

8334

A.I.D. PROJECT EVALUATION SUMMARY: PART 1

A. REPORTING A.I.D. UNIT: TI/FI
 USAID/EGYPT
 ES.#

B. WAS EVALUATION SCHEDULED
 CURRENT FY EVALUATION
 Yes ___ Delayed ___
 Ad Hoc (X)

C. EVALUATION
 TIMING
 Interim(X) Final ___
 Ex Post ___ Other ___

D. ACTIVITY EVALUATED: International Executive Service Corps (IESC)

E. ACTION DECISIONS APPROVED BY THE MISSION	ACTION TAKEN	RESPONSIBLE	COMPLETION
1) Consider expanding IESC's services geographically and specifically into the port areas, such as Mansoura, Damietta, and also into upper Egypt.	Ltr to IESC	TI/FI	11/27/93
2) Add needed marketing officers and make necessary arrangements for additional markets.	New CA	TI/FI	Nov.'94
3) Develop baseline data collection system and revamp the internal evaluation system.	Ltr to IESC	TI/FI	11/27/93
4) Develop a training program for marketing officers on drafting scopes of work.	New CA	TI/FI	Nov.'94
5) Add more funds for services to geographically remote areas.	New CA	TI/FI	Nov.'94
6) Institute an alternative scheme for transportation.	New CA	TI/FI	Nov. '94

F. CLEARANCE/APPROVAL OF EVALUATION SUMMARY AND ACTION DECISIONS:

TI/FI: FKirschstein (Draft)
 DAD/TI/FI: THammann (Draft)
 OD/TI/FI: LBrown (Draft)
 PDS/P: RParks
 PDS/P: MELShafei
 OD/PDS: JMalik
 AD/TI: PDBosque

[Handwritten initials and signatures]

Approved

[Signature]
 RJordan, PDS/P

cc: CCrowley, DD

A.I.D. EVALUATION SUMMARY: PART II

A. EVALUATION ABSTRACT:

In April 1993, the USAID/Egypt Mission Director requested PDS to conduct an independent evaluation of the IESC-Egypt Cooperative Agreement No. 263-0225-A-00-3022-00. The evaluation was to be oriented towards a costs and benefits assessment of IESC-Egypt to determine if its cost structure was an efficient way to deliver the types of technical services it provided vis-a-vis other types of AID supported technical assistance contracts.

The evaluation was also designed to give special emphasis to the effectiveness of IESC program activities not found in other USAID/Egypt projects, such as spousal travel, housing in hotels, pre and post arrival debriefings, client contribution levels, and permanent staff housing costs.

The results of the evaluation were extremely positive and put to rest the concerns about cost effectiveness mentioned above. The evaluation also found that program effectiveness went beyond expectations. In one particular project the amount of improved profitability could have paid for the entire IESC Cooperative Agreement. As for cost effectiveness, the evaluation found that when compared to a typical AID Long Term TA contract, the IESC long term technical assistance costs for its director and regional director were far more cost effective. "Simply put, annual compensation to a TA chief of party cost a total of \$193,000 p.a. compared to IESC's \$35,015 and \$27,311." Comparing a variety of other variables, the evaluation found that IESC's method of using volunteer Directors housed in hotels was one third the cost of a typical long term advisor under normal AID agreements.

In terms of program effectiveness, "The entire study and Annexes 1,2,3, and 4 all point to the very effective results that were achieved by volunteer executives in their personable, direct, practical approach to sharing information and technology and in effecting change. The program was effective for clients who benefitted from the technology transfer almost immediately and the subsequent commercial and economic benefits. The USA's name and reputation as a leader in free enterprise and cooperative spirit was only enhanced with every project completed. Egypt's private sector small and medium enterprises were also beneficiaries as the recipient clients prospered, expanded, instituted new technologies and placed higher quality products into the local market."

"The economic and development impact, regardless of the size of the client, is direct and ongoing."

The evaluation also found that the client contribution formula (pricing of services) was adequate to the market and found no reason for change. It found that spousal travel was irrelevant since the cost of IESC projects are already low, reducing the spouse expense has "no additional market or price advantage. There is no economical justification for discontinuing this feature of the program."

B. SUMMARY OF EVALUATION FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

Upon the Director's request, an evaluation took place to assess the costs and benefits of IESC activities relative to other technical assistance firms.

The evaluator reviewed and analyzed a random selection of thirty projects, visited 12 clients and 17 projects in Alexandria and 19 clients and 28 projects in the Greater Cairo area. Additionally, the evaluator had the opportunity to meet several Volunteer Executives (VEs) on site and benefitted from the encounters to obtain VEs' input on general project concepts, such as client responsiveness, cultural problems, housing arrangements, etc.

The entire study pointed to the very effective results that are achieved quickly by VEs in their personable, direct, practical approach to sharing information and technology with Egyptian firms. The program is effective for the client who benefits from the technology transfer almost immediately and from the subsequent commercial and economic benefits. The USA's name and reputation as a leader in free enterprise and cooperative spirit is only enhanced with every project completed. Also, private sector small and medium size enterprises are beneficiaries as the recipient clients prosper, expand and place new techniques and better quality products into the local economy, stimulating demand, growth, employment, salaries, savings, spending, tax revenues, foreign earnings etc.

The current structure of clients' fees is set in three ranges depending upon the size of the firm. Clients paid on average LE8,000 for the initial project month and LE 5,000 for each additional month. The client contribution averaged out to approximately one sixth of total project costs. The study pointed out that this is a small portion for the value of the advice and assistance normally received. This current price structure is encouraging for business, and at the same time adequate to commit the client to an earnest interest in the project. The fees which were reviewed and revised in January 1993, appeared to be appropriate and equitable, and need not be increased at this time.

Comparing the IESC services to other forms of technical assistance, such as contractors, sub-contractors, consulting firms, etc., the study pointed out that of projects reviewed, USAID paid only about 35% of the invested full value. The study also pointed out that if the same short term projects had been awarded to international consulting companies, the costs would have been two times greater at least, and perhaps more.

The current client selection process was reviewed and found effective and no particular revision is required.

In reviewing the cost effectiveness of lodging, spouse travel and per diem arrangement, the study recommended no changes.

In addition, the evaluation report included the following principal recommendations:

- No change for the current client contribution system is required. If institutional sustainability is a program goal, a study on clients' willingness and ability to support a larger share or all of a project's costs is recommended,
- An alternative scheme for transportation to and from clients is recommended,
- Penetrating other major governorate capitals such as Tanta, Mansoura, Benha, Zagazig, or Assiout is recommended, and
- A clear definition of the project scope of work to IESC marketing officers is recommended.

C. PROJECT BACKGROUND:

IESC/Cairo has been operating in Egypt since 1978. IESC/Alexandria has been in operation since 1982. Both offices are professional and representational of a USA consulting marketing organization. IESC operated in Egypt under Cooperative Agreement No. 263-0102-A-00-9003-00 Modification No. 8 last amended until October 1992. Since November 1, 1992, IESC operates under a new Cooperative Agreement No. 263-0225-A-00-3022-00 with funds obligated up to \$3.3 million and LE. 8.5 million until October 1994.

The purpose of the new Cooperative Agreement is to provide support for IESC's program for volunteer executives to assist Egyptian private business. The goal of the IESC/Egypt program is to enhance the role of the Egyptian private sector by improved business skills and productivity of private enterprises. This goal is supported by IESC/Egypt sub-goals of:

- 1) Improving management methods and organizational structure,
- 2) Designing and implementing processes and procedures to improve productivity and production quality,
- 3) Studying markets and assisting manufacturers in product development,
- 4) Introducing manufacturing and processing standards for enhanced acceptance in the domestic and export markets,
- 5) Developing and delivering training programs for industries and service organizations, and
- 6) Providing world class expertise in a wide variety of industrial and management fields.

Evaluation Purpose:

The purpose of this evaluation was to determine the cost effectiveness of IESC in Egypt vis-a-vis the level of financial assistance provided by USAID.

Evaluation Team:

Evaluation conducted by: Dan Lowery, a private consultant, independently selected by PDS

Evaluation Methodology:

Assessment and analysis of a random selection of thirty projects. The following five tasks were assigned to the evaluator:

- Analysis of the costs benefits and results,
- Appropriateness and value of client contributions,
- Comparison of average monthly IESC consulting costs,
- Comparison of IESC permanent staff housing costs, and
- Conclusions as to IESC program effectiveness, cost sharing appropriateness, comparability of IESC VE to typical TA, and client selection method.

Approach: It was decided to review projects carried out during the past four years going back to 1989, as several of the current IESC project managers have been active since 1989 and were therefore able to provide the necessary background information and introductions for the evaluator when interviewing clients on site visits. Project files were reviewed, on-site interviews were conducted, the print out of completed projects was reviewed

by industry sector and approximately 40 names selected at random by the evaluator. The criteria were; sectoral variety of companies, even spread over the four year span, approximate 70/30 Cairo/Alexandria split, and reasonable measurability of results or recommendations. The list of companies was reviewed and approved by the USAID evaluation officer.

In all, 12 clients and 17 projects were visited in Alexandria and 19 clients and 28 projects visited in the greater Cairo area. The larger project number resulted from many of the clients' being repeat users of the IESC services for two or more types of projects or from clients' requesting related follow-up projects which were often also discussed during the same site visit.

D. MAJOR FINDINGS, CONCLUSIONS AND PRINCIPAL RECOMMENDATIONS:

FINDINGS:

1. COST BENEFIT ANALYSIS:

Percentage of Recommendations Adopted: **Ninety percent** of recommendations made by IESC volunteers were carried out by the client firms in Alexandria. This high ratio is not difficult to accept having once visited the projects and seeing that in the cases of small and medium-sized companies the changes introduced were relatively simple but new techniques mostly procedural, practical, and operational in nature. Further, most were done while the VE was still on the project. In some of the larger projects, of a more institutional or manufacturing nature, changes or introduction of new operations might have been more complicated or required a longer time to achieve. In the Cairo selection, the 78% seems more reasonable as the client make up contains more diverse and larger organizations where response time might have been longer. In summary, considering the short period the VEs spend with clients, **their impact may be considered very significant in the great majority of cases.**

Positive Results Achieved: Positive results such as increased productivity, increased profitability, increased employment, decreased costs, were also not always directly accountable. Clients' comments, impressions, and satisfaction were often the measure of positive results. For instance, under the DIAB AGRICULTURAL RECLAMATION projects, IESC services and VE's technical assistance resulted in:

- increasing the reclaimed desert acreage from the original 160 feddans to 450 feddans due to confidence developed from early project results,
- adding 200 employees since 1989, and
- increasing export from 15% of grapes crop to 36%.

Under this project and similar projects, it is very easy to see and measure quantifiably the impact of IESC services to the clients and the private sector. However, with other projects such as AMERICAN UNIVERSITY IN CAIRO, MASHHOUR PACKING HOUSE, it is hard to measure the impact of IESC services in a quantifiable manner. For instance, under the American University in Cairo, IESC services resulted in:

- producing college level curriculum,
- introducing two degree programs ,
- hiring two professors,
- incorporating the hospitality management program into the university's school of business administration, and
- enrolling 20 students.

Such results are clearly positive even though its is hard to quantifiably measure the impact of the project. **In summary, the randomly selected firms achieved positive results, whether they were quantitatively and/or qualitatively examined.**

Total costs of VE Assistance: Under this sub-task, the evaluator reviewed three interrelated elements: total costs overview, total project value, and project cost per day and per month. In reviewing the randomly selected firms, the evaluator pointed out that on average USAID's total cost of Cairo-based projects were 5 times the average client's contribution, and in Alexandria yielded very nearly the same ratio of 4.5 times. Alexandria is consistently cheaper due to the cheaper hotel rates, the lower per diem rates, and shorter stays. USAID's reimbursement for project costs are made in dollars and are normally made in two tranches:

- initial reimbursement refunds pre-project expenses (IESC headquarters support, recruitment, VE and spouse airfares, en route expenses), and
- final reimbursement for actual costs (per diem and lodging).

In the sample projects reviewed, USAID and clients combined in a 5:1 ratio to pay an average of \$492 per day for cairo projects and \$438 per day for Alexandria projects. The average length of a VE's stay was just over 6 weeks. The study pointed out that longer or extended stays with additional hotel and per diem costs did not result in significantly higher overall costs of a project and in fact, due in large part to absence of fees and overheads, had the effect of lowering IESC's actual daily rate.

2. AVERAGE MONTHLY COSTS OF IESC VE'S

Comparison of IESC Project and Permanent Staff Costs to Typical Technical Assistance: The study pointed out that there are financial and developmental benefits to USAID from IESC's services to the private sector. The financial benefits are represented in the savings that USAID gains from IESC's lower permanent staff expenses. In reviewing and comparing the IESC expenses with a typical technical assistance contract, it appears that IESC saves USAID a significant amount of money. The study pointed out that if a typical consulting firm were employed to supervise short term advisors, the amounts of overhead, fixed fee or some similar cost recoveries, would add much more expenses than IESC's permanent staff expenses. Annex 5 of the Evaluation Report indicates that the typical technical assistance expenses could be \$326,874 versus IESC/Cairo \$83,297 and IESC/Alexandria \$52,305.

Concerning other developmental benefits, site visits and interviews with clients gave an impression to the evaluator that the more these entrepreneurs learned of USA technology, goods, and services from independent, mature, experienced American advisors and consultants, the more they were inclined to favor imported U.S. equipment and long term business relationships with U.S. firms. Every client met was able to make relatively early decisions on steps necessary to adopt consultants' recommendations, or to spend the necessary funds for changes, improvements, or equipment purchases.

IESC Clients Contributions System: Client contributions are structured into ranges. Generally the rates are based on a company's financial status: start up firms with sales under LE 2 million; ongoing firms with sales of LE2-10 million and owners with modest net worth; and large companies with sales of over LE 10 million and partners of high net worth. The fee is collected from the client upon signing the project agreement and must be received before the recruitment can begin, thus there are normally no "collection" problems. These fees, accepted only in local currency, are used by IESC to pay local administrative Egyptian Pound expenses. This system was reviewed by the Project Committee members in January 1993 and at present seem entirely appropriate.

In addition, the study contrasted the client contribution to the impact on private sector. In reviewing the randomly selected project, the study pointed out that clients on average supported approximately one-sixth of actual project expenses and in return received personalized, hands on consulting from independent, first-class experts in their field who effected change or improvements within 30 to 60 days. For an average fee which represent one-sixth of actual cost, this service was an excellent investment for an entrepreneur. Major, positive impact compared

to size of contribution was apparent in the majority of projects.

E. CONCLUSIONS AND PRINCIPAL RECOMMENDATIONS:

CONCLUSIONS:

IESC Program Effectiveness: The entire study pointed to the very effective results that were achieved by Ves in their personable, direct, practical approach to sharing information and technology and in effecting change. The program was effective for clients who benefitted from the technology transfer almost immediately and the subsequent commercial and economic benefits. The USA's name and reputation as a leader in free enterprise and cooperative spirit was only enhanced with every project completed. Egypt's private sector small and medium enterprises were also beneficiaries as the recipient clients prospered, expanded, instituted new techniques and placed better quality products into the local economy. Here are examples where direct benefits resulted from a VEs visit:

MIRACO: expands air-conditioning factory by 50%, employing a new shift of workers, increasing imports from USA to well over \$12 million, and increasing their own sales and exports to Middle East Markets.

DIAB AGRICULTURAL DEVELOPMENT:

expands production from 160 to 450 feddans of grapes and strawberries, thereby allowing exports to triple and garnering the majority of European export markets in three crops, establishing a better reputation for Egypt, stimulating overall Egyptian trade development, and increasing employment by 200.

RED SEA HOTEL:

has a very short and efficient start up time, with major cost savings and reaching break-even in first year, approximately LE200,000 profits per month, employing 300 new staff.

In addition, the economic and development impact, regardless of the size of the client, is direct and ongoing.

Cost Sharing Appropriateness: The current fees appeared to be adequate not only to attract potential IESC clients, but also to commit clients to IESC projects. Further, the fees were reviewed and revised in January 1993 and appear to be appropriate and equitable. They need not be increased at this time.

Comparability of IESC VE to Typical TA: The study pointed out that IESC uniquely specializes in very short term consultancies on a voluntary basis. Consulting companies, by their nature are in business to sell expertise at a profit. They can do this most

profitably by placing Tas in a project for as long a term as possible to generate overhead and fee earnings. **By contrast, the retired volunteer executive is interested only in staying for very short periods, one or two months normally, and there is no motive other than sharing his/her experience with those who are interested in receiving and applying it.**

Client Selection Method: Being a consulting service organization, IESC uses typical resources to develop their clients base, such as business and association directories, AmCham members, Rotary members, referrals from USAID and previous clients, repeat business from clients, and cold calls. Once a client has demonstrated an interest in IESC and a genuine business need for consulting services, the marketing officers prepare a written summary and proposal which is reviewed with the country or regional director. If the client's needs are found acceptable, the marketing officer returns to the client and reconfirms the requirements and executes a formal agreement. The request is then submitted to the IESC head office in Stamford for final review and approval, and the search for the appropriate consultant is begun. The process needs no particular revising.

F. The PRINCIPAL RECOMMENDATIONS:

- 1) **IESC Permanent Housing:** The study recommends no changes to the current housing system.
- 2) **VE Hotel and Per Diem Program:** The study recommends no changes to the current VE per diem arrangements and the current hotel residency program.
- 3) **Spouses:** The study recommends to continue the spouses program.
- 4) **Market Expansion:** Consideration should be given to penetrating the other major governorate capitals such as Tanta, Mansoura, Benha, or Assiout during the coming year. This may require additional staff, marketing, and transportation arrangements.
- 5) **Project Definition:** As pointed out and recommended several times by VES, IESC marketing officers need to be more definitive and clearer in writing up the project scope of work.
- 6) **Marketing Calls and Transportation:** On an average day marketing officers spend three hours or more driving and parking their cars, only about two to two and a half hours actually with the clients, and another two hours writing call reports or proposals. An alternative scheme for transportation to and from clients should be studied in an effort to allow more hours in marketing, reporting, and

business development, and less hours driving and parking.

- 7) **Client Contributions:** This system was revised in January 1993 and currently seems adequate to elicit commitment from the client. However, if institutional sustainability is a program goal, in view of the very low rate, it may be worth the directors' and marketing officers' doing some form of sensitivity study on clients' willingness and ability to support a larger share or all of a project's costs before fees are raised arbitrarily.

G. MISSION COMMENTS:

The Mission had no objections to the recommendations. The major recommendation of the evaluation which represents the expansion of IESC's services geographically was reviewed in the last Portfolio Review. Upon the Mission Director's request, TI/FI sent a letter to IESC requesting consideration of the expansion specifically into Mansoura and Damietta, and also into Upper Egypt (Luxor, Hurghada and Aswan).

In addition, upon the Mission Director's request, TI/FI sent a letter requesting IESC to develop a baseline data collection system and improve the effectiveness of IESC's internal evaluation system.

The current Cooperative Agreement will expire in October 1994. When we extend it for another three years, we plan to implement the other major recommendations. An alternative scheme for transportation will be instituted in order for marketing officer to have more time for marketing, drafting reports and proposals. Also, more funds will be considered for additional staff in order to implement effectively the IESC's expansion. It was decided that institutional sustainability is not a program goal. Accordingly, the sustainability related recommendation will not be implemented.

Olfat Gamal, TIFI 
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