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**SMALL ENTERPRISE DEVELOPMENT IN THE DOMINICAN REPUBLIC:  
A JOINT PROJECT BY WOMEN'S WORLD BANKING AND  
THE INTERNATIONAL EXECUTIVE SERVICE CORPS**

**A PROPOSAL TO THE AGENCY FOR INTERNATIONAL DEVELOPMENT**

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October 1986

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# I INTERNATIONAL EXECUTIVE SERVICE CORPS

## A) Background

IESC's major emphasis is on the development of a host country's private enterprise. In considering assistance requests, IESC also looks for potential ripple effects that may benefit an entire country in addition to providing direct client benefits.

IESC has answered requests to help businesses ranging from handbags to steel mills. Working in 81 different nations since its first advisors were sent abroad in 1965, IESC has successfully completed over 10,000 projects. IESC has a skills bank of some 9,500 experienced men and women who are ready to supply their skills to the projects where their individual experience can best be applied. In each country where IESC works, a national Advisory Council of business leaders helps to identify potential businesses and monitor IESC's local program.

## B) Objectives

To assist and promote private enterprise in developing countries through a unique partnership of private sector and government working toward this end. The work of the Volunteer Executive (VE) is geared to achieve the following benefits to the client:

### 1. Production Benefits

- Increased production and/or sales
- Better quality or quality control
- Reduced costs
- Introduction of new products
- Increased use of domestic materials
- Increased capital investments

### 2. Employee Benefits

- Increased employment
- Improved working conditions
- Initiation of employee training
- Increased wages and introduction of profit sharing
- Provisions of low-cost housing
- Medical facilities or meals

### 3. Impact on U.S. Business

- Joint ventures and licensing agreements
- Sales of services and products

C) Program

Each year IESC selects several hundred men and women executives from the American business community to share their expertise with people in developing countries. Each volunteer Executive is selected on the basis of the specific needs of the client to whom the Executive is assigned.

- All of the Volunteer Executives are experts in their field.
- They are willing to share their know-how on a voluntary basis.
- Most of them are recently retired.
- They come from all 50 states of the U.S.

The selected Executive is encouraged to travel overseas with his or her spouse. Before leaving, the couple is briefed by IESC on the country and the client. The project generally lasts between two and three months. IESC pays for the couple's travel expenses and provides a per diem allowance that permits comfortable living, but no salary.

D) Success of the IESC Program

During a 12-month period in 1985-1986 the Graduate School of Business, Columbia University, prepared an independent study of IESC's performance over the past 20 years. The study was made possible by a special grant from Exxon Corporation and was authored by Dr. Giulio Pontecorvo, professor, Columbia Graduate School of Business, director of the Center for Business and Government Studies and associate director of the Program for Studies of the Modern Corporation, and by John A. Kaiser, formerly associate director of the Center for Business and Government Studies and professor at the Graduate School of Business, Columbia University.

The research showed that a typical IESC project is impressively cost effective and at the same time permanently contributes in a significant way to the forging of strong business linkages between less developed nations and the U.S.

Although it was difficult to establish uniformity of results due to the wide variety of projects and the diversity of project objectives, many clients showed dramatic improvements in productivity, ranging from 10 percent to 250 percent; a number showed increased sales, ranging from 7 percent to 180 percent and averaging approximately 29 percent, and at least 25 percent of the companies showed increased employment averaging about 20 percent. In addition, some 74 percent indicated improved employee training; 44 percent showed improved service to consumers and 23 percent reported purchases of U.S. equipment and supplies--a few in the million dollar range and a number in the \$300,000 to \$400,000 range. In responding to the questionnaires, more than half of the Volunteer Executives reported stronger ties between their clients and U.S. business as a result of their projects.

Almost all clients said that the efforts of IESC volunteers are greatly valued and that results of their efforts far exceeded their expectations.

## II WOMEN'S WORLD BANKING

### A) Background

Women's World Banking is an international non-profit financial institution founded in the Netherlands to help integrate low-income women entrepreneurs into the modern economy in developing communities throughout the world. WWB's unique approach provides a multi-faceted program that successfully brings women from a state of economic dependency to self-sufficiency. It combines experience, knowledge, skills, financial resources, and public and private sector commitment on an international level in order to contribute to global, technological and economic growth by helping women develop as full participants in their societies.

WWB was created as a Netherlands Stichting in May 1979 to meet fundamental needs identified at the 1975 Women's Conference in Mexico City: the special set of problems faced by the small entrepreneur who is a woman--access to credit, to markets and to modern business techniques.

Specifically, WWB works in cooperation with local affiliates and financial institutions to provide loan guarantees to small businesses. WWB also helps to provide managerial and technical assistance in order to insure project success. A local support structure is established to monitor the enterprise development through its various stages. There are currently 54 such affiliate programs, known as "Friends of Women's World Banking," located in Latin America, Africa, Asia, Europe, and the United States. Each affiliate has a local Board of Trustees which is responsible for monitoring and setting policy for the affiliate.

A recipient of the Paul G. Hoffman Awards Fund for its outstanding and innovative contribution in the field of development, WWB actively searches for workable solution to tap new sources of capital and implement new systems of communication.

B) Objectives

WWB's objectives are to:

- provide loan guarantees and managerial assistance programs to women in developing regions to launch and upgrade their businesses;
- integrate women into their local economy;
- promote economic self-sufficiency for women;
- increase the number of women-owned and -managed businesses in developing communities;
- create new jobs and generate increased income;
- stimulate local economic development;
- establish an international network of entrepreneurial women to allow them to realize their full potential.

C) The Program

1) Loan Guarantee Program

The loan guarantee program is the crux of WWB's development strategy for encouraging financial institutions to assist women in obtaining loans. It also leverages its own capital resources and training by helping small businesses run by women to attain access to capital, investment, and new markets. This takes place on the local level between affiliates and lending institutions, primarily commercial banks. Loans by these institutions to women entrepreneurs are guaranteed for 50% through the WWB Capital Fund, and 25% is insured by the local WWB affiliate, while the remaining 25% is at the risk of the participating financial institution.

Loan recipients and selected businesses must meet the high standards established by WWB. These include:

- evident potential for business development and employment generation;
- a viable business venture for which capital is needed in order to expand operations and maximize potential;
- ability and willingness to learn basic management principles and technical applications necessary to insure project success.

Loans extended through WWB have, thus far, ranged from \$500 to \$20,000. Actively providing loans since 1983 to over 10,000 women entrepreneurs, 900 of these directly guaranteed by the WWB Capital Fund, WWB has had no defaults to date.

What is roll-over policy?

## 2) Technical and Managerial Assistance

Beyond the financial assistance provided by WWB, technical and managerial assistance is also arranged to assure experienced management assistance throughout the life of the loan. WWB utilizes its vast network of regional and local representatives to design programs in cooperation with other organizations, tailored to the specific needs of participating individuals. A local support structure is established to monitor the enterprise development through its various stages. These elements, combined with additional resources evolved through years of research and experience, complete a full package of services leading to WWB's high rate of project success.

## D) Success of the WWB Program

Much of WWB's success and impact on local markets is a direct result of opportunities created through the use of its capital fund. Using extremely conservative numbers, the multiplier effect relating to new business capital formed and local jobs created is over 268%.

This can be shown using four active WWB affiliates as models (located in Dominican Republic, Haiti, Colombia and India). By 12/31/84, \$243,000 had been loaned from these four groups, adding \$97,000 per year in individual client income. 730 new jobs had been created. At \$750 per year per employee, these jobs generated an additional \$547,000 in earnings on the local level per year, (yielding a 268% annual return on investment).

As high as this return on investment looks, the reality is even better. Since the loan guarantees are kept in dollars, the amount of the guarantee becomes larger as compared to the money being loaned out. Therefore, the multiplier rate appears to be lower than it actually is in terms of local purchasing power generated.

### III PROJECT DESCRIPTION

Women's World Banking and the International Executive Service Corps propose to collaborate on a pilot program for ongoing cooperation to promote small business development for women in developing countries. The project will draw upon the expertise of WWB in capital formation and micro-business development and the expertise of IESC in technical assistance and small business management.

WWB and IESC have designed a model program to assist six to ten women-owned and -managed small scale enterprises in the Dominican Republic a period of two months in the spring of 1987.

In conjunction with the IESC Country Director, Women's World Banking and its affiliate, in the Dominican Republic (ADOPEM, Asociacion Dominicana para el Desarrollo de la Mujer, filial del Women's World Banking), will identify local businesses and their requirements for management and technical assistance. Some of the selected businesses may have been or will be partially financed through the WWB loan guarantee program. IESC, with WWB's assistance, will identify and select VE's with extensive background in the area of expertise most needed to enhance these local enterprises i.e. marketing, accounting, production, etc. Local coordinating responsibility will be under the joint auspices of Mercedes Canalda, President of ADOPEM, and the IESC Country Director in Santo Domingo, who together, will hire a coordinator of the program.

At the completion of the project, a two-day workshop will be held to evaluate the specific enterprise developments and to document project results. This workshop will be attended by the VE's, heads of the participating businesses, the President of and Trustees of ADOPEM, IESC Country Director, one WWB representative, one IESC Headquarter representative, and other persons considered appropriate by ADOPEM, WWB and IESC.

#### A) Project Objectives

1) To promote local economic development through the combined resources of two cooperating non-profit organizations: WWB and IESC;

2) To provide financial, technical and managerial assistance to 6-10 women and small businesses in the Dominican Republic, resulting in their accelerated development and ultimate self-sufficiency;

3) To develop an effective model which can be adapted for use in other countries.

## B) Workshop Objectives

The workshop following the completion of the project will aim to achieve the following:

- 1) To analyze and evaluate the success or failure of each business and determine the factors contributing to this result;
- 2) To utilize these business projects in order to develop prototypes for cooperative assistance programs for local enterprise development;
- 3) To develop a mechanism for communication and information exchange between local women-owned businesses;
- 4) To determine the unique needs of women entrepreneurs and to develop programs to effectively meet those needs.

## IV REVIEW AND EVALUATION

An initial operational audit will be conducted jointly by WWB and IESC. A report documenting the progress made by each assisted business will be produced by IESC and WWB following the workshop. Further, in line with their regular procedures, both WWB and WWB will monitor the effectiveness of the assistance given during the program and will prepare regular reports during the year following the project's completion.

V PROJECT BUDGET

*look at  
SOW evaluation  
WID*

All figures are in U.S. dollars

	<u>IESC</u>	<u>WWB</u>
One-year staff project assistant-----		\$10,000
Local loan fund-----		\$ 5,000
Travel, food & lodgings for 8 VE's for 2 months*-----	\$67,500	\$ 4,237.50/monthly high
Travel to workshop for one representative from IESC and one from WWB-----	\$ 500	\$ 500
Facilities & meals for workshop-----	\$ 2,500	\$ 2,500
Preparation and reproduction of report-----	\$ 1,000	\$ 1,000
Telephone, telex and postage-----		\$ 2,500
Contingency**-----	\$ 1,500	\$ 1,500
Support Costs		
IESC/Dominican Republic-----	\$ 20,000	
Support Costs WWB -----		\$ 10,000
 SUBTOTALS	 \$93,000	 \$31,000
 TOTAL BUDGET-----	 \$ 126,000	

*DR*

*59 + 78 per diem  
↑ high sum*

*6 to 10 targets  
what is this?  
give written  
comments*

\* To be adjusted in the event that any one VE assists more than one business.

\*\* Includes local travel and translation when not made available by client businesses.

## VI IESC AGREES

- 1) To select Volunteer Executives who will meet the needs of the chosen clients, as requested by the Country Director and the Program Coordinator in the Dominican Republic. The VEs will be chosen through IESC's usual selection process.
- 2) To underwrite the travel and per diem costs engendered by the VE and spouse in carrying out the assignment up to a two-month period of time.
- 3) Through the IESC Country Director in the Dominican Republic to participate in the selection of the entrepreneurs who will receive assistance.
- 4) To design with WWB the format and procedures covering the joint project and the concluding workshop.
- 5) To make available its usual follow-up reports as part of the analysis of the program.

## VII WWB AGREES

- 1) To make space available in the office of its affiliate to serve as the local "home" for the proposed program.
- 2) With its Dominican Republic affiliate to select, jointly with the IESC Country Director, those businesses they deem appropriate to receive assistance through the program.
- 3) To approve, after a review of the VE's bio-data, the selection of those volunteers chosen by IESC through its regular selection process.
- 4) With the agreement of the IESC Country Director to hire a program coordinator.
- 5) To jointly undertake with IESC the sponsorship of a two-day workshop and the preparation of the program and procedures of the workshop.

## VIII FINANCING

- 1) IESC and WWB will jointly approach AID for financial Support of the program.
- 2) Before any application for funds is undertaken, IESC and WWB will draw up an agreement covering the responsibility for and management of their respective grants.

## IX DUTIES OF THE PROGRAM COORDINATOR

- 1) The Program Coordinator will work with the IESC Country Director and the President of ADOPEM to select appropriate entrepreneurs for the program.
- 2) The Coordinator will assume responsibility for all the arrangements in setting up and overseeing the workshop.
- 3) The Coordinator will be responsible for oversight of all follow-up activities required, up to six months after the workshop concludes.

## X ADDENDUM

- A) Overview of ADOPEM
- B) A WWB 1985 Annual Report
- C) An IESC 1985 Annual Report
- D) A directory of WWB Board of Trustees
- E) A directory of IESC Board of Trustees

### A) Overview of ADOPEM

ADOPEM, the Dominican WWB affiliate, was selected as an optimal site for this project for several reasons. First, it operates a well-established program for local woman entrepreneurs; second, it has all the necessary components in place--office, staff, a local network of professionals and client base; third, it operates a successful loan guarantee program in conjunction with a local bank; finally, it works with businesswomen who have requested very specific types of technical assistance.

WWB and IESC feel that ADOPEM will provide a structure in which to conduct the pilot project without incurring unnecessary costs and work. ADOPEM was a full participant in this decision and will greatly benefit from the assistance to be provided.

#### 1) History

ADOPEM was established as a Dominican Foundation in 1982 and began a loan guarantee program in 1983. It has over 375 members, including both community member and clients. ADOPEM is staffed by a full-time director, a secretary, and a volunteer. There is also a 15-person Board of Directors (both male and female) which meets weekly.

## 2) ADOPEM's Loan Guarantee Program

ADOPEM currently has a Capital Fund of US\$20,400 (all dollar figures are U.S. dollars). WWB has issued a letter of credit for \$25,000, which provides a maximum loan guarantee program of \$50,000. As of 8/31/86, they had issued 327 loans for a total of \$264,881 directly or indirectly benefitting 8,000 people. Loans vary from \$34.00- \$3,400.00 and are granted for a period of 3-24 months. ADOPEM is currently negotiating to increase the amount of its loan contract due to overwhelming success and increasing demand.

ADOPEM has formal relations with Banco del Comercio Dominicano who until April 1985 dispersed the loans guaranteed by WWB and ADOPEM. Currently, ADOPEM loans the money directly to the women, using a line of credit extended by the bank. The bank has also voluntarily increased their percent of risk per loan from 25% to 35%, a clear vote of confidence that the program is working and that these women have proven themselves to be good credit risks.

## 3) Success of the ADOPEM Program

An independent evaluation of the ADOPEM program prepared in April 1985 for AID by the Trade & Development International Corporation sampled 24 clients to determine the benefits of the program. Their findings included the following:

- Payroll increase 12 months after loans: 23%.
- Sales increase: 47% (based on \$9,200 p.a. average).
- Employment increase: 30% (from 5.5. average).
- Female employment from 85% before loan to 86% after loan.
- Average salary: \$252 p.a. (includes many part-timers).
- Annual profit increase (after withdrawals for owners living expenses): 36%.

Average client income is \$100.00 per month, compared with the \$83.00 minimum wage.