IESC is the "Post Project Review." This is a procedure that annually selects at random about 11 percent of the completed projects and evaluates these projects about 2 years after their completion. The evaluation consists of a revisit by the country director to the client, of whom he asks a variety of questions designed to determine the success of the project after sufficient time has passed to allow the client both to act upon the suggestions made by the volunteer and to reflect upon the volunteer's usefulness. In addition, the volunteer is interviewed by telephone.

---

1. Policies and Procedures Manual, p. 9.01.01.

While the review evaluations tend also to be somewhat impressionistic, the additional time that has elapsed since the completion of the project makes possible a determination of the extent to which the suggestions of the volunteer were carried out and a judgment of their relative success. The Review identifies projects that are less than totally successful and investigates and classifies the sources of the difficulties.

A summary of 256 recent Post Project Review evaluations is given below. The aggregates include all projects found to be less than completely successful, whether the fault was attributed to the volunteer, the client, or uncontrollable economic or political conditions. The percentages of less than successful correspond in order of magnitude to those observed by RRNA in our field investigations.

	<u>Number of projects evaluated</u>	<u>Number less than wholly successful</u>	<u>Percent less than wholly successful</u>
6th Review (January 1975)	117	28	24
7th Review (January 1976)	61	10	16
8th Review (January 1977)	78	12	15

Neither the Summary nor the Review evaluations seriously attempt to assess the impacts of the project beyond those directly on the client. In our judgment, however, this more limited evaluation is

appropriate, given the empirical and conceptual difficulties associated with identifying and measuring "secondary" impacts.

On the balance, we view the Post Project Review evaluation as a useful, objective, and accurate evaluation tool adequate to the requirements of IESC. The Summary evaluation, however, is of limited value and may be counterproductive in that it presents an unjustifiably optimistic view of the success of IESC which might create institutional complacency.

## EVALUATION OF COST EFFECTIVENESS

The scope of work of this evaluation study asks directly whether the overall IESC purpose is "being accomplished at [an] appropriate rate and an acceptable cost." The question of "acceptability" is not easily established, and the acceptability of one project or one program cannot be established in a vacuum. Rather, it must be studied in relation to other programs so that, at the margin, various programs can be compared one to the other. For this reason our assessment has been focused on the apparent cost "reasonableness" of IESC in terms of the level of its global activities.

It is characteristic of all AID General Support Grants that the contribution of AID is commingled with the grantee's other sources of funding. Accordingly, no specific project accounting is required, and accountability is limited to the overall cost reasonableness of the program. In the AID General Support Grant to IESC there is a specific proscription against using AID funds for any domestic operations.<sup>1/</sup> Our assessment of IESC costs was conducted in accordance with these grant precepts and was concentrated on the broad

---

1. It may appear that this proscription is in direct conflict with the client-contribution practices noted earlier whereby the client typically is assessed a fee which approximates the direct costs of the volunteer. In fact, while client contributions may be related to volunteer costs, the commingling of funds enables IESC to use such contributions in place of AID grant funds for field expenditures. This substitution in no way violates the AID proscription, though the manner in which the client's contribution is negotiated may tend to mislead the client into thinking that his funds, not those of AID, are used to support the volunteer.

elements of direct project and overhead costs. (This evaluation is not an audit.) Specifically, total and unit costs (that is, costs per project and per man-month) have been examined, and a serious attempt has been made in our examinations of both field and New York operations to assess the cost effectiveness of the overall program.<sup>1/</sup>

On the basis of these analyses, plus an examination of the audited financial records of IESC, it is our judgment that the overall global operation is being carried out at a generally appropriate level of cost. The "profile" of the country director in the countries visited was in no case extravagant; in some the cases the field operations were found to be positively austere. The New York operations were judged to be reasonably efficient, though there appear to be opportunities for greater economies at that location. Policies regarding the per diems, travel allowances, and other perquisites for volunteer executives and for country directors appear to be reasonable in principle and seemed to be followed in practice. In short, while the IESC image is of the American corporate executive in an overseas environment, that image appears to be projected at an appropriate cost level.

---

i. It should also be pointed out that, despite the prescription noted in the AID grant to IESC, the cost aspects of the New York operation are not irrelevant to an assessment of overall cost effectiveness. Given the existing source composition of total funds, a reduction in New York costs would enable a larger share of the contributions of clients to be applied to field operations, thereby increasing that portion of the program and increasing the impact of IESC as well.

The Broad Financial Picture

IESC revenues and expenses for 1965 (the first full year of operation) and for the period 1971-76 are presented in table 5. That table also shows the total number and average duration of IESC projects begun during each of the subject years, as well as the total executive volunteer man-months of effort expended in the execution of projects. The salient trends in the overall volume of IESC operations become clear from examination of the total revenues, which increased from less than \$1 million in 1965 to \$9.0 million in 1975, while the number of projects started increased from 42 in 1965 to 743 in 1974 before falling to 650 in 1975 and down to 451 in 1976. The total unit (per project) costs increased only modestly during the several years up to and including 1975, though 1976 costs represented a 27 percent increase over the previous year (in current dollars<sup>1/</sup>).

Several aspects of the financial data presented in Table 5 bear comment and will be examined in turn. First, this is a high-cost program. With total costs (that is, fully allocated direct costs plus overhead) of nearly \$7,000 per man-month in 1976, an IESC volunteer's time costs about the same as that of a commercial consultant. In an independent study of professional consulting fees in 1975 it was found that for long-term overseas assignments the man-month rate averaged between \$4,000 and \$5,500.<sup>2/</sup> RRNA's

---

1. Because IESC operates in many countries at present, each experiencing its own unique rate of inflation, it is not possible to deflate overall IESC program costs with any degree of precision, and no attempt has been made to do so.

2. ACME Survey of Professional Consulting Fee Arrangements, (New York: Association of Consulting Management Engineers, 1975).

Table 5. International Executive Service Corps:  
Financial Highlights, 1965<sup>a/</sup>, 1971-76

Item	1965	1971	1972	1973	1974	1975	1976 <sup>b/</sup>
<u>Total revenues and expenses</u>							
Thousands of dollars							
<u>Revenues</u>							
Grants from AID	690	3,355	3,350	3,875	4,715	4,800	4,000
Revenues from project clients	124	2,261	2,219	2,707	3,516	3,544	3,171
Contributions from U.S. private sponsors	163	351	334	520	392	394	346
Contributions from foreign sources	--	--	--	--	--	217	117
Other	--	44	41	92	84	60	88
<u>Total revenues</u>	<u>977</u>	<u>6,011</u>	<u>5,944</u>	<u>7,194</u>	<u>8,707</u>	<u>9,015</u>	<u>7,722</u>
<u>Expenses</u>							
<u>Project expenses</u>							
Executive volunteers	n.a.	2,881	2,750	3,186	4,399	4,340	3,197
Country directors	n.a.	1,364	1,422	1,342	2,274	2,003	2,116
Total project expenses	337	4,245	4,172	5,028	6,673	6,343	5,309
Nonproject expenses	547	1,766	1,726	1,964	2,329	2,229	2,238
<u>Total expenses</u>	<u>884</u>	<u>6,011</u>	<u>5,898</u>	<u>6,992</u>	<u>9,002</u>	<u>8,572</u>	<u>7,547</u>
Transfers of contributions to the working capital fund	--	--	--	--	--	300	--
Balance (excess of revenues over expenses)	93	--	46	202	(295)	143	175
<u>Percentage composition of revenues and expenses</u>							
Percent							
<u>Revenues</u>							
Grants from AID	70.6	55.8	56.4	53.9	54.2	53.2	51.8
Revenues from project clients	12.7	37.6	37.3	37.6	40.4	39.3	41.1
Contributions from U.S. private sponsors	16.7	5.9	5.6	7.2	4.5	4.4	4.5
Contributions from foreign sources	--	--	--	--	--	2.4	1.5
Other	--	0.7	0.7	1.3	0.9	0.7	1.1
<u>Total revenues</u>	<u>100.0</u>						
<u>Expenses</u>							
<u>Project expenses</u>							
Executive volunteers	n.a.	47.9	46.6	45.6	48.9	50.6	42.3
Country directors	n.a.	22.7	24.1	26.3	25.2	23.4	28.0
Total project expenses	38.1	70.6	70.7	71.9	74.1	74.0	70.3
Nonproject expenses	61.9	29.4	29.3	28.1	25.9	26.0	29.7
<u>Total expenses</u>	<u>100.0</u>						

Continued--

Table 5 (continued)

Item	1965	1971	1972	1973	1974	1975	1976 <sub>b/</sub>
<u>Project data</u>							
Total project starts (number)	42	598	548	613	743	650	451
Total man-months (number)	98	1,409	1,268	1,372	1,661	1,546	1,084
Average project duration (months)	2.3	2.4	2.3	2.2	2.2	2.4	2.4
<u>Unit Revenues and Expenses</u>							
	Dollars						
<u>Revenue per project</u>							
from clients	2,952	3,781	4,049	4,416	4,732	5,452	7,031
from all other sources	20,310	6,271	6,797	7,720	6,987	8,417	10,091
<u>Total revenue</u>	23,262	10,052	10,846	11,736	11,719	13,869	17,122
<u>Expenses per project</u>							
Project expenses:							
Executive volunteers	n.a.	4,818	5,018	5,197	5,921	6,677	7,080
Country directors	n.a.	2,281	2,595	3,395	3,069	3,081	4,692
Total project expenses	8,024	7,099	7,613	8,292	8,981	9,758	11,772
Nonproject expenses	13,024	2,953	3,150	3,204	3,135	3,429	4,962
<u>Total expenses</u>	21,048	10,052	10,763	11,496	12,116	13,187	16,734
<u>Revenue per man-month</u>							
from project clients	1,265	1,605	1,750	1,973	2,117	2,292	2,925
from all other sources	8,704	2,661	2,938	3,770	3,125	3,539	9,198
<u>Total revenue</u>	9,969	4,266	4,688	5,743	5,242	5,831	7,123
<u>Expenses per man-month</u>							
Project expenses							
Executive volunteers	n.a.	2,045	2,100	2,111	2,748	2,887	2,946
Country directors	n.a.	968	1,121	1,543	1,369	1,296	1,952
Total project expenses	3,439	3,013	3,220	3,655	4,017	4,103	4,898
Nonproject expenses	5,582	1,253	1,221	1,553	1,520	1,442	2,064
<u>Total expenses</u>	9,021	4,266	4,441	5,208	5,537	5,545	6,962

n.a. = Not available.

a. First full year of IESC operation.

b. Financial data are unaudited.

current experience is that full costs, including direct costs, overhead and fee, per diem and local travel, and logistical costs, but excluding international travel, are running at \$6,000 to \$7,000 per man-month for senior professional economists on international assignments. Thus IESC, despite its characterization as a "volunteer" agency, is experiencing costs which are very much in line with those of commercial firms.

A significant element in the IESC schedule of costs is the international travel expense of the volunteer and his wife. This fact is dramatically portrayed in an examination of the monthly unit costs, which decline sharply if the transportation component is spread over two or more months. Monthly costs for a representative country, Malaysia, are shown in table 6 and are presented graphically in figure 1. They illustrate the savings which are effected as the duration of the project increases: the cost per month of a two-month project is less than 60 percent of the cost per month of a one-month project; extending the project to a third month reduces the cost per month by an additional \$1,433.00 to a total of \$4,667.

This sharply declining unit-cost curve brings into focus the IESC policy regarding the duration of projects. The policy statement,<sup>1/</sup> in fact, has a certain amount of flexibility incorporated into it, but field application appears to be fairly rigid: of the 59 projects we analyzed in the 7 countries visited, we observed no projects running more than 4 months. This is reflected in the overall IESC

---

1. See IESC, Policies and Procedures Manual for Country Directors, p. 9.07.03.

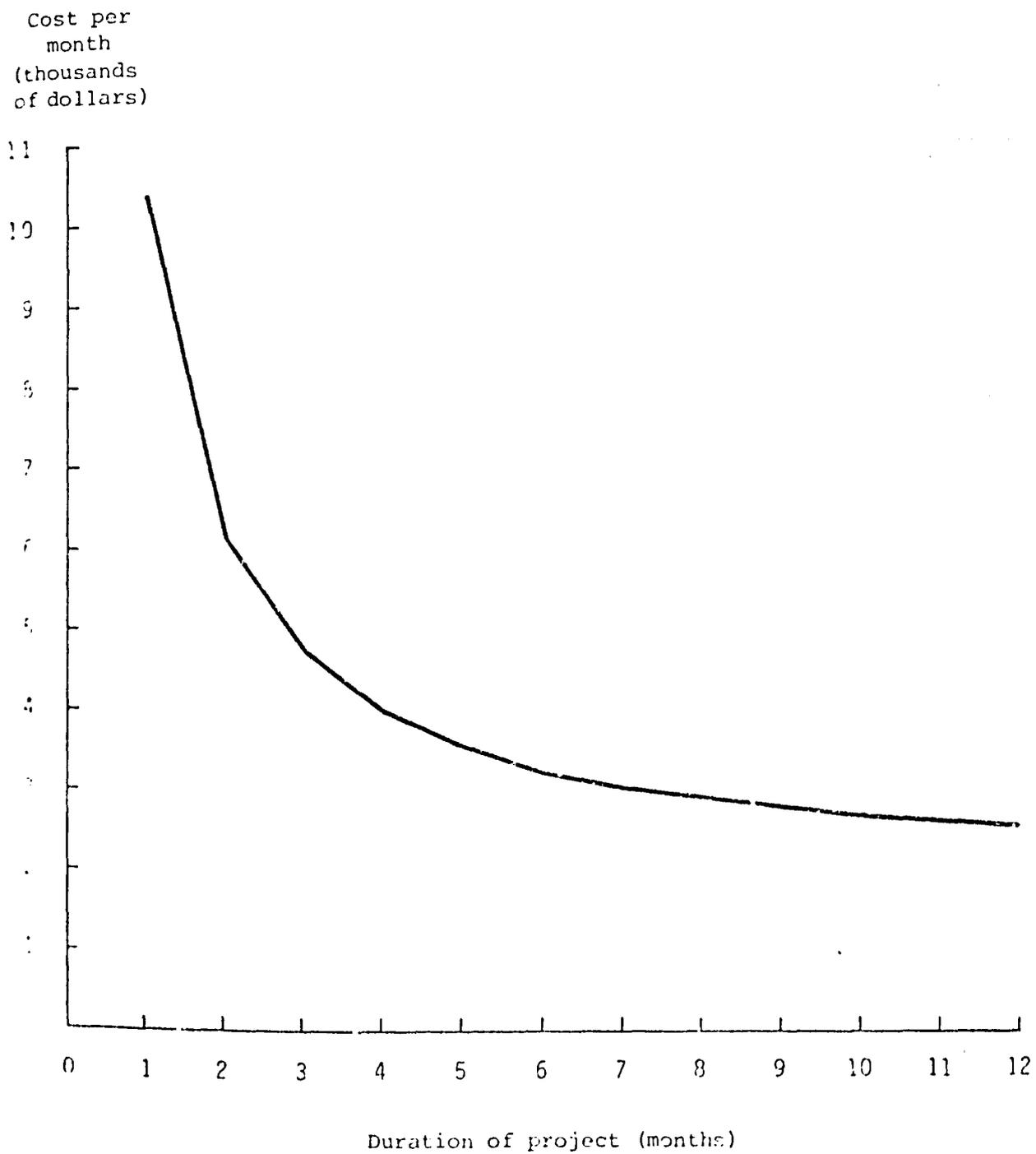
Table 6. International Executive Service Corps  
 Project Cost Breakdown  
 Malaysia, 1976  
 (U.S. dollars)

Item	Initial month	Each succeeding month
Air fares	3,100	--
Excess baggage, stopovers, etc.	650	--
Per diem	<u>1,800</u>	<u>1,800</u>
Subtotal	5,550	1,800
Country overhead <sup>a/</sup>	1,350	--
New York office overhead <sup>b/</sup>	<u>3,500</u>	<u>--</u>
Total	10,400	1,800

a. Assumes 24 project starts in Malaysia.

b. Assumes 650 project starts throughout the world.

Figure 1. International Executive Service Corps:  
Total Unit (per Project) Costs per Month, Malaysia, 1976<sup>a/</sup>



<sup>a/</sup> Includes total direct costs, country overhead, and New York overhead.  
Based on data from table 6.

mean project duration, which has ranged only narrowly between 2.2 and 2.4 months over the past 6 years (see table 5).

Two basic reasons are advanced in support of this policy, one conceptual, one pragmatic. Philosophically, IESC believes that a longer duration tends to place excessive dependence and reliance by the client on the volunteer; he becomes a fixture, "a crutch instead of a cane." Practically, IESC feels it would have (or has had) difficulty in recruiting suitably qualified volunteers for projects of a duration longer than 4 months.

Both these reasons appear sound, and perhaps they should constitute a general operating rule. It would seem, however, that there should be more flexibility in the application of such a rule. Accordingly, when projects which are deemed clearly suitable for consideration by IESC require a duration in excess of 4 months -- or even 6 months -- a serious attempt should be made to staff them. That is, prospective projects should not be rejected out of hand simply because requested duration is more than 4 months. During the course of our evaluation several projects of long duration (possibly 12 or even 18 months) were discussed with clients. One of these, a request for managerial assistance to a group of large palm oil mills in Malaysia, appeared to offer clear justification for a project of at least 12 months. The project need was well established, the client was well placed to carry out the project, IESC experience, and the project was a high priority private venture with public support. The project was also a processing market for a large number of small farmers.

dependent on palm oil production) which fits squarely into IESC's sectoral priorities, yet present policy with respect to project duration prevents IESC from undertaking the project.

This limitation of project duration was a source of frequent comment from clients and others in the field. To be sure, some of this may be discounted on the "operational crutch" theory, but some seems to go beyond that and to be substantive. It is our recommendation that this policy be applied more flexibly. IESC should not be deterred from responding to the need of deserving prospective clients simply because of the duration constraint.

A second notable feature of the broad cost picture is the relation of fixed or overhead costs to total expenses on an annual basis. This point is related to the first and emphasizes the need to maintain the global program level at some viable minimum. It also highlights the sharp rise in unit costs which occurs when the level falls below that minimum figure. Discussions with IESC officials in New York and in the field, and with AID personnel, indicate that recent and current funding levels were estimated in anticipation of an overall program level of 650 project starts per year. Indeed, in the 5-year period 1971-75 starts averaged 630 per year, reasonably close to that target. Under those circumstances, total costs per project increased only moderately, from \$10,052 to \$13,187, reflecting general inflationary pressures both in the United States and abroad. The decline from 1974 to 1975 in the number of project starts was, to an extent, offset by an increase in the average project duration. As a result, total project expenses on a per month basis rose only slightly, from

\$5,419 to \$5,545. No such compensation in project duration was experienced in 1976, however, and a much sharper decline took place in project starts. Accordingly, total project costs increased by 27 percent on a per project basis (\$16,734 versus \$13,187) or 26 percent on a monthly basis (\$6,962 versus \$5,545).

It may be noted that such sharp increases in cost are not immediately translated into operational terms insofar as client charges are concerned. Project costs, prepared for the purpose of establishing client contributions, are determined in relation to IESC prospective costs, which in turn are based on the assumption of a target number of projects in each country and throughout the world. Failure of all anticipated projects to materialize becomes relevant only in assessing performance after the fact. Nevertheless, in an evaluation of the IESC cost effectiveness it becomes clear that, with a high fixed overhead (around 52 percent of total expenses for the period 1971-75), it is absolutely essential that program levels be maintained. In 1976, when the number of project starts fell by just over 30 percent, volunteer direct costs declined commensurately, though both field and New York overhead costs actually rose. As a result, total overhead as a percentage of total IESC costs in that year jumped to 57.7 percent. This must be regarded as an unacceptable level, and necessary steps should be taken to correct it.

It is necessary to look behind the numbers themselves and assess the causes of the falloff in projects in 1976. It appears that that decline was partly the result of the worldwide economic recession and, in some particular countries, of unique problems which had a bearing on the IESC programs (such as the large devaluation of the Mexican peso

and increased political instability and entrepreneurial uncertainty in Thailand). It may also be attributable in part to the increasing emphasis of IESC on recovery of costs from overseas clients. As noted earlier, the IESC policy concerning contribution by the client has always been flexible, leaving the country director with considerable discretion in negotiating what he regards as "fair" terms, on the basis of his assessment of the desirability of the project and the client's ability to pay. In mid 1975, however, increased emphasis was placed on contribution by the client. The present policy states that a client "must make a meaningful contribution toward the total cost of the IESC program." The enforcement of that policy can be seen from table 5, where client contribution per project increased from \$4,732 in 1974 to \$5,452 in 1975 and on up to \$7,031 in 1976.

The extent to which this increase has been a causal factor in the reduction in the number of project starts in those last two years is impossible to determine with precision, and our field inquiries did not provide a great deal of empirical evidence on the subject. The question of costs to the client and responsiveness to price increase was consistently pursued in virtually all field interviews. The central tendency in the responses of clients was that costs were generally not so high as to place IESC services in a marginal position in relation to "competitive" sources.<sup>1/</sup> It is obvious, however, that the broad spectrum of potential private clients, being entrepreneurs, must be price-responsive in their business behavior. Accordingly, it is likely that the responses of potential clients to these

---

1. "Competitive" was broadly construed by the clients as embracing IESC-like services provided by the British, Canadian, German, and Japanese governments, as well as commercially available services in accounting and management consulting.

questions would be different from those of actual clients. Indeed, the real consequence of the devaluation of the peso was an increase in costs to the clients, resulting (according to IESC's own analysis) in a sharp reduction in projects in Mexico. Our conclusion on this point is that the increased emphasis by IESC on greater contributions from clients has been a significant factor in the decline in the number of project starts.

Government clients, while they appeared not to perceive the competitive cost situation as acutely as did private clients, were found to be generally more rigid in their negotiating posture than clients in the private sector. In several cases, governments have established ceilings on the payments to expatriate advisers, and those ceilings apply to IESC. This is definitely the case in Malaysia and seems to be true in Turkey as well. It is doubtless the case in other countries also.

#### Composition of Revenues

IESC has always relied most heavily on the support of AID for its operations. In fiscal 1964, during the period of its organization, IESC was totally dependent on funds from AID, and during the fiscal years 1965-69, AID provided nearly 62 percent of total IESC revenues.<sup>1/</sup> In recent years that source of funds has represented a slightly declining share of total revenues. As may be noted from table 7, AID grants contributed less than 52 percent of total IESC revenues in 1975.

---

1. AID Non-Capital Project Paper, November 1, 1969.

Table 7. International Executive Service Corps  
 Application of AID and Other Funds to Cover  
 Overseas Expenses, 1971-76  
 (Thousands of U.S. dollars)

Year	AID funds	Other funds	Total overseas expenses
1971	3,355	890	4,245
1972	3,350	822	4,172
1973	3,875	1,153	5,028
1974	4,715	1,958	6,673
1975	4,800	1,543	6,343
1976	4,000	1,309	5,309

Source: Table 5.

The decline in AID's share of the total funding of IESC has been matched almost exactly by an increase in the contributions from the overseas clients of IESC. For the past 3 years these have represented around 40 percent of total revenues.

U.S. corporate contributions, which were an important source of funds in the early years of IESC's operations, have not provided a significant share of its funds during the past several years, and at present they account for only around 4 1/2 percent of total revenues. This is both surprising and unfortunate, in view of the fact that a primary goal of the entire IESC operation is to improve the image of American business overseas. As noted earlier, our survey of IESC activities in the field revealed that this goal is in fact being achieved and that the image of U.S. business is being improved through the efforts of the volunteers. Thus, American corporate enterprise is a prime beneficiary of the IESC program, and it would appear appropriate for it to support IESC to a greater extent than it does at present.

A final source of funds is the contributions which come from corporate interests overseas. These do not represent a large share of total revenues, but they are significant in relation to the resources available from the still narrow corporate base which exists in most developing countries, and they reflect the favorable response of clients (and other donors) to the IESC contribution. This is a far more impressive sum than that subscribed by U.S. business interests.

### Application of Revenues

As noted earlier, there is a proscription in the AID General Support Grant to IESC against using AID funds to support any domestic costs of the IESC operation. This means that all AID funds must be applied to overseas activities. To the extent that there is a shortfall in AID monies to cover the operating expenses of volunteers and the country directors, supplemental sources (client contributions or donations from business in the United States and overseas) are applied. In fact there has been a shortfall in each recent year, ranging from \$822,000 to \$1,958,000. This situation is shown in table 7.

Because all funds are commingled, however, and because the IESC program is a program in that the various pieces are interrelated, it makes little sense to look only at a single part of the entire IESC activity. Accordingly, AID cannot be indifferent to the contributions from other sources. At present AID is contributing roughly half of the total costs of IESC and about three fourths of its overseas expenses. If contribution from other sources could be increased, the AID contribution could be reduced without restricting the size of the program; or, more desirably, at a constant level of funding by AID the size of the program could be expanded. As previously shown, fixed costs (that is, overhead) are high. As a result, any increase in total funding should be reflected in an increased level of project activity.

### Overseas Cost Effectiveness

Two cost-related aspects of the field activities of IESC emerged prominently from our evaluation. One of these

has to do with the contributions of clients, the other with the activities of the country directors and their staffs. Since an increase in the contributions of clients could serve as a means for expanding the entire program, while increased efficiency in the operations of country directors would reduce unit costs, both these matters were examined with some care.

#### Contributions of Clients

On the average, clients contribute around 40 percent of a project's fully allocated cost. As noted earlier, IESC provides country directors with a set of guidelines for client contributions. These guidelines in effect relate the client's income to his presumed ability to pay. In addition to the client-contribution guidelines, there is an expectation that the country director will identify and send to New York for approval a certain minimum number of viable projects each year -- a quota, in effect. Our observations in the field lead us to conclude that these dual constraints on the country director tend to create a bias away from an optimal project mix. The country director is admonished to fulfill his quota of projects on the one hand and, on the other, to have each project contribute as much as possible toward total costs. His quite natural tendency under these conditions is to go to the largest and financially strongest corporate institutions in his country and to negotiate with them projects which cover only a portion of total costs. This phenomenon was observed in a number of cases in which the client could have (and would willingly have) paid more than he was in fact charged for the services of the IESC volunteer. There is little evidence in the project files that New York systematically or critically examines each

project to satisfy itself that the client's actual contribution bears a proper relation to the client's ability to pay. Rather, the practice seems to be to accept the country director's explanation at face value and to approve the project as recommended.

Incidentally, in a number of projects the Project Agreement declines to reveal the client firm's sales, noting that they are "confidential." This was a particularly interesting comment in one project which was examined with some care. In that case the IESC had previously provided a financial analyst to the same client firm. That expert had in fact prepared financial statements for the firm, copies of which were in the IESC country director's files (and presumably in the New York file as well). Nevertheless, the project was submitted to New York, without revealing the firm's sales, together with a request for a contribution from the client amounting to only a fraction of full costs, although the client's sales were well in excess of \$10,000,000 annually. The project was swiftly approved.

For these reasons, we question the desirability of having project-by-project contribution requirements at all. Instead, it might be preferable to provide the country director with one overall country program guideline, thereby allowing him to set his own priorities as to target clients and individual contributions. The performance of a country director would then be assessed by New York on the basis of his establishing and implementing priorities which comport with the overall goals of IESC and are also harmonious with the development goals and plans (as established by the host government and, possibly, other donor agencies such as the

World Bank, UNDP, AID, and the Asian Development Bank) in the subject country. The one guideline for the country director would be a kind of "bottom line" constraint, that he generate a minimum number of projects (say twenty-five) and that he obtain total contributions from the clients sufficient to cover not less than a certain percentage (say 50 percent) of his total, fully allocated costs during the year. This would vastly increase the country director's programming flexibility, would permit him to develop and employ a set of priorities which accurately reflect the situation in his particular country, and would place a burden of only a total contribution on his activities. It would place a somewhat heavier burden on New York in performance evaluation, for each country director's annual activities would have to be examined against a somewhat more complex set of criteria, instead of the narrow financial constraints which are presumably applied at the present time. We would urge IFSC management to give consideration to this principle. Its application might result in a greater recovery of costs and would probably lead to an improved project mix in any given country.

It must be emphasized, however, that whether the client-contribution guidelines are provided on a project-by-project basis or otherwise, the country director must exercise careful discrimination in assessing clients, striving always to obtain the maximum contribution which the client is willing to pay. This fee should be assessed not strictly on the basis of client sales, but on whatever other data, insight, or perception the country director may have with respect to the ability of the client to pay.

On a related point, IESC stresses its claim that it does not compete with private consultants "whether they do oper-

ating independently or under contract to a U.S. government agency."<sup>1/</sup> Yet, in the absence of a careful client-selection process in the field, the possibility of such competition is very real. To be perfectly consistent with its stated policy on this point IESC should reject all clients who, in the judgment of the country director, are able and willing to procure commercially available services; to accept them is to compete with private consultants. Further, to accept such clients at less than full cost recovery is to undercut such competition. The risk of such an event can be avoided by a skillful screening of all prospective clients by the country director.

#### Country Directors' Operations

It was noted earlier in this chapter that the activities of country directors were observed to be generally reasonable in cost, though no detailed cost study was conducted. Typically, a country director's office is conveniently located and of modest size. Typical staff includes two secretaries and one driver. In some of the countries visited, but not in all, the country director has a professional assistant who develops projects and acts as an interpreter when such services are required. The country director spends considerable time identifying viable projects, negotiating with clients, maintaining a visible "presence," and discussing professional and logistical problems with volunteers. The wives of the country directors are also heavily involved in activities with the wives of the volunteers. In situations in which a country director

---

1. IESC, Policies and Procedures Manual, p. 9.07.03.

must cover a large country (as in Indonesia) or several countries (as in Singapore, Malaysia, and -- at least temporarily -- Thailand) considerable time is (or should be) spent traveling. All things considered, the job of a country director is a demanding one.

Despite apparent efficiency, the operations of a country director, taken as a whole, are costly. In 1976 there was an average cost per office of around \$70,000. One way to reduce these expenses would be to rely more heavily on country representatives, local-hire employees who could develop projects and operate the entire in-country program, enabling the present country directors to assume a regional responsibility, with several countries under their purview. To a degree this is being done now in Malaysia and Thailand: The projects in those countries are being managed by one country director who resides in Singapore. That particular situation is not satisfactory, as the travel required of the country director is excessively demanding. The problem, however, stems from the fact that Malaysia and Thailand do not have the kind of professional resident representative which would be required for an efficient operation. If this regionalization could be more widely used (as, for example, in Central America, where distances are short and travel requirements would not be excessive) it might result in a more efficient use of the American expatriate's time without placing an excessive burden on him. By extension, a greater reliance on a country-representative system might bring about a reduction in the work load in New York by reducing the number of country directors with whom each regional vice-president must deal.

## CONCLUSIONS

The work order pertaining to this evaluation posed a number of specific questions regarding the IESC operation and stated that the evaluation report should respond to those questions. The questions were well framed and evocative in nature, and the evaluation team was mindful of them during the course of the study. Accordingly, a conscious attempt has been made in the body of the report to respond to the questions in substance, if not directly. It may therefore be helpful in conclusion to restate those questions and to provide concise answers to them.

1. Is the overall purpose, stated in the original project paper, being accomplished at [an] appropriate rate and an acceptable cost?

Answer: The stated IESC purpose is to improve the management and production of primarily private enterprises by an amount in excess of the cost of such improvement. This purpose is at present being achieved at a generally reasonable cost. The rate of achievement, as measured by the number of projects undertaken each year, was not appropriate in 1976. At present cost levels 650 project starts should be regarded as a minimum acceptable number. (In 1976 only 451 projects were begun, a decrease of nearly 40 percent from the 743 projects started in 1974.) Rates below 650 should be accompanied by appropriate structural and organizational changes to reduce overhead costs in New York and in the field. A country director should be expected to handle 30 to 35 projects a year if he covers one country.

This produces an average work load of around 7 projects at any one time per director, which should not be excessive. In cases in which a country director deals with two or more countries, the "satellite" countries should be staffed with country representatives who can develop 20 or so projects each year.

2. Are the stated purposes of individual IESC projects being accomplished?

Answer: With few exceptions, the purposes of individual projects are successfully achieved. In the large majority of cases the client, often with assistance and guidance from the country director, prepares an accurate description of his problem and correctly identifies the particular skill or combination of skills required for its solution. The IESC displays a quite extraordinary recruiting capability and in the large majority of cases is able swiftly to turn up the "right" volunteer for the job. Matching the volunteer to the real task is the heart of project success, and IESC has a good record in this regard.

3. Are these individual projects having a developmental impact beyond their immediate purpose (that is, employment creation, income distribution)?

Answer: To the extent that projects are successful, they virtually all have some kind of development impact, though in most cases the impact is not quantified.

Most frequently, a successful project initially contributes to improved efficiency of the enterprise (that is, lower unit costs and improved productivity). Eventually, these may lead to expanded sales with a corresponding increase in

employment. Even in cases where this does not happen, increased profits are often employed in other enterprises, contributing to the generation of employment and income. Conceptually, the only instances in which a successful project will not have some spillover effect are those in which increased profits are either hoarded or transferred abroad. In fact, neither of these situations seems likely, and it may be concluded that some development impact accompanies a successfully completed project.

The distributive effects of such an impact are more obscure. Many projects are carried out with large, prosperous, closely held family enterprises, where the developmental impact, while positive, may be small. Projects with cooperatives and broadly held concerns, especially those facing a price-elastic demand curve in a labor-intensive industry, would appear to offer the greatest opportunities for the broadest distribution of both primary and secondary benefits generated from successfully completed projects.

The extent of the impact is not possible to measure in most cases, because it usually is not possible to isolate the contribution of the volunteer from the other independent variables which are at play in determining the fortunes of an enterprise. Particularly in instances where the client is an individual businessman, his own entrepreneurship and business acumen must surely be a factor in determining the behavior of his firm.

4. Are IEBC projects defined and documented with sufficient explicitness to permit conclusions to be drawn concerning 1-3 above?

Answer: Each project result is documented in a Completed Project Summary form. Many projects--around 11 percent--receive a more careful examination 2 years following their completion, in the form of a Post Project Review.

Both these documents are potentially useful for project assessment, though in time both tend to become stereotyped unless they themselves are subjected to occasional careful scrutiny. Our overall judgment is that the technique employed in the Post Project Review is adequate for assessing the direct impact of a project. It is not designed to assess secondary benefits. The Completed Project Summary is a generally deficient document in analytical terms. It may serve some public relations purposes, but should be overhauled if it is to become an effective evaluating tool.

In addition, it should prove helpful both to AID and to IESC to have an outside evaluation of the overall operation. Because IESC operates with a good deal of autonomy, especially in its day-to-day activities, there may be a tendency to become insular in assessing project performance or even program direction. Accordingly, an occasional assessment of global activities, preferably by a person or agency with no interest in the outcome of that assessment, is a healthy undertaking.

5. What are the causative factors which generally affect the success and/or failure of IESC projects and in what way do these factors operate?

Answer: The key to the success of an individual project is the matching of the volunteer to the task he is to undertake. There are several linkages in this process.

First, there is the determination that the task as specified (by the client) is the true task and that it accurately describes a substantive management or technical problem (as distinct from representing simply a manifestation of a problem). This is the responsibility of the country director. There is also the matching of that task to a set of personal qualifications and the finding of the person who has those qualifications. This is the role of the recruiting staff in New York. Finally, there is the actual execution of the task by the volunteer. On balance, it is the interaction of these linkages which will determine the goodness of the "fit" between the task as it is originally perceived by the client and the success with which that task is executed.

In addition to these project-specific linkages, a number of exogenous elements are at play, including attitudes of the host government and the general investment climate. Generally, however, these factors will have a more important bearing on the development and configuration of the country program than on the success of an individual project.

6. Do the individual projects aggregate to a coherent program in a given country or functional sector? Should they? Is there consonance between the overall institutional objectives of IESC and its individual project activities? Are both these levels sufficiently explicit to permit an evaluative judgment in this area?

Answer: Country programming is uneven. Projects make up whole programs in some countries but not in others. To some extent this diversity is due to differences between the

sense of programming of one country director and that of another. It is also attributable to differences in the extent of central planning or developmental thrust which may exist in the various countries in which IESC has programs.

The global IESC operation is very small in terms of total resources, and it must continually seek out opportunities where its contribution can have maximum leverage. Other things being equal, a rational program is preferable to a random collection of projects, especially since the latter will tend to come from a relatively narrow segment of the developing country's economy. That segment consists of the largest and most prosperous private industrial and commercial concerns. It is the easiest segment for a country director to solicit projects from, but it is also the segment best able to procure such services without support from IESC. In the absence of a country plan and thrust, there is thus a tendency for the IESC effort to become dissipated and obscured in the amorphous private sector which exists in many developing nations.

In general there is adequate consonance between the overall objectives and the individual project activities of IESC. Recently articulated interest by IESC in government and other not-for-profit projects has not completely worked its way through the formulation of programs and the composition of projects, but there is reason to believe that these two tiers of activity will generally agree. The Three Year Program Review provides a sound programming base, and no overall redesign is warranted at this time.

## ANNEX A

### AID Work Order (Excerpt)

#### Objective

The objective of this work order is to evaluate the performance effectiveness and development impact of the IESC. Second, to identify the internal and external factors on IESC projects which contribute to the success or failure of volunteer assignments. Third, to determine whether or not an overall project redesign is warranted at this time.

#### Scope of Work

In accomplishment of the above the contractor shall:

(i) Within two (2) weeks following receipt of the work order, submit to AID/W, PHA/PVC, a proposed evaluation study design for the comprehensive evaluation of IESC. The design will include a statement of:

(a) The original PROP logical framework

(b) Proposed work plan for executing an evaluation. The study design will be reviewed with IESC prior to submission to AID for approval including the modus operandi and noting any points of disagreement in design.

(ii) Within five (5) working days of receipt of the evaluation study design, AID/W will forward a written acceptance to the contractor who will then proceed with the evaluation advisory services which include:

(a) An assessment of the progress toward achieving the purposes of the original PROP with consideration of Government and/or IESC policy changes. This assessment will include impact, such as increased profit and production, employment creation, reduction of costs, increase of quality and social impact.

(b) Examine, reconfirm and if appropriate, develop optional redesign plans for the IESC program designs for consideration by AID and IESC. These will include identifying any new actions deemed appropriate at this time for either AID or IESC.

(c) Prepare a final report after completion of domestic and international travel to include the conclusions by the contractor regarding (a) and (b) above. Also include recommendations for a redesigned PROP if necessary, updating for consideration by AID and IESC. Differing views between the contractor and IESC will be noted.

ANNEX B  
PERSONNEL CONTACTED

SINGAPORE

Mr. John C. Chandler  
Director of Operation  
IESC

Mr. E. E. Kahlenberg  
Chairman  
Selco (Singapore) Pte. Ltd.

Mr. Arthur Ang  
Head, Safety Council  
National Iron & Steel Mills, Ltd.

Mr. Lin Boon Khoo  
Safety Officer  
National Iron & Steel Mills Ltd,

Mr. Jopie H. K. Ong  
Managing Director  
Metro Holdings Ltd.

Mr. Charles S. Ahlgren  
Commercial Attache  
American Embassy

Mr. Morris Piper  
Assistant Senior Investigator  
Planning Division  
Registry of Vehicles

Mr. Philip Gon  
Assistant Traffic Coordinator  
Registry of Vehicle

Mr. Kwek Leng Beng  
Managing Director  
Hong Leong Finance Ltd.

Mr. Yeo Seng Teck  
Director  
Singapore Economic  
Development Board

Mr. Zainal Abidin  
 Managing Director  
 P. T. Abdi (P.T. Tunggal)

Mr. Moch. Wachju  
 Head, Division for Productivity Information  
 National Productivity Center  
 Department of Manpower, Trans-  
 migration and Cooperatives

Mr. H. S. Moerdini  
 Director  
 P.T. Industri Marmer Indonesia Tulungagung

Dr. Sonni Dwi Harsond  
 Assistant Director  
 P.T. Industri Marmer Indonesia Tulungagung

Mr. Ah. Moerjanto Moordani  
 Production and Technical Director  
 P.T. Industri Marmer Indonesia Tulungagung

#### LIBERIA

Mr. Henry Winogron  
 Country Director  
 IESC

Mr. James H. Ashida  
 Counselor for Embassy for  
 Economic and Commercial Affairs  
 American Embassy, Monrovia

Mr. Jacob Foystad  
 UNDO Project Manager  
 Liberian Development Corporation

Ms. Wilmette Dennis  
 Acting Head  
 Liberian Tourist Office

Mr. Marvin Dole  
 General Manager  
 Liberian Tractor & Equipment Company  
 Monrovia

Mr. Charles A. Green (member IESC steering committee)  
 Governor  
 Liberian Central Bank

Mr. Hillary Dennis (member IESC steering committee)  
President  
Denco Shipping Ling  
Monrovia, Liberia

Mrs. Sherman, Owner/Manager  
Leigh-Sherman Secretarial School  
Monrovia, Liberia

Mr. Edward Marten  
IESC Executive  
Monrovia, Liberia

TURKEY

Mr. Wiley Reynolds  
Country Director, IESC  
Istanbul, Turkey

General Sefik Akay  
IESC Representative  
Izmir, Turkey

Admiral Fahir Karazel  
IESC Representative  
Istanbul, Turkey

Mr. Aydin Kaymak, Owner/Chairman  
Suras Su Urimleri A/S  
Izmir, Turkey

Mr. Sabahattin Beyer, Manager  
Beser Balatasilik A.S.  
Izmir, Turkey

Mr. Engin Bercy, Manager  
Maktos TAS  
Izmir, Turkey

Mr. Eihan Ciner, Project Manager  
Tekfen Construction Company  
Istanbul, Turkey

Mr. Necati Drikan, Asst. General Manager  
Turk Demir Dokum Fabrikalari A.S.  
Istanbul, Turkey

Mr. Kemal Ayyum, President  
UFI  
Istanbul, Turkey

Mr. Jak Borki, President  
Kadife ve Pelos Fakrikasi A.S.  
Istanbul, Turkey

Mr. Melik R. Sarter, President (member IESC  
steering committee)  
Atalar Department Store  
Istanbul, Turkey

Mr. Uzeyir Carih, President (member  
IESC steering committee)  
Alarko E. Sanayi ve Tic. A.S.  
Istanbul, Turkey

Mr. Muri Bay, Technical Manager  
Eczacibasi, S.A.  
Istanbul, Turkey

Mr. Surem Mazlumyan  
Melek Sekerhane  
Istanbul, Turkey

MALAYSIA

Datuk Tan Seng Teck  
 General Manager  
 United Malaysian Banking Corp. Bhd.

Mr. Mohd Hrahim Mohd. Zain  
 Manager & Arthur  
 International Sdn. Bhd.

Mr. Dawson S. Wilson  
 Counsellor for Economic and  
 Commercial Affairs  
 American Embassy

Mr. David K. C. Chew  
 Director  
 Jeluntong Holdings Sdn. Bhd.

Mr. R. M. Alias  
 Director General  
 Federal Land Development Authority

Mr. Thomas Wong  
 Managing Director  
 Associated Plastics Industries Bhd.

INDONESIA

Mr. Djajadi Wongso  
 General Manager  
 Keramika Indonesia Associasi, P.T.

Mr. Pandji Wisahasana  
 President  
 Pioneer Plastics, Co., Ltd., P.T.

Mr. Louis H. Kuhn  
 Assistant Development Officer  
 Voluntary & Humanitarian Programs  
 U.S. Agency for International Development

Mr. Albert C. Nowak  
 Director of Operations  
 IESC

Mr. Henry Bardach  
 Counsellor for Economic & Commercial Affairs  
 American Embassy

GUATEMALA

Mr. Arthur Ruston  
Country Director  
IESC  
Guatemala

Lic. Nery Aldana M.  
Manager  
LaPradera, S.A.

Lic. Juan Jose Falla  
Director and General Manager  
Banco del Agro, S.A.

Sr. Jose Francisco Alvarez  
General Manager, Alimentos  
Kern de Guatemala S.A.

Coronel Francisco Ardon Fernandez  
Manager, and  
Ing. Jose F. Gallegos J.  
Advisor to the Manager  
Ferrocarriles de Guatemala (FEGUA)

Mr. Hernan Juan B.  
Manager, and  
Mr. Robert Richard  
Advisor  
Fundacion del Centaro

Mr. Julio R. Herrera  
General Manager and Partner,  
Pantaleon, S.A.

Ing. Adolfo Rios S.  
President  
Industria Madera  
Las Quebradas, S.A. (also in his capacity as  
President, Consejo de Fundaciones Americanas de  
Dessarrollo)

Mr. Julio P. Matheu  
Chairman of the Board of the  
IESC of Guatemala

HONDURAS

Mr. Ed Astle  
Country Director  
IESC  
Honduras

Mr. Mario Garcia  
General Manager and Partner  
Industries Reinadi

Mr. M. Emin Barjum  
General Manager  
Alcoholes de  
Centroamerica S.A. de C.V.

Ing. Ricardo Reyes  
General Manager  
Corporacion Hondurena  
de Desarrollo Forestal  
(COHDEFOR)

Mr. B. Kipps  
General Manager  
La Equitativa  
S.A. de C.V.

Mr. Pedro Schmid  
President  
Tapas de  
Centroamerica S.A.