

PD-ABL-292  
95226

*Final Report*

**Malawi Enterprise Development  
Program  
Mid-Term Assessment of  
International Executive Service  
Corps**

**SUBMITTED TO**  
USAID/Malawi

**SUBMITTED BY**  
Louis Berger International, Inc.

**UNDER**  
A.I.D. Contract No. AEP-5451-1-00-2058-00  
Delivery Order 3

October 1993

Final Report  
MID-TERM ASSESSMENT OF  
INTERNATIONAL EXECUTIVE SERVICE CORPS (IESC)  
PROGRAM IN MALAWI

EXECUTIVE SUMMARY

1. BACKGROUND

USAID/Malawi signed a Grant Agreement with the International Executive Service Corps (IESC) on December 1, 1989. The current grant amount is \$1,094,500. The grant has been extended through September 30, 1994. Thus far, 31 Volunteer Executive (VE) projects have been completed under the Grant. Three ABLE market studies have also been completed. USAID/Malawi has requested that a Mid-term Assessment be completed which would allow USAID/Malawi, the Government of Malawi, and IESC to determine the relative success of the activity to date. The Assessment would also identify areas which have been particularly fruitful and those which require additional attention. Assessment results are intended to provide input for an eventual decision about an extension of the grant life and/or an increase in grant resources. The results also are intended to inform all of the parties about the difficulties of focussing on SMEs, and should recommend ways in which that focus could be stronger or ways in which the program focus should be altered.

2. CONCLUSIONS

The main topics addressed in the Assessment and the conclusions reached regarding each one are as follows:

2.1. Is IESC/Malawi achieving its objectives? The IESC/Malawi program is now achieving its objectives, as defined by the Grant Agreement. In addition to currently-defined objectives, IESC Executive Volunteers (VEs) are making an important contribution to encouraging economic and political pluralism in Malawi.

2.2. What is the impact of the IESC/Malawi program? The success of the Malawi IESC program reflects the fact that there have been two highly capable Country Directors (CDs). The program's impact cannot be quantitatively measured with any degree of reliability. However, the smallest clients showed dramatic increases in both jobs and sales. Qualitative and anecdotal data derived from observation and selective case studies indicates that there are indeed positive impacts from the program at the micro-level. Important factors contributing to a successful project are: (1) good support from the CD; (2) a clear statement of objective; (3) careful selection of the Executive Volunteer (VE); (4) full client commitment to the project; and (5) correct timing.

2.3. What is the IESC/Malawi experience in working with SMEs? IESC/Malawi has made an effort to accommodate USAID's evolving interests regarding support to smaller SMEs and, to a large part, is succeeding. However, the definition currently used by the Government

and by USAID/Malawi to distinguish the SME sector does not seem to be suited to the realities of the country.

2.4. What has been learned about client contributions? The issue of client fees has not been adequately covered by IESC/Malawi. IESC/Malawi now has enough experience to be able to develop standard criteria for client contributions. However, once criteria have been developed and given the fact that each firm is unique, USAID should continue to allow considerable flexibility in their application.

2.5. What should be the future directions of the IESC program? Although communications between USAID/Malawi and IESC/Malawi throughout the period of the Grant have been characterized on both sides as "good," it is our conclusion that these communications are lacking to some degree in vital substance. It is not clear that the CD in Malawi is being supported to the extent he could be by IESC Headquarters. A CD can come to feel quite isolated if not adequately supported by USAID/Malawi and IESC Headquarters. The situation would be improved substantially if basic agreements were forged by USAID/Malawi and IESC/Malawi which are fully endorsed by IESC Headquarters on key issues which would lay the foundation for future programming.

### 3. RECOMMENDATIONS

Based on these conclusions, the following recommendations are made:

3.1. Objectives. Because IESC volunteers are making an important contribution to U.S. foreign policy objectives by serving as effective spokespersons for economic and political pluralism, in our view, this should be viewed as a major part of IESC's objective in Malawi.

3.2. Impact. While project impact may not be measurable quantitatively at present, it is important to "fine tune" the focus of the activities to optimize achievement of USAID's objectives in Malawi. To accomplish this, the following actions are recommended:

1. That USAID/Malawi and IESC/Malawi jointly adopt a new definition of SMEs to be utilized during the remainder of the Grant, which will focus the preponderance of U.S. assistance on those productive enterprises that are most likely to benefit therefrom, while avoiding undue subsidization of the largest and most profitable enterprises. As a basis for discussion, we recommend as a definition of SME: any firm which is neither a parastatal, a part of a large local group or part of a multinational corporation.

2. That USAID/Malawi and IESC/Malawi re-define the client contribution to be charged various categories of clients, remembering, however, to allow IESC to retain as much flexibility as possible. As a basis for discussion, we recommend that: (1) in all but rare instances, parastatals and firms which are part of large groups or multinational corporations, should pay the full cost of services; (2) SMEs should pay on a sliding scale, based on ability to pay, which could range as high as 100% or as low as 0%; and (3) clients having a second or third VE should pay more each time.

3. That USAID/Malawi and IESC/Malawi identify sectors and product lines for possible focus for assistance during the remainder of the Grant. Garments and tourism are suggested as possible sectors for focus.

4. IESC/Malawi should continue to experiment with expansion of its geographic reach and should attempt to reach larger numbers of smaller clients utilizing locally-hired staff, commission agents and NGOs, but not at the expense of compromising its support to clients.

5. IESC should explore opportunities for IESC to introduce a "multiplier" to the impact of a single VE project by finding ways to employ the VE for the benefit of more than one client firm.

6. Continue the experiments (e.g., Malawi RR) of attempting to utilize the IESC program to support other USAID Mission objectives and programs.

3.3. Monitoring and Evaluation. Notwithstanding the inherent difficulties associated with measuring program impact, IESC in Malawi needs to develop a better method of monitoring and evaluating its impact on individual clients. It should:

1. At minimum, conduct detailed interviews with clients one year after the departure of the Volunteer Executives (VE).

2. Agree with USAID and IESC Stamford on a set of project impact measures for the remaining period of the Grant.

3.4. Project Management. Project management can be enhanced/improved by the following actions:

1. USAID should recognize and support the unique capabilities of the IESC Country Director, who seems particularly suited to operate within the context of the Malawi business environment, by providing him with maximum flexibility.

2. IESC/Malawi office of the Country Director should be allowed to expand its administrative support by hiring a secretary or assistant, as they deem appropriate and should be allowed an additional vehicle with a driver.

3. IESC Headquarters should distribute the Executive Summaries of all evaluations of IESC programs to CDs around the world so they can understand and benefit from the experience of others. They should also synopsis the lessons learned from all evaluations and distribute them.

4. IESC Headquarters recruiters need to exercise special care when recruiting for small countries like Malawi and avoid recruiting VEs whose experience is in large companies and who do not have previous VE experience.

5. CDs in Southern Africa should be allowed and encouraged to visit each other and to communicate regularly to share ideas which may be to their mutual benefit, such as sharing a VE between projects in different countries.

3.5. Program Continuity. If during the next year IESC can demonstrate through continuous self-evaluation, that it is having an increasing impact on SMEs, based on criteria jointly agreed with USAID/Malawi, USAID should favorably consider renewing IESC's grant at the end of the current grant period.

## ACRONYMS

ABLE	American Business Linkage Enterprise, IESC program
AID	The entire institution of the Agency for International Development
A/PRE	The AID central office of Private Enterprise in Washington, D.C.
CD	Country Director for IESC
CTIS	Center for Trade and Investment Services
DEMATT	Development of Malawian Traders Trust, a Malawian parastatal
GDP	Gross Domestic Product
GOM	Government of Malawi
JVFF	Joint Venture Feasibility Fund, IESC program
IBRD/IMF	International Bank for Reconstruction and Development/International Monetary Fund
IESC	International Executive Service Corps
MACOHA	Malawi Council for the Handicapped
MBS	Multiple Business Services Program, IESC program
MSME	Micro-, Small- and Medium-Scale Enterprises
NGO	Non-Governmental Organization
POET	Project Officers and Entrepreneurs Training
PPRR	Post Project Review Report, IESC report
PRR	Project Review Report
PVO	Private Voluntary Organization
RDO/C	Regional Development Office/Caribbean
SADC	Southern African Development Community
SME	Small and Medium Enterprises
TA	Technical Assistance
TIPS	Technology Initiative for the Private Sector
TIS	Trade and Investment Services Program
UNDP	United Nations Development Program
USAID	United States Agency for International Development
VE	Volunteer Expert working for IESC

## TABLE OF CONTENTS

	Page
<b>EXECUTIVE SUMMARY</b>	i
<b>1. CONCLUSIONS</b>	1
1.1. Is IESC/Malawi Achieving its Objectives?	1
1.2. Impact of the IESC/Malawi Program?	1
1.3. IESC/Malawi Experience in Working with SMEs?	2
1.4. Client contributions?	3
1.5. Future directions of the program?	3
<b>2. RECOMMENDATIONS</b>	5
2.1. Objectives	5
2.2. Impact	5
2.3. Monitoring and Evaluation	6
2.4. Project Management	6
2.5. Program Continuity	7
<b>3. PURPOSE AND SCOPE OF THE MID-TERM ASSESSMENT</b>	8
<b>4. BACKGROUND</b>	9
4.1. General Economic Environment in Malawi	9
4.2. Business Operations in Malawi	11
4.3. Trends in Population Growth in Malawi	11
4.4. Project Documentation and Background	13
4.4.1. USAID Documentation	13
4.4.1.1. The Med Program	13
4.4.1.2. The IESC Grant	13
4.4.1.3. March, 1992 Letter to IESC	15
4.4.2. History of IESC Program Management	16
<b>5. REVIEW AND ANALYSIS OF PROJECT ACTIVITIES</b>	18
5.1. General Project Description and Objectives	18
5.2. Project Costs and Client Contributions	18
5.3. Size and Ownership of Assisted Firms	18
5.4. Product Lines of Assisted Firms	20
5.5. Areas of Assistance and Client Objectives	20
5.6. IESC Reporting System Analysis of Impact	22
<b>6. ASSESSMENT OF PROJECT ACTIVITIES</b>	25
6.1. Extent IESC is Achieving its Objectives	25
6.1.1. Focus on SMEs	25
6.1.2. Client Location and Sector	27
6.1.3. Economic and Political Pluralism	27

6.1.4.	Joint Ventures	28
6.2.	Impact of the IESC Project	28
6.2.1.	Quantitative Measures	28
6.2.2.	Qualitative Measures	30
6.2.2.1.	Overall	30
6.2.2.2.	Across All Projects	30
6.2.2.3.	Specific to Each Firm	31
6.2.3.	Problems Experience by Projects	32
6.2.4.	Reasons for Project Failure	33
6.3.	The SME Enterprise Focus Issue	34
6.3.1.	Firm Size	34
6.3.2.	Geographic Dispersal	34
6.3.2.1.	Local Staff	35
6.3.2.2.	Commission Agents	35
6.3.2.3.	NGOs	35
6.3.3.	Focus on Product Lines	37
6.3.4.	Client Mix	40
6.4.	The Client Contribution Issue	41
6.5.	Future Direction	42
6.5.1.	The Country Director (CD)	42
6.5.2.	Support and Follow-up with VEs	43
6.5.3.	Cost-Benefit	44
6.5.4.	Monitoring and Evaluation Systems	45

## **LIST OF ANNEXES**

- 1. Results of Interviews with Individual Firms**
- 2. Letter from USAID to IESC of March, 1992**
- 3. Summary of IESC Projects in Malawi**

## LIST OF TABLES

		Page
TABLE 1	Worldwide Rural and Urban Populations, 1990 and 2025	10
TABLE 2	SADC Population Figures, 1990 and 2025	12
TABLE 3	Key Data on IESC/Malawi Clients	17
TABLE 4	Cost Data on IESC Projects	19
TABLE 5	Client Contribution, USAID Component and Total Cost	21
TABLE 6	IESC-Malawi, 1991: Impact on Client Companies	23
TABLE 7	IESC-Malawi, 1992: Impact on Client Companies	24

MID-TERM ASSESSMENT OF  
INTERNATIONAL EXECUTIVE SERVICE CORPS (IESC)

1. CONCLUSIONS

This section of the Report provides the detailed conclusions of the Assessment. USAID/Malawi signed a Grant Agreement with the International Executive Service Corps (IESC) on December 1, 1989. The current Grant amount is \$1,094,500. The Grant has been extended through September 30, 1994. Thus far, 31 Volunteer Executive (VE) projects have been completed under the Grant. There have also been three ABLE market studies. USAID/Malawi has requested that a Mid-term Assessment be completed which would allow USAID/Malawi, the Government of Malawi, and IESC to determine the relative success of the activity to date, and to identify areas which have been particularly fruitful and those which require additional attention. Assessment results are intended to provide input for an eventual decision about an extension of the grant life and/or an increase in grant resources. The results also are intended to inform all of the parties about the difficulties of focussing on SMEs, and should recommend ways in which that focus could be stronger or ways in which the program focus should be altered. The Assessment is to address five major areas: achievement of objectives, impact, SME focus, client contribution and future directions.

1.1. Is IESC/Malawi achieving its objectives?

1. The IESC/Malawi program is now achieving its objectives, as defined by the Grant Agreement. IESC's comparative advantage traditionally lies more in the area of medium-to-large scale enterprise management, technology and trade. USAID/Malawi has shown increasing interest in having IESC concentrate its attention on the smaller firms. This was first officially communicated to IESC in March of 1992. IESC is increasingly succeeding in responding to this requirement.

2. The IESC/Malawi program highlights the fact that IESC was originally conceived as a sister program to the Peace Corps. In Malawi, IESC volunteers are making an important contribution to U.S. foreign policy objectives by allowing the Malawi community to come in contact with respected and successful senior members of the U.S. business community who are not only able to bring with them a store of technical and managerial skills of great value to Malawi businesses but who also serve as effective ambassadors for economic and political pluralism.

1.2. What is the impact of the IESC/Malawi Program?

1. In Malawi, as in the case of all other IESC programs which have been evaluated, the success of the program rests on the abilities of the Country Director (CD). The success of the Malawi IESC program reflects the fact that there have been two highly capable CDs. The first one stayed long enough to lay a firm foundation for the program. The second

one is willing to stay and needs to stay until a program direction compatible with IESC capabilities and USAID evolving needs is firmly established.

2. The IESC/Malawi program impact cannot be quantitatively measured with any degree of reliability for a host of reasons, including problems in linking company performance changes and Volunteer Executive (VE) effort; time lag between VE input and company performance; current economic problems in the country and difficulty in finding quantitative measures comparable across all firms. However, the smallest clients showed dramatic increases in both jobs and sales. Qualitative and anecdotal data derived from observation and selective case studies indicates that there are indeed positive impacts from the program at the micro-level. Such impact includes improvements in productivity, management, quality control, introduction of new products, increasing desire of clients to have another VE and an increasing number of clients coming as referrals from other clients.

3. In Malawi, as in the case of other IESC programs that have been evaluated, we conclude that the important factors contributing to a successful project are: (1) good support from the CD before, during and after the project; (2) development of a clear statement of the objective of the project which is agreed by the Client, CD and VE; (3) careful selection of the VE to assure they are properly qualified for the assignment; (4) assuring that the client is fully committed to the project; and (5) assuring that the timing of the VE visit is appropriate to serve client needs. Additionally, in the case of Malawi and probably other small countries, in most instances, a VE should preferably not be from a large U.S. company and should not be in Malawi as their first VE assignment. We conclude that IESC Malawi has a very good record in these areas, particularly in regard to its support to clients. Excellent client support in large part accounts for the very high project success rate in Malawi. However, IESC Headquarters can improve the sensitivity of its recruiting for Malawi by attempting to identify VEs from smaller U.S. companies and encourage the use of VEs in Malawi who have prior IESC experience.

4. In Malawi, as in the case of some other IESC programs which have been evaluated, we conclude that IESC's impact on a firm has improved if the VE continues to stay in touch with the client and if the firm has more than one IESC project. IESC encourages both of these desirable practices.

5. While the IESC Monitoring and Evaluation system is quite comprehensive, in the case of Malawi, the Post Project Review Report does not accurately convey the impact of the project.

### 1.3. What is the IESC/Malawi experience with SMEs?

IESC/Malawi has made an effort to accommodate USAID's evolving interests regarding support to smaller SMEs and, to a large part, is succeeding. However, the definition currently used by the Government and by USAID/Malawi to distinguish the SMEs in Malawi does not seem to be suited to the realities of the country. Moreover, USAID/Malawi should appreciate the cost implications to the project of a focus on the SMEs. Specifically, smaller clients will inevitably result in small client contributions and high local support costs of the Country

Director's operation.

1.4. What has been learned about client contributions?

The issue of client fees has not been adequately covered by IESC/Malawi. Clients pay many different fees with no apparent relationship to any objective criteria. IESC/Malawi now has enough experience to be able to develop objective criteria for client contributions. However, once established, USAID should recognize that each business is unique and that maximum flexibility is justified in the application of these criteria.

1.5. What should be the future direction of the IESC program?

1. Although communications between USAID/Malawi and IESC/Malawi throughout the period of the Grant have been characterized on both sides as "good," it is our conclusion that these communications are lacking to some degree in vital substance. This may, in part, reflect the physical separation between USAID headquarters in Lilongwe and IESC headquarters three-and-one-half hours away in Blantyre. Agreements on basic issues regarding the Grant, such as definition of the target groups, measures of progress and how reporting should be structured have never been sufficiently discussed so that agreements could be reduced to writing. A starting point for such discussions exists in the form of the March, 1992 letter from USAID which raised many of the key issues needing to be resolved.

2. Even though CD in Malawi considers home office support excellent, it is important for CD to be kept very well informed about what is going on with IESC world-wide, particularly about the new Multiple Business Services (MBS) program. The CD also needs to be properly equipped to handle the public relations aspects of this assignment, which can be just as important as the recruitment and support of clients. These are both areas in which IESC Headquarters support to Malawi should be emphasized.

3. USAID/Malawi has expressed an interest in achieving geographic dispersal of IESC projects outside of the business center of Blantyre. This may be difficult to accomplish and will certainly entail increased costs. IESC can market its services on a more geographically dispersed basis, but only if Country Director's office manpower can be augmented by: (1) additional staff; (2) commission agents; and/or (3) relationships with NGOs and other non-profits. The geographic spread cannot realistically extend more than an one hour's drive from locations which have decent accommodations. A second vehicle will also be necessary. Geographic spread should not occur at the expense of the current quality of services provided to clients.

4. To date, IESC/Malawi has not consciously focused on any particular product or service line. In fact, in an economy as small as Malawi, there is a legitimate question as to whether it is appropriate to do so. It would appear that with judicious selection, there is a good deal of potential benefit to be obtained from focus on particular product line, even though the Malawi private sector is quite small. As in other countries, the advantage could be in obtaining measurable impact on the overall economy.

The product sectors should be selected with considerable care. On the surface, some of the sectors in which IESC has already had a number of projects, such as garments, baking and printing and publishing look superficially likely candidates. However, a more careful analysis might find that one or the other of them has limited growth potential. Also, others that have not been tried, such as tourism development, might have more potential than anything yet assisted by IESC. Some help in further refinement might be obtained from the Associated Chambers of Commerce and Industry of Malawi. The Chamber is apparently placing considerable emphasis on garments and electronics assembly.

A further criteria for formal selection of a product line for focus should be the commitment of at least some of the firms in the sector. If the firms are not willing to cooperate, there is little point in proceeding. In this regard, "cooperation" must be defined as the willingness of a significant number of firms to have multiple volunteers over a period of time and to pay an increasing proportion of the costs of assistance with each succeeding VE.

5. IESC seems to have adapted its program well to the local conditions of Malawi. In fact, the current Country Director and his wife both seem to be remarkably well suited to the current needs of IESC in Malawi. There are opportunities for USAID to capture the particular talents of the Country Director now in place, by providing maximum flexibility to allow him and his spouse to engage in tasks which most IESC country Directors are not equipped to perform. Some of these are identified below.

6. Regarding future direction, USAID and IESC may be able to increase program impact in Malawi substantially. In addition to those suggestions provided above, they may want to consider the following:

1. Continue the experiments (e.g., Malawi RR) of attempting to utilize the IESC program to support other USAID Mission objectives and programs.
2. Experiment with using VE services jointly with other VE programs in the region such as Zambia and Zimbabwe, perhaps, again focusing on particular product groups.
3. Encourage more exchange of information among IESC programs in Southern Africa.
4. Experiment with the introduction of various aspects of IESC's new MBS program in Malawi.
5. Encourage IESC Headquarters to increase their linkages with the Center for Trade and Investment Services (CTIS) in PRE.

## 2. RECOMMENDATIONS

This section of the Report provides the detailed recommendations of the Assessment.

2.1. Objectives. Because IESC volunteers are making an important contribution to U.S. foreign policy objectives by serving as effective spokes persons for economic and political pluralism, in our view, this should be viewed as a major part of IESC's objective in Malawi.

2.2. Impact. While project impact may not be measurable quantitatively at present, it is important to "fine tune" the focus of the activities to optimize achievement of USAID's objectives in Malawi, in the context of IESC's comparative advantages. To accomplish this, the following actions are recommended:

1. That USAID/Malawi and IESC/Malawi jointly adopt a new definition of SMEs to be utilized during the remainder of the Grant, which will focus the preponderance of U.S. assistance on those productive enterprises that are most likely to benefit therefrom, while avoiding undue subsidization of the largest and most profitable enterprises. As a basis for discussion, we suggest the definition of SME be any firm which is neither a parastatal, a part of a large local group or part of a multinational corporation.

2. That USAID/Malawi and IESC/Malawi re-define the client contribution to be charged various categories of clients. We recommend that in all but rare instances, parastatals and firms which are part of large groups or multinational corporations, should pay the full cost of services. SMEs should pay on a sliding scale, based on ability to pay, which could range as high as 100% or as low as 0%. Clients having a second or third VE should pay more each time. Within this general framework, USAID should allow IESC to have as much flexibility in regards to client contributions as possible. A problem area here is that certain small organizations, such as MACOHA, are technically parastatals and yet receive very minimal support from the government and may at various times be considered worthy of support. USAID may want to consider making exceptions in the case of such worthy organizations.

3. To maximize its impact, we recommend that IESC should have at least five general types of clients. Some of these types may overlap:

1. Large-scale clients that pay 100% of the costs of assistance.
2. SME clients in the modern sector who would pay on a sliding scale ranging from close to 100% for repeat clients down to 0% for the smallest clients struggling to establish new businesses.
3. Clients in USAID's priority sectors: education, health and agribusiness.
4. Clients in sectors with substantial growth potential such as garments, tourism and baking, on which IESC might focus and develop particular expertise.

5. Clients who individually are too small to justify a VE, but when handled through NGOs on a group basis, can effectively utilize one.

4. That USAID/Malawi and IESC/Malawi identify the sub-sectors and product lines for possible focus for assistance during the remainder of the Grant. Garments and tourism are recommended for careful consideration.

5. IESC/Malawi should continue to experiment with expansion of its geographical reach but not at the expense of compromising the considerable success it has had in the area of client support. IESC/Malawi's reach should not extend beyond its client support capabilities.

6. IESC should explore opportunities for IESC to introduce a "multiplier" to the impact of a single VE project by finding ways to employ the VE for the benefit of more than one client firm.

2.3. Monitoring and Evaluation. Notwithstanding the inherent difficulties associated with measuring program impact, IESC in Malawi needs to develop a better method of monitoring and evaluating its impact on individual clients. It should:

1. At minimum, conduct detailed interviews with clients one year after the departure of the VE.

2. USAID/Malawi and IESC/Malawi agree on a set of project impact measures for the remaining period of the Grant.

2.4. Project Management. Project management can be enhanced/improved by the following actions:

1. USAID/Malawi should take maximum advantage of the unique capabilities of the IESC Country Director, who seems particularly suited to operate within the context of the Malawi business environment.

2. IESC/Malawi office of the Country Director should be allowed to expand its administrative support by hiring a secretary or assistant, as they deem appropriate and should be allowed a additional vehicles with drivers.

3. IESC Headquarters should distribute the Executive Summaries of all evaluations of IESC programs to CDs around the world so they can understand and benefit from the experience of others. They should also synopsis the lessons learned from all evaluations and distribute them.

4. IESC Stamford recruiters need to exercise special care when recruiting for small countries like Malawi.

5. CDs in Southern Africa should be allowed and encouraged to visit each other and to communicate regularly to share ideas which may be to their mutual benefit, such as sharing a VE between projects in different countries.

2.5. Program Continuity. If IESC can during the next year demonstrate through continuous self-evaluation, that it is having a increasing impact on SMEs, USAID, based on criteria jointly agreed with USAID/Malawi, it should favorably consider renewing IESC's grant at the end of the current grant period.

### 3. PURPOSE AND SCOPE OF THE MID-TERM ASSESSMENT

This section of the Report describes the purpose and scope of the Assessment. The International Executive Service Corps (IESC) Grant from USAID/Malawi was initiated in December, 1989. The current Grant amount is \$1,094,500. The grant has been extended through September 30, 1994. USAID/Malawi has requested that a Midterm Assessment be completed which would allow USAID/Malawi, the Government of Malawi, and IESC to determine the relative success of the activity to date, and to identify areas which have been particularly fruitful and those which require additional attention. Assessment results are intended to provide input for an eventual decision about an extension of the grant life and/or an increase in grant resources. The results also are intended to inform all of the parties about the difficulties of focussing on SMEs, and should recommend ways in which that focus could be stronger or ways in which the program focus should be altered.

Topics to be addressed in the Assessment include:

1. Achievement of objectives: The Assessment will review the stated objectives of the program, and determine whether they are being met. Ways in which achievement can be improved should be recommended.

2. Impact of the projects: The Assessment, through interviews with participant firms and review of project documentation, will determine and document the extent to which the IESC activity has supported improved financial, managerial, and/or operational performance of individual businesses. The Assessment also will identify other specific areas of impact, e.g., employment generation, improved potential for expanded operations or exports, etc. Finally, the Assessment will identify important factors which have contributed to particularly successful projects, and areas where impact can be increased.

3. SME focus: The Assessment will compare SME projects with those of larger firms, and identify significant similarities and differences, in terms of VE performance, achievement of objectives and satisfaction of participants. The Assessment will identify important factors which have contributed to successful SME projects, and will identify steps which can be taken to increase the number of SME projects. Finally, the cost implications, including direct financial costs as well as allocation of time of the director, of promoting and managing SME projects, vs. other projects will be identified and assessed.

4. Client contributions: The Assessment will assess the amounts clients have been contributing to determine whether they are appropriate given the program objectives and conditions in Malawi. The Assessment also will determine the extent to which client contributions could be increased, and in what circumstances they should be decreased.

5. Future directions: Based on the overall assessment of the IESC activity to date and on current conditions in Malawi, the Assessment will comment on whether the program objectives should be revised for the remainder of the program. In doing so, the Assessment will determine whether there is scope to expand the level of activity, e.g., to new geographic locations, new kinds of businesses, group assistance schemes to help smaller businesses, etc., and whether there are additional ways to reach new clients.

#### 4. BACKGROUND

This section of the Report provides information on the environment in which IESC/Malawi operates and on IESC's contract relationship with USAID.

##### 4.1. General Economic Environment During the Period of the IESC Program

A landlocked country in Southeastern Africa of 37,000 square miles, Malawi ranks among the world's least developed countries, with a 1991 per capital GDP of \$237 and a population of 9.2 million. Eighty-five percent of Malawi's work force is engaged in agriculture, which accounts for 34 percent of GDP and 90 percent of export earnings. Ninety-two percent of the population live in rural areas. Malawi has relied upon its agricultural sector as the primary engine of development. Normally self-sufficient in staple food production given favorable climatic conditions, Malawi also produces tobacco, tea, sugar, groundnuts, coffee, and cotton. However, late rains in the 1989/90 and 1990/91 growing seasons, and a burgeoning refugee population (about 1 million by December, 1991), combined to disrupt the performance of the economy.

Real GDP grew by 4.8 percent in 1990 after 4.3 percent growth in 1989. Despite the deepening drought, GDP grew by 7.8 percent in 1991. Driving economic growth during the five years ending in 1991 was the renewed availability of foreign exchange, facilitated by IBRD/IMF structural adjustment programs as well as strengthened international agricultural commodity prices of tobacco and increased tobacco output.

However, Malawi's terms of trade deteriorated over the 1980's; the biggest single factor affecting Malawi's terms of trade has been the sharp rise in transportation costs due to closure of the rail links through Mozambique to ports on the Indian Ocean and the resulting long and expensive transportation routes through South Africa and Tanzania.

The full force of a severe drought hit Malawi and much of the rest of Southern Africa during the 1991/92 crop season. This led to a decrease in agricultural output of 27 percent compared to a 14.5 percent increase in 1991. The quality of the tobacco crop was also affected. This combined with two devaluations and inflation of 22.4 percent resulted in GDP growth in 1992 of minus 7.9 percent.

In this environment, foreign exchange became increasingly scarce. This scarcity was exacerbated by the decision of the world donor community to withhold funds from Malawi. As a result of lack of foreign exchange and the adverse impact of two devaluations on costs, in 1992, after a growth of real output of 11.3% in 1990 and 3% in 1991, industrial output began to decline due to increasing difficulties in obtaining financing to purchase inputs such as raw materials, machinery and spare parts. This situation has continued to deteriorate in 1993. In 1992 the real value of imports grew by 28 percent compared to 1991 while the real value of exports grew by only six percent.

TABLE 1

**RURAL AND URBAN POPULATIONS  
HIGH INCOME AND DEVELOPING REGIONS: 1990 AND 2025  
(Millions)**

	1990 Rural	1990 %	1990 Urban	1990 %	1990 Total	1990 %	2025 Rural	2025 %	2025 Urban	2025 %	2025 Total	2025 %
High–Income Countries	164	20%	656	80%	820	100%	100	11%	815	89%	915	100%
Developing Regions in:												
Asia and the Pacific	1730	61%	1100	39%	2830	100%	1700	40%	2500	60%	4200	100%
Sub–Saharan Africa	350	70%	150	30%	500	100%	600	48%	650	52%	1250	100%
Middle East and North Africa	140	47%	160	53%	300	100%	160	26%	455	74%	615	100%
Europe and Former USSR	135	34%	265	66%	400	100%	130	21%	483	79%	613	100%
Latin America and the Caribbean	103	24%	330	76%	433	100%	100	14%	610	86%	710	100%
World Total	2622	50%	2661	50%	5283	100%	2790	34%	5513	66%	8303	100%

SOURCE: Adapted from World Bank Data

#### 4.2. Nature, Scope and Scale of Business Operations in Malawi

The recently completed GEMINI study estimated that there are 570,000 micro-, small- and medium-scale (MSME) firms in Malawi in 1992, employing over one million people. The GEMINI definition of MSME sector is any non-agricultural activity, undertaken for commercial ends, with 100 or fewer employees. The study estimates that over 20% of the population fourteen years of age or older are employed in MSMEs. Ninety percent of MSMEs are in rural areas. Over 60% of the MSMEs are operated by the proprietor alone. Micro enterprises (1-4 employees) constitute 96.4% of MSMEs. Small-scale enterprises (5-20 employees) constitute 3.3%. Medium-scale enterprises (21-100 employees) constitute 0.3%. The survey identified only 19 firms with more than 100 employees (highest employment was 500). Since this was a 100% sample, the study conjectures this may be all the large-scale firms in the country. However, it notes that 109 firms were not able to give employment information and that many of these may have been large-scale. It is unlikely that the number of large-scale firms exceed 100 and is probably closer to 50.

The average annual employment growth rate of Malawian MSMEs is 10.5%. These growth rates are slightly higher than in surrounding countries. Manufacturing represents 52% of all MSMEs while trade represents 43%. Malawi has a much higher proportion of traders than surrounding countries. Highest growth rates were experienced in chemicals and plastics (124%), restaurants, hotels and bars (21.9%), wholesale trade (19.6%), construction (14.8%) and non-metallic mineral processing (13%). Slowest growth was in fabricated metal production (5.3) and textiles, wearing apparel and leather (6.8%). Although in urban areas, fabricated metal production grew by 19.2% and textiles, wearing apparel and leather by 11.5%. When just urban areas are considered, growth in various sectors seems to even out and was 15.9% overall.

The most serious problems that MSME businesses perceive that they face are inputs (30%), markets (25%) and working capital (17.5%).

#### 4.3. Trends in Population Growth

The number of persons engaged in the MSME sector may be regarded in substantial part as a function of population growth and urbanization. Basically, growing population and particularly urban populations in Southern Africa have little recourse other than to engage in business. On the basis of World Bank population projections for nine of the ten SADC countries (Swaziland was not included) the regions population will grow from 83 million in 1990 to 205 million in 2025, substantially more than double the 1990 population (See Table 1). During the same period, The World Development Report, 1992, of the World Bank projections show that urban populations in Sub-Saharan Africa will more than quadruple from 150 million to 650 million. The urban proportion of the population in Sub-Saharan Africa will increase from 30% of the total population in 1990 to 52% in 2025. In the specific case of Malawi, the population is expected to grow from nine million to 24 million by 2025 (See Table 2). More than 12 million of this number will be in urban areas. Much of this increase will have to be absorbed in business activities.

TABLE 2

POPULATION GROWTH PROJECTIONS IN THE SADC  
COUNTRIES

Country	Population (Millions)	
	1990	2025
Angola	10	27
Botswana	1	2
Lesotho	2	4
Malawi	9	24
Mozambique	16	42
Namibia	2	4
Tanzania	25	64
Zambia	8	20
Zimbabwe	10	18
<b>Total</b>	<b>83</b>	<b>205</b>

#### 4.4. Project Documentation and Background

##### 4.4.1. USAID Documentation

###### 4.4.1.1. The MED Program

On August 29, 1988, USAID signed a Project Grant Agreement with the Government of Malawi for the Malawi Enterprise Development Program (MED). It provided US\$35 million to the Government of Malawi on an incremental basis, initially, over a three year period. The Agreement indicated that, "The Malawi Enterprise Development Program is designed to stimulate the growth of industry and commerce by supporting policy and institutional reforms and by providing the GOM with scarce foreign exchange." The goal of the program was to, "...increase incomes and the availability of employment in the private sector by stimulating growth of industry and commerce." The purpose was to, "...revitalize existing businesses and create new enterprises, particularly small and medium scale enterprises, by supporting policies directed at reducing economic, institutional and fiscal distortions which inhibit the development of a more open, competitive and dynamic private sector."

A second Grant Agreement for US\$1.6 million was signed in mid- 1989 to undertake project-type short and long term technical assistance, training, and studies activities in direct support of the MED Program's goal and purpose-level objective. This Agreement stated:

The program has been designed to allow a number of visits from, as well as to, technical experts to enable firms to address practical production and management problems on the spot. This part of the project component anticipates 12 business consultancies over the programs three year period, or four per year. Experts will provide short term technical assistance in the areas of production, management, quality control, organizational structure, business operations, and marketing development to a small number of firms, particularly SME firms, which seem able to utilize these services. The purpose of this activity is to increase productivity, increase operational efficiency, improve product quality, and expand market development. USAID/Malawi expects to use the services of IESC and Entrepreneurs International to provide these skills and training while minimizing the management burden of the activity on the Mission.

###### 4.4.1.2. The IESC Grant

On December 1, 1989, a Grant Agreement was signed between USAID and IESC, which provided IESC with US\$335,500. The number of projects was expanded. IESC was now to assist 25 regular projects, 5 joint venture projects, 5 joint venture follow-up projects and 10 ABLE projects over two years. The Agreement specified that:

The purpose of this Grant is to provide support for a program of technical assistance to small and medium-sized, modern sector businesses in Malawi...

IESC's objective is to provide short term, usually one to three month, client

specific technical service to solve a broad range of industrial, technical, and managerial problems, e.g. increase production, quality control, maintenance handling, organizational structure, or marketing. USAID/Malawi assistance to IESC clientele is targeted for activities primarily in the private sector which increase product capacity and company efficiency, improve product quality, or upgrade company operations.

In addition, IESC will make available to Malawi businesses the management skills, basic technologies, and know-how developed by firms and industries in the United States by providing the advisory services of highly skilled volunteer executives (VEs) on short term assignment.

Thus, the IESC activity will directly support the original MED intent to strengthen and diversify Malawi's productive sector.

Amendment Number 1 of the Grant, dated June 25, 1990, recognizing the higher costs associated with assisting smaller clients, increased the amounts paid to IESC from US\$8,000 to US\$13,000 for projects of sixty days or less and US\$16,000 for projects of sixty days or more.

Amendment Number 2 of the Grant, dated March 21, 1991, added US\$759,000 to the grant to bring the total grant to US\$1,094,500 and extended the grant by 34 months to September 30, 1994 for a total grant period 58 months. It was assumed that 15 projects would be completed each year and average 60 days. In recognition that IESC Core Grant funds could no longer be utilized to cover part of the costs of field programs and that the average client contribution would be US\$5,000, USAID expected its contribution to average US\$22,600 per consultancy.

The original Grant Agreement required IESC to report quarterly to USAID. It indicated the reporting should include:

- 1) Quarterly report containing
  - (i) A narrative description of IESC-Malawi activities and projects during the past quarter, including an assessment of the success or problems of the projects and recruitment activities. The report shall also provide recommendations or actions proposed to address problems or constraints.
  - (ii) Copies of all project evaluation reports completed during the past quarter.
- 2) Copies of audited accounts for IESC-Malawi and IESC headquarters, completed in the normal course of operations.
- 3) A final report is required which will include a comprehensive review and discussion of project activities and achievements. This report will be due no later than October 31, 1991.

In addition, the IESC Director of Operations of Malawi will consult regularly but not less than quarterly with A.I.D.'s Project Officer concerning the substantive progress of Grant activities and administration.

Amendment Number 2 added a requirement for an annual report, which were to be submitted on October 31 of each year except for the final report which was to be submitted on September 30, 1994. Regarding reporting, it also replaced the last paragraph of the section of the original agreement related to reporting with the following:

The IESC Country Representative will consult regularly but not less than quarterly with A.I.D.'s Project Officer concerning the substantive progress of Grant activities and administration. In addition, the IESC Country Representative will meet on a semiannual basis with USAID/Malawi staff in Lilongwe regarding progress over the preceding two quarters and planned consultancies for the upcoming six-month period. Tentative months for these meetings will be April and October.

4.4.1.3. March, 1992 Letter from USAID to IESC

On March 10, 1992, the USAID Project Officer sent the IESC Country Director a lengthy letter. Given the importance of the points raised in this letter to USAID, it is reproduced in its entirety in an Annex 2 of this report. The major points raised by this letter included:

1. "Focus of IESC in Malawi... While we understand the difficulties you face trying to increase the number of clients from the SME sector, we would like to encourage you to continue your efforts, and to take initiatives which would lead to greater participation of SMEs...The following is a definition of SMEs which has been accepted by the Government of Malawi. I propose that we use this same definition for the IESC activities. Please let me know if this would be acceptable.

	Micro	Small	Medium	Large
Capital Investment	< 5,000	< 200,000	< 500,000	> 500,000
Employees	1-4	5-20	21-100	> 100
Turnover	< 12,000	< 400,000	< 1,000,000	> 1,000,000

2. "Agreements with large firms... Second, concerning the resources question, for any agreement with a large firm, our grant to IESC should cover at most the "overhead" costs...about \$8,700 to any one agreement.

3. "Agreements with parastatals...As stated in the original IESC proposal... 'IESC markets its services toward private sector projects, however, parastatal projects are accepted at a full cost contribution' ...In all dealings with parastatals, it is your responsibility to see that no IESC grant money is used to finance those activities.

4. "Reporting...Quarterly reports of activities during the previous quarter should include a brief narrative description of those activities, as well as an assessment of the success or problems of the projects and recruitment activities. The report also should provide recommendations or actions proposed to address problems or constraints...In particular in your quarterly reports, activity completion reports and annual reports, we would like to see included specific information about the impact of the individual IESC activities, e.g., increased employment, increased sales, noticeably improved marketing, etc. While impact may not be measurable immediately after the activity is over, it may be later, after a few months or a year, and we encourage you to maintain contact with former client firms so that the long-term impact

of IESC activities can be assessed.

5. "Meetings...It might be most efficient to time the quarterly consultations to be held in conjunction with submission of the quarterly reports mentioned above. If the quarterly report is due the beginning of March, June, September, and December, then our regular consultations could be scheduled for the middle of each of those months."

#### 4.4.2. History of IESC Program Management in Malawi

Prior to signature of the Grant Agreement with the Mission in December, 1989, IESC had completed only seven projects in Malawi. There was no IESC office in Malawi during this period. Ray Jubitz, the first resident Country Director (CD), arrived in February of 1990 and remained until May of 1992. He was replaced by Art Lundh, who arrived in June of 1992 and is still in place. Spouses of both CDs spend a large amount of time assisting their husbands in the management of the program. IESC/Malawi does not employ any local employees to assist in running the office or in field operations.

**TABLE 3  
COMPLETED IESC PROJECTS  
IN MALAWI**

Client Name	Size		Contribution			Product/Service	Ownership	Rating			Objective	
	# of Employ.	US\$ Million Sales	Client	USAID	Total			# of Days				
<b>1990</b>												
Classic Designer + 0	0	0	4,834	19,481	24,166	Knee Socks	Private/Local	45	2	2	2	Start Bus./ Install Machines
Portland	740	19.4	13,453	680	14,133	Cement	Parastatal	68		2		Increase Productivity
Candlex	80	1	411	21,368	24,788	Toiletries	Private/Local	80	2	2	2	Improve Mgmt. Finance
Subtotal			0	0	0							
<b>1991</b>												
Malawi Rail	4850	7.9	14,500	13,789	28,289	Railway	Government		2	3	3	Engine Overhaul
Trust Ind.	0	50	0.82	5,000	29,075	Auctioneering Foam Product	Private/Local	76		2		Improve Mgmt., Finance
Farm & Eng.	0	275	6.8	5,500	27,291	Tractor Sales/ Service	Lonbro/ Multinational	70	2	2	2	Improve Maintenance
Fargo	0	350	3	5,000	22,085	Tractor Sales/ Service	Private/Local	48	2	3		Improve Maintenance
Montfort	0	150	1.8	5,000	30,957	Printing/ Publishing	Catholic Church/Local	68	2	1		Increase Productivity
Stagecoach	0	3100	28.8	2,500	28,489	Business Service	Government/ Multinational	39		2		Improve Maintenance
MACOHA	0	385	0.39	00	25,529	Woven Textiles silken products	Parastatal	53	2	2	2	Increase Productivity
Chibuku	0	650	12	6,000	19,899	Low alcohol drink	Press Group	30	2	2	2	Increase Productivity
Malawi Rail	0	4850	7.9	19,000	7,716	Railroad	Government	82	1	2	1	Engine Overhaul
Press Bakery	0	400	10.7	10,000	23,423	Bread	Press Group	81	2	2		Develop new Products
Lever Bros.	0	650	31	12,000	19,091	Household items/food	Multinational	63	1	1		Improve Mgmt., Distribution
Chibuku	0	650	12	6,000	7,997	Low alcohol drink	Press Group	43		2		Improve Mgmt., Distribution
Malawi Rail	0	4850	7.9	19,500	14,911	Railroad	Government	53	2	2	1	Improve Mgmt., Inventory
Subtotal			70,000	0	70,000							
<b>1992</b>												
Leather	0	100	0.7	2,052	13,938	Synthetic travel bags/purses	Private/Local	25	1	1	1	Develop New Designs
Halls	0	8	NEW	6,012	23,648	Install Mufflers	Local/Halls Group	56	1	1	1	Train Production Staff
Chibuku	0	650	12	11,478	19,014	Low alcohol drink	Press Group	79	2	2	2	Improve Marketing
Ceeveco + 0	0	80	NEW	4,268	23,285	Cookies	Private/Local	74	2	1	1	Dev. New Products Increase Productv.
La-Mona + 0	0	25	0.27	2,253	22,728	Cosmetics/ Candles	Private/Local	33	4	4	4	Dev. New Products Improve Marketing
Famba + 0	0	90	0.16	1,491	16,842	Furniture	Private/Local	53	2	2		Increase Productivity
Crown	0	380	8.2	7,492	23,616	Garments	Private/Local	83	1	1		Increase Productivity
Crown	0	380	8.2	6,000	24,094	Garments	Private/Local	81	2	2	1	Install New Plant
Enterprise	0	230	1.8	10,000	22,289	Plastic containers	Press	75	1	1	1	Quality Control
Blantyre Hotels	0	300	1.75	3,455	14,529	Hotels	(?)	77	2	2	2	Improve General Management
S&K Steel	0	125	1.2	2,644	26,526	Furniture	Private/Local	53	2	1	1	Dev. New Products Increase Productv.
Now Publ + 0	0	2	0.009	750	26,159	Magazine Publ	Private/Local	61	1	1	1	Increase Productivity
MACOHA + 0	0	11	0.01	250	3,874	Greeting Cards	Non-profit parastatal	12	1	1	1	Increase Productivity
Subtotal			10,000	0	10,000							
<b>1993</b>												
Robray	0	120	1.8	5,000	27,500	Polyurethane foam products	Private/Local	46		3		Improve Product Quality
CLAIM + 0	0	85	0.135	5,000	30,000	Distributors/ Publishers books	Private/ Non-profit	90	2	2	1	Improve General Management
Bombay	0	110	0.625	5,000	30,000	Garments	Private Local	62	1			Set Up New Product Line
Subtotal			15,000	87,500	112,500							
<b>TOTAL</b>			<b>95,030</b>	<b>87,500</b>	<b>182,500</b>							

**Footnotes:**

**Definition of Symbols in Client Name Column:**

- + Those firms which can be categorized as SMEs in accordance with the definition of the Government of Malawi
- 0 Those firms which can be categorized as SMEs in accordance with the definition recommended in this Assessment

**Definition of Numbers in Rating Column:**

- First Column: VE rating of project success
- Second Column: Client rating of project success
- Third Column: CD rating of project success
- Number 1 = Outstanding
- Number 2 = Good
- Number 3 = Fair
- Number 4 = Failure

## 5. REVIEW AND ANALYSIS OF PROJECT ACTIVITIES

This section of the Report reviews and analyses basic factual data on the IESC program in Malawi.

### 5.1. General Project Description and Project Objectives

During the period covered by this evaluation (Commencing December 1, 1990), IESC has completed 31 projects utilizing Volunteer Executives (VEs) in Malawi with 25 different clients. Three ABLE market studies were also completed. Three VE projects were completed in 1990, 13 in 1991, 13 in 1992 and two in 1993. With one exception, all the VE projects have been physically located within the city of Blantyre which is the business center of Malawi. The list of clients and projects cost and other data is included in Table 3. There have been no joint venture or joint venture follow-up projects.

### 5.2. Project Costs and Client Contributions

The total cost of the 31 projects to date is approximately US\$800,000 or an average of US\$25,800 per project. Of this total, approximately US\$200,000 or 25% has been contributed by the clients, for a total cost to USAID of approximately US\$600,000. Total average cost to USAID per client is, therefore, approximately US\$19,350. This is slightly lower than the US\$22,600 average projected by USAID in the most recent Grant Amendment. However, the average cost to USAID rose from just over US\$21,500 in 1991 to US\$23,500 in 1992. As the average size of the client began dropping in 1992, the average size of the client contribution has also dropped. The average client contribution overall has been approximately US\$6,450, which is slightly higher than the US\$5,000 projected by USAID. In 1991, the thirteen clients paid an average of 36% of the total project cost. In 1992, the thirteen client paid an average of 20% of the total project cost. So far in 1993, the two clients paid an average of only 15%. In 1992, the smallest client paid 2% of total project cost. Another paid 6%. In 1992, the largest client paid 38%.

The contribution of each assisted firm, the USAID contribution and the total project cost are listed in Table 4. The breakdown of total costs is listed in Table 5.

### 5.3. Size and Ownership of Assisted Firms

The average number of employees and the average sales volume of assisted firms have been dropping, as can be seen in Table 3. In 1990, while IESC was just launching its program, there were only three projects. All of these fall within the category of "large," as defined by the March, 1992 letter. In 1991, there were 13 projects. All of these fall within the category of "large". In 1992, there were 13 projects. Of these, eight fall within the category of "large". The other five, fall within the category of SMEs. In 1993, there have thus far been 2 completed projects, one large and one SME.

**TABLE 4**  
**IESC / MALAWI PROJECTS**  
**COST DATA**

Client	Proj #	Date Started	Date Completed	Proj Duration	Allocation Year	Amount Drawn Down	Recruiting Allocation	Field Location	Expense Allocation	Client Cont.	Airfare	Enroute	Per Diem	Misc	Project Expense Total	Proj Exp Minus Client	
PORTLAND CEMENT	1.	19355	05/21/90	08/17/90	88	1990	16,000.00	1,727.00	705.00	0.00	13,453.26	3,853.40	626.19	3,514.79	0.00	14,133.38	680.12
CANDLEX	2	19328	07/09/90	09/26/90	79	1990	18,000.00	1,727.00	705.00	0.00	3,411.08	10,527.60	1,173.79	8,937.38	0.00	24,777.75	21,366.67
CLASSIC DESIGNS	3	19519	10/15/90	11/30/90	46	1990	13,000.00	1,727.00	705.00	0.00	4,634.33	11,028.00	0.00	6,949.32	0.00	24,116.32	19,481.98
TRUST INDUSTRIES	4	19979	01/07/91	03/21/91	73	1991	16,000.00	1,834.00	860.00	6,517.00	5,001.00	10,068.00	1,573.99	10,057.39	60.40	34,075.78	29,074.78
FARMING/ENGINEERING	5	20061	06/24/91	08/02/91	39	1991	21,790.85	1,834.00	860.00	6,517.00	5,500.00	12,248.00	408.38	5,363.07	60.40	27,290.85	21,790.85
FARGO	8	20123	04/29/91	06/14/91	46	1991	22,084.83	1,834.00	860.00	6,517.00	5,000.00	10,546.00	1,167.51	6,099.72	60.40	27,084.83	22,084.83
MONTFORT	7	20492	04/08/91	07/05/91	88	1991	16,000.00	1,834.00	860.00	6,517.00	5,000.00	11,438.00	853.35	11,289.00	60.40	35,856.75	30,856.75
STAGECOACH	8	20603	01/14/91	02/22/91	39	1991	13,000.00	1,834.00	860.00	6,517.00	2,500.00	11,834.20	583.73	6,215.05	60.40	30,939.38	28,489.38
MACOHA	9	20700	05/06/91	05/28/91	53	1991	25,529.00	1,834.00	860.00	6,517.00	0.00	8,986.00	245.63	7,031.97	60.40	25,529.00	25,529.00
CHIBUKU PRODUCTS	10.	20999	09/02/91	10/02/91	30	1991	19,699.46	1,834.00	860.00	6,517.00	8,000.00	11,744.00	661.45	4,022.61	60.40	25,699.46	19,699.46
PRESS BAKERIES	11	21114	10/28/91	01/17/92	81	1991	23,422.57	1,834.00	860.00	6,517.00	10,000.00	10,842.00	1,706.62	11,602.55	60.40	33,422.57	23,422.57
LEVER CO:	12	21148	09/30/91	12/21/91	82	1991	19,090.69	1,834.00	860.00	6,517.00	12,000.00	11,704.00	319.29	9,798.00	60.40	31,090.69	19,090.69
CHIBUKU PRODUCTS	13	21601	10/03/91	11/15/91	43	1991	7,996.50	458.50	860.00	6,517.00	6,000.00	0.00	0.00	6,161.00	0.00	13,996.50	7,996.50
LEATHER & LUGGAGE	14	20366	02/03/92	02/28/92	25	1992	13,937.52	2,200.00	559.00	3,223.34	2,051.50	6,017.00	1,100.87	2,612.81	76.00	15,889.02	13,937.52
HALLS QUICK FIT	15	20698	04/06/92	06/05/92	60	1992	23,647.78	2,200.00	1,117.00	6,448.73	6,011.79	11,790.00	139.95	7,689.89	76.00	29,659.57	23,647.78
CEEVEECO	16	21804	05/18/92	07/30/92	73	1992	23,284.79	2,200.00	1,117.00	6,448.73	4,282.36	8,753.00	1,456.85	7,503.57	76.00	27,553.15	23,284.79
LA-MONA COSMETICS	17	21867	05/04/92	06/06/92	33	1992	22,728.31	2,200.00	1,117.00	6,446.73	2,252.85	9,740.00	559.19	4,842.24	76.00	24,981.18	22,728.31
FAMBA FURNITURE	18	21897	03/16/92	05/07/92	52	1992	16,841.43	2,200.00	1,117.00	6,446.73	2,680.00	844.47	4,968.63	76.00	18,332.63	16,841.43	
CROWN FASHIONS	19	21986	03/23/92	06/13/92	82	1992	23,618.29	2,200.00	1,117.00	6,448.73	7,481.58	9,475.52	349.88	11,442.64	76.00	31,107.87	23,618.29
CHIBUKU PRODUCTS	20	21996	02/24/92	05/15/92	81	1992	19,014.18	2,200.00	1,117.00	6,448.73	11,478.39	8,722.00	804.58	11,126.28	76.00	30,482.57	19,014.18
ENTERPRISE CONTAIN	21	22033	09/14/92	11/27/92	74	1992	22,289.48	2,200.00	1,117.00	6,446.73	10,000.00	11,562.00	701.62	10,166.13	76.00	32,289.48	22,289.48
BLANTYRE HOTELS	22	22048	04/11/92	06/26/92	76	1992	14,528.73	2,200.00	1,117.00	6,446.73	3,454.76	5,540.00	375.47	2,228.29	76.00	17,983.49	14,528.73
S & K FURNITURE	23	22130	06/15/92	08/07/92	53	1992	26,526.04	2,200.00	1,117.00	6,448.73	2,644.05	11,044.00	803.46	7,482.90	76.00	29,170.09	26,526.04
NOW PUBLICATIONS	24	22316	08/17/92	10/17/92	61	1992	26,159.04	2,200.00	1,117.00	6,448.73	750.00	9,248.00	811.85	7,011.48	76.00	26,909.04	26,159.04
CROWN FASHIONS	25	22601	11/09/92	01/29/93	81	1992	24,093.85	2,200.00	1,117.00	6,448.73	6,000.00	11,938.00	874.32	7,441.60	76.00	30,093.85	24,093.85
MACOHA	26	23473	11/29/92	12/11/92	12	1992	3,874.04	550.00	279.00	1,611.68	250.70	0.00	1,607.38	76.00	4,124.04	3,874.04	
MALAWI RAIL	27	19942	04/08/91	06/26/91	89	1991	16,000.00	1,834.00	860	6,517.00	18,000.00	6,412.00	897.00	7,031.00	60.40	26,716.39	7,716.39
MALAWI RAIL	28	21040	11/18/91	01/16/92	63	1991	0.00	1,834.00	860	6,517.00	14,500.00	10,065.00	1,312.36	7,600.00	60.40	26,268.76	13,768.76
MALAWI RAIL	29	21039	12/16/91	03/06/92	80	1991	0.00	1,834.00	860	6,517.00	19,000.00	11,779.00	560.53	12,300.00	60.40	33,810.93	14,910.93
CLAIM	30	23473	11/30/92	12/11/92	12	1992				233.00					2,233.00	2,000.00	
ROBRAY	31.	22801	02/15/93	04/02/93		1993				5,000.00					32,500.00	27,500.00	
	ABLE A0891	10/01/92	12/14/90	74	1990	1,700.00				1,800.00				3,300.00	3,300.00	1,700.00	
	ABLE A0930	01/01/92	05/28/92	148	1992	1,000.00				900.00				1,800.00	1,800.00	1,000.00	
	ABLE A1312	04/01/92	05/28/92	57	1992	900.00				1,000.00				1,800.00	1,800.00	900.00	
<b>TOTAL</b>						<b>509,755.18</b>	<b>54,597.50</b>	<b>28,420.00</b>	<b>180,470.05</b>	<b>197,877.35</b>	<b>259,816.72</b>	<b>20,892.43</b>	<b>208,494.81</b>	<b>6,812.80</b>	<b>797,578.30</b>	<b>599,700.95</b>	

In 1990, two of the projects were with local, profit-making firms and one was with a parastatal. In 1991, two were with profit-making local firms, one was owned by a church, five were parastatals, three were owned by the Press Group (which is controlled by the Life President) and two were owned primarily by multinationals. In 1992, nine were with local, profit-making firms, one was a parastatal, two were owned by the Press Group and one was uncertain. In 1993, one of the projects is with a local, profit-making firm and one is with a local non-profit organization. All but two of the prospective clients are local, profit-making firms. The exceptions include one parastatal, which is with Malawi Railroad supported by USAID and the other is with the Press Group. Both will pay full cost.

#### 5.4. Product Lines of Assisted Firms

As can be seen in Table 3, there were 23 projects in manufacturing or processing. Within manufacturing, there were three projects each in garments, publishing and beverages (a fourth garment project is currently underway). There were two projects each in baked goods, furniture and toiletries and cosmetics. Remaining manufacturing projects were in a wide range of sectors. In a review of IESC firms which are at the moment likely to become clients, it would appear that the largest number are in manufacturing.

There were four projects in transportation, three of which were with the Malawi Railroad. The remaining four projects were in the services sector and included two in vehicle and equipment sales and service, one hotel and one installer of mufflers.

#### 5.5. Technical Areas of Assistance and Client Objectives

Assistance to firms has been provided in the following categories specified in the Grant Agreement: (1) in increasing production; (2) in increasing productivity; (3) in increasing product quality; (4) in development of new products or designs; (5) improving management; (6) improving maintenance; (7) in business start-up; and (8) business rehabilitation.

The largest number of projects (11) were focused on increasing overall productivity in manufacturing or processing. The second largest number of projects (6) were focused on developing new products or new designs for existing products. There were three projects each focused on improving inventory management and improving maintenance and two projects each on improving general management, improving financial management and improving distribution management. The largest clients tended to want assistance in only one narrow technical area. The smaller the client, the greater the client's interest in having the VE look at all aspects of business operations.

**TABLE 5**  
**IESC / MALAWI PROJECTS**  
**CLIENT CONTRIBUTION, USAID COMPONENT AND TOTAL PROJECT COST**

Client	Proj #	Client Cont.	Project Expense Total	Proj Exp Minus Client
PORTLAND CEMENT	1 19355	13,453.26	14,133.38	680.12
CANDLEX	2 19326	3,411.08	24,777.75	21,366.67
CLASSIC DESIGN	3 19519	4,634.33	24,116.32	19,481.99
TRUST INDUSTRIES	4 19979	5,001.00	34,075.78	29,074.78
FARMING/ENGINEERING	5 20061	5,500.00	27,290.85	21,790.85
FARGO	6 20123	5,000.00	27,084.63	22,084.63
MONTFORT PRESS	7 20492	5,000.00	35,956.75	30,956.75
STAGECOACH	8 20603	2,500.00	30,989.38	28,489.38
MACOHA	9 20700	0.00	25,529.00	25,529.00
CHIBUKU PRODUCTS	10 20999	6,000.00	25,699.46	19,699.46
PRESS BAKERIES	11 21114	10,000.00	33,422.57	23,422.57
LEVER BROS.	12 21148	12,000.00	31,090.69	19,090.69
CHIBUKU PRODUCTS	13 21601	6,000.00	13,996.50	7,996.50
LEATHER & LUGGAGE	14 20366	2,051.50	15,989.02	13,937.52
HALLS QUICK FIT	15 20698	6,011.79	29,659.57	23,647.78
CEEVEECO	16 21804	4,268.36	27,553.15	23,284.79
LA-MONA COSMETICS	17 21867	2,252.85	24,981.16	22,728.31
FAMBA FURNITURE	18 21897	1,491.40	18,332.83	16,841.43
CROWN FASHIONS	19 21986	7,491.58	31,107.87	23,616.29
CHIBUKU PRODUCTS	20 21996	11,478.39	30,492.57	19,014.18
ENTERPRISE CONTAIN.	21 22033	10,000.00	32,289.48	22,289.48
BLANTYRE HOTELS	22 22048	3,454.76	17,983.49	14,528.73
S & K FURNITURE	23 22130	2,644.05	29,170.09	26,526.04
NOW PUBLICATIONS	24 22318	750.00	26,909.04	26,159.04
CROWN FASHIONS	25 22601	6,000.00	30,093.85	24,093.85
MACOHA	26 23473	250.00	4,124.04	3,874.04
MALAWI RAIL	27 19942	19,000.00	26,716.39	7,716.39
MALAWI RAIL	28 21040	14,500.00	28,268.76	13,768.76
MALAWI RAIL	29 21039	19,000.00	33,910.93	14,910.93
CLAIM	30 23473	233.00	2,233.00	2,000.00
ROBRAY	31 22801	5,000.00	32,500.00	27,500.00
	ABLE A0891	1,600.00	3,300.00	1,700.00
	ABLE A0930	900.00	1,900.00	1,000.00
	ABLE A1312	1,000.00	1,900.00	900.00
<b>TOTAL</b>		<b>196,877.35</b>	<b>673,949.22</b>	<b>533,804.87</b>

## 5.6. IESC Reporting System Analysis of Impact

At the completion of a project, the Country Director (CD) prepares a Project Review Report. These reports allow the Volunteer Executive (VE), client and the CD to rate the project, identifying them according to the following standard: "outstanding," "good," "fair," or "failure." According to these reports, of the 31 projects completed to date, 11 were rated by the client as "outstanding," 17 rated the project "good," one rated it "fair" and one rated it a "failure." The client did not provide a rating for the remaining client.

Tables 6 and 7 represent the findings regarding impact drawn from IESC's Post Project Review Report, which is completed for 33% of the clients six months after the VE leaves. According to the Reports received, client profits increased in 33% of the cases in 1991 and 53% of the cases in 1992. Employment increased in 33% of the cases in 1991 and 47% of the cases in 1992. Plant operations improved in 100% of the cases in 1991 and 60% of the cases in 1992.

As will be indicated in Section 6.5.4., based on interviews with 15 clients, it is difficult to correlate the findings in the Post Project Review Report with the actual experience of the client.



**INTERNATIONAL EXECUTIVE SERVICE CORPS**  
 STAMFORD HARBOR PARK, 333 LUDLOW STREET  
 STAMFORD, CONNECTICUT 06902  
 TELEPHONE (203) 867-6000  
 TELEX 413874 (INTEXUI)  
 FAX (203) 324-2531

MAILING ADDRESS: P.O. BOX 10005  
 STAMFORD, CONNECTICUT 06904-2005

**IESC-MALAWI 1991**

**IMPACT ON CLIENT COMPANIES**

(Data from reviews Collected from Clients 6 months After Project Completion.)

Projects Completed  
1/1/91 - 11/30/91  
 3/8 - 38% sample

**Financial Impact**

Profits increased	33%
Sales increased	33%
Unit costs reduced	67%
Capital investments committed/made	33%

**Human Impact**

Additional jobs created	33%
Employee skills improved	67%
Employee productivity increased	100%

**Marketing/Operational Impact**

Plant operations improved	100%
Production increased	100%
Product quality improved	100%
New products increased	33%

**Other Impacts**

Management system strengthened	67%
Use of local supplies increased	33%
Earnings/savings of foreign exchange	33%



**INTERNATIONAL EXECUTIVE SERVICE CORPS**  
 STAMFORD HARBOR PARK, 333 LUDLOW STREET  
 STAMFORD, CONNECTICUT 06902  
 TELEPHONE (203) 987-8000  
 TELEX 419874 (INTEXUI)  
 FAX (203) 324-3631

MAILING ADDRESS: P.O. BOX 10005  
 STAMFORD, CONNECTICUT 06904-2005

**IESC - MALAWI 1992**

**IMPACT ON CLIENT COMPANIES**

(Data from Reviews Collected from Clients upon Project Completion.)

Projects Completed  
1/1/92 - 12/31/92  
 14/15 - 93% sample

**Financial Impact**

Profits increased	53%
Sales increased	53%
Unit costs reduced	40%
Capital investments committed/made	47%

**Human Impact**

Additional jobs created	47%
Employee skills improved	73%
Employee productivity increased	80%

**Marketing/Operational Impact**

Plant operations improved	60%
Production increased	67%
Product quality improved	80%
New products increased	53%
New marketing programs developed	40%

**Other Impacts**

Management system strengthened	73%
U.S. business ties strengthened	47%
Use of local supplies increased	47%
Earnings/savings of foreign exchange	40%
Imports from U.S. increased (equipment, supplies, etc.)	37%

## 6. ASSESSMENT OF THE PROJECT ACTIVITIES

This section of the Report assesses the information available from project documentation and interviews. As required by the Scope of Work for this Assessment, five basic areas were assessed: achievement of objectives, impact, SME focus, client contribution and future direction.

### 6.1. Extent to Which IESC is Achieving Its Objectives

#### 6.1.1. Focus on SMEs

It is our assessment that IESC will have met its objective if it provided the services of a volunteer to approximately 15 SME firms in the "modern sector" a year in the areas of industrial, technical and managerial development. A key issue in this regard seems to be the definition of the SME sector.

We discussed this issue with the current and former USAID Project Managers and the current and former IESC Country Directors (CDs). It is the consensus of these people that initially (during 1990 and early 1991), IESC was given considerable latitude to define what kind of client they would assist. In 1989, when the agreement was signed between USAID and IESC, neither the Government of Malawi nor USAID nor IESC had a definition of an SME. It was not clear to any of the parties what kind of clients would appear as an appropriate focus for IESC in Malawi. As clients were recruited by IESC in 1990 and 1991, USAID was kept informed of their nature and size. At that stage, USAID raised no serious question regarding the selection of clients.

However, the USAID Project Manager was heavily burdened with other activities during this period. She indicates having little time to devote to thinking through any issues related to IESC. Regular discussions were held between the Project Manager and the IESC CD during that period. In retrospect, the Project Manager feels that these discussions did not include as much substance as they might have, particularly regarding the type and size of firm being assisted. The written reports prepared by IESC/Malawi for USAID have never exceeded one page and have been quite irregular. These reports lacked any substance that would allow the reader to determine what was going on in the program.

It was not until late 1991 that serious thought was given within USAID regarding IESC's focus. This internal review resulted in the USAID memo to IESC in March, 1992. This was the first time USAID had sought in writing to apply a definition to the SME sector and further refine IESC program objectives and operations. Key elements of the letter are summarized in Section 4.4.1.3. The letter is included in its entirety in Annex 2.

As indicated in the letter, USAID had no intention of imposing either its definition or other points made in the letter. The letter closed with the statement, "Please let me know if you have any questions or comments about the contents of this letter." Unfortunately, no further discussion of the letter took place. On the part of IESC, lack of follow-up resulted from the departure of one CD and the arrival of another. The new CD was not aware of the importance of the issues contained in the letter. On the part of USAID, the new Project Manager was very

busy with other things.

As we will indicate later, we believe that the issues addressed in the letter need to be addressed anew. At this point, however, we would like to focus on only one point in the letter - - the definition of SMEs. In light of the structure and composition of Malawi's productive sector, we believe there is a serious deficiency in the definition of SMEs contained in the letter. The universe of productive enterprises in Malawi show only a few firms that have employment over 100. The GEMINI study found only 29 such firms. The National Statistics Office in 1992 could only identify 50 firms with more than 100 employees. Companies in Malawi with fewer than 500 persons are very small by any international standard. However, the CD is concerned that in restricting his recruiting to those which satisfy the current definition, he will eliminate many worthy clients which while larger than the definition in terms of employment and turnover, cannot pay the full cost of a volunteer.

On the basis of an analysis of the private sector in Malawi and experience elsewhere in the world, we would tend to agree with the CD. While the current government definition is certainly laudable, it fails to recognize that many of the firms in the "modern" sector, which the IESC program is designed to reach, are very labor intensive. Some of the ones which appear to be benefiting most from IESC assistance have from 100 to 400 employees. Turnover to justify this large number of employees is also much larger than the current definition, ranging up to US\$7 million. Despite their greater size, it would appear unlikely that they could afford to pay full fee, especially for their first VE and especially in the context of the current economic malaise.

Examples of clients IESC clients who fall outside the current SME definition but seem worthy of support include:

	<u>Name</u>	<u>Employees</u>	<u>Turnover</u>
-	Crown Garments	380	US\$6.2 m
-	S&K Steel Furniture	125	US\$1.2 m
-	Bombay Tailors	110	US\$0.6 m
-	Ceeveeco	80	US\$0.5 m
-	Robray	120	US\$1.8 m

We believe that a new definition needs to be applied to SMEs in Malawi. This definition should be developed jointly by IESC and USAID. However, our suggestion is that an SME in Malawi be defined as any firm which is not owned by the government or a large group. If USAID finds some additional criteria necessary, it might be that the firm employ less than 500 people. We do not think there should be a ceiling in terms of sales or investment. Employment, investment and sales are too variable and the sector is too small overall to allow for a narrow definition. Practically all firms which are not in the public sector or parts of foreign or domestic groups need IESC help on a subsidized basis.

If we analyze the IESC clients utilizing the definition of SMEs contained in the USAID letter, we find:

1. IESC has provided technical assistance through 31 projects to date, of which seven qualify as small and medium-scale Malawi firms as defined by the letter to IESC from USAID of March, 1992.
2. During the period 1990-1991, of the 16 projects completed, only one project could be classified as an SME.
3. In 1992, five out of 13 projects qualify as SMEs by USAID's original definition.
4. In 1993, of the two projects completed, one qualifies as an SME.

Under the revised definition we have suggested above, the 31 IESC projects would be categorized as follows:

1. IESC has provided technical assistance through 31 projects to date, of which 18 qualify as small and medium-scale Malawi firms under the new definition.
2. During the period 1990-1991, only six out of 16 projects could be classified as an SMEs.
3. In 1992, 10 out of 13 projects qualify as SMEs.
4. In 1993, both projects completed thus far qualify as SMEs.

#### 6.1.2. Client Location and Sector

Most IESC clients are in manufacturing in the city of Blantyre. The concentration on manufacturing appears likely to continue, as well as the trend towards working almost exclusively with private, profit-making firms. The average number of employees and the average sales of clients appears to be rapidly dropping beginning in 1992. This was increasingly part of a conscious effort on the part of IESC to recruit smaller clients. As the size of firms drops, the tendency for volunteers to work on a broad range of client issues, which can best be described as "increasing productivity," seems likely to increase. The average volunteer assignment seems likely to increase and with it, the total project cost. As clients become smaller, their ability to make a contribution will probably decline. This situation may be exacerbated by the rapidly worsening economic climate.

#### 6.1.3. Economic and Political Pluralism

During the Assessment, we had the opportunity to directly interact with one VE couple and to discuss the impact of the stay of many other VE couples not only with clients, but with a wide variety of other people. We were struck by the impact the VEs seem to be having as

"Ambassadors of good will for U.S. interests."

Almost without exception, VEs are mixing with a wide variety of people. It is not uncommon for the VE spouse and sometimes even the Ve to be involved in volunteer activities. In addition, volunteers seem to be taking every opportunity to meet people from all walks of life. The general impression made by these contacts is extremely favorable. Importantly, it is reflecting well not only on America, but also on the values encouraged by USAID. Particularly, the notions of economic and political pluralism.

The VEs come equipped with vast technical and personal experience. Their maturity and success are very impressive to local people. The values which they convey are being accepted with considerable enthusiasm. We were impressed by the number of clients who referred to the VE as their "father" and by the extent of the interaction, which went far beyond what would be expected on the basis of the IESC assignment alone. VEs are quickly being drawn into the fabric of the community. Several people with whom I spoke spontaneously indicated that the lives of the VEs were convincing proofs of the validity of the American values of economic and political pluralism.

#### 6.1.4. Joint Ventures

Although joint venture and joint venture follow-up projects are included in the Grant Agreement, none have been undertaken. It seems very unlikely to us that any will be carried out under. Our impression is that these programs were included to see if they made any sense in the context of Malawi. Experience suggests that they do not. These notions are generally utilized successfully by IESC in much larger economies. Malawi is not yet ready.

In summary, the IESC program is now achieving its objectives, as defined by the Grant Agreement. It began systematically achieving its objectives beginning in 1992. The period 1990-1991 can, we feel, best be described as a period of learning.

### 6.2. Impact of the IESC Project

Impact can be explained through quantitative and qualitative measurement. It is, of course, always preferable to obtain quantitative measures of impact that are simple and cumulative.

#### 6.2.1. Quantitative Measures of Impact

It is difficult to find quantitative measures of impact for this project. There are a number of reasons for this:

1. No quantitative targets or bench marks were specified in the Grant Agreement or its Amendments. One can infer from the Agreement that increasing employment, production and sales are quantitative measures. The March 10, 1992 letter to IESC mentions increased employment and sales specifically, but provides no suggestions on how these should

be measured.

2. It is difficult to find quantitative measures across firms of all sizes and all sectors which represent meaningful measures of the impact of all types of IESC assistance. When a firm is assisted to reduce its costs of production, for instance, this may result in a reduction in employment, rather than an increase. Assistance in quality control or organizational upgrading may take some time (perhaps several years) to be reflected in increased production. IESC assisted one firm which was experiencing substantial losses. IESC recommendations resulted in the closure of several outlets resulting in a loss of jobs. These and other changes should stem the losses, but may not result in greater sales for some time. Often, there is a substantial lag time between the VE's advice and the ability of the firm to implement it.

3. Importantly, the general political and resulting economic environment is not conducive to additional jobs, sales or other quantitative measures. Several clients that were interviewed indicated that as a result of the current economic situation, it was extremely difficult to obtain foreign exchange to buy inputs such as raw materials, spare parts, etc. Several indicated labor productivity had dropped significantly. For most, sales were at best only maintaining themselves due to inflation. In this situation of uncertainty, most businesses interviewed were postponing new investments. Many were purposefully delaying implementation of the recommendations of VEs until the situation becomes more predictable.

4. Even if there is growth in employment and sales, attribution becomes difficult. To what extent can the presence of the VE be causally connected to sales, employment or other factors? A large number of other factors are involved, aside from the general economy. Interestingly, it was with the smaller clients that attribution was more plausible because fewer other factors impinged on these firms.

As a result of these issues, we do not have sufficient confidence in conclusions drawn from the utilization of quantitative measurements such as increased sales or jobs to measure the impact of IESC assistance on all clients. What can be said is as follows:

1. The smallest clients interviewed have shown dramatic increases in employment and sales. Two of IESC's clients interviewed can be classified as "small, " having when initially assisted by IESC two or less employees. Both, interestingly enough, are woman-owned and operated. Both employed only the client and one other person when assistance was provided (in one case, the other person was employed part-time). One now employs 11, the other, 4 full-time, 3 part-time and 4 free-lance. Regarding sales, in the year prior to assistance, one firm had zero sales because it was new, the other had sales of US\$9,000. The year after assistance, the firm estimated her income at US\$300,000. The other one estimated her income at US\$164,000. Both clients give substantial credit for this increase to the VE. Although the VE appears to have had a substantial impact, credit is also due to the hard work of the clients and the fact that they had the right product at the right time and were not adversely affected by the deteriorating macro-economic conditions.

2. Medium-sized clients interviewed showed low to modest increases in employment and sales. Four of IESC's clients interviewed can be classified as "medium-scale"

by the current definition. Three of these firms have shown either no growth in employment and sales or an actual decline. None of these firms attributes this stagnation or decline to the VE, but rather to macro-economic conditions. One firm saw no increase in employment, but a doubling in production. This firm gave full credit to the VE for this increase. The increase, the Client said, would have been greater except for the difficulty in obtaining inputs.

3. The largest clients interviewed showed either no increase or an actual decrease in employment and sales. Again, none of the clients interviewed attributes this situation to the VE. It would appear that the larger the firm, the greater has been the adverse impact on it of the current political uncertainty, resulting economic malaise and difficulty in obtaining foreign exchange to buy inputs.

#### 6.2.2. Qualitative Measures of Impact

What qualitative measures can be utilized? Qualitative measures can be separated into two categories: (1) those which can be utilized across all the firms assisted; and (2) those which are specific to one or more firms. Qualitative measures are either achieved or not achieved. It is not useful to identify them by degree or amount.

##### 6.2.2.1. Overall Qualitative Assessment

Fifteen clients were interviewed during the Assessment. It will be remembered that although there have been 31 IESC projects, because some of these were to the same client, there were actually only 26 distinct clients. Thus, the 15 interviews represent a high proportion of total clients.

After careful questioning, sometimes of several people in each firm, the evaluator believes that 10 of the firms interviewed were completely satisfied with the VE assistance provided and felt the assistance met or surpassed their expectations. Three indicated that some problems were involved, but that overall the project was very useful. Two indicated the project was a failure.

##### 6.2.2.2. Qualitative Measures Across All Projects

Qualitative measures which can be utilized across all the firms assisted are identified below. After each one is identified the number of IESC clients which achieved that particular qualitative measure, based on interviews with 15 clients. It should be noted that in many cases, more than one of these measures was achieved:

1. There was a clearly definable objective for the VE and the Client perceived that objective as having been achieved. This was achieved with 12 out of the 15 clients interviewed.
2. The Client is interested in having another VE. This was achieved with nine out of the 15 clients interviewed.

3. The Client continues to stay in touch with the VE and to rely upon his advice. This was achieved with seven out of 15 clients interviewed.
4. The Client would like to have or has had the same VE return. This was achieved with four out of the 15 clients interviewed.
5. The Client recommended IESC to another company which became a client or is likely to become a client. This was achieved with three out of 15 clients interviewed.
6. Another company learned about the success of a VE and either became a client or is likely to become a client. This was achieved with three out of 15 clients interviewed.
7. A VE, while assisting one firm, was able to recruit other firms which either become clients or are likely to become clients. This was achieved with one client.
8. Larger clients are increasingly willing to pay full cost for IESC services. This was achieved with one client.

#### 6.2.2.3. Qualitative Measures Specific to Each Firm

Qualitative measures which are specific to firms but which might extend beyond a single firm are identified below. Each of these measures is mentioned somewhere in the USAID Grand Agreement, its Amendments or letter. After each one is identified the number of IESC clients out of the total of 31 projects which achieved that particular qualitative measure, based on the review of the files and interviews with them. It should be noted that in many cases, more than one of these measures was achieved:

1. Productivity was improved in 11 out of 31 projects.
2. Management systems were improved in nine out of 31 projects, including three maintenance management, two general management, two financial management and two inventory management.
3. New products or new designs for existing products were developed in six out of 31 projects.
4. Improved product quality and quality control systems were introduced in five out of 31 projects.
5. VEs assisted in business start-up or to start up new

factories owned by existing businesses in four out of 31 projects.

6. VEs developed a system for managing the overhaul of locomotives. This was achieved with Malawi Railroads. VEs assisted through three projects. One USAID officer indicated one of the VEs probably saved the Client US\$1,000,000.

7. Failing companies were rehabilitated in two out of 31 projects.

### 6.2.3. Problems Experienced in Projects

Based on the files and interviews with firms, of the 31 completed projects, 10 or 32% were found to have at least one problem and sometimes more than one. The presence of a problem, however, did not mean that the project was necessarily a failure. In most cases, the problem or problems did not seriously affect the success of the project. In the majority of cases, the CD or the VE were able to solve the problem or the client was able to make adjustments to compensate for the problem. We found that it required the presence of several problems to result in failure or near-failure of the project. In seven of the ten projects identified as having problems, the project was rated as "outstanding" or "good" by the client, indicating that the problems were resolved.

The reasons for client dissatisfaction and the numbers expressing each complaint were as follows:

1. In five out of 31 projects, the client complained that the VE was not qualified to do the job that the client had requested.
2. In four out of 31 projects, the client complained that the VE wasn't in Malawi long enough (for a full three months).
3. In three out of 31 projects, the client complained that the VE didn't do what he was requested to do.
4. In two out of 31 projects, the client complained that the VE couldn't communicate.
5. In two out of 31 projects, the client was not present during most of the project.
6. In two out of 31 projects, the client complained that the VE was too old to be effective.
7. In one of the projects, the client did not appear to be serious about the project.
8. In one of the projects, the client complained that the VE

had fixed ideas.

9. In one of the projects, the client complained that the timing of the project was not good.

#### 6.2.4. Reasons for Project Failure

Only two out of 31 clients indicated either in their reports or in their interview that the VE project was a complete failure. A third client indicated that the VE project was only "fair" or in other words, although not a complete failure, had major problems. In the opinion of the evaluator, the reasons for project failure or near failure in these three cases were:

1. In each of the three cases, the VE's professional experience was with a large company and he had trouble understanding the needs of a small firm in Malawi.
2. In each of the three cases, the VE's professional experience did not coincide with the needs of the client and the client viewed him as unqualified.
3. In two of the three cases, the VE had inadequate communication skills to convey to the Client what he had in mind.
4. In one of the three cases, the Client was absent for most of the period the VE was present.
5. In one of the three cases, the Client was not highly motivated to make the project succeed.

In each case of project failure or near-failure, there was more than two of these problems present. In both of the failed projects, there were four of these problems present. In other words, it required the presence of multiple problems which could not be salvaged by the CD, VE or client for a project to fail. Several of those interviewed indicated that while their project had several problems, the projects were nonetheless successful, thanks to the hard work of the VE, the CD and the client.

In summary, it is only possible to identify quantitative impact in the case of the smallest clients. However, there seems to be substantial qualitative impact. We were especially impressed by the large numbers of clients who had a very strong -- "father-son" -- relationship with the VE, which went far beyond what one would have expected. Clients in Malawi are certainly taking full advantage of the opportunities afforded by the presence of the VE. Project failures have been very few, thanks in large part to the strong project support given by the CD. The problems which have emerged are correctable. Particularly, attention should be given to bringing in VEs from smaller companies who have had previous experience with IESC.

### 6.3. The SME Enterprise Focus Issue

#### 6.3.1. Firm Size

Initially, IESC provided services primarily to large firms including parastatals. It was only beginning in 1992 that they began to be able to serve smaller firms. We observe that IESC was hampered in marketing its services to SMEs by the following factors:

1. **Traditional Orientation of IESC.** IESC works in other small countries and in those countries, assists primarily SME-sized firms. Honduras and Barbados are examples. However, the majority of VE and CD experience would have been with much larger firms. There is a natural tendency for IESC to recruit larger firms.

2. **Larger firms are easier to recruit.** Larger firms typically have managers who are better trained and more aware of the benefits of outside technical assistance. A new CD would find it easier to make contact with such companies.

3. **Lack of definition of SME in the Grant Agreement or Amendments.** A definition was finally provided only in the March, 1992 letter from USAID to IESC.

4. **Small number of "modern" SMEs, as defined by the March, 1992 letter.** It is the evaluator's perception that IESC made a sincere effort to identify SMEs even before the definition was provided. However, it has taken time. In the evaluator's view, there are relatively few that fall within this definition in Malawi.

5. **Smaller firms are less able to provide a substantial financial contribution.**

The trend can be clearly seen by reviewing the clients each year of the grant. As indicated earlier, there is a clear trend toward smaller clients. Two clients in 1992 would, in fact, qualify as "small" even within the definition of the Malawi Government.

The current CD appears to be making a sincere effort to recruit SMEs which fall within the USAID suggested definition. Means being used to accomplish this are discussed in the next section.

#### 6.3.2. Geographic Dispersal

Related to the issue of firm size is the issue of geographic dispersion. Most clients are currently generated from the immediate vicinity of Blantyre. It is the contention of the CD that it is difficult to adequately service clients at any distance given the fact that there is only he and his wife to do the work. Clients need substantial support from the CD, especially the smallest ones. The CD fears that if clients were developed any distance from Blantyre, although the geographic spread might increase, the difficulties experienced in projects would also increase. Our experience tends to support this contention. The evaluator notes that IESC projects in Malawi have a very low failure rate when compared to IESC projects in some other countries. It is our judgment that this success reflects a considerable amount of back-stopping provided by

the CD to each project.

There are basically three ways in which IESC could increase its geographical spread: (1) it could hire local staff; (2) it could utilize commission agents; and (3) it could work with NGOs.

#### 6.3.2.1. Local Staff

Currently, IESC in Malawi has no local staff. This is unusual. Most IESC offices world-wide with this size client load at least have a secretary, and often a locally hired professional or semi-professional as well. IESC and USAID should consider adding an appropriate mix of local staff to IESC in Malawi. At minimum, this would release the CD to spend more time in recruiting and supporting an appropriate mix of clients. It could also assist either the CD or perhaps the CD and a locally-hired professional to recruit clients more distant from Blantyre.

#### 6.3.2.2. Commission Agents

The CD is currently trying to develop an office in Lilongwe, utilizing a person who would work part-time on a commission basis. IESC successfully utilizes commission agents in several other countries. Sometimes this system works quite well. It is no panacea, however. The formula is dependent on the capabilities of the commission agent.

Commission agents never earn enough from their work with IESC to undertake this as their sole activity. It must be someone who does this on the side. IESC is currently discussing the idea with the Malawi Chamber of Commerce and Industry, which is interested in manning their office in Lilongwe with a professional. If the Chamber could also offer the prospective employee the opportunity to earn a commission from IESC, they might be able to recruit a more qualified person than would be possible with the proposed Chamber salary alone.

It will not be easy to find the right person. It could easily degenerate into a situation in which the CD was spending more time supporting the new commission agent than he would spend supporting prospective clients directly. Even if the person were good, it would require a lot of CD time in training during the initial period. The danger of cooperating with the Chamber is that they may select the wrong person and IESC might find themselves stuck in an untenable situation from which it could only extricate itself at the cost of substantial loss of good will.

#### 6.3.2.3. NGOs

Another arrangement IESC is exploring is to work with NGOs and other non-profit groups which could function as recruitment and support agents for IESC. IESC has already held discussions with Women in Banking, DEMATT and POET about such arrangement. An advantage of these groups is that they have outreach to much smaller clients than IESC has been supporting. Another advantage is that IESC is discussing with them the possibility of utilizing a single VE to assist 10 or more small clients at a time. In these instances, the NGO involved

would organize and support the project, hopefully reducing the need for CD support.

For example, DEMATT has established a new program with the Government. The Government offers tenders to the private sector for uniforms and other items. Normally, these tenders are won by large firms. The Government has agreed to award a small number of such tenders to DEMATT for such things as uniforms, school desks and other mass-produced items. DEMATT, in turn, will be responsible for finding small firms able to produce these items and for training, supporting and providing quality control. They have already successfully completed one such project - the construction of 10,000 school desks. They are confident they can do it again.

They would like to work out an arrangement with IESC whereby a VE would be provided when a contract is awarded. The VE would provide centralized training for all the small sub-contractors at the start of the project and would then provide on-site follow-up training for a period of approximately 2-3 months. From the standpoint of DEMATT, this would help to assure the quality standards are met. DEMATT's own staff could also be trained by the VE. The VE would have no management responsibility for the project. DEMATT would provide transportation to the VE.

Again, working with NGOs is no panacea. It could prove to be a nightmare. If the NGOs cannot provide adequate managerial support, the CD could end up having to spend an enormous amount of time with large numbers of very small clients, trying to organize and support the VE involvement. It could quickly prove untenable. Recent evaluations by USAID of a number of NGOs in Malawi have pointed out their managerial weakness. An NGO might not view this as a high priority program for them and therefore be unwilling to lend it the kind of support it requires.

On the plus side, a woman is returning to DEMATT under UNDP sponsorship. She was here for two years previously. Her new assignment is for an additional three years. This person is very experienced in organizing this kind of activity and is a capable manager. It could be that she would be able to work with the CD to organize a sensible management system which would not lead to more trouble than it was worth.

A problem which would arise in any geographic spread is logistics. It would not be possible to expect a VE to stay in a guest house or other primitive accommodations. Some clients could be housed in dwellings provided by clients, however, most of these would not be to the required standard. Therefore, realistically, VE's operations are restricted to a reasonable driving distance from Blantyre, Lilongwe and perhaps three or four other locations which have adequate hotels. A "reasonable driving distance" is probably no more than one hour each way on decent roads.

A second logistical problem is transportation. IESC clients are expected to provide or arrange for transportation. This could not reasonably be expected of very small clients. DEMATT will provide transportation in the case of their proposed program. Some other NGOs will have transportation. Others will not. Therefore, in some cases, IESC would have to arrange for transportation. Since car rental is prohibitively expensive, this probably means a

second car for IESC. The one car IESC now has must continue to be available for the CD and his wife. A second car, which would have to be provided with a driver since VEs are not allowed to drive, could be used to ferry VEs back and forth to smaller clients which are spread around geographically. It could also be used by any locally-hired professional staff that was hired to assist the CD.

### 6.3.3. Focus on Product Lines

In other countries, IESC has often focused on particular product sectors. This is most often done in regard to IESC's TIS programs, which focus on export development. It makes sense to identify certain products which have export potential. Economy of scale is gained by being able to find a single buying agent who can handle product from several companies.

In other situations, IESC has found itself, as in Malawi, focused on particular product sectors because by word of mouth those in a particular sector hear of what was done for one of their members and want the same opportunity for themselves. Again, IESC can obtain certain economies. A single IESC recruiter works with the country in the particular product area. He becomes familiar with the needs and can make a better match for each client. The CD can develop a certain amount of familiarity with the recruiter and their communication can resolve problems more easily. Quite often, firms or groups of firms may have more than one VE. Evaluations of other IESC programs have found that if a client has more than one VE, it is more likely that quantitative impact will result and that the client will give credit for the improvement to IESC.

Efforts have been made to evaluate the impact of IESC on the larger economy of particular countries. Usually this is quite difficult. However, it has proven easier where assistance has been rendered to a significant proportion of the firms in a single product sector. In such situations, it is normally easier to identify quantitative measures. In some cases, these statistics can look quite impressive.

The question is, should such unconscious focus be changed to a more conscious sector focus? What would be the advantage of such a focus? Might it benefit the IESC program in terms of enhanced impact? Malawi is not Morocco or Sri Lanka. Malawi has quite a small private sector.

To date, IESC has not consciously focused on any particular product or service sector. In fact, in an economy as small as Malawi, there is a legitimate question as to whether it is appropriate to do so. Below, we examine the de-facto sectoral emphasis of the 31 completed projects.

Although IESC has not consciously focused on particularly product lines, in fact, there has been a considerable amount of focus. Of its 31 projects, three have been in garments, a VE is currently in-country with a fourth, with another one due in the near future and one current client likely to want another VE. Another three projects have been in the publishing sector with another likely. Another two projects have been in the baking sector, with another in this sector likely. Product lines which have received some focus are analyzed below (There have been

three projects each with Malawi Rail and Chibuku Products, but each is a special case and is not analyzed here):

1. **Garments.** Three projects with two firms have been carried out to date, two with Crown Garments, one with Classic Designs. Another is now being completed with Bombay Tailors. What have been the results? We consciously decided to meet with all these clients to see if we could define a clear impact. Our impression is that these three were among the most successful of IESC's projects in Malawi. Classic Design resulted in dramatic increases in employment and income, which the Client credited to IESC. The two projects with Crown Garments resulted in reduced costs of production, improved efficiency and the successful export of 30% of its production. The project with Bombay Tailors is ongoing, but the impression of the evaluator is that this will also be very successful. Interestingly, in all three cases, the clients described their relationship with the VE as that of "father-son".

2. **Printing and Publishing.** Three projects have been carried out to date, one with Now Publications, one with CLAIM and one with Montfort Press. All three of these clients were visited. Two of them can be described as extremely successful. One can be described as only partially successful. The result of the assistance to Now Publication was a dramatic growth in employment and sales. Again, the Client describes her relationship to the VE as one of "father-daughter". Assistance to CLAIM was basically to turn-around a firm that was near bankruptcy. This was a very difficult task for the VE but one deeply appreciated by the Client. The VE only left in February. It is too soon to have any clear impact. The Client described the VE as a "perfect match" for their needs. In the case of Montfort Press, the person was not technically qualified in offset press, but in rotogravure. This mis-match led to a less-than optimum result. However, the Client rated this project "outstanding" because together, the VE and the Client were able to compensate for the problem and the VE was able to make a substantial contribution to the improved productivity of the company. One result was the decision by the Client to bring in a qualified production manager, who within a year of his arrival, had substantially increased the quality of the firm's product.

3. **Baking.** Two projects have been carried out to date, one with Press Bakeries, one with Ceeveeco. Only one of these clients was met - Ceeveeco. According to the files, the Press Bakeries project was a "good" project, but not "outstanding". The Client was apparently satisfied with the project and the VE did a good job. In our opinion, Ceeveeco was another extremely successful project. Its impact was to double production in the plant. The Client wants the VE back again as soon as possible. Again, in this case, the Client describes his relationship with the VE as "father-son".

These experiences suggest that successful projects can be mounted in particular sectors. They do not necessarily prove there is any value to such concentration. In discussions with the former chairman of the Associated Chamber of Commerce and Industry of Malawi, it was learned that the Chamber was itself trying to develop a focus on the garments and electronics industries as the ones they saw as most likely to generate non-traditional exports for Malawi in the short-to-medium-term.

We believe Malawi may be well positioned to increase its garments exports, when its

foreign exchange position improves and especially if the rail corridor through Mozambique becomes quick and reliable. Malawi has a large pool of relatively inexpensive, but experienced labor. It has at least two well managed companies which are rapidly improving their quality to meet international standards. It has garments quotas into the major markets which are not being filled. With this possibility in mind, we explored the garment sector as an IESC focus in some detail with clients and other knowledgeable people.

Crown Garments currently exports approximately 30% of its production. One of Press and Shearey's factories is being used by a Taiwanese firm to export garments. Several other companies have shipped small orders. As far as can be determined, none of these companies is making any money at exporting garments at the present time. The major reasons for this are as follows:

1. There is no foreign exchange available to import raw materials, equipment, spare parts, etc.
2. It is extremely expensive to ship in raw materials and other items and to export finished products via the currently used trucking routes via Durban and Dar Es Salaam. The Nacala rail line through Mozambique is very cheap, but is also extremely slow and almost totally unreliable. Baring renewed insurgency, there is reason to believe that the Nacala route will become more reliable in the near future.
3. Government policy is very unfavorable in Malawi when compared to the policy of the South African and Zimbabwe governments. Those governments provide their exporters with a variety of incentives which are not available to Malawi exporters.
4. Until IESC came on the scene, no firm other than Press and Shearey which is operating with Taiwanese help, could meet the quality standards of the international market.

Now, with IESC help, the last problem is being solved. Crown was successfully helped to export by IESC. Bombay will probably begin exporting this year as a result of IESC help. However, unless the other problems listed above are solved, Malawi cannot seriously enter the international garments market.

The issues are quite complicated. Most revolve around government policy. Some relate to international policy as well. They are well beyond the domain of a single firm. However, experience in other countries has proven that there are things that can and should be addressed by national-level industry trade associations on a medium-to-long-term basis. We believe that the time is approaching when Malawi could benefit from the formation from a garments trade association.

All countries which are serious about the garments business have such associations. The functions of associations are always the same:

1. To keep abreast of the newest developments in their field on a world-wide basis and pass that information on to members;

2. To seek to influence national and international policy in directions favorable to their members;

3. To provide members the opportunity to visit trade fairs abroad and receive technical assistance and training at home.

We discussed the idea of having the garments producers work together with the CD and several clients. Our impression is that it could be a potential focus for IESC.

#### 6.3.4. Client Mix

IESC world-wide is changing rapidly and IESC, Malawi, needs to change at least as fast, if not faster, than programs elsewhere in the world. It was only in 1992 that IESC/Malawi established a range of types of clients which began to be representative of the opportunities. That range is still being refined. The kinds of clients IESC is now obtaining and seeking seem to be those which are most compatible with the objectives of the Grant Agreement and with the current priorities of IESC.

To maximize its impact, it appears to the evaluator that IESC could consider at least five general types of clients. Some of these types may overlap:

1. Large-scale clients that pay 100% of the costs of assistance.
2. SME clients in the modern sector who would pay on a sliding scale ranging from close to 100% for repeat clients down to 0% for the smallest clients struggling to establish new businesses.
3. Clients in USAID's priority sectors: education, health and agribusiness.
4. Clients in sectors with substantial growth potential such as garments, tourism and baking, on which IESC might focus and develop particular expertise.
5. Clients who individually are too small to justify a VE, but when handled through NGOs on a group basis, can effectively utilize one.

In summary, despite IESC's traditional focus on larger firms, it is utilizing a variety of means in Malawi to reach smaller and smaller firms. Our impression is that they will be increasingly able to respond to USAID's focus in this regard.

#### 6.4. Client Contributions

The issue of fees is a difficult one. A review of the way IESC has charged clients suggests that it has not sorted out how to approach this issue consistently.

IESC's problem, of course, is that during 1990 and 1991, when they were building a new program, they had very little idea what market existed for IESC's "product." They were also trying to reconcile this market with the kind of impact they and USAID would like to expect. USAID had a similar problem, which probably accounts for the lack of specificity regarding expected measures of impact in the Grant Agreement. IESC admits to having felt a considerable amount of pressure over time to find clients to satisfy the numbers requirements of the Grant. The interpretation of the evaluator was that IESC was given a considerable amount of leeway initially to experiment with various combinations of fees and client sizes.

Several observations can be made in regard to the way IESC has charged clients to date:

1. The largest amounts paid by a client were US\$19,000. This amount was paid by two clients - Malawi Railroad and Portland Cement. Both are parastatals. In the case of Malawi Railroad, this represented 68% of the total cost. In the case of Portland Cement, this represented 66%.

2. In 1991, only in the two projects of Malawi Rail, a project with Lever Bros. and one with Press Bakery did the client pay US\$10,000 or more. For the other eight projects, the average client contribution was approximately US\$5,000. None of these projects was an SME under the current definition and only four qualify under the definition recommended in this Assessment.

3. In 1992, only in two projects did the client pay US\$10,000 or more. For the other 11 projects, the average client contribution fell to approximately US\$3,700. Of these projects, five qualify under the current definition of SME and 10 under the definition recommended by this Assessment. It will be noted that the largest client, Chibuku, which received its third VE, paid US\$12,000 as apposed to US\$6,000 it had paid for the second. Chibuku is now negotiating for a fourth VE for which it will pay the full cost. Crown Garments had two VEs during 1992 and paid the same amount for both - US\$8,000. A third VE will be going to Crown in 1993. Again, the agreed fee is US\$8,000.

One can draw the following inferences regarding the current fee structure:

1. IESC does not seem to have a clear policy regarding how it charges larger clients or how it charges repeat clients.

2. IESC is finding it harder to collect as much in fees from its increasingly small clients.

3. However, because it now has a substantial amount of experience on which to draw, it would seem to be in a position to

establish clear guidelines on client fees.

## 6.5. Future Direction

### 6.5.1. The Country Director

The CD has previously been neither a VE or a CD. Both he and his wife had been Peace Corps volunteers in Malawi prior to their current assignment. During his business career, the CD had been an architect and his wife had been a teacher and librarian.

The CD and his wife love the country and seem to have an instinctive understanding and appreciation of the people. Their stint as Peace Corps volunteers gave them time to adjust to the difficulties they would encounter in working in Malawi. It should be noted that the CD and his wife operate as a team. Both appear to work equally hard to assure the success of the program. This was apparently also true of the previous CD and his wife. The CD tends to focus on marketing and client support. His wife assists in all areas but particularly on office matters.

Unfortunately, their orientation training with IESC was cut short by one week and they had very little overlap with the previous CD. This probably lengthened their learning curve. However, it may have turned out to be a blessing in disguise.

It would appear that their success in their present position is in part due to their lack of preconception as to what is and what is not done in IESC elsewhere and their ability to adapt to local conditions. Their only concern is what is needed by the people of Malawi. This has led them to undertake what can only be defined as a very fresh and experimental approach to IESC program development, building on the excellent foundation laid by the previous CD.

Experimentation seems very much required in the context of the business environment of Malawi. It would appear that this experimental stance is now, after ten months, beginning to bear fruit.

IESC had not been fully aware of the changing priorities of the USAID Mission which are moving it in the direction of concentrating on health, education and agriculture. Despite that, the CD seems to be moving in a direction which is compatible with these priorities.

The following should be noted to the credit of the CD and his wife:

1. Building on the foundation laid by the preceding CD, they have been pushing to recruit smaller clients as rapidly as possible.
2. They have explored relationships with a variety of other organizations which could result over the next few months in a wider reach for IESC.

3. They have managed clients in such a manner as to result in a remarkably small number of "failures" and a very high percentage of "outstanding" projects.

4. They have retained strong relationships with clients, resulting in a very high percentage of referrals and use of second or third VEs with the same company.

The following areas in which improvements could be implemented were noted during the Assessment. Each of these were discussed between the evaluator and the CD. It is our understanding that the CD is intending to focus on these areas:

1. The CD had not focused on the issues raised in the March, 1992 letter from USAID. Discussions had not been held with USAID to determine how to handle these issues, as was suggested in the letter.

2. The CD did not have an adequately thought-out policy regarding client fees.

3. The CD had not worked out with USAID a sensible quarterly and annual report format.

4. The CD had not focused sufficiently on the issue of impact measurement.

The current Country Director and his wife both seem to be remarkably well suited to the current needs of IESC in Malawi. In the view of the evaluator, they are doing an extremely good job.

#### 6.5.2. Recruitment, Selection, Support and Follow-Up With VEs

The picture that overwhelmingly emerges in Malawi is of well-qualified, hard-working VEs that were well prepared and very much appreciated by the clients. In only two cases did the VE seem to have trouble adjusting to Malawi and to the assignment. There are only two cases of outright "failure" of an assignment.

However, there were five cases in which a client indicated that the VE did not have exactly the technical qualifications requested and that this affected the ability of the VE to successfully carry out his work assignment. It would appear that IESC could improve its matching of VEs and the technical qualifications required for an assignment. Based on interviews with clients, it would appear that one source of the problem is when the proposed VE's business experience was primarily with very large firms.

In all five of the above cited instances in Malawi where there was a mis-match, the VE's background was with a large firm. On one occasion, not only was the VE from a large firm,

but this was also his first IESC assignment. Working in a small firm in a small country like Malawi may be particularly difficult as a first assignment. Since Malawi firms are very small, it seems appropriate to recruit VEs who come from smaller US firms and preferably, have previous VE experience.

Those clients who are happiest with their IESC experience are keeping in active touch with the VE. IESC encourages this practice and it seems particularly appropriate in Malawi. In several cases, a client wants the same VE to return, which is also encouraged by IESC and also seems highly appropriate in the case of Malawi. Because so many Malawi firms lack access to technology, particularly the smallest ones, many of them want more than one VE to help them. Again, this is encouraged by IESC and is very appropriate in the case of Malawi.

In some cases in Malawi, VE assignments were originally planned for three months, but based either on the decision of the client, the VE, or both, some projects were cut short. In the two cases of project failure, the assignment was cut short at the request of the client. In two other cases, the client requested that assignment be cut short, once because the VE was not qualified and was being moved to another client where his skills were more appropriate and the other time because he felt the project was successfully completed early. On five occasions, the VE asked that the assignment be terminated early. The evaluator has only meet with three of the clients involved. In one case, the client agreed that the project was complete. However, in the other two, the client would have preferred if the VE had stayed the full three months.

Stamford recruiters need to exercise special care when recruiting for small countries like Malawi. They should be especially careful when the proposed VE has his primary experience in a large firm or if this is the VEs first experience with IESC. The recruiter and the CD should be careful to emphasize to the VE that if he has been recruited for a three month assignment, except in special circumstances, he should not expect that amount of time to be cut short. He should especially be urged not to try and persuade the client to cut short the assignment unless this idea is clearly in the best interests of the client. The CD should become involved if either the VE or the client raises the issue and the CD should assure himself that any early ending to the project is in the best interests of the client. VEs should be encouraged to keep in touch with the clients and clients in Malawi should continue to be encouraged to utilize more than one VE.

### 6.5.3. Cost-Benefit

Is the IESC Program cost-beneficial? Is Malawi at the right stage of development to benefit in a cost-beneficial manner from the presence of high-powered and expensive Americans?

Unfortunately, as discussed above, since the only viable measures across all firms are qualitative and dollar figures cannot realistically be attributed to them, it is not feasible to apply normal cost-benefit analysis to this program.

The program in Malawi can thus far show quantitative impact only with its two smallest clients. For a variety of reasons, including a macro-economic environment which is poor and continuing to deteriorate, it is unlikely that IESC will be able to demonstrate substantial quantitative impact in the foreseeable future. The exception could possibly be among the

smallest clients. However, even here, with a deteriorating business environment, small firms, like large ones are likely to be badly affected. IESC's role in these conditions may better be described in terms of "building business for a better day." By-in-large, this is more likely than not to be reflected in such qualitative measures as "improved productivity," "improved management" or "improved product".

IESC is having a measurable impact in these areas. Almost all of the firms assisted rate IESC assistance as having resulted in improvements in one or more qualitative measures. Further, the fact that IESC is able to recruit firms and get them to pay what to them are substantial amounts of money in a deteriorating economic situation must be taken as a credit to its effectiveness. A substantial proportion of all clients (over 40%) want to utilize IESC services a second time or third time.

In our view, one of the most important qualitative impacts was the large number of clients who developed a "father-son" relationship with the VE. There has been some question in people's mind as to whether Malawi business people were prepared to the input of a high-level American business person. I think this issue has been safely laid to rest by experience. If anything, Malawi firms are more ready and eager to absorb this U.S. input than business people in much more sophisticated economies. Several clients spoke in terms of the VE "transforming" the business. The close day-to-day relationship of the VE with the senior persons in the firm and the fact that many VEs are staying in touch with the clients after their departure and a few are returning for second visits, is in our view assuring significant impact by IESC on its Malawi clients.

It should be pointed out that if the Mission desires to undertake a cost-benefit analysis, this normally is better done across a whole Mission program rather than in regard to a single project. Cost-benefit is constantly faced with the issue of: benefit as apposed to what? This question is difficult to answer unless the whole program is analyzed. This has been done by several USAID Missions, including an effort carried out for RDO/C in the Eastern Caribbean in which the evaluator was involved.

In an effort to see if any basis might exist for such an evaluation, we undertook a quick review of all evaluations in the USAID library related to the private sector. Unfortunately, in none of the evaluations available during our review was any information provided on impact on clients. The absence of such comparative information would make cost-benefit analysis in Malawi for specific projects such as IESC very difficult.

#### 6.5.4. Monitoring and Evaluation Systems

The existing IESC reporting system seems quite comprehensive and complete, with one exception. The Post Project Review Report, which is completed for 33% of all projects six months after the project is completed does not seem to be a very useful document in Malawi for the following reasons:

1. All the clients interviewed who had filled out the forms indicated that 6 months is not sufficient time for impact on jobs,

sales and other factors to be measured.

2. In almost all cases, figures supplied in the Report either directly contradicted or exaggerated information provided to the evaluator, suggesting either that the Client was filling them out without careful consideration or that they just did not know what impact there had been.

3. The form is not conducive to determining the extent any impact indicated is genuinely attributable to the VE's presence. In most cases, we found after careful questioning that changes indicated were not attributable to the VE, even if the client indicated they were on the form.

We would find highly questionable any reports generated by IESC on the basis of the Post Project Review Reports from Malawi. However, it just may not be possible to develop a world-wide format which is applicable for individual country situations. We believe that the CD in Malawi should visit each client one year after the departure of the VE. Detailed questions should be asked regarding impact, along the lines of the information we collected during the course of our interviews with clients. This information should be summarized in reports to USAID. The Project Descriptions can be found in Annex 1 of this Assessment.

In summary, some modest refinements are needed to the existing IESC program. However, in the main, all the elements are present to assure its increasing success. It is simply a matter of solidifying learning to date and continuing to follow the directions already being pursued by the CD and his wife.

## ANNEXES

---

### Annex 1. Results of Interviews with Individual Firms

---

## Description of Clients

### 1. Enterprise Containers, Ltd.

Product(s): Plastic containers for commercial customers

Structure: Part of the Press Group

Employment: 1/92 - 230; 4/93 - 280

Sales Volume: 1990 - US\$4.6 m.; 1991 - US\$5.5 m.; 1992 - US\$3.8 m.;  
1993 (Projection) - US\$4.2 m.

Client Contribution: US\$10,000; USAID Contribution: US\$20,000

Dates of VE Assistance to Client: 9/14/92 - 11/28/92

Problem: The quality of the printing on the containers was poor. Excessive time required to set up each printing job. Improving printing and reducing set-up time would result in improved customer satisfaction and improved plant efficiency.

Impact (As defined by VE and Client at the conclusion of the VE visit):

It is too soon for the VE's involvement to have any impact on employment or sales. However, the Client believes there will be such an impact in the medium-term. But the time of departure of the VE, the impact was as follows:

- Stencil-making abilities of company staff increased by 66%
- Awareness of need for and ability to produce quality printed container each time improved by 66%
- the set-up time required to change printing jobs has been reduced from 3 to 1 1/2 hours

By April, 1993, the impact was:

- Cost of production has gone down, but they don't yet know by how much
- Performance of staff has improved
- Down-time has been substantially reduced
- Life of the screen has increased from an average of two days to an average of four days and some last six days
- Waste has been substantially reduced

#### Degree to Which Project was Successful

(As defined by VE, Client and CD at the conclusion of the VE visit):

VE - Outstanding; Client - Outstanding; CD - Outstanding

Evaluator Assessment (Based on review of files and interview with Client):

1. Client Satisfaction: The Client was very satisfied with the VE. The Client felt the VE was well qualified technically to perform the defined tasks and personally was able to adjust to the needs of this small Malawi company. The Client felt this was "the right man for the job." The Client felt that IESC's backstopping of the VE was very good and saw no requirement for improvement. The Client wants to use IESC services again. His one complaint was that the Client felt it would have been better if the VE had come for two months, left and returned after six months for another month.

2. VE Performance: A review of the files indicates that there was an excellent match between the capabilities of the VE and the requirements of the assignment. The objective for the VE assignment was clear and understood by all parties. Everyone agrees that the objective was achieved. The VE left detailed recommendations for the firm. Personally, the VE got on

extremely well with the personnel of the company and enjoyed his time in Malawi. The VE's wife was not happy and left early. This did not effect the performance of the VE.

3. **IESC Performance:** The Client was very satisfied with the process of selection, support and follow-up of the VE provided by IESC. He had no suggestions for improvement.

4. **Relationship to USAID Objectives:** According to the currently applied USAID definition, this is a large-scale firm. It is part of the Press Group, which is controlled by the Life President. The letter to IESC from USAID dated March 10, 1992, indicated that when assisting large firms, "...at most, the project would contribute about \$8700 to any one agreement."

5. **Company Performance in Implementing VE Recommendations:** Most recommendations were realistic and have been implemented. One or two have not because of the substantial costs involved. Even those will be implemented in the near future. Would be helpful if the VE could come again.

6. **Problems that Emerged:** None.

Evaluator Assessment of Impact Attributable to VE Assignment:

1. **Quantitative Measures:** Employment has increased while sales have declined. These changes are not attributable to the VE assignment. Malawi is currently experiencing a political malaise and resulting economic uncertainty. The firm has experienced significant reduction in worker efficiency, resulting in the need to hire more people. Reduction in sales has resulted from inability to obtain foreign exchange to buy raw materials.

2. **Qualitative Measures:**

1. Quality of printing on containers has improved
2. Plant efficiency has improved
3. Client would like to have another VE
4. The Client recommended IESC to Press and Shearey, which will soon be another client
5. The VE recruited four firms, one of which (CLAIM) is already a successful project, two of which (Disabled Persons of Malawi and ---) will take place later this year and the third of which (Chris (?)) may involve three VEs working on three different activities of the company
6. A competitor learned of the success of the VE and will likely become a client (?)
7. In the medium-term, improved packaging should result in increased sales and should encourage other firms to improve their packaging

Recommendation of Evaluator: Packaging is a very important area in terms of the development of the manufacturing sector in any country. This kind of client should continue to be assisted by IESC, but only at full cost.

The CD should have:

1. Thought more carefully about the rationale for the project(s) in relationship to IESC and USAID policy and priorities.
2. If accepted as a client, should have charged the Client something approaching the full cost of the project.

## 2. Christian Literature Association in Malawi (CLAIM)

**Product(s):** Publishers, wholesale distributors and retail sellers of religious and educational books

**Structure:** Non-Profit Organization

**Employment:** 10/92 - 65; 4/93 - 66

**Sales Volume:** 1990 - US\$180,000; 1991 - US\$120,000.;

1992 -US\$135,000; 1993 (Projection) - US\$153,000

**Client Contribution:** US\$5,000; **USAID Contribution:** US\$30,311

**Dates of VE Assistance to Client:** 1/4/93 - 4/3/93

**Problem:** CLAIM is losing money. They need to find a viable level of operation. The organization is not operating efficiently. Sales people do not know what is expected of them. There are many small distribution outlets spread over a wide area, many of which are losing money.

**Impact (As defined by VE and Client at the conclusion of the VE visit):**

Break-even should be achieved by the end of 1993. Dead stock has been reduced. Outlets losing the most money were closed. Sales people were trained and more motivated. This is already resulting in increased sales. Continuing problem: Lack of working capital hampers publishing and purchasing of fast-moving items and upgrading of retail outlets.

**Degree to Which Project was Successful**

(As defined by VE, Client and CD at the conclusion of the VE visit):

VE - Good; Client - Good; CD - Outstanding

**Evaluator Assessment** (Based on review of files and interview with Client):

1. **Client Satisfaction:** The Client was very satisfied with the VE. The Client felt the VE was well qualified technically to perform the defined tasks and personally was able to adjust to the needs of this small Malawi company. The Client felt that IESC's backstopping of the VE was very good and saw no requirement for improvement. The Client wants to use IESC services again. The one complaint of the Client was that it would have been better if the VE had come for three months. In that time, the Client feels there could have been a complete turn-around of the organization. It would also have been helpful if the VE continued to be in contact with CLAIM after he left. CLAIM could have sent reports to the VE for review. With such follow-up, there would have been an increased likelihood of more of the VE recommendations being implemented. The VE plans to be in touch. He is now traveling on other VE assignments, but when completed, CLAIM plans to contact him. Client also feels it would be helpful if the CD keeps in regular touch with them since the CD, although not technically qualified, knows Malawi and can help the organization determine how to adapt some of the VE recommendations which in their present form are not well adapted to the realities of Malawi.

2. **VE Performance:** A review of the files indicates that there was an excellent match between the capabilities of the VE and the requirements of the assignment. The objective for the VE assignment was clear and understood by all parties. Everyone agrees that the objective was achieved. The VE left detailed recommendations for the firm. Personally, the VE got on extremely well with the personnel of the company and enjoyed his time in Malawi.

3. **IESC Performance:** The Client was very satisfied with the process of selection, support and follow-up of the VE provided by IESC. He had no suggestions for improvement.

4. **Relationship to USAID Objectives:** According to the currently applied USAID definition, this is a medium-scale firm. It is in an important sector in terms of the development of the country and is in one of the areas of Mission priority: education.

5. **Company Performance in Implementing VE Recommendations:** Some recommendations have been implemented. Many have not due to its lack of funds, which the Client believes will be overcome. The Client pointed out, however, that their implementation of recommendations might have been greater if the VE had stayed a full three months.

6. **Problems that Emerge:** None.

**Evaluator Assessment of Impact Attributable to VE Assignment:**

1. **Quantitative Measures:** Too soon to measure.

2. **Qualitative Measures:**

1. Losses have been substantially reduced.
2. Selection of works for publication has improved and as a result, demand for works recently published is up.
3. Client would like to stay in touch with the VE
4. In the medium-term, improvements introduced and recommended should enable the Client to at least break even and re-invest in improved publishing, distribution and upgrading retail outlets.

**Recommendation of Evaluator:** This is a type of firm IESC should be assisting. IESC and the Client recognize that the assistance should have come at least two years earlier. Assistance rendered at this time, may have come too late in the life of the Client. However, IESC assistance could also prove a turning point for the Client in a product area of importance to the country and in terms of USAID priorities.

The CD should have:

1. More clearly understood the depth of the problems of the Client.
2. In light of these problems, should have more carefully defined the objectives of the project.

### 3. S & K Steel Furniture Co., Ltd.

**Product(s):** Household and office furniture of wood and steel

**Structure:** Small, private company, not related to any group

**Employment:** 2/92 - 125; 4/93 - 150

**Sales Volume:** 1990 - US\$1.02 m.; 1991 - US\$1.16 m.;

1992 - US\$0.94 m.; 1993 (Projection) - US\$1.08 m.

**Client Contribution:** US\$3,500; **USAID Contribution:** US\$31,000

**Dates of VE Assistance to Client:** 6/15/92 - 8/7/92

**Problem:** Need assistance in furniture design and production. Current designs still popular, but customers will soon want new designs. Production methods need to be examined to ensure that the new designs can be produced in a cost-effective manner. The Client wants to improve quality and durability while keeping the costs low.

**Impact** (As defined by VE and Client at the conclusion of the VE visit):

The VE provided the Client with as many new products as they jointly agreed could reasonably be expected to be introduced in the immediate future. Design of new products took the entire period of the VE's assignment. He did not have any time to improve production efficiency. He suggested this be the subject of a later assignment by a VE, once the Client begins to produce the new products in earnest.

**Degree to Which Project was Successful**

(As defined by VE, Client and CD at the conclusion of the VE visit):

VE - Good; Client - Outstanding; CD - Outstanding

**Evaluator Assessment** (Based on review of files and interview with Client):

1. **Client Satisfaction:** The Client was very satisfied with the VE. The Client felt the VE was well qualified technically to perform the defined tasks and personally was able to adjust to the needs of this small Malawi company. The Client felt that IESC's backstopping of the VE was very good and saw no requirement for improvement. He was very pleased that the VE continued to stay in touch with him via mail and provide feedback to the ideas and problems faced by the firm. He felt such continued support from the VE was very useful. The Client seems likely to use IESC services again when economic conditions improve and he is able to begin using all of the designs.

2. **VE Performance:** A review of the files indicates that there was an excellent match between the capabilities of the VE and the requirements of the assignment. The objective for the VE assignment was perhaps not as clear as it should be and as a result, part of the objective was not achieved. The VE left detailed guidance for the firm, including drawings and templates. Personally, the VE got on extremely well with the personnel of the company and enjoyed his time in Malawi.

3. **IESC Performance:** The Client was very satisfied with the process of selection, support and follow-up of the VE provided by IESC. He had no suggestions for improvement. The VE came during the busiest time of the year for the Client. As a result, management and staff had less time to devote to the VE than would have been the case if his visit could have been timed in the slow season.

4. **Relationship to USAID Objectives:** According to the currently applied USAID definition, this is a large-scale firm. The letter to IESC from USAID dated March 10, 1992, indicated that when assisting large firms, "...at most, the project would contribute about \$8700 to any one agreement." However, S&K is not related to any large group. It is in an important sector in

terms of the development of the country and is in one of the areas of Mission priority: agriculture.

5. **Company Performance in Implementing VE Recommendations:** Some new designs are being gradually introduced. However, S&K is being adversely affected by the current economic uncertainty. The factory is at full capacity and demand is holding up for existing designs so the firm has decided to delay for a while the introduction of new designs.

6. **Problems that Emerged:** The Ve came during a very busy time of the year making it difficult for the Client to devote as much time to the VE as he would have liked, but this did not measurable compromise the success of the project.

Evaluator Assessment of Impact Attributable to VE Assignment:

1. **Quantitative Measures:** Employment has increased while sales have declined. These changes are not attributable to the VE assignment. Malawi is currently experiencing a political malaise and resulting economic uncertainty. The firm has experienced significant reduction in worker efficiency, resulting in the need to hire more people. Reduction in sales has resulted from inability to obtain foreign exchange to buy inputs.

2. **Qualitative Measures:**

1. New designs were provided to the Client
2. Ideas were provided for increasing plant efficiency in the context of introducing the new designs
3. The Client and the VE continue to keep in contact and to rely on the VE for advice
4. In the medium-term, improved furniture should result in increased sales and should encourage other firms to improve the quality of this important product sector

Recommendation of the Evaluator: It is the opinion of the evaluator that this firm falls into an important category, justifying USAID subsidy. For firms of this type, USAID may want to reconsider its current definition of sizes which justify subsidy.

The CD should have:

1. Thought more carefully about the timing of the project.
2. Should have more carefully defined realistic objectives of the project.
3. Should have tried to define more quantitative measures of impact.

#### 4. Chibuku Products, Ltd.

**Product(s):** Low alcohol, short shelf-life beverage for local consumption

**Structure:** A subsidiary of National Insurance Co. (NICO), a parastatal, having recently been purchased from the Lonhro Group.

**Employment:** 2/92 - 650; 4/93 - 640

**Sales Volume:** At approximately US\$12 million a year since 1990. Expect approximately same figure in 1993.

**Client Contribution:** US\$5,000, US\$6,000, US\$12,000; **USAID Contribution:** US\$20,500, US\$10,000, US\$19,500.

**Dates of VE Assistance to Client:** Three volunteers: 9/02/91 - 10/02/91 and 2/24/92 - 5/15/92

**Problem:** From 1968 when it was established until 1988, Chibuku had no competition. As a result, it did little or no marketing. In 1988, a serious competitor entered the market and in some parts of the markets, Chibuku lost 50% of its market share. Chibuku wanted help in creating a new marketing and distribution system. Three VEs assisted this Client. The first task was to increase productivity in the line by determining costs of production. The second task was to improve the existing logistical system and then expand the system to encompass new routes. The third task was to develop a marketing system for the company and write a job description for a full-time marketing manager.

**Impact** (As defined by VE and Client at the conclusion of the VE visit):

Changed the orientation of the company from a production mode of thinking to a marketing/consumer mode of thinking to enable it to meet its competition.

**Degree to Which Project was Successful**

(As defined by VE, Client and CD at the conclusion of the VE visit):

VE - Good; Client - Good; CD - Good

**Evaluator Assessment** (Based on review of files and interview with Client):

1. **Client Satisfaction:** The Client was very satisfied with all three VEs. The Client felt the VEs were well qualified technically to perform the defined tasks and personally were able to adjust to the needs of this Malawi company. The Client was also very satisfied with the first VE. There was a problem with the first VE, but it was the company's fault, not the VEs. The company did not have the data which the VE needed to do his analysis. However, the work of the VE encouraged the company to develop the data, which it now has. The Client felt that IESC's backstopping of the VE was very good and saw no requirement for improvement. The Client wants another VE.

2. **VE Performance:** A review of the files indicates that there was an excellent match between the capabilities of the VEs and the requirements of the assignment. The objective for the VE assignments was very broad, but this did not seem to cause any problems for either the VE or the Client. In each case, the VE left detailed recommendations for the Client, which the Client continues to refer to. The third VE had some problem understanding the "trading culture" in Malawi, but the Client did not feel this impeded his work. The VEs got on extremely well with the personnel of the company and enjoyed his time in Malawi.

3. **IESC Performance:** The Client was very satisfied with the process of selection, support and follow-up of the VE provided by IESC. He had no suggestions for improvement.

4. **Relationship to USAID Objectives:** According to the currently applied USAID definition, this is a large-scale firm. The letter to IESC from USAID dated March 10, 1992, indicated that when assisting large firms, "...at most, the project would contribute about \$8700 to any one

agreement." Chibuku is part of the Press Group and formerly part of Lonhro. This was a recent acquisition by Press. IESC policy does not permit it to work with "distilleries". There is some question whether this includes "breweries", which we will have to clarify. The product is in a priority sector for USAID: agriculture.

5. **Company Performance in Implementing VE Recommendations:** The VEs left a large number of recommendations. The Client seems to have implemented many but not all of them. Some of the recommendations regarding marketing involved political issues, which the Client has been working on but which have not been resolved. Some of the marketing recommendations were not viewed as realistic given the Malawi "trading culture". Others, the Client intends to implement in the near future.

6. **Problems that Emerged:** None.

**Evaluator Assessment of Impact Attributable to VE Assignment:**

1. **Quantitative Measures:** Employment has decreased slightly while sales have remained relatively stable. These changes are not attributable to the VE assignment. Malawi is currently experiencing a political malaise and resulting economic uncertainty. The firm was able to increase efficiency, reducing the number of shifts from three to two. Employees were not made redundant, but as some left, they were not replaced. This improved efficiency was partly attributable to recommendations made by the VEs.

2. **Qualitative Measures:**

1. Ideas were provided for increasing plant efficiency
2. The Client is now better positioned to retain market share
4. The Client wants another VE, for which it is willing to pay full cost

**Recommendation of the Evaluator:** It is the opinion of the evaluator, that because of its size, its near monopoly status, its relationship to a large group), it should not have been subsidized by USAID. Further, because of its product, there is some question whether either IESC policy allows it to be assisted at all. The nature and impact of assistance, which are also unlikely to have any positive impact on the larger economy, also argue against assistance.

The CD should have:

1. Thought more carefully about the rationale for the project(s) in relationship to IESC and USAID policy and priorities.
2. If accepted as a client, should have charged the Client full cost.
3. Should have more carefully defined the objectives of the project.
4. Should have tried to define more quantitative measures of impact.

## 5. Bombay Tailors

**Product(s):** Manufacturer of men's clothing and uniforms

**Structure:** Family owned. This is their only business.

**Employment:** 9/92 - 110; 4/93 - 110

**Sales Volume:** 1990 - US\$ 375,000; 1991 - US\$550,000; 1992 - US\$625,000;

**Client Contribution:** US\$5,000; **USAID Contribution:** US\$30,000

**Dates of VE Assistance to Client:** 4/05/93 - 6/05/93 (?)

**Problem:** The Client wants to start a men's suit factory. It would be the only one in Malawi.

To do that, he needs help to:

1. Develop a mass-produced system for tailored jackets.
2. Develop jacket patterns to enable mass production methods.
3. Instruct management and selected personnel in above methods.
4. Install mass-production system.
5. Train supervision in production procedures.
6. Prepare factory layout.
7. Prepare manual of operations by sequence.

**Impact** (As defined by VE and Client at the conclusion of the VE visit):

The VE is still in country. However, the impact expected is as follows:

Annual Projections (US\$)

	<u>1993</u>	<u>1994</u>
Sales Volume	700,000	1,300,000
Total Costs	665,000	1,100,000
Profit	35,000	200,000
Number of Employees	100	165

- There will be a 100% improvement in the fabric warehouse and inventory.

- The efficiency of the cutting/marker making will increase 50%.

- The new cutting order information will give the client cutting data he never had before for finished goods costs and inventory.

**Degree to Which Project was Successful:** The project is ongoing, however, in the opinion of the evaluator, the impact measures are realistic and (barring continued deterioration in the economy) will be achieved.

**Evaluator Assessment** (Based on review of files and interview with Client):

1. **Client Satisfaction:** The Client was very satisfied with the VE. The Client felt the VE was well qualified technically to perform the defined tasks and personally was able to adjust to the needs of this Malawi company. The Client felt that IESC's backstopping of the VE was very good and saw no requirement for improvement. The Client will probably be interested in another VE.

2. **VE Performance:** Based on an interview with the VE and client and a review of the files, there was an excellent match between the capabilities of the VE and the requirements of the assignment. The objective for the VE assignment are very well defined, perhaps the best job of definition thus far achieved.

3. **IESC Performance:** The Client was very satisfied with the process of selection, support and follow-up of the VE provided by IESC. He had no suggestions for improvement.

4. **Relationship to USAID Objectives:** According to the currently applied USAID definition, this is a large-scale firm. The letter to IESC from USAID dated March 10, 1992, indicated that

when assisting large firms, "...at most, the project would contribute about \$8700 to any one agreement." However, Bombay. It is in an important sector in terms of the development of the country. Garments is going to be a leading non-traditional export for Malawi (as it has been in many other developing countries).

5. **Company Performance in Implementing VE Recommendations:** The VE will leave a large number of recommendations for implementation after his departure. In the opinion of the evaluator, this is a very well managed company and in the absence of severe deterioration of the economy, the Client will implement most of them.

6. **Problems that Emerged:** None.

Evaluator Assessment of Impact Attributable to VE Assignment:

1. **Quantitative Measures:** In the opinion of the evaluator, barring further deterioration of the economy, employment and sales will increase, as projected.

2. **Qualitative Measures:**

1. Likely impact specified above will be achieved
2. The Client has already indicated a desire to have the same VE return next year and the VE has indicated a willingness to do so.

Recommendation of the Evaluator: It is the opinion of the evaluator, that this is an ideal type of client for IESC because:

1. Very strong and committed management team
2. Adequate financing to implement IESC recommendations
3. Lacked the technology to expand without IESC support
4. In an important sector in terms of Malawi exports

The CD should:

1. Clarify the definition of firm sizes which may be subsidized by IESC to allow firms of this type to be subsidized
2. Seek other clients in garments and in other sectors which have strong, committed management of this type and sufficient financing, but are not in the big groups.
3. To the extent feasible, model other Project Work Plans on the one developed with this Client.

## 6. Classic Designs Company

**Product(s):** Knee socks and pantyhose for women

**Structure:** Small-scale private profit-making firm

**Employment:** 5/90 - 0; 4/93 - 11

**Sales Volume:** 1990 - 0; 1992 -US\$300,000

**Client Contribution:** US\$6,200; **USAID Contribution:** US\$28,000

**Dates of VE Assistance to Client:** 10/15/90 - 11/30/90

This is a woman-owned and operated business

**Problem:** This was a start-up situation for a woman who had never been in business before. She had previously worked as a secretary for international organizations. She had been planning this business for five years. She received help from a UNIDO advisor, who helped her prepare a business plan. She received financing from a government loan program for SMEs. She found and bought the first piece of equipment she needed and a technician to run it. However, the technician did not know how to commission the equipment. A UNIDO advisor suggested going to one of several programs like IESC. She turned to IESC because they had a CD readily available. She asked for a VE who could commission her equipment.

**Impact:** (As defined by VE and Client at the conclusion of the VE visit):

This is a true success story for which IESC can take full credit. It was a start-up situation in which IESC made a major contribution. The company is now generating over US\$300,000 a year in sales of a product which previously had to be imported.

**Degree to Which Project was Successful**

(As defined by VE, Client and CD at the conclusion of the VE visit):

VE - Good; Client - Good; CD - Good

**Evaluator Assessment** (Based on review of files and interview with Client):

1. **Client Satisfaction:** The Client is extremely satisfied. views the VE as a father figure, and she says he deserves a great deal of the credit who she feels is responsible for her success. The Client felt the VE was well qualified technically and personally was able to adjust to the needs of this small Malawi company. The Client felt that IESC's backstopping of the VE was very good and saw no requirement for improvement. The Client wants to use IESC services again. The one complaint of the Client was that it would have been better if the VE had come for three months. In that time, the Client feels there could have been a complete turn-around of the organization. It would also have been helpful if the VE continued to be in contact with CLAIM after he left. CLAIM could have sent reports to the VE for review. With such follow-up, their would have been an increased likelihood of more of the VE recommendations being implemented. The VE plans to be in touch. He is now traveling on other VE assignments, but when completed, CLAIM plans to contact him. Client also feels it would be helpful if the CD keeps in regular touch with them since the CD, although not technically qualified, knows Malawi and can help the organization determine how to adapt some of the VE recommendations which in their present form are not well adapted to the realities of Malawi.

2. **VE Performance:** The VE was not qualified to perform the task which the Client originally requested, which was to commission the equipment. However, he was extremely well qualified to assist the Client in all aspects of starting up her business, which he proceeded to do to the complete satisfaction of the Client. This included connecting her with a company in South Africa which was able to train her staff in the operation of her equipment and then commission it for her. Because of the special relationship of the VE to the South African company, they did

not charge the client for this service. They have also continued to support her and train her staff, also at no charge. The Client feels that actually this continuing support makes this arrangement better than it would have been had the VE done it himself. In addition, the VE helped the Client in every aspect of starting the business, from designing her packaging to arranging for overdraft privileges at the bank. When the VE left, the Client says she felt like she was really in business for the first time! The VE also has continued to stay in touch with the Client, assisting with advice when needed, which the Client deeply appreciates and values. The Client views that VE as a father figure. The VE left detailed recommendations for the firm, which have been almost totally adopted. 3. IESC Performance: The Client was very satisfied with the process of selection, support and follow-up of the VE provided by IESC. He had no suggestions for improvement.

4. Relationship to USAID Objectives: According to the currently applied USAID definition, this is a medium-scale firm. It is in an important sector in terms of the development of the country and may later develop into an exporting business, generating valuable foreign exchange for the country.

5. Company Performance in Implementing VE Recommendations: Almost all recommendations have been implemented. The firm is continuing to grow. The Client will soon begin construction of a new factory. Funding is being obtained from a World Bank funded SME credit program. Employment in the new factory will move up to 25. Initial revenues will be US\$485,000 and could potentially reach over US\$1,000,000.

6. Problems that Emerged: The VE was not properly qualified to do what the Client wanted, but was flexible enough to remedy the problem and his lack of qualification did not effort the impact of the project.

#### Evaluator Assessment of Impact Attributable to VE Assignment:

##### 1. Quantitative Measures:

1. Employment has increased to 9 persons.
2. Revenues have increased to over US\$300,000.

##### 2. Qualitative Measures:

1. The Client gives full credit to the VE for getting the business properly started.
2. The Client has stayed in touch with the VE and continues to rely on his advice.
3. Client would like another VE to help her properly set up her new factory.

Recommendation of Evaluator: This is a type of firm IESC should be assisting. This Client now falls exactly within the category of types of firms USAID wants IESC to assist. However, the Client also points out the problems involved. In 1990, this Client had no money to pay even a minimal cost for IESC services. Because IESC felt the Client should pay something, the READI Project was approached and actually made the Client's contribution. However, for the next volunteer, the Client should now be large enough to pay part of the cost. This is a good example of how IESC can help to build up small clients.

The CD should have:

1. Although as it happened it turned out for the best in this case, someone should have been more careful in determining whether the VE was qualified to perform the task defined by the Client.

7. Ceeveeco Confectionery Manufacturers, Ltd.

**Product(s):** Biscuits (cookies)

**Structure:** Small-scale private profit-making firm

**Employment:** 11/91 - 80; 4/93 - 80

**Production Volume:** 1990 - 0; 1991 - 1.5 tons/day; 1992 - 3.0 tons/day

**Client Contribution:** US\$3,875; **USAID Contribution:** US\$28,900

**Dates of VE Assistance to Client:** 5/18/92 - 7/30/92

**Problem:** This was a firm which had only recently started production. When the VE arrived, they were doing 1.5 tons a day. The Client had originally asked for someone to train his staff, develop some new products and analyze his marketing. However, the VE was qualified in all areas of business operation and so when he arrived, the Work Plan was revised. The VE completed the tasks defined in the application, but in addition, assisted in almost all aspects of business operations.

**Impact** (As defined by VE and Client at the conclusion of the VE visit):

By the time the VE left, the plant had doubled its output. The Client gives the VE credit for at least a 25% increase in output, just while he was there, plus he introduced a wide variety of new products, which have subsequently proven very successful. The CD noted that production actually increased by at least 75% on a daily basis before the departure of the VE. The company could actually sustain 5 tons/day. Greater production has been restricted by the difficulty of obtaining raw materials, which in turn is occasioned by the lack of foreign exchange.

**Degree to Which Project was Successful**

(As defined by VE, Client and CD at the conclusion of the VE visit):

VE - Good; Client - Outstanding; CD - Outstanding

**Evaluator Assessment** (Based on review of files and interview with Client):

1. **Client Satisfaction:** The Client is extremely satisfied and has a continuing and strong relationship with the VE. The Client says the VE assisted in every aspect of business operations and was a "perfect match" for their needs. The Client felt the VE was well qualified technically and personally was able to adjust to the needs of this small Malawi company. The Client felt that IESC's backstopping of the VE was very good and saw no requirement for improvement. The Client wants to have the same VE back again next year for 6 to 9 months to train a whole new group of production personnel. The one complaint of the Client was that it would have been better if the VE had stayed longer.

2. **VE Performance:** The VE had been involved over his 25 year career in all aspects of a start-up situation like this and the Client was pleased with his suggestions in all areas.

**Relationship to USAID Objectives:** According to the currently applied USAID definition, this is a medium-scale firm. It is in an important sector in terms of the development of the country and may later develop into an exporting business, generating valuable foreign exchange for the country. The VE and his wife got on personally very well with the Client, to the extent that the Client wants the VE to come back and stay in his own home.

3. **IESC Performance:** The Client was very satisfied with the process of selection, support and follow-up of the VE provided by IESC. He had no suggestions for improvement.

4. **Relationship to USAID Objectives:** According to the currently applied USAID definition, this is a medium-scale firm. It is in an important sector in terms of the development of the country and may later develop into an exporting business, generating valuable foreign exchange

for the country. It is in one of the priority sectors for USAID - agro-processing.

5. **Company Performance in Implementing VE Recommendations:** Almost all recommendations have been implemented. The firm is continuing to grow. The Client is very interested in buying new equipment and expanding into new product areas. The Client is interested in knowing if he can buy equipment and supplies from the U.S. and if U.S. financing can be arranged since local interest rates are so high. He has asked IESC for assistance for this.

6. **Problems that Emerged:** None.

Evaluator Assessment of Impact Attributable to VE Assignment:

1. **Quantitative Measures:**

1. Employment has increased to 9 persons.
2. Production has doubled to 3 tons/day.

2. **Qualitative Measures:**

1. The Client gives considerable credit to the VE for expanding the business.
2. The Client has stayed in touch with the VE and continues to rely on his advice.
3. Client would like the same VE to return next year to help her properly train a new group of production personnel.

Recommendation of Evaluator: This is a type of firm IESC should be assisting. This Client falls exactly within the category of types of firms USAID wants IESC to assist. This firm is in a sector of focus for USAID: agriculture. This firm is probably bigger than the current definition of SMEs. However, this only suggests the need to broaden the definition. This firm will probably pay more for the next VE, but it would be hard to get them to pay a large amount. IESC should try to assist more firms in the baked goods industry.

## 8. Now Publications

Product(s): Publishers of Women Now magazine and The Independent newspaper

Structure: Small-scale private profit-making firm

Employment: 4/92 - 1 part-time; 4/93 - 4 full-time, 3 part-time and several free-lance

Sales Volume: 1990 - US\$25,000; 1991 - US\$9,100; 1993 (Projected) - Magazine: US\$24,000, Newspaper: US\$140,000

Client Contribution: US\$1,000; USAID Contribution: US\$24,886

Dates of VE Assistance to Client: 8/17/92 - 10/17/92

This is a woman-owned and operated business.

Problem: The magazine has been in business since 1989 as a quarterly publication. However, only three issues came out in 1989, three in 1990, one in 1991 and one before the VE arrived in 1992, mainly because the Client, she admits, was not taking the business seriously. However, she wanted to take it seriously, thus her request to IESC. The Client requested help in lay out, product quality, distribution, advertising, costing, cost reduction and accounts collection. The VE arrived to find an unorganized office, most of which wasn't even furnished, run by the publisher and a part-time secretary, incomplete and disorganized records, sloppy editorial and publishing procedures, no subscriptions and heavy debt.

Impact (As defined by VE and Client at the conclusion of the VE visit):

Soon after the VE left, the Client produced her next issue, on schedule, with much improved layout and content. Another issue is about to be published, again an improvement on the last. The Client has also now launched a weekly newspaper, which she says she could not have done without the contribution of the VE. Revenues from these two publications should produce 20 times the revenue of 1991. She gives full credit to the VE for this achievement. Regarding the newspaper, perhaps an equally important impact is the contribution the newspaper is making to the newly-emergent free press in Malawi.

Degree to Which Project was Successful

(As defined by VE, Client and CD at the conclusion of the VE visit):

VE - Outstanding; Client - Outstanding; CD - Outstanding

Evaluator Assessment (Based on review of files and interview with Client):

1. Client Satisfaction: The Client is extremely satisfied and has a continuing relationship with the VE. The Client says the VE assisted in every aspect of business operations and was a "perfect match" for their needs. The Client felt the VE was well qualified technically and personally was able to adjust to the needs of this small Malawi company. The Client felt that IESC's backstopping of the VE was very good and saw no requirement for improvement. The Client wants to have another VE come after she acquires her printing press, which she hopes will happen in the near future. At one point, about mid-way through the project, it looked that it might be aborted. The VE couple arrived raring to go. The Client was not fully prepared for the onslaught of two extremely qualified and hard-working VEs. At this point, the Client was still fairly laid-back about this business and quite often was off doing other things, leaving the VEs, as the Client freely admits, to "run the business." This, of course, was unacceptable to the VEs and led to a confrontation. Finally, however, with the CD functioning as negotiator, the VE and the Client were able to re-establish a working relationship. The Client agreed to spend more time on the business. The VE couple agreed to proceed. From that point on, the Client was able to develop a cooperative and close relationship with the VE couple, which resulted in great progress. The Client believes the VE couple enabled her for the first time to

become a true "professional," for which she is exceedingly grateful.

2. **VE Performance:** The VE and his wife were both extremely well qualified in all aspects of the publishing business, including all aspects of a start-up operation such as this one. The Client feels this couple were "the right people for the job." The Client takes full responsibility for the problem which developed and in no way holds the VE couple responsible.

3. **IESC Performance:** The Client was very satisfied with the process of selection, support and follow-up of the VE provided by IESC. He had no suggestions for improvement. The CD performed an exemplary role in salvaging and keeping this project on track and turning it into an outstanding success. He brought the warring factions together and thanks to the basic good will on all sides, was able to resolve outstanding differences so it could move ahead.

4. **Relationship to USAID Objectives:** According to the currently applied USAID definition, this is a medium-scale firm. It is in an important sector in terms of the development of the country. It is a woman-owned and operated business. It seems to the evaluator to be a perfect example of the type of project IESC should be carrying out.

5. **Company Performance in Implementing VE Recommendations:** It would appear that the most important of the VE recommendations are being carried out. The company is continuing to grow. The Client next wants her own printing press and IESC help in getting it operating.

6. **Problems that Emerged:** None.

Evaluator Assessment of Impact Attributable to VE Assignment:

1. **Quantitative Measures:**

1. Employment has increased to 4 full-time, 3 part-time and several free-lance employees.

2. Sales are projected to reach US\$164,000 in 1993.

2. **Qualitative Measures:**

1. The Client gives considerable credit to the VE for expanding the business.

2. The Client has stayed in touch with the VE and continues to rely on his advice.

3. Client would like the same VE to return to get her printing business in operation.

Recommendation of Evaluator: This is a type of firm IESC should be assisting. This Client falls exactly within the category of types of firms USAID wants IESC to assist. The firm is in one of the sectors of USAID emphasis: education. The firm paid very little for its first VE, but will probably pay more for the next VE. It will still be hard for the client to pay a large amount. IESC should try to assist more firms in the baked goods industry.

This was a very small firm when first assisted. Although in this case, it probably turned out for the best, it would have probably been less conflictive and would certainly have had a better cost-benefit, if this VE had either been brought out to work with a larger firm and done this as a "piggyback" or had done several small firms at once. This way, the VE would not have had to allow themselves to be drawn into the running of the company. If frustration levels were rising, the VE could simply have spent more time with another client.

## 9. Montfort Press

**Product(s):** Printing and publishing company

**Structure:** Small-scale private profit-making firm, owned by the Catholic Archdiocese of Malawi

**Employment:** 12/90 - 150; 4/93 - 140 (Approximately)

**Sales Volume:** 1990 - US\$1.63 million; 1992 - US\$3 million (approximately)

**Client Contribution:** US\$5,000; **USAID Contribution:** US\$32,405

**Dates of VE Assistance to Client:** 4/8/91 - 7/5/91

**Problem:** The basic problem was that the Client had grown. Management was attempting to operate under systems established when it was much smaller. There were no standards for use of equipment or production. Staff were very poorly qualified for the tasks they had to perform. The VE noted on his arrival, there was a particular weakness in middle-management. The Client wanted help in improving equipment maintenance, production planning, production processes and quality control.

**Impact (As defined by VE and Client at the conclusion of the VE visit):**

Training was provided to staff in many aspects of production; standards were established for plate making and press practices; job descriptions were re-written; inventory systems were established. A new expatriate Production Manager was hired in November of 1991, who has been able to fill the large gap in middle-management noted by the VE.

**Degree to Which Project was Successful**

(As defined by VE, Client and CD at the conclusion of the VE visit):

VE - Good; Client - Outstanding; CD - Outstanding

**Evaluator Assessment** (Based on review of files and interview with Client):

1. **Client Satisfaction:** The Client was very satisfied with the project. The VE assisted in every aspect of business operations. The Client felt the VE was well qualified technically and personally was able to adjust to the needs of this small Malawi company.
2. **VE Performance:** The VE was very well qualified in all aspects of the printing business. One problem that did not emerge in the reports written at the time, but emerged in the interview of the evaluator with the current Production Manager was that the VE was very experienced in rotogravure, but the Client had an offset press. This, according to the Production Manager, substantially reduced the contribution the VE made. Also, the Production Manager feels strongly that given the problems of a company such as this one, it would have been difficult for a short-term person to have any lasting impact. He says several short-term people had been used in the plant. Each time, after their departure, operations reverted to their former state. The Production Manager had no interaction with the VE as he arrived about four months after his departure and therefore is not in a position to evaluate his performance.
3. **IESC Performance:** The Client was very satisfied with the process of selection, support and follow-up of the VE provided by IESC.
4. **Relationship to USAID Objectives:** According to the currently applied USAID definition, this is a large-scale firm. However, this suggests the need to re-define the SME sector. This Client is in an important sector in terms of the development of the country. It is in a sector of USAID priority: education. It seems to the evaluator to be an example of the type of project IESC should be carrying out.
5. **Company Performance in Implementing VE Recommendations:** It would appear that the most important of the VE recommendations are being carried out. The company is continuing

to grow.

6. **Problems that Emerged:** There were two problems: (1) the VE was not properly qualified (not qualified in offset); and (2) he wasn't there long enough to have any lasting impact. According to the Production Manager, who arrived about six months after the VE's departure, this was sufficient to result in no impact by the time he arrived.

Evaluator Assessment of Impact Attributable to VE Assignment:

1. **Quantitative and Qualitative Measures:**

It was not possible for the evaluator to identify any impact. The only management person who had been with the company long enough to know about the VE assignment was out of the country. The person the evaluator spoke with did not attribute any impact to the VE, but was not there long enough to know

Recommendation of Evaluator: This is a type of firm IESC should be assisting. The firm is in one of the sectors of USAID emphasis: education. The firm paid very little for its first VE. However, it is continuing to grow. IESC should try to assist more firms in the printing and publishing business.

The CD should have checked to be sure the VE had experience in offset press.

10. Fargo, Ltd.

**Product(s):** Construction Contracting and Equipment Sales and Service company

**Structure:** Small-scale private profit-making firm

**Employment:** 1/90 - 350; 4/93 - 350 (Approximately)

**Sales Volume:** 1989 - US\$2.25 million; 1990 - US\$3 million **Client Contribution:** US\$5,000; **USAID Contribution:** US\$27,216

**Dates of VE Assistance to Client:** 4/29/91 - 6/14/91

**Volunteer Name and Phone Number:** Ed Hoogstra, Grand Rapids, Michigan (616) 949-1418

This project was originally planned for three months and was terminated early

**Problem:** The client wanted to improve the operation of the operation of his workshop (service department) by installing a management system. He wanted a system that would keep track of equipment, lay out a preventive maintenance schedule, define the useful life of equipment and train staff to use and interpret the system to allow for timely and accurate decisions affecting the workshop.

**Impact (As defined by VE and Client at the conclusion of the VE visit):**

At the conclusion of his visit, in the space requesting the answer to the question as to whether the VE had achieved the objective outlined in the Work Plan, the VE answered "yes," but the Client answered, "partially".

**Degree to Which Project was Successful**

(As defined by VE, Client and CD at the conclusion of the VE visit):

VE - Good; Client - Not provided; CD - Not provided

**Evaluator Assessment (Based on review of files and interview with Client):**

1. **Client Satisfaction:** The Client was not satisfied with the project. In the Client's words, VE input "was a dead loss." The VE assisted in every aspect of business operations, whereas what the Client wanted was a management system for his service department. The Client felt the VE was probably well qualified technically but was not prepared to adjust to the needs of a small Malawi company. Part of the problem is that the company owner left to carry out unforeseen work away from the headquarters soon after the VE arrived. The Work Plan was developed with and signed by the company Controller. This Work Plan bore little resemblance to what the Client had originally requested, but the company owner did not learn about it until he returned. When he learned what the VE had done, he requested the project be terminated. The company owner acknowledges that he was in fault in not being present when the work plan was prepared and not having checked periodically throughout the assignment. However, he had prepared a letter before his departure indicating what he wanted. He faults the VE for not following-through with the original request, which was quite clear and with the letter. Despite this problem, knowing of successful use of VEs in other Malawi companies, the Client is potentially interested in having another VE.

2. **VE Performance:** The evaluator's interpretation is that the VE was a very well qualified person in all aspects of operations of vehicle sales and maintenance for GM, rising to a position managing 200 people. On the surface, it would appear to have been a good match. However, it is the feeling of the evaluator, after discussing it with the Client and the CD that there was probably a mis-match. The VE experience was with an extremely large company whereas the Client is relatively small and the two did not fit. The VE should have come from a small-scale American company. Apparently, when he got here, in the absence of the company owner, he was able to see areas all through the company where he was able to be of assistance and

persuaded middle-management that he could make a wider contribution. The evaluator speculates this was probably a more comfortable role for the VE given his experience as a senior manager. This was, perhaps, a credit to his persuasive abilities but was contrary to the interest of the company owner.

3. IESC Performance: On the surface, there was probably little to indicate to the CD that there might be a problem. The VE looked well qualified and had successfully completed two previous assignments. However, in retrospect it is clear that the CD should have insisted that the company owner be involved in preparation of the work plan, even if it meant chasing him to his work site. A signal for the CD that something might be amiss should have been the fact that the Work Plan differed so greatly from the original request of the Client. There is fault on all sides. However, it is possible that had the CD gotten the company owner involved in preparation of the work plan, the resulting problems could have been averted.

4. Relationship to USAID Objectives: According to the currently applied USAID definition, this is a large-scale firm. However, this suggests the need to re-define the SME sector. This Client is in an important sector in terms of the development of the country. It seems to the evaluator to be an example of the type of project IESC should be carrying out.

5. Company Performance in Implementing VE Recommendations: The company owner found the VE recommendations to be useless and they have not been carried out. The VE did little or nothing regarding the service department, which was the main concern of the Client.

6. Problems that Emerged: There were three problems: (1) the VE was not qualified to do what the Client wanted (in the view of the Client); (2) the VE did not do what the Client asked; (3) the Client (owner) was not present during most of the VE's assignment. This was sufficient to nullify any potential positive impact. In the view of the evaluator, a major contributing problem is that the VE's experience was in a large firm.

Evaluator Assessment of Impact Attributable to VE Assignment:

1. Quantitative and Qualitative Measures:

None

Recommendation of Evaluator: Despite the difficulties, this is one of the types of firms IESC should be assisting. IESC in Malawi should probably avoid recruiting VEs from large American companies. IESC should interact with the Client more during the early phases of a project to assure the work plan is in keeping with the requirements of senior Client management.

11. La-Mona Cosmetics, Ltd.

Product(s): Cosmetics, polishes, powders, candles

Structure: Small-scale private profit-making firm. Other family members own other clients including Ceeveeco and Leather and Luggage

Employment: 12/91 - 25; 4/93 - Same (Approximately)

Sales Volume: 1989 - US\$127,000; 1990 - US\$241,000; 1991 - US\$270,000; 1992 - US\$250,000

Client Contribution: US\$2,314; USAID Contribution: US\$25,544

Dates of VE Assistance to Client: 5/2/92 - 6/6/92

Volunteer Name and Phone Number: Murray Ferencz, Pinehurst, N.C. (919) 295-4458

This project was originally planned for two and was terminated early

Problem: The Client wished to have someone come who could assist them in evaluating their current product line and determining what new products would be acceptable in the market place. The VE would assist in the formulation and production of new products. The VE would evaluate current marketing strategies and make suggestions for improving market coverage, penetration and promotion.

Impact (As defined by VE and Client at the conclusion of the VE visit): None.

Degree to Which Project was Successful

(As defined by VE, Client and CD at the conclusion of the VE visit):

VE - Failure; Client - Failure; CD - Failure

Evaluator Assessment (Based on review of files and interview with Client):

1. Client Satisfaction: The Client was totally dissatisfied with the project. The Client felt the VE was "not properly qualified" to assist the firm. "He only read from formula books, which I could have done myself." "He talked nicely, but did not know how to implement." There was a total lack of communication between the VE and the Client. The Client asked for an early termination of the project, which the VE agreed was appropriate.

2. VE Performance: The VE had worked for a very large firm (Faberge) for many years and was probably well qualified. But it was obvious to everyone that when he got here, he was totally out of his environment. Neither he or his wife were happy with anything. The VE blamed the Client for lacking a laboratory and raw materials so that he could experiment with various products. He was obviously used to much more sophisticated facilities. The VE said, "It seemed like every suggestion I made met with a negative response." "I don't believe this client wanted the project." The CD noted "a total lack of communication between the Client and the VE."

3. IESC Performance: The CD apparently put considerable effort into trying to remedy the problem without success. His comment on the VE was: "The VE arrived with a fixed idea about what he should do on the project which did not match the needs of the client. Very little was accomplished." "...Mr. Ferencz probably works best in a large, successful company (like Faberge where he as employed) but we would strongly recommend that he NOT be recruited in the future for small, start-up companies such as the one he worked with here in Malawi." The evaluator believes, in retrospect, that the mistake was in recruiting someone from a large firm to assist this small firm. There just was no possible match in understanding.

4. Relationship to USAID Objectives: According to the currently applied USAID definition, this is a medium-scale firm. This Client is in an important sector in terms of the development of the country. Some of his ingredients are derived from the domestic agricultural and mineral

sector, which places it in a priority sector for USAID. Despite the problem, it seems to the evaluator to be an example of the type of project IESC should be carrying out.

5. **Company Performance in Implementing VE Recommendations:** The Client attempted to develop some of the products the VE suggested based on formulas the VE left behind. According to the Client, none of them worked. In fairness to the VE, it should be pointed out that the Client was not very open to suggestions. As the VE stated, "...the client seemed to throw negative road blocks in the way of any suggestion..." The director of another company, who is related to Client commented, that, "He is not very dynamic or energetic. It is hard to get him to do anything."

6. **Problems that Emerged:** There were five problems: (1) the VE was not qualified to do what the Client wanted; (2) the VE did not do what the Client asked; (3) the Client was not serious; (4) the VE had fixed ideas; and (5) the VE could not communicate. This was sufficient to nullify any potential positive impact. In the view of the evaluator, a major contributing problem is that the VE's experience was in a large firm.

Evaluator Assessment of Impact Attributable to VE Assignment:

1. **Quantitative and Qualitative Measures:**

None

Recommendation of Evaluator: Despite the difficulties, this is one of the types of firms IESC should be assisting. IESC in Malawi should probably avoid recruiting VEs from large American companies. It is my understanding that despite the recommendation of the CD, this VE was utilized to assist another small client. If this was the case, it suggests a serious breakdown in communication within IESC. IESC recruiting needs to increasingly understand the special needs of small countries like Malawi. It should try to recruit with a view to avoiding such mismatches. This Client recommends, "Check to make sure the prospective VE has practical experience."

12. Leather and Luggage Manufacturers, Ltd.

Product(s): Manufacturer of travel bags, briefcases, sports bags and lady's purse from synthetic materials

Structure: Small-scale, private, profit-making firm

Employment: 1/88 - 75; 11/91 - 100; 6/92 - 100; 4/93 - 100

Sales Volume: 1988 - US\$460,000; 1989 - US\$580,000; 1990 - US\$700,000; 1992 - US\$600,000. Decrease due to devaluation and foreign exchange problems.

Client Contribution: US\$2,000; USAID Contribution: US\$18,000

Dates of VE Assistance to Client: 2/3/92 - 2/28/92

Problem: The Client had been successfully assisted in 1988 to improve production management. This time the Client wants a VE to help introduce new designs and assure that the production system is adequate to handle these designs. Impact (As defined by VE and Client at the conclusion of the VE visit):

The VE introduced over 30 new lines, which were enthusiastically accepted by the Client. The Client comment at the time was, "We are very happy with what we have achieved."

Degree to Which Project was Successful

(As defined by VE, Client and CD at the conclusion of the VE visit):

VE - Outstanding; Client - Outstanding; CD - Outstanding

Evaluator Assessment (Based on review of files and interview with Client):

1. Client Satisfaction: The Client remains extremely satisfied and has a continuing and strong relationship with the VE. The Client says the VE did just what he wanted and was a "perfect match" for their needs. The Client felt the VE was well qualified technically and personally was able to adjust "within minutes" to the needs of this small Malawi company. The Client felt that IESC's backstopping of the VE was very good and saw no requirement for improvement. The Client asked that the VE be here for a month. He was actually there for 25 days and the Client felt that was just the right length of time. The Client rejected two VEs proposed by IESC before accepting this one. He said the others had worked for big companies and seemed to be focused on sophisticated markets.

2. VE Performance: The VE had very broad experience in design of all the items of interest to the Client. He had been a VE before which probably helped.

3. IESC Performance: The Client was very satisfied with the process of selection, support and follow-up of the VE provided by IESC. He had no suggestions for improvement.

4. Relationship to USAID Objectives: According to the currently applied USAID definition, this is a large-scale firm. It is in an important sector in terms of the development of the country and may later develop into an exporting business, generating valuable foreign exchange for the country.

5. Company Performance in Implementing VE Recommendations: Many of the new design ideas have already been implemented. The day before I arrived, he had introduced two more of them. The Client keeps the recommendations of both the VEs he has had on the shelf next to his desk. He says he refers to them all the time.

6. Problems that Emerged: None.

Evaluator Assessment of Impact Attributable to VE Assignment:

1. Quantitative Measures:

Due to difficulty in getting raw materials because of the shortage of foreign exchange, revenues and sales are stagnant.

2. **Qualitative Measures:**

1. The Client says the quality of his product has been improved substantially by the VE because of his recommendations regarding:
  - Better design
  - Better quality fabric
  - Better fittings
2. This Client recommended IESC to three other firms, all of which became clients.
3. The Client gives considerable credit to both the VEs for helping the business.
4. The Client has stayed in touch with the VE and continues to rely on his advice.

Recommendation of Evaluator: This is a type of firm IESC should be assisting. This firm is slightly bigger than the current definition of SMEs. However, this only suggests the need to broaden the definition. This firm will probably pay more for the next VE, but it would be hard to get them to pay a large amount.

13. Malawi Council for the Handicapped (MACOHA)

**Product(s):** Training organization for disabled individuals in Malawi. Produces woven textiles, tie-dyed and silk screen articles

**Structure:** Parastatal

**Employment:** 1/91 - 385; 4/93 - Same

**Sales Volume:** 1988 - US\$362,000; 1989 - US\$395,000; 1990 - US\$366,000; 1992 - US\$

**Client Contribution:** US\$0; **USAID Contribution:** US\$33,148

**Dates of VE Assistance to Client:** 5/6/91 - 6/27/91

**Problem:** Assistance was needed in upgrading the weaving operation. Of most importance was production planning and training the supervisory staff how to plan and control work flow. The VE was also expected to assist in streamlining the weaving production process with the goals being increased output and moving the financial results from a deficit to a surplus.

**Impact** (As defined by VE and Client at the conclusion of the VE visit):

VEs gave assistance in controlling contamination, improving handling of materials, improving weaving and finishing procedures, purchase of equipment, including a spin dryer, improving designs and products, including provision of new design ideas, suggested ideas on merchandising, pricing, handling of special orders, commission orders and commercial orders.

**Degree to Which Project was Successful**

(As defined by VE, Client and CD at the conclusion of the VE visit):

VE - Good; Client - Good; CD - Good

**Evaluator Assessment** (Based on review of files and interview with Client):

1. **Client Satisfaction:** The Client remains only partly satisfied with the results of the project. The Client indicated that product quality did improve as a result of the VE input, which was appreciated. However, the hope had been that the VEs would focus more directly on decreasing the losses being incurred. They also did not spend enough time providing new designs, although after they departed, they sent a book to the Client which included many designs which the Client found quite useful. The Client admitted that the absence of the General Manager for almost the entire period of the VEs' visit made it difficult for them to have clear direction. However, the Client pointed out that the VEs were here too short a time. In his view, they should have been here a full three months.
2. **VE Performance:** In the view of the Client, the VE who was technically qualified was too old to do a proper job.
3. **IESC Performance:** The Client was very satisfied with the process of selection, support and follow-up of the VE provided by IESC. He had no suggestions for improvement.
4. **Relationship to USAID Objectives:** According to the currently applied USAID definition, this is a large-scale firm. It is also a parastatal. However, it is assisting an important sector in society. Because it uses domestic cotton exclusively in its woven products, it is in a sector of USAID priority: agri-business.
5. **Company Performance in Implementing VE Recommendations:** The Client purchased the equipment that was recommended and appears to be utilizing many of the design and other ideas. According to the Client, they would have been profitable this year for the first time in many years if not for two devaluations which increased their costs, the reduction of tourists last year and a government-mandated salary increase.
6. **Problems that Emerged:** There were four problems: (1) the VEs didn't do what they were asked; (2) they were not there long enough; (3) the senior manager was not there most of the time; and (4) one of the VEs was too old. These problems were not serious enough to

seriously compromise the impact of the project.

**Evaluator Assessment of Impact Attributable to VE Assignment:**

1. **Quantitative Measures:**

Due to devaluations, reduction in tourists and wage increases, losses continue at about the same level as before.

2. **Qualitative Measures:**

1. The Client says the quality of his product has been improved.

2. This Client wants another VE.

3. The Client gives some credit to both the VEs for helping the business.

4. The Client has stayed in touch with the VE.

**Recommendation of Evaluator:** This firm is slightly bigger than the current definition of SMEs. However, this only suggests the need to broaden the definition. There may be justification to providing subsidized assistance to this parastatal because it is helping a needy group and is trying to run itself like a business. It produces very nice and very salable products.

14. Malawi Railways, Ltd.

Product(s): Rail Transportation

Structure: Parastatal

Employment: 5/91 - 4,850

Sales Volume: 1988 - US\$7.7 million; 1989 - US\$7.6 million; 1990 - US\$7.9 million

Client Contribution: US\$14,500, US\$19,000, US\$14,500, US\$; USAID Contribution: US\$8,300, US\$9,000, US\$13,000

Dates of VE Assistance to Client: 4/6/91 - 6/26/91, 12/16/91 - 3/6/92, 11/18/91 - 1/10/92

Problem: At the request of USAID, to assist Malawi Railroads organize the overhaul of 19 locomotives. The first project undertook initial organization of the rebuilding program including initial training of staff. A second project compiled procurement requirements. A third project oversaw training of staff in the actual rebuilding of the first two engines.

Impact (As defined by VE and Client at the conclusion of the VE visit):

As a result of VE assistance, the initial phase of the rehabilitation program was kept more or less on target. Also, a substantial amount of money was saved in the purchase of spare parts which was then used to purchase necessary equipment for the repair process.

Degree to Which Project was Successful

(As defined by VE, Client and CD at the conclusion of the VE visit):

VE - Outstanding; Client - Good; CD - Outstanding

Evaluator Assessment (Based on review of files and interview with Client):

1. Client Satisfaction: The Client remains completely satisfied with the performance of the VEs in all three projects. The Client credits the VEs with having made a substantial contribution to the success to date of the rehabilitation program. There is a slowdown at the moment as a result of the slow rate of shipment of spare parts to Malawi.

2. VE Performance: In the view of the Client, the VEs were extremely well qualified technically and got on very well personally with the staff. VE Polich, who was involved twice as a VE, is viewed by the Client as a "perfect match" for their needs. Mr. Polich will be returning on another assignment as soon as the spares arrive.

3. IESC Performance: The Client was very satisfied with the process of selection, support and follow-up of the VE provided by IESC. He had no suggestions for improvement.

4. Relationship to USAID Objectives: According to the currently applied USAID definition, this is a large-scale firm. It is also a parastatal. This is a major objective of USAID.

5. Company Performance in Implementing VE Recommendations: The Client maintains they are following almost exactly the recommendations of the VEs.

6. Problems that Emerged: None.

Evaluator Assessment of Impact Attributable to VE Assignment:

1. Quantitative Measures:

Rehabilitation completed on five locomotives. Further rehabilitation delayed by problems in delivery of spare parts. This problem may result in delay of up to one year in completing rehabilitation of all 19 locomotives.

2. Qualitative Measures:

1. The Client says the overall efficiency and effectiveness of the rehabilitation program has been substantially improved.

2. This Client wants another VE.

3. The Client gives considerable credit to both the VEs for helping

14

the business.

4. The Client has stayed in touch with the VE.

Recommendation of Evaluator: This is a good example of how IESC can support USAID objectives.



15. Crown Fashions, Ltd.

Product(s): Garments

Structure: Private, profit-making local firm

Employment: 1/92 - 380;

Sales Volume: 1989 - US\$4 million; 1990 - US\$5 million; 1991 - US\$6.2 million

Client Contribution: US\$8, US\$8,000; USAID Contribution: US\$28,000, US\$27,000

Dates of VE Assistance to Client: 3/23/92 - 6/13/92, 11/09/92 - 1/29/93

Problem: On the first occasion, the Client wanted the VE to assist in training the staff in improved production methods. The Client wanted assistance in all phases from planning to cutting to assembly to finishing. The Client wanted the VE to install an improved quality control system and assure that product could meet U.S. and European standards. On the second occasion, the Client wanted the VE to help plan operations efficiently for the new and larger facility, to develop an employee incentive program, to develop a factory cost and budget program and to develop an effective export program.

Impact (As defined by VE and Client at the conclusion of the VE visit):

Costs had been reduced, profits increased and Crown was successfully exporting approximately 30% of its output to the U.S. and other markets.

Degree to Which Project was Successful

(As defined by VE, Client and CD at the conclusion of the VE visit):

#1: VE - Outstanding; Client - Outstanding; CD - Outstanding

#2: VE - Good; Client - Good; CD - Outstanding

Evaluator Assessment (Based on review of files and interview with Client):

1. Client Satisfaction: The Client remains completely satisfied with the performance of the VE on both occasions. The Client credits the VE with having made a substantial contribution in increasing product quality. He says he and the VE had a "father-son" relationship and that he was the right man for the job, which is why the Client asked for the same VE back for a second time.

2. VE Performance: In the view of the Client, the VEs were extremely well qualified technically and got on very well personally with the staff. The VE appeared to be the "right man for the job." As a result, a year later, the new plan is operating efficiently and a successful export program has been set in place.

3. IESC Performance: The Client was very satisfied with the process of selection, support and follow-up of the VE provided by IESC. He had no suggestions for improvement.

4. Relationship to USAID Objectives: According to the currently applied USAID definition, this is a large-scale firm. This is a sector, however, which the evaluator believes IESC should be supporting because of its export and foreign exchange-earning potential.

5. Company Performance in Implementing VE Recommendations: The Client discussed all aspects of the business with the VE. He is implementing VE recommendations as rapidly as possible, consistent with the state of the Malawi economy.

6. Problems that Emerged: None.

Evaluator Assessment of Impact Attributable to VE Assignment:

1. Quantitative Measures:

30% of production is being exported. The Client's comment was that "It takes time for the impact of a VE to be felt. The overall economy has been bad since the VE was here and so his impact is not evident yet in increased employment and income.

2. Qualitative Measures:

1. The Client says the overall quality of the products has improved substantially.
2. Costs of production have been reduced.
2. The Client asked that the same VE return, which he did.
2. This Client wants another VE.
3. The Client gives considerable credit to the VE for helping the business.
4. The Client has stayed in touch with the VE.

Recommendation of Evaluator: This is a very successful effort. The same Client wants another VE, this time to help set up a school to train operators for its new plant. This could have positive impact on the whole industry and deserves support. IESC has helped this firm to successfully enter the export market. Crown has demonstrated that Malawi can compete in international markets. IESC should assist this and other garment firms on a concentrated basis to establish and expand exports. Since this is the third time assistance will be given to the same firm and the firm is doing well financially, the evaluator believes the Client should pay a much more substantial part of the cost of assistance.

---

Annex 2. Letter from USAID to IESC of March, 1992

---