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AN EXPERIMENT IN VOLUNTARISM

The Case of the Institute for International Development, Inc.

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Prepared for the Office of Private and Voluntary Cooperation
of the United States Agency for International Development

The Development Research Group
Checchi and Company
Washington, D.C.

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PREFACE

In the world of large-scale development programs, sometimes it seems that nothing can overcome the monumental problems of bureaucratic inertia, apathy, and uncertainty which are among the barriers to change. Here is a refreshing report on a small organization which seems to work according to plan.

Our judgments here are qualitative and impressionistic. Where possible they have been buttressed with a few selected statistics, but all-out rigorous study for this project would have required funding far in excess of any reasonable amount for cost-effectiveness. It is also possible to subject any argument to a careful dissection of its assumptions, definitions, structure and logical sensibility. On those grounds we think the paper holds up very well, although some additional caveats might need to be made more explicit in a formal treatment of the implications of this study for general development systems.

Mr. Jones is a banker by background who has served the cause of economic development in projects in Cyprus, Pakistan, Aghanistan, Viet Nam, and the Solomon Islands, as well as work for the U.S. Office of Economic Opportunity. Presently he is off on a new assignment in the Fiji Islands. In experience Mr. Jones is a development professional who is accustomed to strict dependence on the dictates of economic feasibility in sizing up investment opportunities. In background and outlook he shares much with the people who operate the organization which is the subject of this study, and his descriptions of the Institute for International Development may help many readers understand the perspective of those within that organization. That perspective is one of optimism, practicality, self-help, and some explicit attention to some of the traditional concerns of American Protestantism, values and commitments which have characterized other kinds of practical good works which religious groups have fostered over the years. That these are different interests than those often current in development writing does not invalidate them; Mr. Jones finds them most relevant to the success of this development effort.

This study was sponsored by the Office of Private and Voluntary Cooperation of the United States Agency for International Development. We must thank Stephen Bergen of that office for his interest, patience, and goodwill. Alfred Whittaker, Executive Director of IIDI, has reviewed this report in draft with great care and his suggestions have improved this report. We also owe a debt to all of those persons in IIDI, AID, and at the project sites in the Third World, who have given us their time, their thinking, and their candor. We trust that the report will reflect what they have had to say.

Richard Ellis
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I. INTRODUCTION AND SUMMARY

The Institute for International Development, Inc. (IIDDI) is a non-profit organization formed in 1971 to work on problems of poverty and unemployment in poor countries. It seeks to enlist qualified and concerned people in the U.S. and elsewhere to share their skills, experience and resources in this task on a voluntary basis.

IIDI helps establish smaller businesses in developing nations, including joint ventures, by encouraging American businessmen to assist foreign entrepreneurs. The enterprises are chosen according to criteria that stress the provision of benefits to local communities overseas in practical terms, with jobs and training, profit-sharing, and eventual local management and ownership. IIDI does not make investment decisions or operate enterprises, but undertakes a supportive, catalytic role through advice, training, practical studies, and drawing on the knowledge and resources of U.S. businessmen and entrepreneurs.

The small IIDI Board of Directors is made up of professional businessmen who are seeking to encourage the voluntary involvement of Americans along the above lines, in activities that will enable communities overseas to put their own talents and resources to work.

IIDI does not depend directly on a specific constituency for financial support. Funding comes from business, individual contributions, grants from foundations, and the U.S. Government (Agency for International Development). The founders of IIDI reflect the concern of American church groups whose resources both at home and abroad are important to the implementation of the IIDI objectives. Its services are open to all who share its practical aims, and no fees are charged.

IIDI's religious organization ties provide a key resource. Through these associations the organization can find sponsors for projects brought to IIDI's attention by entrepreneurs in developing nations; occasionally, sponsors may appear with no special project in mind, just a general interest in helping out, and then IIDI reverses the system and seeks a suitable overseas effort to make use of the man's interests.

The IIDI staff, based in the Washington area, consists of four men who, through extensive travel, work directly on project development, plus the Executive Director and Founder-Director.

Over the last three years, IIDI has reviewed 660 proposals, from which about one-third were considered having promise for the organization's approach in fostering local business. This screening was accomplished through the application of specific criteria (see Appendix A). More than two-thirds of the proposals originated in developing countries,

and thus represent the ideas and commitment of local businessmen, leaders and communities. This ability to bring together people and projects is the organization's strong suit; it provides a mechanism for people on both sides to "do something" about development. Financial commitments have been made for 30 projects by those responsible for the enterprises; about 100 other proposals are now under consideration.

Projects range in size from very small (less than 10 employees) to those of moderate size (over 100 employees). Major fields covered are manufacturing, food products and processing, and services. The projects are concentrated in about seven geographic regions.

In the Fall of 1974, AID asked Checchi to assist in a review of IIDI's activities. The findings of our review are summarized below; on the whole, they are quite favorable.

IIDI has an unusual and exceedingly interesting approach to its development work. It conceives of itself as a catalyst; it brings together business people from the developing and developed worlds who share the classic goals of the Protestant ethic: entrepreneurial success through hard work, and enthusiastic Christian belief. Building on these bridges, IIDI then plays the role of mediator, assisting both sides in the attempt to create enterprises which will benefit people in LDC's. This brings us to our initial conclusions:

1. *Now in its third year of funding by AID, IIDI has developed an organization and structure which is true to the initial experimental concept of the organization and proves its validity. There is ample evidence that IIDI has effectively served as a catalyst, in bringing the experience and knowhow of Americans and others, as well as technology and financing, to private enterprise in developing countries.*
2. *Two key factors in the success of the organization seem to be (a) the high quality and experience of the in-country, non-paid representatives who assist IIDI in project selection and who help locate project principals; and (b) the dedication and spirit of the American and non-American principals who have contributed their time, effort and funds to the projects.*
3. *The usual measures for an evaluation of an organization of this type are the number of jobs created and the scale of capital investment. And there have been some initial accomplishments of this type. In view of the limited time that IIDI has been operating, however, it would be premature to judge the organization only on these grounds.*

4. IIDI has developed a selection process for its active and underway projects which has resulted (during the first two years of operation) in approximately one out of every ten projects finally reaching an active status. The criteria used are suitable, but consideration should be given in the future to tightening them.
5. The projects reviewed by Checchi (24 in number) were in substantial conformity with the descriptions of those projects provided by IIDI, and the estimations of the benefits that may be derived from these enterprises, as presented by IIDI, are basically correct in range and amount. It should be noted that most projects have not yet reached full maturity.
6. The four Project Managers handling specific areas and countries, because of their experience, dedication and sincerity, are able to work almost autonomously in the LDC's. Without restricting or attempting to regiment the work efforts of these men, consideration should be given to a more uniform approach to project development.
7. The nature and extent of IIDI activity varies considerably from one project to another and, in some cases, ultimate success depends upon the services and activities provided by many different organizations. However, in the 24 projects reviewed by Checchi, it was evident that IIDI has played a major role in bringing these to active status.
8. The activities and services provided to projects by IIDI are diversified and numerous. They break down into 13 basic functions. As one would of course expect, it appears that creating totally new enterprises requires more of the IIDI staff's time and effort than efforts to expand the potential of existing, ongoing projects. The activities carried out by IIDI for the larger projects, during their later stages of implementation, seem somewhat less important, and consideration might be given to dropping these services at an earlier stage than is presently the case.
9. Each of the 24 projects reviewed appeared to be within the scope of activity that IIDI set out to foster, although this was more easily concluded for the smaller projects than for the larger ones. In all cases, the IIDI criteria had been used to establish the basis for the project's selection for active treatment. In the case of the underway projects, specific and measurable expenditures of time and money had been made by investor/sponsors, including training within the United States, visits to the projects in the LDC's, loans, and investments.

10. Substantial evidence was provided concerning the sharing of profits in the projects reviewed. However, only half of the principals we contacted were considering share-ownership in their projects. It should be noted that some of the projects were still in the preliminary stages of development, others were family-owned ventures, and in some cases, the whole concept of share-ownership may be new and unproven within the local economy. In our judgment, the extent of share-ownership need not be a major consideration at this time in assessing IIDI projects from the perspective of AID. The goal of share-ownership is long-range, and IIDI should continue to strive for it in its projects.
11. The project "histories" presented in IIDI's Annual Report and in its reports to AID lack uniformity and do not, in Checchi's judgment, give the reader an adequate picture of the individual projects. However, reviews made using IIDI files disclosed full information concerning the projects, and presented a uniform system of internal record keeping which appears entirely satisfactory. Consideration should still be given to establishing a uniform "history" presentation, not so much for AID benefit, but primarily for the value it may have for publicity and fund-raising purposes (see No. 15 below).
12. The IIDI organization and operations appear well established, with proper divisions of duties and responsibilities at all levels. The Founder-Director functions primarily as an outside representative of the organization; the Executive Director supervises and oversees the general operations of the organization and staff. All staff appear to be well-qualified for their respective roles. The area representation of the four Project Managers is well-defined, but the number of countries served by these men seems too large for proper coverage unless in-country representation is increased.
13. The Board of Directors is very interested in the affairs of IIDI, and devotes its time and efforts to policy, planning and fund-raising efforts, while properly leaving the responsibility of operations to management. The various reports provided to the members of the board appear to be adequate and comprehensive. A major and continuing function of the board is directed to the provision of adequate funding for the organization. This is a primary concern of the board and it is closely linked with long range planning for the future.
14. IIDI fund-raising activities have been spearheaded by its success with the Lilly Foundation and with AID and, to some extent, by its appeals to individuals, corporations, and foundations. However, most contributions have been small in amount, and success

with corporations and other pilot fund-raising ventures has been disappointing. While recent economic conditions have been a deterrent to success, we would also observe that IIDI seems to have been selling a concept rather than tangible results: that its efforts have been lofty and visionary, but not necessarily practical and realistic; and that IIDI has not used its directors or managements effectively to support its fund-raising activities.

15. The organization might attempt to change its fund-raising efforts by effectively publicizing its work and capitalizing on its successes, limited though they may be. The Annual Report should be upgraded to give a more realistic presentation of the down-to-earth activities carried out by the organization. The stories behind some of its project histories should be expanded, to show the extent to which the staff has carried out its assignments and the successes and failures that have been experienced. Testimonials should be obtained from businessmen, both at home and abroad, which will describe their reasons for entering into projects and the support which IIDI provided to them. IIDI now has a story to tell, and it should make the utmost use of its experience, both good and bad, to provide some substance for its fund-raising activities.
16. IIDI, in its forward thinking and in its fund-raising efforts, has reason to "think big" if it is to fully reach the goals it has set for itself. Forward planning should include a phased increase of its overseas staff representation, and broader and more intensive coverage within the United States and elsewhere of central religious organizations and the businessmen that these groups contain. There should be wider distribution of IIDI's message, through religious publications and other means, so that businessmen and religious leadership will be attracted to the organization. Such steps require a thrust for larger donations and grants, to support increased activity. Some coordination with other voluntary agencies may be a useful step.

These are the main conclusions. The text of the report follows. Part II outlines the work carried out for this study and provides definitions for key terms. Part III deals with IIDI's general structure, operations, and activities; Part IV takes up the projects reviewed in the field for this evaluation. Part V discusses the investor/sponsor, a key role in the IIDI structure. Part VI is a series of observations and suggestions. An appendix includes some additional commentary on some of the projects which we visited.

II. THE APPROACH TO THE WORK

AID's statement of work for the review of the activities of IIDI called for a multiple approach to the issues. After an initial review and numerous discussions with representatives of the Agency and IIDI, it was agreed that the information required to properly evaluate the activities of the organization would include (a) a review of the operational functions of IIDI, with reference to Board direction, management and staff, policies, procedures and practices; (b) physical inspection and review of a representative number of projects undertaken by IIDI in developing countries (LDC's); and (c) meetings and discussions with persons or other organizations which have had relationships with IIDI, at home and abroad. Within these broad guidelines, it was agreed that there would be an advantage in having the review made by one person, rather than several, in order to apply a uniform and consistent standard to the activities of IIDI.

For the internal examination of IIDI and its operating affairs, the work included numerous meetings and discussions with the management and the staff of the organization; a general review of the files and records of the organization, as well as specific study of files on the active projects which would be visited during field trips. This phase of work also included meetings and conversations with the individual members of the Board of Directors.

For the field trips to project sites, an attempt was made to cover a widely diversified group of projects, taking into account geographical location, project size, and type of industry. It was agreed that the review should include all four major regional areas in which IIDI actively operates. Table No. 1 indicates the number of projects in each area which were considered for review, together with the number actually visited.

An initial short trip was made to Honduras and Colombia to obtain a sense of conditions in the field. Following this, AID, IIDI, and the contractor reviewed the results of this trial effort to see if revisions in procedures might be in order for the extended trip to Indonesia, Sri Lanka, Nigeria, Ghana, and Brazil. Although major changes in methods were not needed, the trial run sharpened the focus of the effort and provided helpful experience in working out logistic plans for the second and more important trip.

The third phase of work involved discussions with American and Canadian businessmen who were interested in specific IIDI projects in the LDC's. This was carried out after completion of the field trips, so that the contractor might bring a better understanding of the specific projects to these meetings. During the course of the field work, meetings were also held with persons and organizations in the developing countries, to obtain third-party comments concerning the IIDI and its activities. This included talks with representatives of American Embassies and/or

TABLE 1

Countries and Projects Reviewed by the Contractor

<u>Region/Country</u>	<u>Total Projects Considered</u>	<u>Total Projects Reviewed</u>
<u>Latin America</u>		
Honduras	4	4
Colombia	<u>9</u>	<u>8</u>
	13	12
<u>Portugese South America</u>		
Brazil	<u>5</u>	<u>3</u>
	5	3
<u>English-Speaking Africa</u>		
Nigeria	1	0
Ghana	<u>4</u>	<u>3</u>
	5	3
<u>Far East and South East Asia</u>		
Indonesia	3	2
Sri Lanka	<u>4</u>	<u>4</u>
	7	6
<hr/>		
TOTAL	30	24
<hr/>		

AID Mission personnel, local government officials, development bankers, various religious organizations, and numerous individuals.

TERMINOLOGY

The following definitions may assist the reader in understanding the terminology used by IIDI and the contractor:

Active Projects - projects which have been rigorously screened according to IIDI established criteria (see Appendix A) and in which IIDI personnel are investing substantial time and effort according to the spectrum of functions listed on Table 3, page 14. The number of these active projects fluctuates; new additions may be made to the list, and projects may be suspended or dropped from time to time. Normally there are about fifty to sixty active projects, which appears to be about the maximum that could be handled by IIDI's limited staff.

Active Projects - Underway - this connotes those efforts among the active projects above which have progressed to the point where the potential investors (U.S. and local, where applicable) have become financially committed to the project. Projects in this category may not be actually fully financed, but investors have exhibited genuine interest with definite intention of proceeding with the implementation.

Investors/Sponsors - those persons or organizations outside the developing country which have expressed a willingness to invest their resources (financial, expertise, etc.) in the project. While most of these individuals and organizations are American, there are also Canadian and Australian interests in the projects reviewed for this study. This term (investor/sponsor) can also apply to a local principal as in the case, for example, of a joint-venture partner.

New Projects - projects which were newly initiated through the efforts of IIDI. These range from those which are little more than concepts to those which are actually in operation. They are still treated as "new" because they were formed through IIDI actions and interests; compare "ongoing projects" below.

Ongoing Projects - these projects were actively operating businesses prior to IIDI's involvement. IIDI's role is directed toward the expansion, extension, or addition to their activities through the means of investor/sponsor actions.

Completed Projects - a term coined by Checchi to be used in the future to refer to those efforts which will no longer require assistance from IIDI. No projects have yet reached this stage.

III. IIDI'S STRUCTURE, OPERATIONS AND ACTIVITIES

We reviewed the Articles of Incorporation and Bylaws of IIDI and the Statement of Purpose for which the organization was formed. These were examined in light of the AID Project Paper (PROP) dated July 11, 1972. These documents provide a foundation on which the activities of the organization can be studied and examined.

The rationale in AID's PROP (Section E) provides the most relevant summary of IIDI's working objectives:

This project (IIDI) should be regarded as an experiment in mobilizing private resources toward important objectives of fostering small and medium investment and business enterprises which are of real demonstrable benefit to local participants, communities and their countries.

The project, if successful, would help foster businesses which often will involve local entrepreneurs and investors, provide jobs and on-the-job training and opportunity for advancement, possibilities for local profit-sharing, and eventual local ownership. Many of IIDI's currently proposed projects would also have wider benefits through export earnings, and improvement of local food supplies and nutrition.

There are two basic areas of concern toward which IIDI must devote its time and efforts. The primary functions of management and staff are directed toward carrying out the catalytic functions: bringing together American know-how and assistance, in harmony with the needs and ideals of entrepreneurs and businessmen in the LDC's. At the same time, the policy deliberations of the Board of Directors are concerned with forward planning, and with the funding of the organization so that it can carry out its primary tasks. IIDI is entirely dependent upon grants and financial support from individuals, corporations, foundations, and AID. There is a constant need on the part of both management and the Board to direct their efforts to the fund-raising issues. This necessary work takes a substantial amount of time,

A. The IIDI Organization

The overall day-to-day management of IIDI is carried out by an Executive Director who, as the chief executive officer, answers to the IIDI Board of Directors. In addition to supervising the staff, he deals directly with matters in which the Board is involved, the planning process, and overall administration including budgets, forecasts, reporting procedures, etc.

The Founder-Director's time is devoted primarily to external affairs, including the solicitation of funds and support for IIDI and the maintenance of senior level contacts and relationships with various religious and other organizations throughout the country and abroad. Moreover, he actively participates in the recruiting of project sponsors who provide assistance to IIDI projects, and he speaks at many affairs concerning the need for assistance in the developing countries. The Founder-Director's effectiveness as an "outside man" was brought to light during our review in a number of instances. It was evident that he has been instrumental in bringing forward many of the investor/sponsors, who have contributed heavily in time and money to assist IIDI projects. American businessmen indicated that he possesses a charisma which has had a compulsive effect upon many of his listeners: "I heard Paris Reidhead speak at a Bible Conference and I made my decision, then and there, that I was going to do my part in helping to carry out this work," one told us. In another instance, "When I heard one of my associates tell about the comments of Paris, I immediately got in touch with him to offer my services."

The four project managers appear to be uniquely qualified to head up the activities in their four regional areas: Latin America excluding Brazil, English-speaking Africa, and Far East/South East Asia. (There is another regional area, Sudan, which is not included in the four basic zones because the Founder-Director worked and lived in the Sudan and, to the extent possible, handles matters pertaining to that country). Although project managers may act with considerable personal latitude, their work is personally supervised and coordinated by the Executive Director. Issues and problems with project activities are followed closely by him and, when necessary, he will make final decisions on such matters after discussions with the project managers. By experience, dedication and sincerity of interest, the four project managers are capable of serving IIDI with considerable expertise in their given areas, and have proven their ability to make judgments and decisions with minimal supervision. They have language qualifications and residential experience in some of the areas they cover, and they have been able to develop valuable contacts in many of the countries, enabling them to progress quickly in establishing IIDI's credentials. The Far Eastern director has an M.A. in finance and accounting and acts as a financial consultant to the other Project Directors in addition to some of his other duties.

During the year ending August 18, 1974, each of the four regional men made extended trips outside the country, four trips each for two of the men and three trips for the other two men. However, a major portion of their time is spent in the United States, where their activities are widely diversified. This diversification of activities is discussed in detail in subsequent sections of this report. Only one of the Project Managers has the formal accounting background that might be deemed necessary for the analysis of financial projections and the like, but all

of them have practical business backgrounds and experience. According to the Executive Director, the Project Managers are not generally involved in detailed financial matters, as this is the responsibility of the investor/sponsors involved in each specific project. Based upon our observations during the field trips and on conversations with the four Project Managers, each is indeed capable of making sound business judgments and, in fact, highly favorable comments were received abroad concerning the ability that these men have to provide sound advice and suggestions.

B. Scope of Operational Activity

One of Checchi's primary tasks for this review was to ascertain how the broad purposes for which IIDI was formed relate to specific areas of work performed by the staff and management, both in the LDC's and in the United States. This required more than a simple review of the annual reports of the organization or its periodic reports to AID. With the assistance of IIDI's management, we took a detailed look at activities during the first two years of IIDI operations, to gain some insight into the broad scope of work carried out by the organization for the period August 18, 1972 through August 18, 1974. A summary of these activities is presented in Table 2.

1. Screening and Selection of Projects

As the figures in the table indicate, during its first two years of operations IIDI studied and reviewed a total of 660 individual potential projects. Applying its criteria for project selection (see Appendix A), it then screened to eliminate those which did not meet its requirements. The initial screening process eliminated 235 potential projects, or more than a third. This was primarily conducted by the four Project Managers for their specific areas and countries. In numerous cases, considerable time and effort was needed to obtain the data and information so that final judgments could be made.

The second screening process, eliminating another 260 projects (almost forty percent of the original total), resulted from further review of the potential projects, based on meetings, correspondence, and discussions within IIDI. Again, supporting data was often required before final decisions could be made. In some instances, this second phase of screening activity continued over a period of many months. There is generally a backlog of cases "under consideration" at IIDI; as of August 18, 1974, this backlog amounted to 74 projects (11.2 percent of the total). Projects in this category having been rigorously screened are considered potentially viable, and as such represent a "reserve" out of which projects move into active status. This is occasioned upon projects being suspended/cancelled or moving on to completion.

TABLE 2

IIDI Project Activity

Time Period: August 18, 1972 - August 18, 1974

Project Data	Number	Percent
<u>SOURCE:</u>		
Projects presented	660	100.0%
Origin:		
IIDI	39	5.9
AID	2	0.3
United States	135	20.5
Developing country	484	73.3
<u>DISPOSITION:</u>		
Projects presented	660	100.0%
Rejected:		
Initial screening	235	35.6
Further screening	260	39.4
Under consideration	74	11.2
Active projects:		
Underway ^a	30	4.6
Not underway	33	5.0
Suspended	28	4.2

^aA project is considered "underway" when financial commitments have been made.

Prepared by IIDI - February 1975.

Neither Checchi nor the management of IIDI wishes to hazard a "guesstimate" of the time and expense involved in the screening process for an "average" potential project, but it was possible to determine that this process has been accelerated during the past year. The staff and management have had opportunities to improve their practices and gain experience in dealing with potential projects and entrepreneurs in the LDC's. For example, IIDI's ability to screen projects in the field has increased, and this adds to the efficiency of the operation. Overall, of the 660 potential projects reviewed for the first two years of operations, only 91 projects (13.8 percent) ever reached an active or underway status, and of this number 28 had been suspended or eliminated for various reasons at the time of this review. This leaves 63 projects (9.6 percent of the total) on active standing after two years of IIDI operation. In other words, one project in ten reached and maintained an active status. Clearly, the organization works hard to keep its commitments manageable and to weed out all but the most promising ventures.

2. Sources of Potential Projects

Table 2 also presents the sources of project leads. Of the 660 potential projects, 484 (73.3 percent) originated within the LDC's and 135 (20.5 percent) were developed by investor/sponsors within the United States. Leads from AID were negligible and only 39 potential projects originated through IIDI itself.

The amount of assistance which IIDI staff have been able to generate from their personal contacts within the LDC's accounts for the success of the organization in identifying and locating both projects and entrepreneurs in the developing countries. During the course of our field trips, contact was made with a number of these in-country individuals and organizations; it was evident that the IIDI has been extremely successful in enlisting the aid and support of these sources, an outcome entirely in accord with the ideals and goals of the organization. In effect, the in-country contacts can be viewed as non-paid representatives of IIDI who, because of their knowledge and experience within the LDC's, are extremely valuable in cutting red tape and "opening doors" which otherwise might be inaccessible to IIDI staff.

3. IIDI Functions on Active Projects

The staff activities for active projects are widely varied, completely different from one case to another. These activities can include arranging visits for foreign entrepreneurs to plants within the United States; meetings with potential American investors; arranging for samples of products to be cleared into the United States for review and inspection by potential investors; speaking engagements with foreign students and others; assisting and participating in negotiations between foreign

nationals and American businessmen; assistance in arranging for financing and insurance for foreign projects; marketing and legal assistance; management advice; and a voluminous number of other divergent activities.

Working with IIDI management, these divergent functions were grouped and defined into thirteen broad classifications. On this basis, it was possible to analyze the activities of the organization over the two year period ending August 18, 1974. These findings are summarized in Table 3; the review is divided between those projects which were "underway" (where financial commitments have been made) and those which are "active but not yet underway" (no financial commitment yet made). The table also distinguishes "on-going" projects (existing prior to IIDI involvement, but seeking new investment for expansion or additional facilities) and "new"-ones (brought into existence through IIDI's involvement). In order to make the coverage of activity complete, suspended projects are included in the totals.

The percentages presented in Table 3 are based on 91 projects that were active during the two year period included in this summary. Although the overall totals accurately summarize the percentage incidence of IIDI functions, the subtotals disclose some interesting variations brought about by the differences between new and ongoing projects. The latter conclusion brings up a question: when should IIDI withdraw from an underway project, so that it can re-direct its time and effort to new fields?

The thirteen basic functions carried out by IIDI can be grouped into broader categories for the discussion of the work of the organization:

(a) Preparation and Presentation of Project Proposals

The two functions of research evaluation and proposal preparation lead up to the point when a project proposal can be submitted for review by potential investor/sponsors or other interested parties. The proposals are vital and essential, as they are IIDI's major tool for gaining the support and consideration of project entrepreneurs and would-be investors. From comments which were made to us by American investors, IIDI has been doing this work capably and successfully.

TABLE NO. 3

Percentage Incidence of Functions Performed by IIDI on Active Projects

Time Period Covered: August 18, 1972 - August 18, 1974

MAJOR FUNCTIONS	ACTIVE--NOT UNDERWAY ^a			ACTIVE--UNDERWAY			ACTIVE--SUSPENDED			ACTIVE--TOTAL
	Ongoing ^b	New ^c	Subtotal	Ongoing	New	Subtotal	Ongoing	New	Subtotal	
Number of Projects	9	24	33	11	19	30	5	23	28	91
Research/Evaluation	75%	100%	93%	73%	94%	86%	86%	100%	97%	92%
Proposal Preparation	75	82	80	45	82	68	86	92	90	80
Recruiting U.S. Principal	63	73	70	64	100	86	57	71	68	74
Recruiting Foreign Principal	38	77	67	36	71	57	57	46	48	57
Orientation of Principal	38	55	50	82	94	89	29	50	45	61
On-Site Visit	63	59	60	64	88	79	29	75	65	67
Financial Assistance	—	27	20	45	53	50	14	4	6	25
Marketing Assistance	13	45	37	36	65	54	14	17	16	35
Legal Assistance	—	14	10	18	35	29	—	—	—	12
Management Assistance	13	32	27	64	71	68	14	33	29	40
Negotiation	13	45	37	27	71	54	—	42	32	40
Acquisition of Raw Material and Equipment	25	18	20	45	47	46	29	21	23	29
Ongoing Counsel and Advice	38	41	40	64	82	75	—	17	13	42

^aA project is considered "underway" when financial commitments have been made.

^b"Ongoing" projects are those that represent additions or extensions to an existing venture.

^c"New" projects are those which are being brought into existence initially.

Prepared by IIDI - February 13, 1975

(b) Merging of Interests of Different Parties

This phase of work, the most difficult but also the area where IIDI has had considerable success, involves the functions of recruiting of U. S. and foreign principals, orientation of the principal, and, generally, on-site visits by the investor/sponsor. The function of IIDI during this stage is to do "all things and almost anything" which will engender mutual faith, trust, and understanding between the American would-be investor and the existing or newly located foreign entrepreneur. As a middleman, IIDI plays an important role as friend, confidant, and advisor to both parties involved in the project. During this phase IIDI must play a neutral role, while at the same time obtaining the mutual respect of both parties to the project so that there can be a free interchange of judgments and opinions and, where necessary, criticism and objections.

(c) Project Implementation

Once the above activities have successfully reached a conclusion through the emergence of mutual agreement, commitment or understanding, then the role of IIDI begins to diminish; this does not mean that it becomes passive. Project implementation functions include financial, marketing, legal, and management assistance, and also negotiation. The basic responsibility of IIDI at this stage of the process is to ensure that the foreign principal is dealt with fairly and, when necessary or required, that he and his American investor/sponsor carry out their negotiations on a proper and legal basis. However, other than continuing to function as a champion for both parties, the less involvement that IIDI has once projects reach the implementation stage, the better its role will be played. Its mission is entrepreneurial, not managerial. It exists to get projects underway, not to build a permanent portfolio of long-term commitments. There are always dangers inherent in bringing two parties together, no matter how well the initial details and preparation have been carried out. At some point, responsibility for the long run must be passed on to others. To this extent, the IIDI steps on dangerous ground when it actively engages in the implementation of projects, whether it be financial, marketing, legal or other areas of involvement. It would appear that the IIDI should minimize its role in the implementation stages. This does not mean that activity should cease; indeed, activity may be essential in order to place the project on a secure footing. The real issue is the objective of the assistance: is it structured to encourage dependence of the project on further help, or not? Table 3 does not deal with this question, but on the whole IIDI appears to be well aware of the need to provide turnkey services rather than permanent counsel.

(d) Ongoing Operations

Included in this stage of IIDI functional activity are the assistance roles of acquiring raw material and equipment, and ongoing counsel and advice. These are less important activities for the organization, and to some extent they do not appear to fit into the core of activity for which IIDI was formed. At times, there may be a need for IIDI to carry out these functions, but they do not represent vital or essential services of the organization.

When viewing IIDI from the perspective of the original AID PROP, and as it is defined in the organization's own presentation of its purposes, it becomes apparent that IIDI's principal role was and is to serve as a catalyst in which the know-how and ingenuity of American or other developed societies could be introduced to private enterprise in LDC's, to ensure an exchange of technical skills, management and financial assistance, and other means for fostering a spirit of private enterprise which would provide jobs, training, and higher standards of living. We judge that this catalyst role is successfully achieved when a well-designed project begins to be implemented through the joint forces of American and foreign entrepreneurs. Beyond the catalyst role, the functions of IIDI are minimal, and should be minimal unless the entire organization concept is broadened along structured lines, with the agreement of IIDI's funding sources. We are convinced that IIDI plays this catalyst role fairly well; the fact that a number of projects have indeed reached the "active" and "underway" stages, with the approval of all of those to whom we spoke, is evidence for the point.

C. The Board of Directors

Conversations and meetings with four of the five members of the Board of Directors reinforced the impression that IIDI has a board which is mindful of its responsibilities and, especially, of the critical need for providing a more solid funding base than now exists. Without exception, these members of the board feel that the day-to-day operations of IIDI are capably handled and that the reports and data provided to the board are adequate and meaningful. The board members are all mindful of the fact that the staff of IIDI is well qualified, by its experience and training, to carry out its duties.

Is the board being used effectively? Some of the members feel that they could do more for the organization and would do so willingly if requests were made of them. While they all have numerous other duties and responsibilities, there was no indication that they would not have time to be of specific assistance to management, providing that some legwork was performed by the staff ahead of time. Various members of

the board are actively in contact with IIDI management; in general the board seems abreast of issues and problems. Board meetings are carried out along structured and orderly lines.

The funding requirements of the organization have been, and remain, the major issue for the board. Considerable thought and attention have been devoted to this subject. Fund-raising in the past has been directed into five specific source areas: AID, professional fund-raising, corporate donations, individuals, and foundation grants. Facing the future, alternative approaches have been considered and discussed, such as merging or joining forces with other similar organizations; expanding the size of the organization to attract larger donations and support; performing services on a for-profit basis to help defray the expenses of the organization; and many other concepts. Economic conditions are presently unfavorable, and many of the public and private foundations are in a depressed status: the board recognizes that fund-raising in the near future will not be easy or automatic. Some thought has been given to expanding the board, to broaden IIDI's exposure and provide new sources for fund-raising activities. But this raises questions about preserving the close relationship which the board now enjoys with the management and staff of IIDI.

The members seem to be in complete unanimity concerning the respective responsibilities of the Executive Director and Founder-Director. Each man, it is felt, has his special fields and capabilities. The Executive Director's experience and qualifications make him well suited to the overall management of IIDI's affairs and perhaps an increased share of the fund-raising activity. The Founder-Director is recognized as the man to "carry the message" in connection with fund-raising activity as well as the recruiting of project principals.

IV. REVIEW OF IIDI PROJECTS IN DEVELOPING COUNTRIES

The initial choice of projects for review was mutually determined by AID/IIDI and Checchi. As much as possible, selection was based on the type of business, project size, and regional area. The total of 30 projects for review amount to 55 percent of the 54 active projects of IIDI, and seems to provide a representative, diversified basis for measuring the effectiveness of IIDI. Six of the projects could not be reviewed during the field trip due to transportation difficulties in Nigeria, Indonesia and Brazil, or due to the absence of the local project entrepreneur or IIDI contact representative (Indonesia and Brazil), so that the final review consisted of twenty-four projects (48 percent of the total). This still provides a fair cross section of IIDI's project activity.

Table 4 presents the projects, by industrial classification, and indicates their size in terms of the total investment and labor force required to fully implement the projects to their actual anticipated capacity.

In most cases the projects are not yet fully implemented or formed as corporation entities. In the cases of on-going businesses (those in operation before the IIDI involvement), many will require changes in their name and charter if and when joint venture interest is injected into them.

A. Types of Business

Eleven of the twenty-four projects reviewed were in the general classification of "manufacturing," representing the largest potential for capital investment as well as for the creation of jobs. The majority of these projects require relatively substantial investments. Eight involve the manufacture of goods and products which will utilize indigenous raw materials such as wood, cement, sand, nuts, sugar, and so forth. The three projects utilizing imported raw materials were reliant upon imported plastic or oil by-products, and metals.

Food production projects, numbering eight, include soybeans, chickens and eggs, shrimp and tuna, cattle, milk, and honey. Most of these projects, except for shrimp and tuna, were of modest size. They tend to be more labor intensive in proportion to capital investment, compared to the manufacturing group. Two projects involved opalized wood processing and gemstone cutting which, for the purposes of this report, have been classified as mineral/mining. Three projects have been classified as service industries, including auto repair, radio broadcasting and a cooperative buying/selling project based upon improved marketing for collective groups of farmers.

TABLE 4

Size, Type and Classification of Projects Reviewed for the Evaluation

Project Classification	Country	Project Formation		IIDI Status		Projected Investment		Projected Labor Force	
		New	Ongoing	Active	Underway	Under \$50,000	Over \$50,000	Under 50	Over 50
A. Manufacturing									
Plastics	Indonesia		X		X				
Wood Products	Indonesia		X	X		\$ 10,000		20	
Juvenile Furniture	Sri Lanka		X	X		25,000			50
Domestic Furniture	Ghana		X			10,000		20	
Export Furniture	Ghana	X			X		\$ 850,000		150
Irrigation	Brazil		X		X		100,000		100
Concrete Blocks	Brazil	X		X			1,800,000		160
Wood Products	Honduras	X			X		1,500,000		50
Soap and Oil	Honduras	X		X			1,300,000		100
Candy	Colombia	X		X			100,000		300
Iron and Brass	Colombia		X			10,000		15	
Total - Manufacturing		<u>5</u>	<u>6</u>	<u>6</u>	<u>5</u>	<u>20,000</u>		<u>15</u>	
						75,000	5,650,000	70	910
B. Food Production									
Soybeans	Sri Lanka	X			X				
Soybeans - Watne	Sri Lanka	X			X	40,000	400,000		100
Hatchery	Ghana	X			X		112,000	15	100
Shrimp and Tuna	Ghana	X			X		2,700,000		200
Cattle	Brazil		X		X		80,000	10	
Honey	Colombia	X			X	20,000		4	
Poultry	Colombia		X	X		24,000		20	
Dairy	Colombia		X	X					
Total - Food Production		<u>5</u>	<u>3</u>	<u>2</u>	<u>6</u>	<u>25,000</u>		<u>15</u>	
						109,000	3,292,000	64	400
C. Minerals/Mining									
Gemstones	Sri Lanka	X		X		10,000		5	
Opalized Wood	Honduras	X			X				
Total - Minerals		<u>2</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>10,000</u>	<u>100,000</u>	<u>5</u>	<u>75</u>
						10,000	100,000	5	75
D. Service Industry									
Grain Purchase/Marketing	Honduras	X			X	10,000		5	
Auto Repair	Colombia		X		X		100,000	25	
Radio Station	Colombia		X		X	5,000		12	
Total - Service		<u>1</u>	<u>2</u>	<u>0</u>	<u>3</u>	<u>15,000</u>		<u>42</u>	<u>0</u>
						15,000	100,000	42	0
TOTAL		13	11	9	15	\$ 209,000	\$9,142,000	181	1,385

B. Social and Economic Benefits

While one must allow for the limited period of IIDI's operations, nevertheless some measures can be made of the organization's progress to date. Any judgment should rest on measures appropriate to the occasion; in the case of IIDI, we defer again to the PROCP's Goal Statement for the organization, which reads as follows:

To increase, in the LDCs, gainful employment and local incomes; opportunities for on-the-job training, employee advancement, profit-sharing and share-purchase in local enterprises; the number of indigenous, locally owned business enterprises; and other particular benefits to LDC communities such as better food supply and nutrition, and national export earnings.

1. Gainful Employment and Local Incomes

The twenty-four specific projects reviewed for this study, when and if they are fully implemented, should create approximately 1,500 new jobs for local residents of the LDC's (the IIDI estimate was 1,491, Checchi's was 1,506). However, we think that five of the projects have little likelihood of getting off the ground, which reduces the estimate by 330, to 1,170 new jobs. Of this amount, 218 persons were actually working at the time of this review. IIDI projects are almost all of very recent origin--again, note that the organization has only existed for a few years. Allowing for this, we judge that there is a strong possibility that the estimated employment of 1,170 persons will be achieved in part within the year 1975, and that most of the jobs will be created in fact within the next two years. (For data, see Table 5 on page 24).

2. Opportunities for On-the-Job Training and Employee Advancement

These types of benefits are yet to be seen, as most of the projects reviewed were barely off the ground and many of them were still in planning stages. In the one sizable ongoing project (Honduras wood products), training programs are already in effect. Benefits have been provided in the form of fringes (canteen, sleeping quarters, transportation, and the like), and advancement opportunities will soon develop as production reaches higher levels. While some of the projects are basically family-owned organizations, we feel that advancement and promotions would probably be given to deserving staff in most of these cases, as soon as further progress was made toward implementation. The project principals in the LDC's can be characterized in general as mature, competent and financially

capable. The local principals stress their desire to apply Christian concepts to their project operations, although not restricting employment only to Christians. While the comments of these gentlemen had to be taken on faith, their sincerity and capabilities were evident and there was no reason to doubt their assurances that opportunities would be provided for local staff, if and when their projects got under way successfully.

3. Profit-sharing and Share-Purchase in Local Enterprise

In twelve of the twenty-four projects, the IIDI staff had discussed the matter of profit-sharing and/or share ownership with the local principals and a general understanding, at minimum, had already been reached which would provide these benefits to local workers and/or potential owners. Because the projects differ considerably, examples can best illustrate the type and extent of such efforts. In one instance in Colombia, fifty percent of the shares have been given to two local "partners" in the venture, by the American owners of the project, with the understanding that full ownership would come about as profits were applied in purchase of the shares involved. In another case in Honduras, one-third of the shares are held by the development bank and additional shares, up to a maximum of 51 percent of the total, have been offered to local investors on a standing basis. In one case, the market cooperative, farmers share in any profits although losses will be absorbed by the American owners and investors. In the large soybean project in Sri Lanka, arrangements have been made to gradually turn over complete ownership of the project to the participating farmers over a period of some years.

On the remaining twelve projects there was no concrete evidence given that profit-sharing and share-ownership had been fully discussed or emphasized with reference to the projects. In most of these cases the projects were still in the preliminary stages of development and the local principals or IIDI volunteers were understandably concerned about such issues as locating an investor/sponsor, determining actual financial needs, obtaining commitments from banks or development institutions, cutting through local government bureaucracies, and other basic matters of concern. Profit-sharing and share ownership are difficult matters to discuss in cases where employees are as yet non-existent and where there are still serious questions concerning the likelihood of actually getting the project off the ground. Furthermore, it should be noted that profit-sharing and/or share-ownership more naturally "fits" newly initiated projects, as opposed to "ongoing" projects where the profit and ownership pattern is firmly established and difficult to change.

To some extent, the PROP language concerning profit sharing and share-ownership must be interpreted with care, and may not be applicable to some potential projects. In Sri Lanka, for instance, there are serious questions about the role of private enterprise. The concern is not profit

sharing or share ownership as such. Rather, can private enterprise exist and prove its value in such an economy? IIDI (along with many other students of small enterprise) feels the answer to this basic question is "yes," but to demonstrate this by actual example in a nation like Sri Lanka may take a great deal of patience. In the case of family-owned businesses, share ownership outside of the family may not be very practical or realistic, and in many societies the very concept of share ownership is an untried and misunderstood concept. While the ideals of the PROP are exemplary and should be actively followed by IIDI, we do not think that these ideals should be used blindly to evaluate the organization. There are too many good reasons to expect that full compliance cannot always be obtained. The principal fact remains: if the project is well-managed and well-designed, it can create job opportunities for needy persons.

4. Indigenous, Locally Owned Enterprises

Of the twenty-four projects reviewed by Checchi, eleven were "on-going", that is, they existed prior to the IIDI involvement, and all of these projects are locally owned and operated. Of the remaining thirteen projects, six are entirely owned by nationals of the countries in which they operate. The remaining seven new projects will involve either joint or mutual ownership with the investor/sponsor, or total indigenous ownership with the local nationals supported by loan funds from investor/sponsors from America or elsewhere. While the degree of investor/sponsor ownership varies widely, ranging up to 80 percent in one instance, many of these projects include formal or informal arrangements in which the majority of shares will eventually revert to local ownership over a period of years, dependent upon the profitability of the project when it reaches full operation.

While it may always be questioned whether all of these projects (or all of those for any other development organization, for that matter) will ever get off the ground, it can be said confidently that a number of them seem to be off to reasonably good starts. As some projects begin to operate profitably, IIDI will have played a substantial role in assisting local principals and employees, and others, in developing indigenous projects with predominantly local ownership.

5. Nutrition and Better Food Supplies

A considerable portion of the projects reviewed, 33 percent, are specifically oriented to food production and, with the exception of the shrimp/tuna project, all of these are established to produce foodstuffs for local consumption, although not necessarily consumption by the most nutritionally disadvantaged (poorest) groups. The Britton soybean project

in Sri Lanka (which is jointly owned by the local government and the local development bank with the American investor/sponsor), is designed to augment the government soy flour program by the end of its fifth year of operations, with linkages to the Food for Peace Program and UNICEF programs for the country. Most of the other food-producing projects are smaller, and deal in products such as eggs, broilers, beef and dairy products.

6. Balance of Trade Effects

While it is too early to make projections concerning the group of projects as a whole, several of the twenty-four projects show considerable potential impact as foreign exchange earners for the countries involved. In the case of the wood products concern in Honduras, its total output of pre-cut wood for the assembly of louver doors is shipped steadily to the United States and its annual volume of approximately \$600,000 is already earning foreign exchange for the country. In time, this operation will go into further finishing of its products within Honduras, including assembly and final finishing, so that the foreign exchange effects will rise in the future. A smaller but no less attractive proposition is currently under review for the mining and rough cutting of opalized wood in Honduras, for sale to the United States market. Similarly, if and when an agreement may be reached between the Spalding (Australia) organization and the wood products project in Indonesia, it is estimated that export sales of tennis racket frames will reach sales levels of approximately \$50,000 per year. Although not in the "underway" status yet, there is a good potential for the Ghana wood products project, where American interest (and the exchange of samples) is already evident and the local capabilities are substantial.

Specific dollar estimates have not been made of the balance of trade benefits to be derived from IIDI activities, but Checchi feels that significant results can be shown both in export earnings (the shrimp/tuna project in Ghana, for example) and in import substitution (plastics in Indonesia; irrigation pipes in Brazil; and other similar ventures).

7. Investment Capital

An appropriate measure of IIDI's record is the amount of capital investment it has helped to locate for the LDC's. The comparison of investment estimates shown in Table 5 shows IIDI's success in counselling investors in obtaining capital for the twenty-four specific projects

TABLE 5

Comparison of Project Benefit Estimates

"Underway" Projects	Industry Classification	Employment Estimate			Investment Estimate			Comments
		IIDI	Contractor	Actual	IIDI	Contractor	Actual	
Plastics	Manufacturing	20	20	0	10,000	10,000	3,000	US in-plant training provided already
Soy Beans - Watne	Food Production	100	100	0	40,000	40,000	2,000	Watne's visited project - negotiating
Soy Beans - Writton	Food Production	100	100	0	400,000	400,000	10,000	Will be underway in two months
Irrigation	Manufacturing	160	160	0	1,800,000	2,000,000	100	Negotiations dragging - 50/50 chance
Grain Purchase/ Marketing	Service	6	6	6	10,000	10,000	5,000	Operating marginally
Opalized Wood	Mining	15	30	0	100,000	25,000	2,000	Starting operation within several months
Honey Production	Food Production	2	2	2	20,000	20,000	20,000	Operating successfully
Radio Station	Service	12	12	8	5,000	10,000	5,000	Operating - need additional finance
Auto Repair	Service	25	15	8	105,000	25,000	1,000	Operation - need additional finance
Cattle	Food Production	10	10	4	80,000	100,000	1,000	Investor visited - not interested
Hatchery	Food Production	15	15	6	112,000	112,000	50,000	Operating successfully
Furniture - Domestic	Manufacturing	151	151	80	850,000	850,000	2,000	US visit and investor on-site visit
Furniture - Export	Manufacturing	100	100	0	100,000	100,000	2,000	US investor interested - need dry kiln
Shrimp and Tuna	Food Production	200	200	0	2,700,000	2,700,000	5,000	Questions on feasibility and financing
Wood Products	Manufacturing	100	100	60	1,300,000	1,300,000	1,000,000	Operating - need additional equipment
Total		1,016	1,021	174	7,632,000	7,702,000	1,108,000	
"Active" - Not Yet Underway								
Poultry Farm	Food Production	20	20	8	24,000	24,000	0	No sponsor/investor yet
Dairy	Food Production	15	15	0	25,000	25,000	0	Project changed from dairy to beef/honey
Food Products (tennis)	Manufacturing	50	50	0	25,000	25,000	0	Waiting for Spalding visit
Granite	Mining	5	5	0	10,000	10,000	0	Doubtful due to price situation
Juvenile Furniture	Manufacturing	20	20	0	10,000	10,000	0	Doubtful - US sponsor withdrawing
Concrete Blocks	Manufacturing	50	50	25	1,500,000	1,500,000	0	Operating - more capital needed
Soap and Oil	Manufacturing	300	300	0	100,000	100,000	0	Doubtful - production costs too high
Handy	Manufacturing	N.A.	10	5	N.A.	10,000	0	Operating - machine needed for expansion
Iron and Brass	Manufacturing	15	15	5	20,000	20,000	0	Operating - added capital needed
Total		475	485	43	1,714,000	1,724,000		

reviewed by Checchi. This counsel stresses practical advice on where to go for funding and what sort of approach to make. Of the fifteen "underway" projects covered in this report, IIDI had estimated that the total investment needed to carry the projects through to completion and full operation would amount to \$7,632,000, and our estimate of capital requirements was almost identical. We also estimate that the actual investment already made in the LDC's on these same projects is approximately \$1,100,000. Two of the projects appear to face possible difficulties in moving forward quickly (shrimp/tuna in Ghana and cattle in Brazil), with the result that the total investment figure could be reduced by approximately \$2,800,000 to a projected realistic figure of \$4,800,000. While firm determinations and signed agreements have not been finally worked out in most cases, active interest has been demonstrated by investor/sponsors, including preliminary discussions with local development banking institutions and government officials.

The actual figure of investments for our sample of projects, \$1,100,000, seems to us to be a fair signal of progress in IIDI's effectiveness over the period since its inception. We would expect that further investments will be forthcoming, although probably not to the maximal levels projected by the organization. Project development in LDC's is a slow-moving, continuing process and it is noteworthy that IIDI has achieved as much success in investment as it has in its short life span.

C. Measures of IIDI Effectiveness

To make any realistic measure of IIDI's overall effectiveness, several yardsticks should be applied. As a first step, it is essential to view IIDI as an experimental organization which has developed unusual and unique approaches to LDC project activity which were untried and unproven less than three years ago. The evaluation measures include the overall IIDI project objectives as stated in the PROP, and other measures, all of which must be viewed in the light of the following constraints:

First: *the organization is midway in its third year of operation, including its start-up period, staff recruitment, organization and training.*

Second: *By standard measures, the implementation period for projects in LDC's generally runs from two to three years and may, in many cases, run for considerably longer periods.*

Third: *From its inception, the JIDI concept was an experiment to see if private enterprise development could be attained through unusual and different methods than have been commonly used in LDC's.*

Fourth: There was some question, initially, as to whether the principles of Christian leadership might warp or narrow the attitudes of the organization in achieving its goals, and there were also questions as to whether the type of staff which the organization could establish would be realistic and businesslike in its approach to private enterprise in LDC's.

In addition, the judgments here are, of course, based on a sample of projects, as discussed above, and in general the approach has been impressionistic.

A note is in order about the project purposes as addressed in AID's PROP. In general IIDI does not appear to have reached its original targets for jobs created and investments made (e.g., for FY 74, 1,400 jobs and \$10 million). We have not reviewed all projects and the group of 24 efforts is not a random sample which could be extrapolated to the whole, so a direct test against the "end-of-project conditions" specified in the PROP is not possible. However, our review does tend to cover the larger endeavors and on balance we judge that there is a shortfall if IIDI is to be weighted against the specific targets in the PROP.

On the other hand, the progress that has been made seems to be impressive by any reasonable standard of experience in development work. In general, we have opted to pay more attention to the fact that some benefits do seem to be generated than to the fact that those benefits may not seem to be as great as originally hoped.

1. Measures of Project Outputs as Stated in the PROP

Outputs, in AID project design terminology, refer to the results which can be expected from careful management of inputs: money, materials, and manpower. In turn, output results are expected to directly contribute to the overall project objectives. This cause-and-effect chain is evident in the extracts from the PROP below:

- a. Interaction by IIDI staff with related voluntary groups and businessmen committees overseas, and in the U.S. and Europe, which will stimulate project proposals, screen proposals on a preliminary basis to select promising projects with locally beneficial characteristics; and locate prospective investors and project principals.

It is apparent that IIDI has been fairly successful in this area. The IIDI contacts with American and Canadian businessmen, groups, and committees are well established, and continuing efforts are made to cement

and solidify these contacts. In the specific projects reviewed by Checchi, European contacts were not present, although conversations with IIDI management confirmed that such relationships do exist. Probably the best measure of this activity is given above in Table 2, which shows that, for the first two years of IIDI operations, 20.5 percent of IIDI's project leads came from religious and businessmen groups in the United States, and 73.3 percent of the leads came from the LDC's themselves. We ran into only one instance of an overseas businessmen committee, in Ghana.

It is apparent that IIDI's ability to generate leads rests on its own proven skills in obtaining substantial and continuing support from responsible, dedicated business and religious leadership in the LDC's. Without exception, the LDC leadership contacted by Checchi in this study was above average in capabilities and business acumen. Through firsthand knowledge of their countries and local potentials for business development, these individuals are effectively screening and referring a steady stream of project proposals to IIDI staff. During the first year of operations, the screening was not always as complete as it might be, and a large number of project proposals had to be turned down. However, more recent submissions indicate that this initial review is now much more rigid and effective. (This weeding takes place before the first IIDI reviews, discussed above; here the term "screening" refers to project identification decisions taken by IIDI's contacts abroad.)

As to the IIDI capability to identify and attract other businessmen (primarily Americans), conversations with many of these individuals confirmed that it is handling this side of its work effectively. Part V of this report makes further observations about the matter.

- b. Systematic analysis of project proposals at all stages by cooperating businessmen and IIDI, to determine their viability and to provide in the project structure for locally beneficial characteristics.

IIDI does not make feasibility studies or detailed financial projections of projects on its own right, as it feels (and Checchi concurs) that the full financial study of a given project is the duty and responsibility of the investor/sponsor and the local entrepreneur. At the present level of IIDI activity, any detailed financial studies which come to its attention are reviewed by the project director and by Barry Harper, the IIDI financial officer who by training and experience is qualified in accounting and finance. Appropriate comments and suggestions are conveyed to the project participants so that they may make their own judgments and conclusions. The IIDI project managers are familiar with the economic conditions of the countries which they serve, and are able to discuss individual projects with LDC contacts who can quickly assess the potential a project may have to respond to local needs and conditions.

conditions. IIDI has made frequent use of "cooperating businessmen"--American and Canadian specialists--on projects covered in this study, and in some cases this has resulted in the projects being dropped or considerably revised before implementation.

- c. IIDI staff help project principals on varied aspects of project development, including feasibility analysis, technology, finance sources, market and country specifics, briefing of new expatriate staff, etc.

One determinant here is the size of the project. On smaller projects, IIDI's Project Managers have frequently devoted considerable time and effort to the assistance of local entrepreneurs, to help them identify and deal with their problems and difficulties. This work includes varied and diversified kinds of assistance. Where areas of specific technology are concerned, the IIDI practice has been to locate an American businessman who is knowledgeable and who can provide the kind of help required. Outstanding examples of this work are evident in the honey project in Colombia, where IIDI located a responsible businessman, a "bee man" by trade, to assist and advise the local principal and get the project off the ground. In most of the countries visited, IIDI has been able to bring businessmen to the project sites, so that they could give advice on marketing problems and help determine the types of products which may be made for sale to the U.S. A major element in this process is the capability of the Project Managers to know when outside assistance is necessary.

In the case of small and simpler ventures, IIDI's staff can act as advisors and assistants to the local entrepreneur. In the larger and more sophisticated projects, the main concern is to find and interest an American businessman who can give additional help to the local entrepreneur. One of IIDI's most important activities is working with local in-country leadership to locate the proper entrepreneurs for specific projects. This is often one of the first conditions that must be met before investor/sponsors will make a commitment.

- d. Project histories of a kind which will enable AID, and IIDI itself, to evaluate the effectiveness of its services. These histories should steadily increase IIDI's ability to realize its objective of fostering projects that are beneficial to the local employees, communities and countries, as well as being profitable to those who invest in them.

We reviewed a large number of project files in the IIDI offices and found them complete--as files. The case histories prepared by IIDI lack uniformity in their content; there does not appear to be a "norm" established by the organization to guide the production of these histories. To some extent, the project histories reflect individual differences in style and interests among the Project Managers. Without exception, the supporting file data is complete and in good form. When cases are presented to potential investor/sponsors, the information is more complete and specific.

In many cases, presentations are made at personal meetings rather than in written form, and these verbal presentations, supported by facts and figures, have been evidently successful in gaining investor support.

The value of consistent and uniform formats for presenting project histories goes beyond evaluation convenience and the production of material that can usefully supplement, if not form the foundation of, presentations to potential investor/sponsors. Now that IIDI is beginning to collect a series of ongoing projects, it should start to consider how this collective information may be used for publicity and fund-raising purposes, an important consideration for both the near and long-range future. Additional comments are made on this point in later sections of the report.

2. Other Measures of IIDI Effectiveness

Outside the above measures of IIDI's achievements, we feel that consideration must be given to other factors:

a. The IIDI Experimental Concept for Assisting Private Enterprise in LDC's

IIDI was funded as an experimental approach to serving private business efforts in LDC's, through infusion of technical and monetary assistance and the know-how of experienced businessmen in more developed countries. The role of IIDI was and is to serve as a catalyst, in which domestic and foreign businessmen would work together for the benefit of the developing countries and their people. While the results achieved in the limited period since IIDI's inception are not staggering in their impact, it must be concluded that the concept was and is valid, and that IIDI has, in fact, been extremely successful in interesting businessmen, primarily Christian leadership, in assisting their less fortunate brethren around the world. In almost all of the projects which were reviewed for this study, there has been overwhelming evidence of the interest and support provided by American and Canadian business people. In many cases, these investor/sponsors have brought LDC principals to this country, have provided free and extensive training in their own businesses and homes, and have made numerous trips to the developing countries to meet and negotiate with foreign business leaders.

Conversations with the investor/sponsors, the foreign entrepreneurs and the local non-paid field representatives of IIDI have provided us with substantial evidence of both the sincerity with which these persons and organizations work together and with the impact that this type of direct, non-governmental assistance has had upon projects in the LDC's. In numerous incidences, we were informed by foreign businessmen that a project simply could not be done if it were to go through the normal U.S. and foreign government channels. In one case, in Sri Lanka, we were told that

the business climate for private investment seemed simply impossible at this time; yet, through the assistance of the non-paid representative of IIDI, the first project of its kind in that country has been started successfully (by linking it with the government), and the social and economic impact of that one project should be substantial in the future. One investor/sponsor familiar with Sri Lanka says that IIDI is wasting its money in trying to work there, but the work is progressing and an American investor and his family are planning to live permanently in Sri Lanka to make the project work.

These examples are not isolated cases. They are repeated, in various forms, through all of the projects reviewed by Checchi. The sizeable wood products concern in Honduras would not be in operation, albeit still unprofitable, if the American investor had not been inspired by IIDI; the honey project in Colombia, which has far-reaching potential in its scale, would not be operating if a Canadian businessman had not been located and brought to Colombia by IIDI; a poultry farm in Nigeria would not be in operation today if IIDI had not played a role in assisting the local entrepreneur to obtain training in the United States, and had not been successful in seeing that investor/sponsor money went into the project. Many other examples can be listed.

The IIDI "experiment" has been successful and should no longer be considered as such.

b. IIDI - The Organization

As a mechanism to carry out the concept, IIDI has been carefully organized to structure its activities. It has made mistakes and it has had its share of failures and disappointments in its project activities. Notwithstanding, it has developed a board, a management structure, and a staff which works efficiently and in accordance with its targets and goals. It has been successful in locating and cultivating Christian leadership in the developing countries, a leadership which serves enthusiastically as working hands for the organization. It is doubtful if IIDI would have progressed to its present stage without this substantial voluntary assistance from leaders in developing countries who have the same ideals and aims as the organization itself. Moreover, as an organization, IIDI has been quite successful in interesting American businessmen in sharing their skills and financial resources with less fortunate business leaders around the world.

There are several unusual factors which account for the strength of the organization. For one thing, it has a top management team which is both visionary (personified in the Founder-Director) and

realistic (the Executive Director). And both show impressive personal commitment: either one of these individuals could probably make considerably more personal monetary gain in another situation, yet they both consider that IIDI is well worth their support and service. In turn, this has assisted them in acquiring a competent staff, and in developing credibility with the persons with whom they deal in the United States and abroad. Another unusual factor is that the Project Managers (the men on the line in the LDCs) are not merely capable; they appear to have a dedication to their work which is widely recognized in the LDC's. In a number of instances, we had occasion to observe that it is "the man" rather than the organization which is recognized, respected and admired, and it is hard to fault this attitude even though it has resulted in each of the Project Managers working more as an individual than as a "company man."

D. Comments Regarding IIDI Project Activities

In the discussions and analysis which have taken place for this review, one sought-for output was the identification of the key categories into which the projects might be classed. In the more normal type of project review, such as a development bank's appraisal of its projects, it is customary to find that priority is (or ought to be) given to projects which are labor intensive, or foreign exchange earning or saving, or high on the local government's list of priority industries, and the like. The criteria established by IIDI do not specifically create preferences or priorities as these are normally used in development activity, although IIDI and its collaborators are certainly aware of the significance of the orthodox criteria. The projects reviewed in this study do comply, in most cases, with these general and well-established benchmarks for acceptable development work.

The emphasis on food production projects, and projects which utilize local indigenous materials, is noteworthy and exemplary whether it resulted from a planned program or not. However, food production and other service oriented projects are not very likely to become earners of foreign exchange (with the one exception of the shrimp and tuna project in Ghana which, if successful, could be a sizable contributor to the balance of trade position in that country). In general terms, food and service projects are smaller than most; for the most part, they are directly concerned with the "little man." Such projects often have shorter start-up periods, because of the smaller capital requirements, and this may help them avoid the intricacies of bureaucratic clearances and delays.

The manufacturing projects are generally larger in capital requirements; at the same time, they provide more jobs and training opportunities. IIDI has shown the capability to handle such projects, although it is evident that they take more time and effort on IIDI's part.

The International Wood Products Corporation in Honduras, which is presently operating at about 50 percent of its capacity, is a notable achievement on the part of IIDI. In the case of these larger manufacturing organizations, questions may arise as to just how important IIDI's role was in getting such projects underway. In the case of International Wood Products, we spent considerable time trying to come up with a definitive answer to this question. A number of persons and organizations are willing to accept plaudits for bringing the corporation into Honduras, including the AID Mission, officials of the local government, officials of the development banking organization, and others. The principal of the corporation, however, says that while he had thought about opening a plant in Honduras for years, two factors played an important part in his decision to actually go ahead. First, he was inspired by Paris Reidhead's message about the need for American businessmen to provide service and employment to less fortunate persons in developing countries. Second, after the initial project met with some difficulties in Honduras, a frank appraisal of the local situation, made by IIDI, provided him with the information he needed to determine whether he could continue or should disband the operation. These two functions were critical to the project, and it can be argued that it would not have gotten underway without this inspiration and assistance.

Of course, the role of IIDI on large projects may often be less significant because of the sophistication of American business firms in making their own arrangements for foreign ventures and investments. These larger ventures must deal closely with local government officials at a variety of levels; they must arrange their own financing programs; they must obtain international insurance and must have their own staff available for close and continual follow through. IIDI can play a role in such projects--it has been doing so with some success--but the special value of the IIDI role diminishes rapidly once the initial ground work has been laid and the initial agreements have been worked out between the American and foreign parties to the project.

A number of additional specific observations about the projects that Checchi reviewed will be found in Appendix B to this report.

V. INVESTOR/SPONSOR RELATIONSHIPS

An important function for IIDI is to locate, identify and interest businessmen (primarily Americans) in the affairs of counterpart entrepreneurs in developing countries. In this report, these interested businessmen are referred to as investor/sponsors. To attract and hold the interest of these people, IIDI may stress the financial, social, and, in some cases, spiritual opportunities that developing countries may offer to them. In turn, the organization asks the investor/sponsor to provide tangible and realistic support to their counterparts, through a variety of means including the exchange of technology, critical analysis of potential projects, administrative advice and support, training, investments, and loans. In many instances, investor/sponsors have travelled at their own expense to foreign countries in the company of IIDI staff, to gain first-hand knowledge of the projects and meet with existing or potential entrepreneurs who hope to carry them out.

In the course of this study, meetings or telephone conversations were held with 18 of these investor/sponsors in the United States and Canada. Most of these contacts were made after completing the field trips, so that we would have direct knowledge of the projects and their principals. Most (not all) of the investor/sponsors contacted were involved in the specific projects under review in this study. Discussions with these businessmen centered around four basic questions:

1. How was the IIDI able to develop its relationship with these businessmen?

For the most part, the initial contact with IIDI came about either through personal friendships and acquaintances, or as a result of the effectiveness of IIDI officials in addressing groups such as religious organizations. To a major extent this is an outstanding testimonial to Director General Reidhead, and to several other members of the organization whose influence and effectiveness in generating interest in underdeveloped nations has been very impressive. Specifically, the 18 men fell into four groups: seven learned about IIDI through mutual acquaintances; six approached IIDI after meeting Reidhead; three had known other IIDI staff members for years; and two were personal friends of Reidhead.

The effectiveness of the IIDI staff in describing its work abroad has been the starting point in convincing businessmen to step forward and volunteer their services. Almost all of these sponsor/investors said that they "wanted to do something" but, until they understood the ways in which they could be of help, they did not know where to begin, other than by making donations to religious and charitable organizations.

2. How was IIDI able to hold the interest of these investor/sponsors and actually get them to contribute their time and services?

This question was answered in many different ways; the underlying factor behind the answers revolved around the sincerity and integrity of the IIDI staff and the dedication shown by the staff in presenting potential projects to the businessmen. Considerable weight was given to the constant and repeated follow-up carried out by the staff in answering questions that might be raised; to its willingness to dig out more detailed information upon request; and to its cooperation in small ways, such as visits to the businessmen in their offices when necessary. The comment was repeatedly made that the IIDI staff are doing their homework thoroughly and that the staff is well-informed concerning the projects, the entrepreneurs, and the problems and difficulties which might be anticipated in getting projects underway.

3. What was IIDI's most important activity as far as the investor/sponsors were concerned?

Any businessman going into a foreign nation knows the usefulness of someone who knows the country and can provide guidance and assistance. The investor/sponsors are nearly unanimous in their admiration of the support provided by the IIDI staff in the field. The investor/sponsors feel that they can rely without question on the honesty and integrity of the staff members. IIDI staff have provided language and translation support where necessary; have been able to make introductions to key persons both in the public and private sectors; are able to cut through red tape and bureaucratic delays, in some instances; and are willing to give advice and criticism freely and openly. Several informants commented about the way that the field staff makes advance preparations, so that little time is lost in getting doors open or in arranging for meetings with local as well as American officials. Also, in several instances praise was awarded for the way that the IIDI staff has located and interested local entrepreneurs to join with the investor/sponsors; in some projects the investor/sponsor will want firm assurances that the right man is on board before going ahead.

4. What suggestions or recommendations would the investor/sponsors make to further enhance the activities of the IIDI in the future?

In almost all cases, the investor/sponsors could not offer any comments for improving the effectiveness of the IIDI work. Two

men noted that perhaps the organization would be more effective if its staff lived full-time in the "host" LDC, making it easier to visit without long-range planning and advance coordination. This is the only recommendation offered from the investor/sponsors.

VI. SOME OBSERVATIONS AND RECOMMENDATIONS

Checchi's exposure to IIDI, its management and its projects has been fairly brief, and it would be presumptuous to imply that we have full knowledge of every aspect of the operations and functions of the organization. Bearing this reservation in mind, we will offer some observations and opinions about various aspects of IIDI's work.

A. General Observations Concerning IIDI

1. Negative Comments by Other Observers

Some unfavorable criticisms of IIDI were expressed by persons contacted during the course of the study; none of these people are directly involved in the organization. The complaints:

- Development organizations with religious ties are always suspect on the grounds of religious discrimination. That charge was made in one of the projects; it was stated that the reason why the project was not doing better was that only the members of the local church mission were permitted to participate. There was an implication there is a reluctance on the part of the local project principal to permit non-affiliated individuals to work with it. This was the only time this issue was raised throughout the study; we judge it to be an isolated incident.
- In the case of Sri Lanka, mentioned above, an investor/sponsor who had looked into a project in that country stated that he felt it was a waste of IIDI and AID funds to promote private enterprise there, given the local political situation. IIDI's own experience in Sri Lanka shows that this fear has been somewhat exaggerated.
- In two of the seven AID Missions contacted overseas, officials of the Mission felt that the services provided by IIDI duplicated similar services provided by the Embassy, the Mission and by other private organizations which attempt to assist local enterprises. In several of the Missions, no one could recall having met the IIDI Project Manager working in their region.
- Similarly, several officials of AID Missions said that they should be better informed concerning the activities of an AID-funded activity in their countries. This comment seems directed more toward AID/Washington than toward the IIDI.

2. Reporting System

There was a wide gap between the figures presented in the IIDI annual reports, which reflect target estimates for the number of jobs created and capital investment on projects), and the actual employment and capital presently invested in the individual projects. IIDI's system of reporting jobs and investments is based on the normal methods used by development banks and other organizations, to indicate project attainments in LDC's. The matter of reporting had been discussed with officials of AID on several occasions, and in IIDI's opinion AID had concurred with the practice. Checchi staff who have worked extensively with development banks in LDC's confirmed that these were normal indicators in such institutions and the usage had never been questioned in such cases. The basic problem is that as soon as agreements have been reached, activity begins to be reported in a way that anticipates what the project will develop in benefits at such time as the project is fully implemented-- usually three years after commencement of operations. Most IIDI projects have not existed half that length of time.

We take no issue with IIDI's method of presentation; rather, we wish to clarify the reporting system, to prevent any misunderstandings upon the part of AID or other interested organizations. It is too early in the operating life of IIDI to use the indicators of actual employment created or capital investment as one sole measure of performance. When the organization has built up a sizable running record of ongoing projects, those indicators should be more valuable and realistic as measures of IIDI.

3. Size of the Organization

The unique characteristics of the organization, including its Board, management and staff, leads us to feel that one should be cautious about suggesting any drastic modifications in it. This includes its size (as far as home office activities are concerned), which probably should not be increased by any substantial amount. However, there appears to be ample justification for expansion of IIDI's field representation in the LDC's. The development of LDC in-country local businessmen committees and key persons, in as many regional or country areas as possible, would be of great value to the organization in expanding its effectiveness at home and abroad. The overseas "branch" network has been used very effectively by IIDI, and could easily be expanded in certain areas if concerted efforts (and funds) were available for that purpose.

4. Contacts with Agencies in the LDC's

There are very significant advantages in the way that IIDI gets about its work with private, non-governmental sources and contacts in the LDC's. Such contacts enable IIDI to move quickly when necessary. At the same time, they help to avoid bureaucratic red tape and delays. Also, there is evidence that the organization has developed valuable contacts with religious organizations in some of the LDC's. In some countries (not all of them), IIDI would be wise to establish and maintain closer contacts with AID Mission staff, because of their in-country connections and understanding of local procedures. This may also apply to the development of closer contacts with other private organizations working in the developing world whose activities and goals, while different in some respects, are in other ways closely related to those of IIDI.

5. Diversification of Areas and Countries

IIDI has established a ceiling on the number of projects which its staff can adequately handle at any given time, ranging from fifty to sixty active and underway projects. At the same time the organization has spread its activities into a wide number of regions and countries. To some extent this handicaps its capacity to handle projects in all of these widely dispersed places with any degree of intensity. During the start-up phase of its operation, IIDI sought as many sources and outlets as it could possibly attain. But at this point in time, the organization should continue the weeding out process, already underway, by eliminating those country or regional efforts which seem least likely to generate a reasonable minimum number of successful operations within the near future.

6. Diversification of Projects

IIDI initially accepted almost any type of project in conformity with its own criteria. The experimental trial period should now be over. The organization might consider tightening its criteria, to the extent of perhaps giving more weight to those projects which appear to have definite multiplier effects.

7. Size of Projects

IIDI projects range from extremely small ones to those with capital investments of several million dollars, still in the range of medium size by world standards and probably within the limits of IIDI capacity. At times this capacity may be strained, however. We cannot pinpoint any

specific figure which would clearly specify the scale of a project that is "too big" for IIDI; too many factors affect project manageability other than size alone. But there are indications that the break-off point on large projects occurs sooner than on the smaller ones. Where the management of a project includes persons of substance and proven capability, there appears little need for IIDI to continue to follow its activities in-depth even though the project may not yet be fully operating, because the services of IIDI do not appear to be as essential in such cases.

8. Diversification of Services

The functions and services performed by IIDI Project Managers are extremely diversified and varied. The experience gained during the past two years would seem to indicate that the ability to provide this range of services has been one of IIDI's strongest selling points, both at home and abroad. At this point, however, a review of the results may suggest some realignments, in order to emphasize those services which seem to have been essential and necessary, with de-emphasis on those activities which may seem to have been more peripheral or less productive in their support of the purposes of the organization. This will not be an easy task and naturally many exceptions will arise. There is already sufficient experience to gain insights into the variation of required activities on new versus ongoing projects, small versus large projects, food production versus manufacturing, and so forth. Within these special categories, IIDI may be able to develop package approaches, at least to some extent, which would help to streamline its services. For example, it would be useful if IIDI could give quicker consideration to marginal projects either those which are non-producing in terms of results, or those that appear to require more time and effort than IIDI can give. These types of refinements could also include a more concerted effort to make use of multiplier projects (those which can be duplicated widely in other LDC's), where IIDI already has gained considerable expertise.

9. Publicizing IIDI

Everyone from the members of the IIDI's Board of Directors on down, including representatives of AID, agrees that permanent funding and financial stability are essential to the continuing success of the organization. Until recently IIDI did not have a track record which would provide evidence of effectiveness or of the validity of its approach. But the point has now been reached when IIDI should start to capitalize on its experience, even though limited, and give broader distribution and publicity to its story. This judgment was also expressed by one of IIDI's directors and is not just a sentiment of Checchi's. If after two and a half years substantial evidence has not been gained to justify IIDI's existence, then one would begin to consider disbanding it. And, to the contrary, the evidence

suggests that the organization has been successful in its use of international linkages between Christian leadership in the United States and in many other countries abroad to forge a common bond of practical business development in the LDC's. Some momentum has been attained, we think, which if carefully strengthened and guided has good potential for benefits in future years.

10. Funding IIDI

IIDI draws on the support of individuals, religious organization, corporations, foundations, and AID. Its work has been restricted because of the difficult and time-consuming need to continually plead for support. Fund-raising organizations have been used with little success, corporate donations have been disappointingly limited despite strenuous efforts that have included 180-190 calls, most of them personal, and many foundations have restrictions on the utilization of their funds, so that the number to which IIDI may appeal for support is limited. Moreover, the small size of IIDI itself is a limiting factor in the size of grants and assistance which it can absorb. Some consideration has been given to establishing some profit-oriented services, in an effort to develop internal sources of support.

There is a need, which IIDI board members recognize, for planning on both a short-term and long-term basis, so that the organization can stabilize its capital position and move forward in a determined fashion. Looking on these planning efforts in their broadest context, we offer the following suggestions without reference to priorities or preferential order:

- (a) Most support for IIDI to date has come from AID and the Lilly Foundation. Every effort should be made to have this support continued and possibly increased through the next one to two years. This applies equally, of course, to those other organizations which have generously supported IIDI in the past. This is only a short-run approach to the funding issue, and should be considered as such by both IIDI and its sponsors.
- (b) AID support is presently based on a matching fund which provides roughly one dollar of AID money for every two dollars of other funds raised by the organization. This is a standard device, and its has worked to provide adequate amounts to begin the IIDI operation. Now, however, in the light of economic conditions at present and the decreased portfolio liquidity within the foundations, it is evident that the IIDI must devote unreasonable amounts of time and effort in its search for corporate and foundation support if it is to obtain the matching AID grants it so desperately

needs. AID may want to consider adjusting its matching-fund basis for contributions, replacing it by straight grant assistance in an amount at least equal to its matching fund allocation, if not more, based upon the premise that evaluation of IIDI's "experimental" operation indicates that the experiment is over and that operations are successful. This is also a short-run solution to the funding problems.

- (c) Immediate steps should be taken to utilize IIDI's successes in the LDC's, by effectively spreading the word through publicity, publication, and other means. We make no claim to expertise in the field of public relations but wish to observe that these steps involve risks as well as potential advantage. In particular all publicity should be carefully reviewed to ensure that it is in keeping with IIDI's present ideals and that it does not alienate by exaggeration or lack of dignity the present supporters of the organization. As a start, consideration might be given to the format and content of an IIDI "report" to be used with more general audiences for fund-raising purposes. For the intermediate and long-run, publicity appears to be vitally essential for the organization. It cannot exist on the federal dole for any long period of time; it must build a bigger base of support.
- (d) Christian concepts, which have been underlying principles of the organization since its inception, should be strengthened through continuing and more active support and cooperation with other religious organizations throughout the United States and abroad. A large number of religious organizations and related lay groups are carrying out their ideals of denominational service through extensive works throughout the world. The proselytism and rivalries that once characterized this work have become relatively rare, and ecumenism is broadly evident today. For example, we see the Canadian Mennonites working in support of the Sri Lankan Buddhist organization Sarvodaya Shramadana. Along with this change has come greatly increased technical capability for many of these groups. Some are actively funding projects in the LDC's, some concentrate on direct relief, some on community development. Some duplication of services exists but no one, as far as we can determine, is carrying out the specific services which are provided by IIDI. The directors of IIDI should explore the possibilities of establishing closer linkages with these organizations. The Director General is especially suited to follow through in this area.

(e) Consideration can be given to developing self-supporting services within IIDI, or affiliated with it, providing that counsel does not find such activity contrary to the overall tax-free status of the organization. If this route is taken, however, it should not in any way change or reduce the activities of the existing Project Managers. Presumably it should entail the use of other staff outside the present framework of IIDI. This raises questions concerning the view that funding organizations may have of this type of activity, especially AID. Also, if additional costs are entailed, special capital formation may be required on the part of the organization. Some of the functions provided by IIDI could be cost-free in the sense that special services might be paid for by investor/sponsors in the future, on at least a break-even basis. On the whole, however, the Contractor does not feel that the organization is presently in a position where it can charge for most of the services it performs without also running the risk of dampening its own effectiveness. Among other things, the lack of charges helps establish IIDI's bonafides as a truly neutral matter.

(f) In our judgment, board functions might also be reviewed carefully, to ascertain if the members are being used to their maximum capacity. Several board members indicated to us that, in spite of their own pressing obligations, they would be willing to provide more active support in fund-raising activity, providing that it was within their sphere of work. For example members may sign letters on their own letterheads to personal acquaintances and/or business affiliations, with reference to funding programs and the like. This process can be abused, but it is sensible and valid for purposes of introduction. The subject of board expansion was discussed with various members. The thought is that perhaps board membership might be expanded, to include a wider group of substantial individuals who might serve to open new funding doors. We have not reached any definitive conclusion on this option; it seems questionable if this is the right time to pursue such a course of action.

B. A Postscript: the IIDI Rationale

We have stressed that the original IIDI concept has been proven valid, and its activities to date give fair evidence of its success in carrying out the concept to reality. However, the organization has reached a critical point in its short-lived history, and important

decisions must be made for the future. These decisions not only concern future funding for IIDI but, just as important, the size of the organization; the problems of building its in-country representation in the LDC's, and a refinement of the activities of the organization.

It does not appear that expansion is needed so much within the United States as in the LDC's in which IIDI operates. The overseas network of dedicated workers is probably one of the most important aspects of IIDI's success to date and, if possible, this network should be expanded and improved in the future. This would probably require some provision for modest salaries and expenses for overseas staff, together with orientation periods in the United States or in the developing countries where the organization operates. A definitive long-range program should be established, and this, together with proper publicity, should assist IIDI in improving its funding so that it may continue to foster enterprises in developing regions. This is not meant to require grandiose effort. A workable plan is well within the organization's capacities and need not require unreasonable efforts. Rather, as the initial objectives begin to be met the organization should shift its focus to the next two-to-three year sequence, setting revised targets and goals.

IIDI's Executive Director sees a similar outlook: "On the basis of IIDI's accomplishment in its first three years, it is clear that the impact of its program is miniscule in relation to the overall problems and needs of the Third World. Now that the concept has proven viable, we are concerned about ways and means of maximizing the impact of IIDI's thrust. The answer is not represented by the conventional approach--enlarging the IIDI staff and budget just to be able to generate more projects. Rather, IIDI has been programmed from its inception with a view to its ultimate transfer to other resource groups which have both the concern and potential capability to become involved. Therefore, approaches have been developed which will enable IIDI to multiply its output by sharing its know-how and experience with these groups and working with them in applying the IIDI concept, in whole or in part, within their respective frameworks. In a sense, IIDI performs an "R&D" function which relies heavily on creativity and innovation in developing effective approaches and techniques, which are proven by actual field experience prior to their implementation by other groups."

One final suggestion may be made. IIDI's approach stands in contrast to that used in larger, more orthodox approaches. It is determinedly informal. It pays most of its attention to seeking out and dealing with human problems rather than technical or organizational constraints. This is not to imply that IIDI is not sophisticated in its technical/organizational aspects; it is, but it tends to use those tools as internal supports for the major external concern of forging relationships between entrepreneurs. There may be lessons to be learned by others here.

APPENDIX A

Criteria for Project Selection and Evaluation

1. Project must be in a developing country (see listing).
2. Project must be large enough potentially to warrant the effort of IIDI, i.e., potential employment of 10 or more.
3. The party making a request should have the necessary credentials, i.e., either through active participation or by referral.
4. The request must be complete and well documented to facilitate understanding and response by a businessman.
5. The project may not be infrastructure in nature, i.e., dams, housing, schools, utilities, or anything else that is a "support" facility for a profit-making enterprise and where two governments must be involved.
6. The nature of the project should be compatible with conditions and resources available in the LDC, i.e., personnel skills, power, water, consumer acceptance, marketability, etc.
7. The project should deliver tangible benefits to the LDC such as employment generation, improved GNP, export potential, etc.
8. The project should require the "entrepreneurial" type of assistance and expertise as opposed to the more sophisticated, highly specialized large corporation type experience.
9. The project should be focused upon and built around a principal which is a dominant, single force to expedite the project and enhance the chances for success as opposed to a situation requiring the coordination and integration of several principals with their respective diverse interests and backgrounds.
10. The project should lend itself to origination on a small scale, to be expanded according to a growth plan, thus minimizing risk and failure.

APPENDIX B

Additional Comments on Some Specific IIDI Projects

A. LATIN AMERICA (EXCLUDING BRAZIL)

1. Honduras

Wood Products Project (San Pedro Sula)

This underway project, the International Wood Products Corporation, was formed to convert sawn rough timber into finished louvers for later assembly into doors at the company's main office in Tampa, Florida. The American principal had considered such an operation for some years and, following a meeting with Paris Reidhead, he made up his mind to go ahead. Subsequently, IIDI staff were able to assist him in making numerous contacts in Honduras. At one critical stage of implementation, the American principal considered withdrawing and, at that time, IIDI performed a vital service in making an assessment of the local problems, to help him make decisions based upon specific knowledge.

The project is still operating at only 50% of capacity and is losing money. Nevertheless, through the planned introduction of additional equipment, this project appears to be a viable one, with considerable potential to generate substantial amounts of foreign exchange. During our visit, another American businessman was looking into the project with thoughts of either setting up a similar type of operation, or possibly purchasing products from the project for use in the United States.

Grain Purchase Project (La Ceiba)

We could not visit this project, but considerable information was obtained from third party sources familiar with it. It is operated by a church mission, and serves as an informal cooperative to centrally purchase and market products of small farmers in the region. IIDI played a role in bringing in an American businessman to assist in running the project, and also obtained financial support from an American investor. The project has not been too successful to date, but the concept is valid and the project could succeed. The American investor, who knew Paris Reidhead personally, looks upon his investment as an opportunity to "help little people" and is proud that IIDI could show him a realistic way to be of help to others. On the whole, this type of project has a multiplier effect and benefits the farmers by providing them with a better return for their labors.

Opalized Wood Project

This project was "active" but not yet "underway" at the time of our visit. Considerable groundwork had been laid by IIDI in accompanying the American investor to the mining area, and making necessary arrangements with government officials for the project. The project will consist of digging out fossilized wood and then cutting it into suitable slabs and/or finished gemstones for sale to the United States. IIDI was instrumental in finding an investor/sponsor as well as a local manager to handle the in-country production. Conversations with the American investor brought out the fact that IIDI had been extremely helpful to him from the very beginning and, after some delay on his own part, the investor is going to Honduras in early 1975 to set up the initial operation and locate additional sources of stone.

This project should get into operation shortly; it appears viable and profitable, and the investor is sincere in his efforts to move ahead. This same investor has also been contacted by IIDI in connection with the gemstone project in Sri Lanka, commented upon later.

Soap and Oil Project (Tegucigalpa)

This project is still in the planning stage. IIDI assisted the principals in obtaining USDA testings of aceituna nuts from Honduras. Unfortunately, it does not now appear that the project will be as feasible as first thought. No American investor is involved and probably this project will be suspended unless modifications are made in the program. Nevertheless, IIDI has played a part in helping the Honduras principals to reach this decision before any further expenditures were made.

Country Comments--Honduras: We contacted officials at AID in the local government, in religious organizations and in the development bank during this trip. AID has been working closely with IIDI in Honduras, and IIDI is attempting to develop a "representation" relationship with ACORD for broader and continuing coverage in the country. All comments concerning the IIDI Project Manager were most complimentary.

2. Colombia

Auto Repair Shop (Bogota)

This project is an existing venture which does major body repair work on cars and trucks. The principal is an experienced repair man who has developed a following in the business. However, lack of proper equipment makes it impossible for him to handle some work which he could do, and

which would enable him to employ additional people and train new ones. He met the IIDI Project Manager through connections in the local church mission, and IIDI has been instrumental in getting an American investor to make a loan of \$1,000, which amount will be increased. The principal has not been able to keep good records and IIDI has made suggestions to him concerning this problem. This project is profitable and, through the infusion of additional money, should progress well. The principal advised us that it was impossible for him to obtain bank funds and his undertaking was too small for the development bank to consider. The American investor went into this project because of his high regard for the IIDI Project Manager.

Candy Factory (Bogota)

This is not now an active IIDI project. IIDI has been trying to provide assistance and bring it to active status. The local principal left his job for a foreign firm to enter into this project less than one year ago. His success had been unusually good, but his sales are limited by the hand production methods used. Sears Roebuck is one of his largest customers. Credit is difficult and IIDI has been endeavoring to assist him in obtaining a small but modern candy making machine which could expand his production considerably. To date IIDI has not been successful, although they have developed several contacts with American machine manufacturers which have a likelihood of developing into sponsor relationships in the future. This is a viable operation and could be expanded considerably if IIDI is successful.

Radio Station (Medellin)

The actual broadcasting facility is located in Bogota; however, the principal, a missionary, lives in Medellin where the Contractor visited him. Broadcasts are religious in nature and have developed considerable listener interest and response. IIDI became interested through the Project Manager's previous friendship with the principal, and IIDI has been able to provide American support in a limited fashion, although more support is required. This is not a profit-oriented project but it has been able to carry on successfully and its benefits, other than limited employment, are more spiritual than any other. This is a marginal project, from a development viewpoint.

Iron and Brass Foundry (Medellin)

This is a family run operation (three brothers), located in a residence. The project manufactures Colombian style metal fixtures (lamp stands, wall fixtures, and so forth), and is presently in full operation. IIDI developed this lead through local mission contacts and has been instrumental in having American investment sources review the activity.

Funds are being solicited to enable the project to acquire forge equipment and other essentials which would increase and modernize production. The potential American investor, a religious organization, is impressed with the project because they like to provide help to small scale industry and, in fact, have already involved themselves in several other IIDI projects. This is presently a profitable operation and its products appear good by Colombian standards, with a possible application to make and export products for the American market. Principals are experienced.

Honey Project (Sincelejo)

Transportation problems prevented a visit to the site of this operation, but conversations were held with a number of people familiar with it, including the Canadian investor. IIDI has played a major role in recruiting a capable Colombian manager for the operation, and assisted in the negotiations between the investor/sponsor and the local principal. This project makes hives for honey production, and also involves the purchase of bees to start 300 hives. The Canadian investor, located and taken to the project by IIDI, is delighted with the way it is taking off and especially pleased because of its multiplier effect, and already hives and bees have been made available by the project to other interested parties in the region. According to the investor, this project could expand considerably through the coming years; substantial export potential would be possible, by packaging honey and shipping it to the United States. Because of the multiplier effect, we consider this one of IIDI's most promising projects and one in which IIDI played a key role in bringing to fruition.

Poultry Farm (Barranquilla)

This project, formed by an American and a Canadian who had previously worked in mission activities in Colombia, combines training for a limited number of local farmers with marketing experience in selling their produce in a systematic and profitable manner. The two foreign principals have arranged for two local principals to share equally in the operation, and are developing egg routes in the nearby city. IIDI has not been able to provide investor support to this operation, which could expand its chicken and egg business. The interesting factor concerning this project is that it combines training and marketing to local farmers to whom such practices are unusual. New crops have been experimentally grown and the project has also obtained 20 hives of bees from the previously mentioned honey project. In terms of benefits to low-income farmers, the project is extremely valuable and one which might be applicable in other areas and regions.

Dairy Farm (Barranquilla)

The principal of this project has known the IIDI Project Manager for a number of years and discusses his plans and programs with him frequently. As a project, however, the dairy operation has basically changed into a chicken/broiler project and is operating successfully with no need for IIDI support or an investor/sponsor at this time. However, this project has also started honey production successfully and finds no difficulty whatever in marketing honey in the local markets. As a project for IIDI, it is suggested that this one be suspended in its present form because there does not appear to be an identified need for IIDI services. The project is successful, well managed and apparently adequately financed.

General Comments--Colombia: IIDI has developed a network of mission sources in Colombia which is fully acquainted with the ideals of the organization and, in some cases, provides excellent representation. The AID mission, however, was not too familiar with the activities of IIDI in the country. The Project Manager, who has lived and worked in the country for many years, is highly regarded and his judgment and advice is appreciated and respected.

B. BRAZIL

Cattle Projects (North East Brazil)

There are actually four different IIDI cattle projects under consideration in the North East section of Brazil. We contacted the principal and owner of one of them in Fortaleza. Through IIDI efforts, Mr. Tom Carruth of Carruth and Associates, California, visited the region together with the IIDI Project Manager, with the thought of possibly entering into a joint venture operation whereby Carruth would invest in 1,000 to 15,000 head of cattle. The local principal, who has known the Project Manager for some years, already has a small ranch and is primarily interested in breeding bulls for other ranches. The American investment requirement is between \$80,000 to \$100,000 including periodical American ranch advice and assistance. Because of meat prices in the United States, Carruth and Associates are not taking action at this time, but the potential for cattle-raising in Brazil is extensive and in line with government objectives for the region. IIDI is continuing to work on these four projects but, to date, it appears that no concrete results have been obtained other than the Carruth visit to the region.

Irrigation Project (Recife)

This is an ongoing project which wishes to increase its capacity to manufacture irrigation pipe within the country. IIDI got involved through their representative in the area and IIDI was instrumental in getting an American firm to enter into preliminary talks with the local principals, concerning shipments of certain materials to the project. At the same time, the local management has been talking with another American firm, in connection with bringing in equipment to increase manufacturing capability. Because the entire program in this region is geared to agricultural development, the SUDENE (development organization) has evidenced interest in seeing increased facilities for irrigation pipe. The status of this project is still indefinite, but IIDI activity has started some action and it is considered a likely project undertaking.

Concrete Block Project (Recife)

This project, which is partially ongoing, manufactures concrete blocks with modern facilities but it has run out of funds by which its full utilization can be reached. The local principal met the Project Manager through a mutual acquaintance and IIDI has been striving to obtain the necessary equipment from the United States and has referred the company's prospectus to a number of potential investors. In the case of the equipment, the American supplier ran into difficulties in obtaining proper letters of credit, although the project has development bank funds behind it. In the case of the prospective, IIDI was able to locate an American firm, based in Brazil, but preliminary negotiations disclosed that the investor wanted to acquire full ownership of the project, which is not acceptable to the local principal. The project is viable although the task of IIDI is difficult. If successful, IIDI would be performing a substantial service to the project and to the area.

General Comments--Brazil: The Project Manager has developed a number of local contacts and AID support has been substantial. Most of the projects in Brazil are relatively large, which makes quick action difficult but the potential, especially related to agriculture, is substantial.

C. FAR EAST/SOUTH EAST ASIA

1. Indonesia

Plastics Project (Surabaya)

This ongoing project wishes to make "blister packs," such as are used for pills, but requires special equipment. IIDI developed this contact through religious leadership which had heard of Paris Reidhead's work and wrote a letter to IIDI for assistance. The Project Manager was able to arrange for the local principal and one other man to visit a plastics plant in the United States, and the American principal was complimentary in his comments both about IIDI and the men, who stayed with him for some time. IIDI has been working to find investor support for the projects, as this would be the only firm making blister packs in Indonesia. At present, all such products are imported. The existing business is profitable but, to some extent, the type of support they wish has now changed from the original project design, and IIDI will have to reappraise the new sheet-plastic requirement, which is considerably more costly.

Wood Products (Semarang)

This is an existing business, quite substantial, which came to IIDI's attention through its local representative in the region. IIDI was able to develop interest from Spalding in the United States, which organization, in turn, has referred the follow-up to its Australian affiliate. Spalding (Australia) has indicated interest in having this project make tennis racket frames although, to date, the Australian principals have not been able to visit the plant. The local principal appears capable and competent. Again, the potential seems reasonable if IIDI can succeed in its attempt to bring Spalding and the project principals together.

General Comments--Indonesia: IIDI has developed good representation in Indonesia and there are numerous potential projects already under consideration. The AID Mission indicated that it felt that IIDI was duplicating activities carried out by other religiously-oriented organizations, and questioned its necessity. Nevertheless, the mission was interested in the activities which IIDI had brought to light.

2. Sri Lanka

Soybean Project (Britton)

Proper timing, an excellent in-country representative, a dedicated American investor (who was inspired by Paris Reidhead), and a great

deal of work by IIDI are bringing this project to a head in the near future. The project will ultimately develop approximately 2,500 acres of land for soybean production, with close linkage to a soy milk process (and other uses) being financed by the Canadian Hunger Foundation and ICDA. This has been set up as a joint activity of the local government and local development bank, together with local and American principals. The IIDI role has been significant and continuing. This project would have little chance to proceed except for the fact that an American farmer and his family are willing to live in Sri Lanka to carry out the supervision of the project. Because of the significance of food production and the close ties with other supporting agencies, this project will be a significant milestone in the IIDI development process.

Gemstone Project

Through the local IIDI representative, this project has been pursued and tentative arrangements were made as to local principals. Gemstones would be cut in Sri Lanka and then shipped to the United States, where IIDI had located an interested investor (the same individual who is investing in one of the Honduras projects). However, after talking with both the American and local principals, we found that this project may not move forward, as the prices of gemstones from Sri Lanka seem to preclude the feasibility of the project. The American investor will probably withdraw from this project and it may be necessary for IIDI to suspend further action.

Soybean Project (Watne)

Rather than soybeans, this project may develop into general garden-type varieties of food crops, and the local principal is still working with the American investors to locate suitable land. Two locations are now under consideration, and preliminary steps have been taken with the foreign owners of the land to work out suitable arrangements. The local IIDI representative developed this project, while IIDI has been instrumental in locating the American interests. Until a specific location has been determined for the operation, which will affect the type of activity carried out, it is difficult to appraise it; on balance, the likelihood of its proceeding seems fairly good.

Juvenile Furniture Project

This project is an ongoing business venture, it appears that the work is of high quality by local standards, and the local principal is capable and interested. The project was brought up by the local representative and IIDI located one American firm which was interested

in assisting the undertaking and purchasing juvenile furniture. More recently, the American firm has withdrawn its interest, but IIDI is following through and has obtained sample shipments for inspection in this country. With the continuing support of the IIDI representative, it would appear that this wood products project deserves continuing support from IIDI in stimulating American investment.

General Comments--Sri Lanka: Politically, work in this country is difficult, and the IIDI's success is attributed largely to the excellent cooperation and interest on the part of their in-country representative. The American Embassy and AID staff are familiar with the Britton project and the IIDI Project Manager.

D. ENGLISH SPEAKING AFRICA: GHANA

Domestic Furniture Project (Accra)

This ongoing project faces considerable competition locally, and its home building efforts have not been too successful to date. The local principal met Paris Reidhead through his brother-in-law, and the Project Manager has been trying to assist him to find American investor/purchasers for his products, by means of samples. A basic difficulty, as with the related export project below, is the need for dry kiln work on any products going to the United States, to avoid warping and cracking of the wood. IIDI was instrumental in arranging for the principal to visit dry kiln manufacturers in the United States during his recent visit, but considerable investment will be needed to properly dry-process his wood products. IIDI has not yet been able to get this project moving successfully.

Export Furniture (Accra)

This project and the domestic project are actually identical in that the local principal is the same. IIDI has been able to find two interested American potential investors/purchasers, but the dry kiln problem seems to be delaying any active efforts although samples have been exchanged. Specifications and pictures have been supplied as to the types of products which would appeal to the American market. The local principal has been considering building a kiln with local supplies, rather than to American standards, and has the space available in his plant. Nevertheless, the cost would still be high and some support would be necessary to move the project forward.

Shrimp and Tuna Project (Accra/Temi)

While there are still some questions concerning the feasibility of this project, we noted that StarKist is operating a fleet in Temi and the project principals (contacted both in Ghana and in the United States) have had considerable experience in offshore waters. Because of its size this project is a difficult one to move. IIDI has put in considerable effort to interest investors in this sizable project, and has had at least two disappointments in this work. A third potential investor has been located by IIDI, in Florida, and preliminary discussions are currently underway between American and local principals. For its potential benefits to Ghana, this export-oriented project still should be followed in the future.