

## **Combating HIV/AIDS through Employment Generation: Doing Good Requires a Disciplined Design Methodology<sup>1</sup>**

**By Bibi R Khan, Fellow, PIDP Program, Duke University**

***Abstract.** This paper is based on my personal experience working as a Peace Corps Volunteer. I was part of a team that designed and implemented business models as an HIV/AIDS prevention initiative strategy to be implemented in the high HIV/AIDS prevalence areas of the Central African country of Zanitar. The paper contrasts two projects initiated with good intentions by a major international NGO -- one a success and the other a failure -- and shows that the principles of good project design and good institutional design have a lot in common<sup>2</sup>.*

### **I. Introduction**

The International Foundation against AIDS (IFA) had been a pioneer in the prevention, care and treatment of HIV/AIDS for the past 20 years. The Foundation's experience had confirmed that while it was essential to make health education and services widely available, these efforts alone could not stem the spreading of HIV/AIDS. Therefore, it was time to look beyond classic HIV prevention, care and treatment and examine the root causes – *core realities* – that perpetuate risky behavior and HIV transmission around the world. In agreement with many activists and academics IFA saw poverty and joblessness as major drivers of the AIDS epidemic, and they decided to launch a program of employment generation in high HIV prevalence areas to complement their other activities. The idea was to reduce the HIV risk through economic empowerment. To test the concept in practice in Zanitar, IFA chose for its interventions two towns with high levels of poverty that were located on the transport corridor associated with a high HIV prevalence.

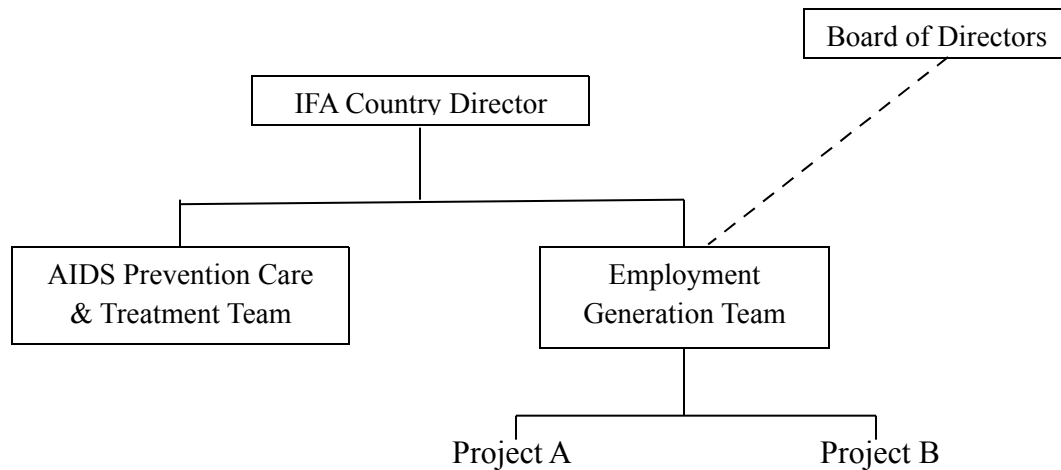
### **II. IFA's Organizational Structure**

To combat HIV/AIDS in Africa, IFA had established in Zanitar a country office which was responsible for two programs, each with its own organizational arrangements. One program dealt with AIDS prevention, care, and treatment, and the other with employment generation to combat AIDS. In the latter case, the program had a Board of Directors drawn from various segments of the private business community, including manufacturing, trucking, health, and consulting, as well as representatives of IFA. These private companies had agreed to provide on a pro-bono basis, business expertise to help establish small community businesses -- including through contributions of factory and warehouse space, legal counsel, technical support, transport and export services. They viewed their collaborative efforts to help fight HIV/AIDS as part of their Corporate Social Responsibility.

---

<sup>1</sup> This case was edited by Professor Francis Lethem on the basis of the final paper written by Bibi R. Khan for the Fall 2008 seminar "Institutional Design for Sustainable Development" at the Duke Center for International Development. The names of the country and of the international NGO are fictitious, even though the events described under the case actually occurred.

<sup>2</sup> Such as the "AIC" method of institutional design. See [www.odii.com](http://www.odii.com) and William Smith, *The Creative Power*, Routledge, 2009.



### III. Project A: Home and Fashion Designs

The project's purpose was to create a commercially viable product to generate sustainable revenues for the beneficiary community. The workers would be HIV victims trained to make the product and paid for their labor by IFA. The business model was that of a for profit business with shares available to the employees for purchase at an affordable price. The long term goal was to expand the operation and hire more community members who would be turned into shareholders. IFA would cover all start up cost out of a bilateral grant.

The project idea was the brainchild of IFA whose staff had focused project preparation almost exclusively on product design. A designer with years of experience with home and fashion products was brought in from New York City. This extremely knowledgeable individual was able to capture the essence of Zanitar's fabrics and culture into a product line. In addition, and even though this was beyond her responsibilities, she had voiced concerns about the product's intended market and the adequacy of the skills of the employees who would be making it on a large scale. In her final report she also emphasized that since the product was intended for a high-end market, quality control would be essential. In response, IFA had hired a master tailor in the country to oversee management and quality control. The products designed were table runners, place mats, napkins and handbags all interchangeable based on the season. These products were designed with the European and American markets as the target audience. But no market surveys or research were done by IFA prior to the designs.

After I arrived as a Peace Corps Volunteer in Zanitar I was placed at IFA headquarters in the capital city to manage this project. My first job was to compile all the information relative to the project and work out its first business plan. I was concerned that although there were identified markets, there was no evidence of contracts or confirmed orders. The input materials for the product line were very costly and only one supplier had been identified. There was no pricing structure. As to the master tailor he had been hired by IFA itself and therefore his salary was based on the prevailing international wage scale which in the long run was bound to cause excessive overhead costs. Regarding the production workers to be hired, they were the poorest of the poor in the project area and were to be trained by the master tailor to reproduce the designer's designs. They were also to learn proper packaging and storage. I had concerns about the ability of these employees since they were all illiterate. Project management, however, asked me to concentrate on preparation of the business plan, and leave these other issues to be addressed later. The timeline specified for the investment phase was six months because of the requirements of the bilateral funding agency's own budget cycle. The work space for the project was donated by one of the Board members for a duration of 20 years, ending in 2026. The start-up cost for sewing machines, renovations of the work space and training sessions was \$285,000. Finally, the business plan was

completed and approved by IFA and the aid agency.

The renovation and installation works proceeded according to plans and upon their completion, the workshop was opened by the Ambassador from the donor country who praised Government and IFA for the great work that was about to begin. The beneficiary community was happy since it had been promised that the program would grow and expand, thus generating more employment, which in turn would build capacity within the community and create further economic growth. And even though the legal registration process for this business venture was still incomplete, IFA launched its operations.

Meanwhile, the Peace Corps assigned two additional volunteers to the project who were recent college graduates without prior business experience. They were both assigned to the administrative side of the project, to oversee its management, and to help with day to day operations.

The business has now been operating since July 2007. To date unfortunately no real market for its products has been identified and the only sales have been to IFA's own employees. There does not seem to be a pricing strategy. There is a high volume of inventory and a cash flow problem since the workshop's employees and the master tailor need to be paid their wages, whereas no significant revenue is being generated.

### **III. Diagnosis of the Problem:**

Although IFA had the best of intentions, they had a poor project design and planning process. Indeed, project design requires feasibility studies, starting with whether there is a demand for the proposed product or services. And only when there is such demand (or provided that it can be confidently generated), would one carry out the actual project design including its institutional design, the necessary economic and financial studies, as well as social and environmental studies as appropriate. Otherwise, as we know, "supply driven" projects are usually bound to fail. Similarly, proper institutional design needs to follow a methodology such as the AIC methodology that also requires not only consideration of internal organizational arrangements, but also an assessment of the enabling environment, and of how the organization relates with the stakeholders whose support it will need for its activities. In terms of design sequence, the AIC methodology requires first ("appreciative" stage of design) to ensure that the organization/ project's enabling environment will be favorable to its purposes and in particular that there will be a demand for its products/ services and that its key stakeholders will be supportive. Only then ("influence" stage of design), would one determine what elements/ activities should be under the organization's control, and which ones should be managed by influence. Finally under the third ("control") stage of design, one would make the detailed internal design arrangements<sup>3</sup>.

In the case of this project, these principles of good design were not adhered to. The appreciative stage of design was overlooked, during which a feasibility study should have been carried out to understand the project's policy and social environments, the needs and capacity of the people, the resources and availability of raw materials and the potential markets. The product should have been created based on these factors, not on the mere assumption that it would be marketable. Instead, the product's design was very complex whereas the trained tailors were uneducated, knew only their local language, and were very intimidated by the entire process. The majority of the tailors were women whereas the master tailor was male, very domineering and he lacked teaching skills. Quality control was weak, and the finished products did not appeal to the high end markets they were intended for.

Regarding the markets, as part of the influence stage of design, IFA should have considered who were the key players and consulted with them about the kinds of products for which Africa would have a

---

<sup>3</sup> See footnote 2.

competitive advantage. Distributors should have been contacted to determine volume and pricing. The product should have been created from the market backward, not from the product to the market. Finally, regarding internal organizational arrangements, the business was designed to be managed by IFA staff and not by the local community. If IFA left, the business would collapse. To revise this business model would be quite a challenge since the product did not have a market. It would actually require restarting the project design process from the very beginning. But since IFA had already hired the staff, how could one address this issue? Also, what would happen when the Peace Corps volunteers would leave at the end of their two year contract? While this would be a tough decision to make, especially since IFA was already doing extensive HIV/AIDS care and support work with the community, my recommendation would nevertheless be to avoid throwing good money after bad, and risk diverting money from other more promising projects to support this one. This would also require to honestly talk to the community and try to create a new product line based on market demand. In fact, if the project were to be re-designed, one would need to start with a thorough ex-post evaluation of the original project and of its design process. Such an evaluation would probably lead to proposals for a revised organization design which, along normal business practice, would provide not only for a production function, but also for marketing/sales and financial functions, and a reconsideration of the relationship with IFA, such as an arms-length relationship rather than a perpetuation of their control over day-to-day operations

#### **IV. Project B -- Mushroom Farming.**

Meanwhile IFA asked me to lead the planning of a second employment generation project, jointly with a team of volunteer employees from the companies on the board of directors, most of whom had business skills. The team proceeded as follows:

*1. Community Involvement & Product Identification:* We met with a different beneficiary community and had several discussions with them regarding their challenges. This community was literate and the majority had at a minimum, a high school education. All project participants were HIV positive. We did a brainstorming session on various business ideas likely to appeal to them. The most sustainable idea turned out to be mushroom farming. As there were concerns expressed about the growing techniques, we reassured the community that the project would include the necessary skills training. Mushroom farming was identified because of its relatively low labor intensity, easy access to raw materials, and the mushrooms' nutritional benefits, as they could be used by the community as a supplement for meat which was very expensive. Mushrooms were also identified as having anti-viral properties which recommended them as a healthy supplement for people living with cancer and HIV/AIDS. Finally, back of the envelope calculations showed that for every \$ of input, one could expect \$ 7 of revenue -- thus demonstrating the expected profitability of mushroom growing as a business venture.

*2. Identify groups and establish training programs as needed:* We identified the leaders within the community and created 14 working groups with two leaders for each group. Leaders were chosen by their members based on their level of education, ability to speak English and leadership qualities. A seminar was organized on the need for members of any group to abide by certain rules which should then be written into a group "charter" for all present and future members to know and abide by. Each group came up with its own charter with guidance from our team. The community groups were scheduled to attend over a three months period several other seminars where they would learn basic business skills, basic accounting and record keeping. These seminars were facilitated by the volunteer employees of the board of directors' companies.

*3. Market Research and Identification:* The information generated by our community meeting was written into a proposal to a bilateral agency, which explained the product and its benefits to the community. Funding was required to do a market research since there were no market data available for Zanitar. This was approved and the research was done by a consultant in Europe and the United States. Europe was

identified as a viable market and a firm was found in Scandinavia looking for growers to supply them with 50 tons of mushrooms a month. The variety of mushroom in demand was the *Shiitake* mushroom. With this information, a proposal was sent to the firm in Scandinavia and an agreement was made to supply a small amount on a trial basis. Firm contracts would be negotiated at a later date based on the quality of the mushrooms.

4. *Registration of business:* Registration of the business under Zanitar's Company Law was very important. It eliminated the need for IFA to hire national staff at international salary levels. Thus, all employees (i.e., the mushroom specialist and the administrative staff) were hired under the country's law and wage scales. The group members became all contract growers. The business was structured in such a way that the startup cost would be absorbed by the company in the form of an initial grant to the growers for their first crop -- which inspired the grateful community to name the company "Great Gift" in the local language. GG Company would be primarily responsible for the management aspects of the mushroom venture. It would purchase all raw materials in bulk and distribute these to the growers. In this manner, GG Co would control the quality and consistency of the raw materials used in the production process. It would also eliminate any financial or logistical hardships on the growers who would otherwise have had to do the procurement themselves. GG Co would then purchase a portion of the mushroom crop from the growers at an agreed price less the raw materials cost. As to the remaining mushrooms, the growers would be free to retail them locally to the community or consume them themselves. The bulk of the mushroom crop purchased from these growers would be dried and shipped to Scandinavia by the GG Co. A portion of the fresh mushrooms would be placed in high end supermarkets in Zanitar's capital city, and the GG Company's storyline and purposes would be highlighted on the package labels. This innovative approach to marketing would hopefully generate a positive response from the high end supermarkets and expand the demand for the product.

5. *Business Layout:* Mushroom is grown in houses in plastic bags stacked on shelves. The mushroom houses were constructed on 1 ½ acres of land donated to the GG Company by my family and me under a trust in my mother's memory. Eight mushroom houses were built on this land along with one additional house used for ongoing training. The growers were organized into eight groups and each group was allowed to use one of the houses to grow the mushrooms that they then sold to GG Co. The Company did the packaging and retailing with hired experienced staff. A local University donated their expertise to train the groups in the growing process. And I invited the country's Agriculture Department to visit the site and see what the community was doing. They were impressed and generated a lot of publicity for the project, as it happened that the Government was promoting the growing of "cash crops". They also provided much needed help by assisting GG Co in obtaining land titles and with business registration.

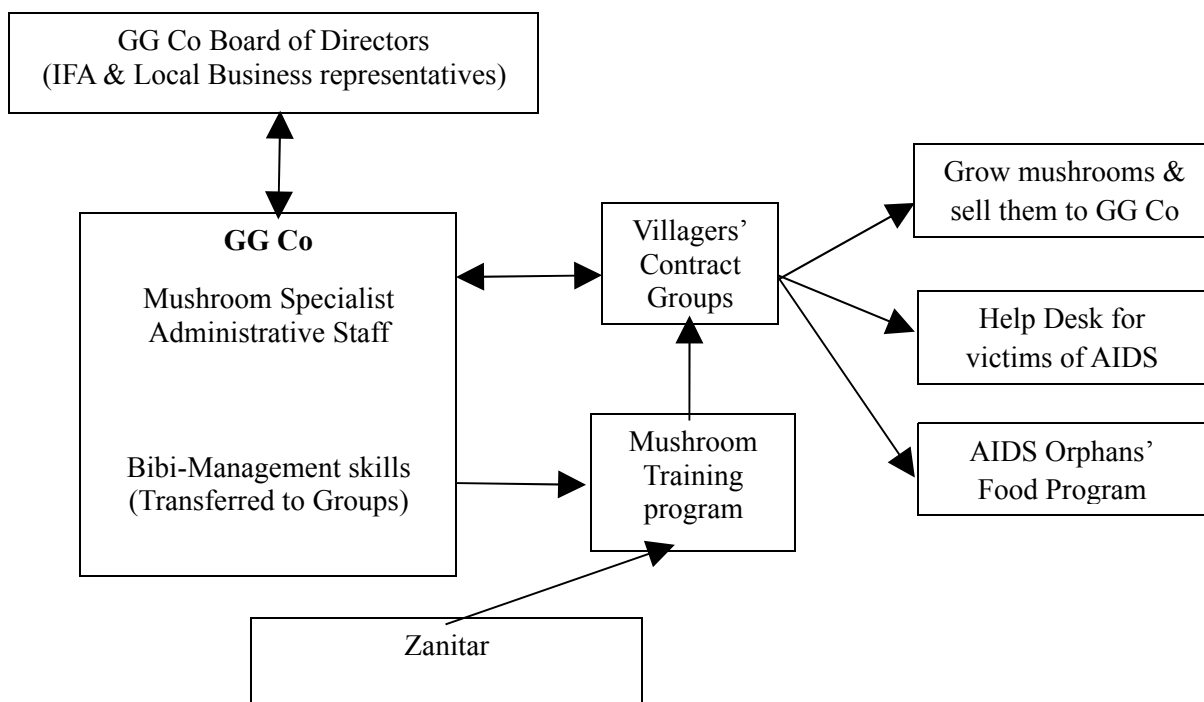
6. *Corporate Ownership:* While IFA was the initial owner of GG company, we structured it as a registered for profit Community Based Organization (CBO) --a legal structure under which the groups were entitled to purchase its shares. Thus in the long run they would have a reasonable chance of becoming the majority owners of the company. This ownership arrangement provided another incentive for the community to take ownership of the project from the start, and work towards ensuring its sustainability.

7. *The Experience so far:* The project was launched in April 2007 and has been producing mushrooms successfully. The revenues from mushroom sales are already offsetting operating expenses and generating a profit. In addition, the groups have added a 'help desk' to address gender violence in their community and are hoping to use the data to convince the government to institute a law to protect their rights. They have also created a program to provide food for orphans whose parents died of HIV/AIDS. Furthermore, besides generating income for 3,500 families, the project continues to build capacity by transferring skills to other growers to meet the increasing demand for Shiitake mushroom. Finally, it has united and empowered a group of underprivileged people who were stigmatized by society for having the HIV/AIDS

virus.

Institutionally, the role of IFA has become that of a financier and owner. Actual management is the responsibility of the GG Company as project manager. Its entire staff was locally hired. And the company's organizational structure is similar to that of a network with strong coordination arrangements both on the input and output sides, and a capacity to operate in a sustainable manner without my assistance or that of the international NGO. In case of need, management will be able to call on specialized consultants or volunteer executives such as retired executives from industrial countries (see organization chart below).

### Project B Organization Chart of "Great Gift" (GG) Company

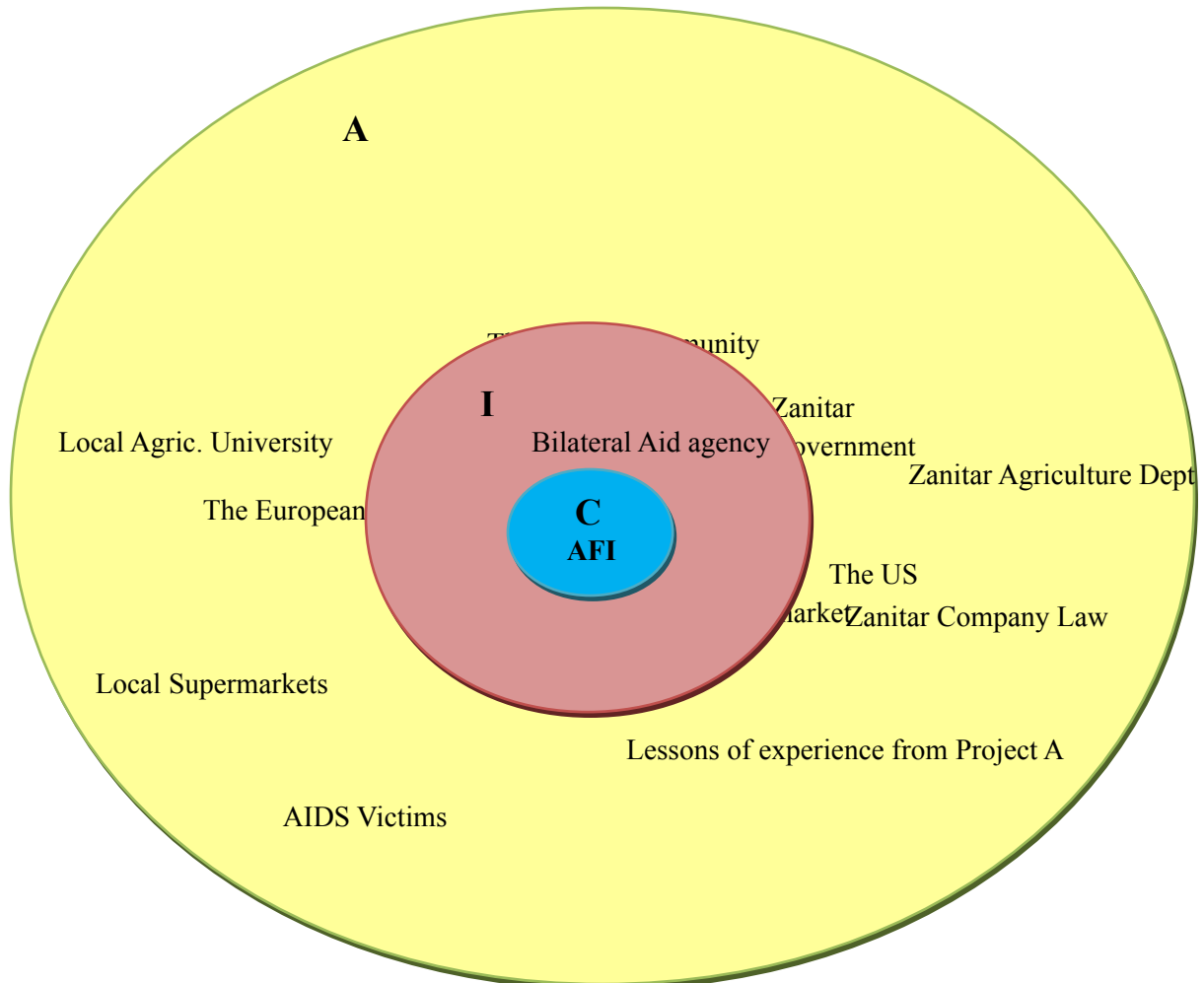


#### V. Reinterpretation of the project's institutional design and design process in light of the AIC methodology

*Initial situation.*

When the project started, the relationships between the GG Company and its key stakeholders as identified by the project designers were as shown by AIC Chart I.

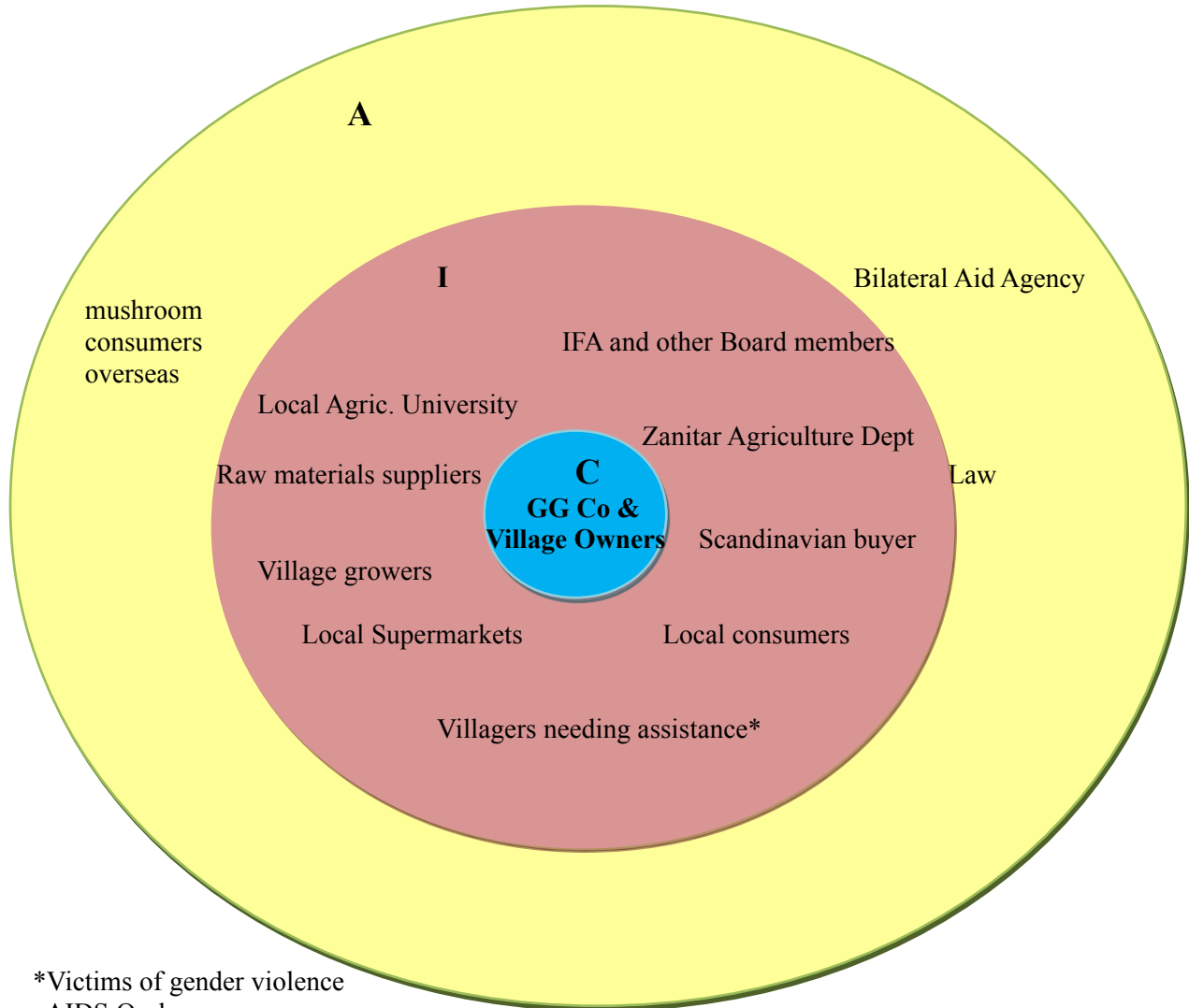
## Chart I. The starting point for Project B: Holistic Appreciation of the Project's Enabling Environment



### *Process:*

Even though I was not familiar at the time with the AIC framework, I now realize that intuitively I adopted its logic and design sequence. Indeed, much of my initial activities focused on the appreciative stage of design. First I had learned from the poor experience with Project A about the importance of ensuring that there would be a demand for the project's products and that the intended beneficiaries would be supportive of the project's purposes per se and in relation with their capabilities. Second, consistent with the 'influence' stage of design, I succeeded in bringing the potential buyer in Scandinavia from the company's appreciated to its influenceable environment by securing a long term purchase agreement. Similarly local villagers were formed into growers groups brought into the company's influenceable environment through contracts related to both inputs and outputs. In this manner the boundaries of GG Co's "controllable" environment were delineated as a small nucleus responsible only for the business' core activities of contract administration, finance, and professional advice ("control" stage of design). Finally, IFA's role became one of oversight in its capacity as Board member rather than that of line manager. These organizational changes are illustrated by the AIC Chart II.

**Chart II: The final institutional design for Project B**



\*Victims of gender violence  
AIDS Orphans  
HIV/AIDS victims

## VI. Conclusion: Lessons Learned

When designing projects, it is important to aim from the beginning towards their sustainability and to use a disciplined institutional design process such as the AIC framework that includes consideration of the project's appreciative/enabling and influenceable environments. This is the story that emerges from the two case histories reviewed here. Project A was created out of pure enthusiasm by IFA staff, but unfortunately without consideration of its appreciative and influenceable environments. They assumed that they had complete control of all aspects of project design and operation. But their vision was not aligned with the reality on the ground, namely with the market for the products, the country's



institutional set-up, and the local community's capacity. And the project failed. On the other hand, Project B was carefully planned and involved the community and the other stakeholders. The chosen design process allowed for a clear vision to emerge, a consensus with intended beneficiaries to develop, and the main challenges to be identified. The outcome was a low cost and transparent network structure reinforced by effective coordination mechanisms with sources of local expertise and donors through its Board of Directors.

This project has already changed the community where it is located. People have become confident and motivated. Their vision is to better their lives and empower the community. They continue to build capacity and expand. What I am most proud of, is that this community no longer needs my assistance as they are now aware of their capabilities and their institutional environment, and are able to fully utilize their own potential.