

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20503

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MEMORANDUM:

TO: Distribution

FROM: DAA/PRE, Edgar C. Harrell *EH* *BA*

SUBJECT: Review of Report on Assessment of International Executive Service Corps (IESC) dated August 2, 1982

On September 17, 1982 at 10:30 a.m. in Room 5951, a review of the subject report will be held with the report's authors and representatives of IESC. We request that each Bureau have a representative present prepared to discuss the report, assess the usefulness of the IESC in forthcoming private enterprise initiatives in each region, and to make suggestions for improving the use of the IESC resources. The review will center on the section of the subject report titled Problems and Opportunities starting on page 12. Following the meeting on September 17, we will need each Bureau's estimate of their possible use of the IESC in CY 1983.

The AID budget for the IESC hit a low point in 1977 but in real terms the 1977 budget was about equal to 1981 and the number of projects completed were nearly identical at 458 in 1981. A number of changes in distribution took place during this period. Projects in LAC increased by more than 25% accounting for about 50% of all projects in 1977 and over 62% of all projects in 1981. The countries comprising the Caribbean Basin Initiative increased from 12% of the total to nearly 16% in the same time period. The number of projects in Asia were about constant at 25%. The Near East dropped from 8% to 2% with all 1981 projects in Egypt. Africa dropped from 6% to less than 1% of the total.

Over the years, assistance to agro-industries has held at 18 - 20%, machinery, metal products, transportation and electrical equipment at 14%, construction and related endeavors at 12%, mining and metal refining at 7 - 8%, and textiles and apparel at about 7%. Assistance to government facilities and financial institutions has been decreasing while industrial promotion assistance has increased.

The size distribution has also seen a change. The median size client had annual dollar volume of \$1 - 3 million in 1980 compared to \$3 - 5 million in 1976. Well over 50% of the IESC effort goes to assisting small-to-medium size businesses.

Also attached for your information is the Summary of an earlier evaluation by Robert R. Nathan Associates, Inc. dated October 11, 1977.

Distribution:

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FINAL REPORT

Assessment of  
International Executive Service Corps (IESC)

August 2, 1982

## I. Introduction

On May 20, 1982, the Agency for International Development contracted with Jordan Baruch Associates to "assess strengths of the International Executive Service Corps (IESC), recommend where programs might be expanded and what new programs they could effectively undertake to support private enterprise development in developing countries."

This report is the result of that contract. Section II of the report reviews what the IESC does and how it is organized, while Section III reviews IESC's sources of support and Section IV reviews some statistical measures of cost and benefit from the IESC program. In Section V we review some of the shortcomings in the strategic and tactical use of the IESC by AID and in terms of our foreign policy aims in general. The shortcomings, however, are far more signals for increased potential future use than they are critiques of past relationships.

In general, we have found the IESC to be an exciting, workable, economical and woefully underutilized American program for enhancing our image abroad, spreading our way of life among developing nations and building deep friendships between important segments of those nations and representatives of the United States.

The Caribbean field work for this study was performed by Dr. Albert Small in the period 6 June 1982 through 19 June 1982 and covered interviews in Panama, the Dominican Republic and Haiti. Extensive interviews were also held, by both Dr. Small and Dr. Baruch, at the New York offices of IESC during the period from early June to early July.

## 1. IESC Function and Organization

While it is customary to review the function and structure of an organization from the top down, such a review would be totally inappropriate in the case of the IESC. Indeed the entire structure of the IESC exists for only one purpose: to put retired, skilled, carefully-selected executives in the field matched to actual problems being experienced by enterprises in developing countries.

Statistics about the "average" IESC volunteer are essentially meaningless. Imagine someone trying to describe the array of drugs available to the modern physician by saying that the average drug is light gray, in the form of a 3.6 grain pill, etc. The value of both modern drugs and of the IESC volunteer is the skill with which each is matched to the problem at hand and the specificity of each to that problem.

We have, however, reviewed 102 randomly selected project face sheets to discover something about the characteristics of these individuals. Most importantly, the IESC volunteers are mature. As of the beginning of this year, only 3% were under age 60 (born in 1922 or later). On the other hand, only 2% were over 80. Not quite two out of three of the remaining volunteers (61% of the total) were in their sixties, with about one of three in their seventies (34% of the total). The heaviest concentration of volunteers is in the 65 to 75-year range.

They are generally well-educated. More than three out of four listed at least a baccalaureate degree. Among the 102 volunteers, there were 13 Masters Degrees and eight doctorates.

An assessment of foreign language capabilities is more difficult. Half (51) of the volunteers listed no foreign language capabilities. But of those who did there is no way of telling which ones had bare social conversational ability (i.e. Foreign Service Level 1 or 2) versus those who had sufficient language ability to work in foreign languages (Foreign Service Level 3, 4 or better). In any case, language capability is virtually irrelevant. Because executives are carefully matched for ability to match a client's needs, it is virtually impossible to match language as well - there simply aren't enough double matches.

An IESC executive may be a retired president or vice-president of a bank, the director for research of a heavy industry company, the controller of a major conglomerate, the head of a successful agri-business firm, etc. The volunteer in most cases will be male but, since 1968, women have played increasingly important roles as volunteer executives. Indeed, more than one husband and wife team have been fielded with striking success.

The volunteer executive is sent into the field in response to a request from the management of some enterprise, generally set into contract form by negotiation with the country director. In the United States most enterprises are privately owned. In developing countries, however, enterprises may be publicly owned, may have mixed public and private ownership or may be owned by a special entity such as a cooperative. Nonetheless, each is viewed as an enterprise -- an organization put together to use labor, material, capital and knowledge effectively for the production of goods and services. Indeed, of the four, it is knowledge that really determines how effectively labor, capital and material inputs can be used. When we talk about knowledge, we do not simply refer to what is commonly called "hard technology". The knowledge may be engineering, cost accounting, people management, inventory control or the thousand and one kinds of both general and specialized knowledge necessary for the effective transformation of work, material and tools into goods and services that people need and will use.

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Supplementing the indigenous supply of knowledge, expanding the ability of the local people to secure and use additional knowledge and tailoring that knowledge to the needs of the local community is the task of the volunteer executive.

Because the nature of the enterprises, the nature of the markets, the nature of the labor force and the management, the tools and materials available and the supporting infra-structure all vary greatly from country to country, the task of the volunteer executive can be a formidable one. The volunteer executive must be sensitive to all the problem parameters that differ dramatically from those that one faces in a developed country. The volunteer must be able to adapt to the local structure and to establish bonds of trust before his advice and counsel will have the impact that is required. Unfortunately, the ability to establish such trust relationships, to sense the implications of the difference in development and the difference in enterprise structure and, above all, the ability to adapt is almost never found in the tool kit of the bright young consultant. Such consultants, in the industrialized world, are accustomed to "hit and run" visits where their technical advice carries with it a presumption of validity based in part on the reputation of their organization and in part on the size of the fees that management is willing to pay for their brief services.

Retired executives, executives who have grown through decades of actual work at various levels within a company, have those abilities and have proved it by the process of natural selection. The senior executive of a shoe manufacturing company who, with no understanding of the Turkish language, can step up to a hand-lasting bench, finish off a boot and shake hands with the Turkish workman is a very different individual with a very different potential for impact than the best graduates of our leading business or engineering schools. (That executive, incidentally, was able to get the rejection rate in a Turkish factory down from 40% to almost zero in three months. More important, perhaps, was the fact that 300 Turkish employees lined up to shake hands with him before he left, expressing sincere gratitude to a representative of the United States. I suspect that few ambassadors have had that experience.)

While the volunteer executive is "what makes it all happen" he doesn't function alone. Over the past 18 years, IESC has developed a supporting structure aimed primarily at increasing the likelihood that any volunteer executive will be successful, that his work will have a significant impact and that his efforts will reflect credit on the United States. To that end, the IESC has established approximately two dozen field offices, each headed by a country director. The country directors, also usually retired American businessmen with overseas experience are IESC employees. They are, in essence the marketing and field operations arm of the IESC. They arrange and negotiate contracts with local enterprises, brief the volunteer executive and essentially provide oversight and assistance from the initial work plan to the volunteer executive's final report. The country director is, however, relatively isolated from the main body of the IESC and hence, the industries on which he chooses to focus, and the contracts he secures with individual enterprises within those industries do not necessarily reflect any IESC strategic plan but rather basically his own perceptions of the needs and opportunities in the country in which he is engaged.

Fortunately, the country director is supported by an advisory council made up of public and private sector representatives from the host country. They provide a local view of the development needs in that country. Despite the existence of such advisory councils, however, the lack of integration with a strategic plan that reflects U.S. interest represents an opportunity for enhancing the effectiveness of the IESC and will be dealt with in the last Section of the report.

It is interesting to note that while all the country directors are currently males, their spouses play an invaluable role -- often analogous to the role played by an Ambassador's spouse in smoothing relations with the host country, and maintaining an ambience that frequently puts the volunteer

executive's spouse to work effectively. Many of the country director spouses play an important role in handling arrangements and in supplementing the often small staffs that the budget IESC budget permits.

Once a contract has been negotiated, the recruitment/matching task becomes critical if the field assignment is to be successful. More than 20 retired American executives from a wide range of industrial backgrounds perform this recruiting and matching function. They work on a volunteer basis; IESC provides only necessary travel expenses. This group is responsible for analyzing the actual needs of a given project in a given host country, reviewing the skills available in the IESC skill bank where there are some 8,000 volunteers on the IESC rolls waiting for assignments overseas and, when necessary, recruiting additional volunteers to fill a particular task. They are amazingly successful. Indeed, from time to time when a retired executive cannot be found to match the needs of a particular task, they draw on their past contacts and influence to get a company to release an employed executive to fulfill the mission. Such use of mid-career executives is particularly important when the client needs help with the very latest technology.

Coordinating, integrating and managing the over-all work of the IESC and its relationships with government and private industry is the New York headquarters staff. Here again we find retired executives, most of whom have served as volunteers, all of whom have extensive international experience (and who are paid at levels far below the ones they commanded in industry) doing all the things that are necessary to manage what is essentially a multi-national operation that has functioned in 70 countries and completed some 8,000 projects since its inception! The headquarters staff has been led by only one President and CEO to date, Frank Pace, but has had as chairmen: David Rockefeller, George Woods, former President of the

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World Bank, Peter McCollough, Chairman of Xerox, Bob Hatfield, Chairman of the Continental Group and shortly, Frank Pace, who will be replaced as President and CEO by Tom Carroll, former head of Lever Brothers. They, in turn, are supported by the IESC Council made up of a hundred senior executives of United States corporations who, in the tradition of the IESC, serve without pay.

Unfortunately, this bare description of how the IESC functions does little to transmit the sense of commitment that one gets when talking to anybody in the IESC. Even less does it transmit the dedication behind their belief in the effective role that representatives of the United States private sector can play in enhancing the developmental efforts of less developed countries and enhancing the image of the United States as a productive and concerned participant in that development. When the Chinese philosopher Kuan-Tzu said,

"If you give a man a fish,  
he will have a single meal.  
If you teach him how to fish,  
he will eat all his life."

he might well have been writing a charter for the IESC. Had he been, he might well have added, "At the same time you make a friend rather than a dependent."

iii. Scope of IESC's Operation Over The Past Five Years.

In the five years since the Nathan evaluation report, the over-all picture of IESC's finances has changed only slightly. Details of the actual funds and the types of projects supported appear at the end of this section.

In 1981 and 1982, AID's contribution of \$5M will be slightly higher than the \$4.8M it contributed in 1975 and considerably higher than the low point of \$3.2M that it contributed in 1977. During this whole period, however, AID's support has, in no way, kept up with inflation. As a result, the number of projects IESC was able to do in 1977 and the number it has completed now are essentially the same. In 1981, including all overhead expenses and all travel and subsistence for the volunteer executive and his spouse, this figure amounted to approximately \$378 per day. Because the overhead costs and the country director costs are relatively fixed, the marginal cost of fielding an additional volunteer executive amounts to only approximately \$155 per day. These costs, based on approximately 60 working days per project, are more or less borne out by the recent Caribbean experience where the total figure was \$190 a day including the start up cost necessary essentially to quadruple the project completion rate in that geographical area. The large discrepancy between large marginal project cost and average project cost, caused by the relatively fixed overhead costs of IESC makes evident the large returns to scale in such an operation and points up the potential value to be gotten from an expanded support program. Expanded support will, in general, operate at the marginal cost level.

Let us examine the actual statistics. In 1981 IESC completed 458 projects worldwide, almost exactly the number completed in 1977 (457). In the intervening years projects completed per year climbed as high as 568 (1978) but annual totals have gradually declined since then. The decline is likely to continue in 1982, with completed projects as of April 1982 10% below the corresponding figure for 1981.

Table 1

IESC Projects Completed  
1977, 1981, 1982 to date

	<u>1977</u>	<u>1981</u>	<u>1982</u>
Argentina	-	2	-
Barbados	-	8	1
Belize	-	2	1
Bolivia	1	-	-
Brazil-Rio	18	20	6
Brazil-Sao P.	24	27	3
Chile	16	22	3
Colombia	34	15	2
Costa Rica	5	-	-
Dominica	-	1	-
Dominican Republic	-	12	4
Ecuador	28	38	3
Egypt	5	10	9
El Salvador	16	-	-
Ethiopia	-	-	-
Ghana	1	-	-
Greece	13	-	-
Guatemala	8	7	2
Haiti	-	8	1
Honduras	10	1	1
Hong Kong	5	-	-
India	-	4	-
Indonesia	11	22	-
Iran	20	-	-
Jamaica	-	5	1
Kenya	4	2	-
Korea	36	10	3
Kuwait	4	-	-
Lebanon	2	-	-
Liberia	14	-	-
Malaysia	9	21	4
Mexico	18	69	25

	<u>1977</u>	<u>1981</u>	<u>1982</u>
Nepal	2	-	-
Nicaragua	5	-	-
Nigeria	-	1	-
Panama	12	19	2
Pakistan	-	1	-
Paraguay	-	1	-
Peru	21	14	4
Philippines	21	15	7
Portugal	-	8	3
Saudi Arabia	5	-	-
Singapore	7	4	2
Sri Lanka	-	8	-
St. Lucia	-	1	-
Taiwan	18	21	7
Tanzania	8	-	-
Thailand	6	11	5
The Gambia	1	-	-
Trinidad	-	9	3
Turkey	24	28	5
Uruguay	-	1	-
Venezuela	25	10	11

Because the number of projects completed in 1981 was almost identical with the number completed in 1977 the number of projects can be compared directly on a region-by-region basis.

The countries currently part of the Caribbean Basin Initiative accounted for 73 completed projects in 1981, up sharply from the 56 projects completed in 1977. A substantial increase also occurred in projects completed in other Latin American countries -- 219 in 1981 compared with 185 in 1977 -- with Mexico's share of these totals increasing from less than 10% to over 30%.

Asia's completed projects were almost the same in 1981 as in 1977 -- 177 versus 115 -- as were Europe's -- 36 versus 37 (Portugal and Turkey).

Losses were registered for the Near East -- down from 36 to 10 completed projects, all of them in Egypt, in 1981; and in Africa, down from 28 to 3 projects. Currently, there are no African projects (since Egypt is classified as Near East).

Agro-industry, including fisheries, food processing and packaging, has accounted for the greatest proportion of IESC's 8,000 assignments (covering its operations since 1965): 18.2%. Next comes the category of machinery, metal products, transportation and electrical equipment at 13.9%, followed by construction, land development and building materials at 12%, mining and metal refining at 7.4% and textiles and apparel at 7.3%. Communication, utility and transport services accounted for 6.4% chemicals and petroleum products for 5.6%, health, education and insurance for 5.1%, wholesale and retail merchandising for 5%, paper, printing and publishing for 4.1%, banking and finance for 3.1% and governmental administration for 3%.

One of the major changes in the nature of IESC's clientele between 1976 and 1980 (the latest year for which this analysis was available) was the decrease in the proportion of government bureaus and facilities served -- from 13.5% of the projects in 1976 down to 4.9% in 1980. Banks, insurance and finance companies were down from 3.8% to 0.8%; health, education and welfare projects up from 1.9% in 1976 to 2.3% in 1980; and industrial promotion groups up from 3.8% to 4.5%

There was a wider spread in client size in 1980 than in 1976. In 1980, clients with less than a half million dollars annual volume accounted for 18.7% of total projects versus 15% in 1976; yet clients with over \$15 million annual volume accounted for 20.9% of the projects in 1980 versus 18.8% in 1976. However, there is evidence that the average client size is declining: the median client in 1980 was in the \$1-3 million range versus the \$3-5 million median range in 1976.

IESC's revenues increased from \$8.2 million in 1977 to \$10.4 million in 1981.\* The share of these revenues contributed by AID increased from 39% in 1977 to 48% in 1981 (1977 was, however, a low point. AID contributed between 52 and 56% of total revenues over the five preceding years).

The share of revenues contributed by clients dropped from 51% in 1977 to 46% in 1981. Similarly, revenues from other sources -- contributions from U.S. private sponsors, foreign sources and others -- dropped from almost 10% of total revenues in 1977 to less than 6% in 1981.

IESC's expense ratios have been relatively stable over the period 1977 - 1981. Project expense were 72.6 of total expenses in 1977, 72.9% in 1981, with an average of about 30% for country directors and an average of over 40% for

\*Revenue and expense figures are exclusive of \$120,000 in special purpose contributions and applicable expenses in 1977.

executive volunteers. Non-project expenses (headquarters costs) accounted for the balance.

Converting the expense figures to a person-month basis, the total expense per person-month increased almost exactly 50% between 1977 and 1981 from \$6647 to 9946. Note that person-month expenses have risen faster than total expenses, which increased from \$8.2 million in 1977 to \$10.1 million in 1981 or less than 25%.

#### IV. Results

From the ex-post interviews that IESC has volunteers perform in the field, one can put together some admittedly gross statistics about its effectiveness. Each of the interviewees tried to respond in terms of the impact of the IESC volunteer, rather than in terms of total progress. For interviews conducted in the 1979 to 1981 period of projects completed earlier, over one third made capital improvements based on the volunteers' work. Strikingly, one fifth of the enterprises established a business relationship with a U.S. firm because of IESC's work. In production, about one fourth reported increased output and one fourth improved product quality.

It is, however, in the area of employment that we find the most striking results. Based on interviews, it appears that 34,000 new jobs were created in 1980 attributable to IESC's work! In terms of AID's \$5million contribution, that amounts to \$147 per job created. No other program we know of -- domestic or international -- comes even close to that record.

Clearly, since over half of IESC's work is in those industry areas directly related to human needs, its success is bound to have a significant developmental impact although no one has, so far, come up with a reasonable



quantitative measure of developmental impact. It is important to note, however, that the sense of that impact, the local perception that IESC is contributing in a significant way to the development of the host country -- is absolutely uniform among the people interviewed on this trip and among those with whom we have previously come in contact.

Clients' eagerness to praise, repeat requests for help, the quality of the local executives willing to devote time to the advisory council are poor evidence to the statistician. To us, they spoke of success in substance as well as the success of our representatives.

#### V. Problems and Opportunities.

Having observed, examined and evaluated the IESC program for the past several months, we are firmly of the opinion that it represents one of the most underutilized resources in the U.S. foreign relations armamentarium. The reasons for that underutilization and our recommendations for changing it can be grouped under three headings:

1. Underutilization resulting from IESC's organizational structure;
2. Underutilization resulting from the U.S. Government's apparent lack of awareness of the potential responsiveness of IESC, and;
3. Underutilization because of the parochial view that both the U.S. Government and IESC have about the roles that IESC can play.

Let's take them in order:

#### A. Organizational.

The field "marketing" of IESC services rests primarily with the country director or someone acting in that capacity. Everyone in the organization is aware that the number of projects completed is a primary measure of performance -- performance of the organization and of the individual. Further, everyone is aware that, on average, the client enterprises are expected to bear a significant portion of the costs (even though client contributions are scaled to the extent possible on the basis of "ability to pay"). The second is practically a corollary of the first. The greater the cost share borne by the client, the greater the number of projects that can be done per dollar of AID contribution.

Those two considerations quite naturally bias the Country Director in the direction of "selling" IESC to the larger firms in any country. The larger firms are easier to sign up because they are, in general, better organized to use outside help. Secondly, the larger firms generally have a greater surplus than the small firm and hence can better afford the fees.

Those two considerations also bias the headquarters management of IESC away from the poorest countries toward the more developed of the developing. One need only refer back to Table I for evidence of this phenomenon. In the first third of 1982, 25 projects were completed in Mexico and not a single one was even started in black Africa. In discussing this phenomenon with the IESC headquarters management, they were frank to point out that there were no projects in black Africa because the IESC "couldn't afford" to work there.

Clearly, both biases -- one toward larger companies and one toward more developed countries -- are likely to be contrary to the aims of AID and indeed of the U.S. One opportunity we see to improve the utilization of IESC,

therefore, is the establishment of a jointly negotiated set of measures that will bias IESC's behavior in a direction more congruent to AID's aims.

For example, were the IESC evaluated on the number of jobs completed divided by the per-capita income in the host country -- or on some function of that ratio -- the behavioral bias could be shifted toward the less developed countries.

Similarly, the schedule of share-of-cost to be borne by the client on the basis of client sales, employment, etc., should be carefully examined with the goal of making the Country Director essentially indifferent economically to client size.

Of course, other non-economic factors such as class similarity will bias the country director toward larger firms but appropriate scale adjustments can counteract that tendency.

Of greatest concern to us, however, is the fact that such value negotiating sessions have apparently not, in the past, taken place between AID and IESC. We urgently recommend such talks immediately so that IESC can clearly understand the AID value system and so that AID can clearly understand the IESC constraints. Only after such clarification will it be useful for IESC to improve its strategy formulation process.

Regardless of such details, however, it is clear that a tremendous potential exists for expansion of IESC's effectiveness through organizational direction. The first such opportunity falls in the class of "sectoral multipliers". IESC and its advisors have long realized the desirability of targeting certain sectors for client projects. These are the sectors that "cast a long shadow" on the economy. For example, agri-business was emphasized by IESC

President Frank Pace. Some developing countries still import foodstuffs they could produce locally; others have lost former export crops - bananas in Haiti, for example. Pharmaceuticals would be another example of an industry of key importance to the welfare of the people in a developing country. Financing institutions may furnish the necessary commercial infrastructure without which enterprise expansion may be hobbled; and so forth.

Having recited the importance of these "sectoral multipliers" something needs to be said about securing such enterprises as clients. IESC Country Directors are constantly on the alert for opportunities to render client service. But they cannot ordain that the desired sectors will become clients.

On the other hand, if the AID Missions, to whom such sectors are obvious, and possibly targeted for the country development plan, enter into an informal partnership with local IESC directors to together focus on and search out such opportunities the "multiplier sectors" should turn up with increasing frequency in IESC programs.

Clearly for AID stations to utilize the IESC in this way, and in the many other ways where it can serve, AID personnel must be made more aware of IESC's capabilities, availability and method of operation. To this end, we strongly recommend that AID headquarters and IESC join to develop an educational program for AID field personnel. IESC book that is available at AID field offices and embassies. The book, probably in loose-leaf format will describe IESC, how to initiate a contact and would supply pertinent names and telephone numbers in the region and in the U.S.

A sectoral multiplier focus, however, is only half the story. It is essential that AID and IESC recognize the different nature of "enterprises" in the

developing world and that many of them ( and the publics they serve) can benefit from IESC assistance.

To illustrate the scope of the enterprise concept, the following are cited as examples of areas in which AID Missions typically do not think of IESC and its service potential (the example are based on Panama):

Consider agri-business -- an industry that stretches vertically from field to consumer. Where is the potential for impact? AID programs secure major advances, such as better tillage techniques, where the payoff in increased production can range from five to ten percent. Post-harvest crop losses due to unsatisfactory storage techniques can, however, cost from ten to fifty percent of the entire crop. Agro-industry enterprises may include large farms or plantations; cooperatively-run collection or processing installations; or relatively sophisticated food processing industries. As AID focusses on any part of that chain, IESC should be brought in to share and complement that focus.

Health services are not generally thought of as "private enterprise", yet a current IESC project in Panama is helping a partnership prepare for the operation of a private clinic. The building and facilities are almost ready: but an organization must be prepared to handle the operation of the new facility in all respects ranging from the scheduling of professional staff to the billing and payrolling needed to maintain the facility. An IESC volunteer is doing this now. As AID works in one area of health, IESC should be brought in to help with the others.

Similar remarks are valid in the field of housing. Developing-country housing programs often include the use of an official or autonomous financing agency. Sound administration of this operation could make the difference betw en a

success or a failure of the housing program. IESC can provide the basis for that sound administration.

Even in education, a school that must provide for its continued operation and funding requires a host of technical services that can be secured from U.S. volunteer executives.

Thus we see a tremendous potential for organizational/functional integration of AID's efforts and IESC's. To secure that integration, however, will require that the AID mission directors and the IESC country directors be taught to recognize the potential for their complementarity and that they be motivated to cooperate. Again, we believe that skilled use of labelled funding both in the AID office and in AID contracts with others can bring about this cooperation.

B. Responsiveness.

At the present time, there is little constraint placed on IESC by AID in exchange for its \$5million grant. We believe that past performance indicates that that is as it should be. IESC has been singularly conservative in managing those grant funds. Of particular significance is the difference between average project cost and marginal cost. We estimate that each additional \$1million spent on IESC's current activities will produce roughly twice the number of projects produced per \$1million of the first grant.

More importantly, IESC has demonstrated in its Caribbean program that it can gear up to full operation in an area in just a few months. Now, clearly, black Africa, China and other well-defined geographic areas are enormously important to the U.S.A. Whether these are AID countries or not is irrelevant. What is important is the enormous weight that those countries give to

programs that help them do better for themselves -- that teach them to fish in Kuan Tzu's metaphor. Equally important is the resentment bred by dependence. Despite these well-known phenomena, despite IESC's proven ability to gear up and produce a visible impact in a new area, and despite the fact that the U.S. is spending large amounts in such areas we know of no area-targeted program outside the Caribbean that specifies - as a line item - participation by the IESC.

We strongly recommend -- to the Congress and to the Executive branch -- that whenever funds are allocated for regional assistance where the region or country is underdeveloped, that a portion of those funds be allocated, as a line item, for IESC volunteer assistance to enterprises in the region. Where the region is not served by a country or regional director, specific funds should be allocated for the establishment of such an office. Such funds should be accompanied by a firm understanding of the goals of the granting agency although in most cases we expect that the funds will be administered by AID.

#### C. Parochial View of IESC Role.

It is in this area that we believe the potential for expanded use of IESC is the greatest. We will consider those potential activities under two headings: First, what more it can do to assist industry in developing countries; and second, what it can do to help U.S. industry abroad.

##### 1. Developing Industry.

Earlier in this report we pointed out that knowledge is the commodity of the IESC volunteer executives. Effective as they are, they are essentially retailers of that knowledge. The disaggregated nature of micro-industry in

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much of the developing world, however, makes such a retail operation uneconomical. Modern technology, however, offers the opportunity to expand the reach and impact of many IESC volunteers.

Visualize the IESC volunteer advising on the effective operation of a grain milling operation to prepare chicken feed. This problem is repeated in virtually every developing country as are dozens more like it. In this case, however, the volunteer is accompanied by a video team. As a result, a video-based seminar will result from this assignment. With a probable useful life of 5 to 10 years and with its voice - over narration/instruction dubbed in in the appropriate language that material can dramatically extend the impact we have throughout the developing world.

The details of screening, preparation, etc., quire considerably more space than we can afford here. The principle, however, is clear. What may be less clear, however, is the actual extent of that impact. The kind of video seminars we visualize will not only train existing managers in new techniques, it will train new managers — principally middle managers that are in such short supply.

This extension of IESC impact along the geographical dimension is only part of the story, however. Consider the potential for expanding impact within the country. In our original discussions with AID, the question was raised as to whether IESC competes with private consulting firms. As far as domestic firms are concerned, the answer is NO on two counts. First of all, domestic firms can rarely field the necessary experience and secondly, their costs are general unaffordable in the countries requiring help. As far as the indigenous consultant is concerned, the question is largely theoretical. In the countries where we are concerned, there just aren't any.

Just as IESC has long recognized that developing countries can "graduate" into a developed status that takes them out of the normal client-service span, so can IESC hope eventually to see, in many currently developing countries, the development of in-depth indigenously based consulting capabilities.

It is obvious that time, size and other factors will delay this stage for many countries. But the rapid growth of technical and managerial skills in such countries as Brazil, South Korea and Israel should be convincing evidence that the goals are reasonable and attainable.

Even long before the actual attainment of local consulting capabilities some of the IESC ideals can perhaps be transferred. One business leader in the Dominican Republic for example expressed a great deal of interest in having local firms combine to assist one another within the limits of their capabilities on current operating or technical problems.

It is here that the IESC can really shine. We recommend that the IESC be given, as a task, the responsibility for developing an indigenous consulting/cooperating capability. Selection of personnel, on-the-job training, etc. are all functions for which the IESC can find expert volunteers. It would be the Country Director's responsibility to draw on local talent in forming a potential consulting cadre. Members of that cadre would accompany the various IESC volunteers in that country. They would use the video materials and case materials discussed below to increase their training level. Presumably, after a few years, the indigenous cadre would do more and more of the actual consulting required in country.

Questions of payment during training, the suitability of such a program as a function of country development level, academic resources etc. are, of course, yet to be addressed. There is, however, little doubt that the IESC can

go further than "teaching him to fish"; they have the potential to teach the teachers.

The preparation of transportable video materials - and seminars to go with them - will be invaluable for teaching the details of specific industries found throughout the developing world. For teaching the fundamentals of general business management, however, other case materials will be less expensive and yet highly effective. Those of us who have taught management in the developing world are continually struck by how much easier it is to teach from a developing-country case than from a case derived from experience in the industrialized world. It's surprising, but it shouldn't be. To capture, in permanent form, the experience of IESC in the field for teaching purposes seems to us to be of the highest order of priority. This exposure is not only important for teaching abroad, but will be valuable at home as we discuss below.

Capturing this experience as cases will, like the preparation of video materials, cost money. On the other hand, the result will be a teaching resource library at AID and/or IESC that can markedly improve the U.S. effectiveness in aiding the development process. Whether IESC volunteers get training in case preparation or skilled case-writers are sent to IESC sites for the purpose, or whether a country office is expanded to add a casewriter, the added cost seems to us to be a worthwhile investment.

In the case of Panama, APEDE (the Panamanian Association of Business Executives), now under AID contract to offer general business instruction, could well use such materials and could share with IESC the responsibility for developing a consulting force. To that end, such AID contracts might well provide funds for the IESC to cooperate in the education program. IESC volunteers skilled in the management of teaching/training organizations could

be invaluable.

Lastly, recognition must be given to the fact that many AID countries lack an entrepreneurial pool on which to base a sound development program. To help develop such a pool, it would be invaluable to have IESC volunteers around and visible as role models and teachers. Unfortunately, the period of early aid is just the time when such volunteers are likely to be missing -- there simply aren't enough clients to warrant their presence.

In such cases (Haiti is an example), IESC can be made a visible presence by using IESC volunteers directly on AID tasks. One such possibility is currently being discussed in Haiti. The parameters should be the same as on other IESC projects: volunteer executive carefully matched against the assignment, available for a maximum of three months, with explicitly indicated work to be performed.

Local counterparts will get to know IESC volunteers, learn of their proficiencies, and the way will be paved for enterprise clients in the coming years. AID will find these "demonstration uses" in line with its program objectives, and will be taking advantage of the overhead contributed to IESC for running its general organization.

It should be emphasized that this proposal is put forward only for the special circumstances recited, and IESC volunteers should be withdrawn from AID assignments as rapidly as enterprise clients become available.

Questions are often raised about whether IESC volunteers can be found to serve in other than major metropolitan areas - whether the lack of creature comforts will deter them. Based on interviews with IESC, we believe that

IESC volunteers can be found for virtually any location. We believe that this ability will be demonstrated as IESC programs move more deeply into Africa.

Clearly, we can barely touch the potential for expanded use of IESC in our foreign relations program in this report. Nonetheless, IESC's underutilization demands an on-going effort -- extending beyond AID and even to the Congress -- to factor this tremendous resource into our country's international leadership role. IESC's reliance on private sector volunteers and its attention to human needs certainly makes that effort transcend any internal political boundaries. To that end, therefore, we recommend that you establish a joint task force to address this opportunity.

## 2. The U.S. Private Sector and IESC.

The IESC is in a unique position to render assistance to U.S. firms - particularly smaller ones -- that will increasingly turn to exporting in the future. While such assistance cannot be allowed to distort its fundamental mission, IESC can be helpful.

A long-standing goal of U.S. agencies, particularly the Department of Commerce, has been to increase the proportion of U.S. firms participating in the export trade. One of the basic problems of such firms -- usually smaller than the average of firms currently exporting - has been a lack of familiarity with foreign markets. The case material recommended earlier can do much to educate American businessmen in the conditions (and opportunities) in IESC contact market areas. IESC, however, can also supply direct help.

Firms new to export sometimes find that the would-be foreign purchaser needs technical assistance. While the FMC Corporation, as an example, can presumably afford to incorporate technical assistance into a contract for the

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sale of new cannery equipment, a merchant in Maine seeking a buyer for used cannery equipment probably does not have such resources. He can, however, suggest that the would-be customer contact IESC in his country to find out whether an IESC volunteer can assist in setting up the new production line he wants to install.

There is no question but that IESC projects result in the export of much American equipment because American volunteers are most likely to suggest machinery with which they are familiar. The challenge is simply to help U.S. firms make more conscious use of this opportunity.

The IESC is also in a position to assist U.S. investors abroad. Under IESC policy, clients can have a variety of ownership providing at least 51% of that ownership belongs to nationals of the host country. Since joint ventures are very likely to fall into this category, IESC volunteers would be available to assist such ventures.

The writers had several years of experience in seeking to assist the India Investment Center in New York in its efforts to buy foreign technology. One survey of over one hundred potential U.S. sources for such technology found that most firms were unwilling to enter into such an undertaking because of lack of knowledge about conditions overseas. This is typically what prevents joint ventures between U.S. and foreign firms. Would-be U.S. investors would be well-advised to consult with their potential partners in the country concerned, and then in turn advise the partners to discuss with the IESC country director the availability of a volunteer that might assist in the launching of a new venture at a cost that all could afford.

Commercial and economic officers in U.S. Embassies abroad, including those interviewed in Panama, Santo Domingo and Port-au-Prince during this

project, frequently consult with visitors from the United States who are meeting obstacles in arranging export sales or participating in local investments. Carefully-prepared briefing materials for such officers would enable them to spell out for their U.S. visitors (as well as for local principals) the conditions for and opportunities of using IESC volunteer executives to bridge any technical knowledge gap that stands in the way of arranging the transaction the participants have in mind.

Back in the United States the full export promotion resources of the U.S. Department of Commerce are available for carrying the message to U.S. firms. These range from national publications (e.g. Business America) to the activities of the Department's more than 40 field offices. Those field offices could, in cooperation with IESC, provide speaking engagements for local IESC volunteers who have returned from assignments abroad. It would be a relatively simple matter for IESC routinely to inform the applicable Commerce field office of the return of an IESC volunteer living in the area served by that office.

It is assumed that in its activities abroad, the International Communication Agency (ICA) currently circulates information on IESC volunteer projects. The only suggestion that might be made in this report is that IESC country directors and ICA officers consult from time to time to assure that these messages are being beamed as directly as possible to local business communities in these countries.

#### VI. Coda.

IESC is effective, underutilized and underfunded. We have suggested how government can better use it but each such step will require additional funds. If those funds must come from the client companies or host countries, IESC

will end up working at cross purposes with AID. The funds must, therefore, come directly from government and the private sector. Despite their efforts to raise private funds, IESC has found - as have others -- that with few exceptions, U.S. corporate givers have very limited horizons when it comes to international programs.

The bottom line, therefore, is that such added funds - targeted, labelled, coming from a wide range of government agencies (but all preferably administered through the current AID connection) must come from government. We believe that as the Congress and the Executive become aware of the potential, those funds will be forthcoming.

IESC EVALUATION: Recommendations For  
Short- and Long-Term Changes To  
Emphasize "Grass Roots"  
Programming and Projects

Prepared for

Bureau of Population  
and Humanitarian Assistance  
U.S. Agency for  
International Development

by

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## PREFACE

This report consists of an evaluation together with recommendations concerning the operation of the International Executive Service Corps at the level of "grass roots" development in the poorer nations of the world. The Bureau of Population and Humanitarian Assistance, U.S. Agency for International Development, specifically requested that Robert R. Nathan Associates, Inc. (RRNA) examine existing IESC and AID policies, activities and constraints with respect to the feasibility and desirability of substantially increased small enterprise programming in the short and long run.

The present evaluation, and the recommendations herein, reflect the findings of an earlier RRNA evaluation of IESC's performance effectiveness and development impact; the past experience of the volunteer executives with small (and very small) business as in developing countries; and IESC's current Small Business Assistance Test Program. In addition, comments and suggestions were elicited from AID personnel in charge of other ongoing and proposed technical assistance programs, from knowledgeable persons in other international organizations and from IESC head office executives directly and indirectly involved with program changes.

The work order objective and scope of work are contained in Annex A to this report. Annex B contains the names of the personnel contacted during the course of this evaluation.

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## SUMMARY

Grass roots involvement on the part of the International Executive Service Corps means assisting small businessmen, farmers and other members of the "poor majority", directly and indirectly, to increase local income, employment and productivity through technical assistance.

From its inception in 1964, the IESC has provided technical assistance from time to time to small scale/grass roots business enterprises; it has likewise helped vocational schools, health clinics and other institutions provide better services to the disadvantaged population in many developing countries. There has been no active program to develop these types of projects, however, until recently.

Because of its heavy reliance on funding by the U.S. Agency for International Development, IESC should be willing to change or modify volunteer programming -- to the best of its ability -- in line with congressional mandates. A start in the direction of increased grass roots involvement was made in August 1976 upon commencement of the Small Business Assistance Test Program.

The proper role of IESC is filling the technical assistance gap between its traditional large fee-paying clients and the micro businesses. Because lack of financial assistance as well as managerial know-how is a serious constraint on small business development, volunteers should be programmed wherever possible with credit and capital sources serving the grass roots environment.

Providing organizational and managerial assistance to sponsoring institutions can have a multiplier effect in the grass roots. Volunteers can also "reach through" sponsors to provide person-to-person technical assistance with the sponsor's small business beneficiaries.

Recommendations for achieving a significantly larger IESC involvement with small scale enterprises include:

- (1) immediate preparation of a concise yet penetrating report on the results of IESC's test program to date and circulation of this report throughout the organization;
- (2) the addition of a roving representative in each region whose primary purpose would be identifying potential local sponsors/catalysts and following through with discussions leading to small business assistance agreements;
- (3) assessing the roster of executive volunteers with respect to recruiting needs for supplying more "generalists" for longer terms than is usually the case for traditional projects;
- (4) estimating country by country, the requirements and costs associated with providing additional supporting manpower and services which are likely to be required for grass roots operations, and
- (5) enlisting the assistance of AID to provide a listing of potential sponsors from the Regional Bureau's current and proposed programs and from the other private voluntary organizations which AID supports.

Given the financial structure of IESC's operations, the magnitude of IESC's grass roots involvement will depend heavily on the size of AID's annual contribution. In order for IESC to achieve its "major impact" through small enterprises by 1982, the annual grant projected for that year will range from 50 to 100 percent higher than the current \$4 million level, depending on alternative assumptions as to fees collectable from grass roots projects.