



AGENCY FOR INTERNATIONAL DEVELOPMENT
USAID/HONDURAS

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February 8, 1994

Mr. John R. Eriksson
POL/CDIE
311B, SA-18
USAID
Washington, D.C. 20523-1802

Dear Mr. Eriksson:

Enclosed for your records please find the Project Assistance Completion Report for the International Executive Service Corps-USAID Project 522-0361.

Sincerely,

A handwritten signature in black ink, appearing to read "L. S. Waskin".

Leon S. Waskin
Director
Office of Development Finance

**INTERNATIONAL EXECUTIVE SERVICE CORPS - AID 522-0361
PROJECT ASSISTANCE COMPLETION REPORT**

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1. BACKGROUND:

IESC began operations in Honduras in the late 1970's in response to the need of micro and small enterprises for technical assistance to improve their technology and managerial skills. USAID/Honduras signed a grant agreement with IESC/Honduras in 1983 for L100,000 over a two year period. The purpose of the grant was to allow IESC/Honduras to provide technical assistance to micro, small, and medium enterprises in Honduras who could not afford the full cost of contracting the technical assistance. The project was subsequently amended to extend the Project Assistance Completion Date (PACD) to December 31, 1988 and to increase the authorized life of project funding to a cumulative total of L1,110,000.

2. PROJECT GOAL AND PURPOSE:

The project goal was to strengthen private sector organizations and enterprises to assure the growth of a healthy market-oriented economy. The stated purpose of the grant was "to upgrade managerial and marketing skills, and to improve production technologies of Honduran companies."

3. PROJECT DESCRIPTION:

USAID/Honduras and IESC signed a two year grant agreement in March 1989 for \$950,000 in grant funds. The grant agreement was subsequently amended to extend the PACD to December 31, 1992.

The grant supported IESC's efforts to provide technical assistance to Honduran businesses. IESC's primary focus was to provide technical assistance and management consulting services to micro, small and medium-sized private sector Honduran enterprises in order to upgrade managerial and production skills. The grant agreement, as amended, committed IESC to complete approximately 223 technical assistance projects of which 140 were to be directly supported by Mission resources during the life of project. These activities were to be carried out in nine provinces/departments. Emphasis was placed on providing services to the agribusiness sector.

The technical assistance projects were carried out by Volunteer Executives (VE) who are experienced, retired U.S. executives and technicians. Each technical assistance project directly supported by grant funds was for a minimum of 30 calendar days. Volunteer expenses for shorter diagnostic consulting services were fully paid by the IESC client.

4. OUTPUTS:

The majority of outputs required under the grant, as amended, were met and in some cases exceeded. The goal of 140 completed USAID supported projects was exceeded by 27 percent. The goal of jobs created for both women and men was surpassed by 31 percent. A total of 83 companies reported increased profits as a result of the technical assistance provided; 106 companies reported the use of new technology; 90 reported administrative or other management reforms and 59 reported increased annual sales of more than 20 percent.

Planned versus accomplished outputs, as amended, are depicted in the table below:

<u>Output</u>	<u>Planned</u>	<u>Accomplished</u>	<u>%</u>
- Employment			
a) New Jobs Generated	690	910	131
Male	400	534	
Female	290	376	
b) Jobs Maintained	1,035	4,680	452
Male	500	3,002	
Female	535	1,678	
- Technical Assistance	140	178	127
- Geographic Coverage (Departments)	9	9	100
- Agricultural Projects	30%	30%	100
- Companies with Increased Profits of 20% Minimum	85	83	98
- Companies Using New Technologies	125	106	85
- Companies Adopting Admin. or Management Reforms	90	90	100
- Companies Increasing Sales by 20% Minimum	64	59	92

5. INPUTS: Project Economic Inputs were the following:

5.1 Planned USAID Contributions: Grant: \$950,000

Total expenditures at the end of the Project: \$921,434 (97%)

5.2 IESC/Stamford Contributions:	<u>Planned</u>	<u>Accomplished</u>	<u>%</u>
- Direct Contributions:	\$529,555	\$529,555	100
- In-Kind Contributions:	\$1,645,955	\$1,470,080	89
Total Contributions:	\$2,175,510	\$1,999,635	92

Actual IESC/Stamford contributions totalled \$529,555 (through June 30, 1991). After that date, USAID/Honduras paid all the expenses

of the San Pedro Sula office previously paid by the AID/W Core Grant. Actual in-kind contributions totalled \$1,470,080 or 89 percent of the \$1,645,955 planned.

5.3 Client Contributions: \$353,938 (Planned)

The actual client contributions were \$265,441 or only 75 percent of planned contributions. The shortfall is attributed to the devaluation of the Lempira against the dollar.

6. OUTPUTS PLANNED BUT NOT ACCOMPLISHED: None.

7. FINANCIAL STATUS: The financial status of the project as of the 12/31/92 PACD is shown below:

Amount authorized:	\$950,000
Obligated:	\$950,000
Expended:	\$940,894
Amount to be deobligated:	\$ 9,106

8. RESULTS OF EVALUATION: The final evaluation of the project was contracted by IESC and carried out by an independent consultant from the U.S. and a local consultant. The evaluation concluded that the project has strengthened the private sector organizations and enterprises with which it has worked. The consultants received written and verbal responses from an overwhelming majority of the clients that tangible contributions were made to their businesses through VE technical assistance.

The consultants concluded that the program was effective in upgrading managerial and marketing skills, which had an impact on the improvement of production technologies of Honduran companies. Of the client companies interviewed for the final evaluation, 85% reported improved product quality, 80% had increased production, 73% reported improved plant operations, 60% strengthened their management systems, 37% implemented new marketing programs, and 24% developed new products.

The total number of completed projects by IESC/Honduras with USAID funding was 178, or 38 more than the goal of 140 projects to be completed. In addition to the above projects, the grant indirectly supported 54 non-USAID financed projects.

However, the evaluation report indicated that while the IESC/Honduras program is considered by the consultants to have been successful, the program had several deficiencies. Some clients felt the program failed to meet their expectations because the VE could not relate to the size of the local operation, the internal shop equipment environment, or the external business environment. Other clients chose not to implement the VE's recommendations.

The chief constraint to the VE's ability to make a significant contribution toward improving the managerial capabilities of the firms was the relatively small size of the firms. In the majority of cases, the VEs had prior experience working in the management of much larger size companies than those they were assigned to assist in Honduras. Another constraint was the local use of relatively obsolete equipment. The chief complaint of the majority of dissatisfied clients was that they felt the VEs could not relate to a very small, or micro size operation.

More relevant progress was made by VEs in the area of technical assistance designed to improve sales, profitability, product quality, and production than in the area of improvement of the managerial capabilities.

9. RESULTS OF AUDIT: Price Waterhouse audited the accompanying statement of support and revenue collected, expenses paid and cash balance arising from cash transactions of International Executive Service Corps (IESC Honduras), for the year ended December 31, 1992.

The financial statements were prepared by IESC's management. Price Waterhouse's responsibility was to express an opinion on this financial statement based on their audit. Price Waterhouse conducted the audit in accordance with generally accepted auditing standards. In their opinion, the financial statement audited by them presents fairly, in all material respects, the cash balance arising from cash transactions of International Executive Service Corps (IESC Honduras), as of December 31, 1992.

10. SUMMARY OF LESSONS LEARNED:

VE Recruitment:

IESC/Stamford should make a greater effort to ensure that VEs have prior experience in working with small companies. In addition, IESC/Stamford should expand the VE data base to include qualified ex-Peace Corps volunteers or ex-small company owners and managers through the American Association of Retired People.

The VE recruitment process should be completed in a reasonably swift manner, so as to avoid a loss of interest and enthusiasm for the project on the part of the client company.

Identification of Clients and Client Contributions:

IESC should place more emphasis on longer term technical assistance projects and focus on a smaller number of companies with greater prospects for success in order to maximize impact.

An improved monitoring system should be developed, wherein IESC will follow-up with client firms on the recommendations made by the VE. If the recommendations are not being followed, IESC should identify the reasons for this lack of use of the VE recommendations. Firms which consistently refuse to act on VE recommendations without valid reasons should be removed from consideration for future IESC project sponsored VE technical assistance. In addition, VE technical assistance should address the strengthening of client accounting, administrative and managerial systems, where appropriate.

The system of client contributions should be analyzed and modified, including the impact on client contributions to the IESC and the quality of VE technical assistance of the "piggybacking" modality, wherein several firms share the cost and available time of a VE.

Design, Monitoring, Implementation, Evaluation and Gender:

USAID/Honduras should conduct or contract for detailed cost-benefit and economic analyses during the design of any future project.

IESC/Honduras should have its own fully operational accounting and reporting systems, assessed and given a clean bill of health prior to any new USAID financial assistance.

Gender considerations should be analyzed and incorporated at the design stage, in the project's baseline data, and during implementation, monitoring and reporting.

All reports, impact studies and analyses generated during the life of project should show information disaggregated by gender.