

CLASSIFICATION  
**PROJECT EVALUATION SUMMARY (PES) - PART I**

Report Symbol U-447

<b>1. PROJECT TITLE</b>  Investment Promotion and Export Development (PDAP II Component)			<b>2. PROJECT NUMBER</b> 538-0119	<b>3. MISSION/AID/W OFFICE</b> RDO/C
<b>4. EVALUATION NUMBER</b> (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) <u>538-86-05</u>  <input checked="" type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION				
<b>5. KEY PROJECT IMPLEMENTATION DATES</b> A. First PRO-AG or Equivalent FY <u>84</u> B. Final Obligation Expected FY <u>86</u> C. Final Inout Delivery FY <u>87</u>	<b>6. ESTIMATED PROJECT FUNDING</b> A. Total \$ <u>6,694,684</u> B. U.S. \$ <u>6,694,684</u>	<b>7. PERIOD COVERED BY EVALUATION</b> From (month/yr.) <u>08/84</u> To (month/yr.) <u>08/86</u> Date of Evaluation Review <u>08-09/86</u>		

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR		
A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
<p>The Mission has decided to continue the PDAP program and redesign it with greater emphasis on the institutional development element and a two-year employment creation target of 3,000 jobs for the investment promotion element. The Mission has decided to continue the Coopers &amp; Lybrand contract for one year, during which period a Statutory Corporation, the Eastern Caribbean Investment Promotion Service (ECIPS) would be established and assisted by AID to provide a regional approach to investment promotion in the Eastern Caribbean region. The following actions are therefore required:</p> <ol style="list-style-type: none"> <li>1. RDO/C to approve Coopers &amp; Lybrand project monitoring and information collection system.</li> <li>2. RDO/C to orchestrate a phase-over of staff from the current CIPS-UNIDO program to an interim training program by Coopers &amp; Lybrand pending establishment of the proposed ECIPS.</li> <li>3. RDO/C to amend Coopers &amp; Lybrand contract, including the Scope of Work, to provide increased funding for one year.</li> <li>4. RDO/C to redesign PDAP to reflect a restructured program.</li> </ol>	<p>RDO/C C. Griffith</p> <p>RDO/C C. Griffith</p> <p>RDO/C C. Griffith</p> <p>RDO/C C. Griffith J. Wooten</p>	<p>11/30/86</p> <p>11/30/86</p> <p>12/15/86</p> <p>01/31/87</p>

<b>9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS</b> <table style="width: 100%;"> <tr> <td><input checked="" type="checkbox"/> Project Paper</td> <td><input checked="" type="checkbox"/> Implementation Plan, e.g., CPI Network</td> <td><input type="checkbox"/> Other (Specify) _____</td> </tr> <tr> <td><input checked="" type="checkbox"/> Financial Plan</td> <td><input type="checkbox"/> PIO/T</td> <td>_____</td> </tr> <tr> <td><input type="checkbox"/> Logical Framework</td> <td><input type="checkbox"/> PIO/C</td> <td><input type="checkbox"/> Other (Specify) _____</td> </tr> <tr> <td><input checked="" type="checkbox"/> Project Agreement</td> <td><input type="checkbox"/> PIO/P</td> <td>_____</td> </tr> </table>	<input checked="" type="checkbox"/> Project Paper	<input checked="" type="checkbox"/> Implementation Plan, e.g., CPI Network	<input type="checkbox"/> Other (Specify) _____	<input checked="" type="checkbox"/> Financial Plan	<input type="checkbox"/> PIO/T	_____	<input type="checkbox"/> Logical Framework	<input type="checkbox"/> PIO/C	<input type="checkbox"/> Other (Specify) _____	<input checked="" type="checkbox"/> Project Agreement	<input type="checkbox"/> PIO/P	_____	<b>10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT</b> A. <input type="checkbox"/> Continue Project Without Change B. <input checked="" type="checkbox"/> Change Project Design and/or <input checked="" type="checkbox"/> Change Implementation Plan C. <input type="checkbox"/> Discontinue Project
<input checked="" type="checkbox"/> Project Paper	<input checked="" type="checkbox"/> Implementation Plan, e.g., CPI Network	<input type="checkbox"/> Other (Specify) _____											
<input checked="" type="checkbox"/> Financial Plan	<input type="checkbox"/> PIO/T	_____											
<input type="checkbox"/> Logical Framework	<input type="checkbox"/> PIO/C	<input type="checkbox"/> Other (Specify) _____											
<input checked="" type="checkbox"/> Project Agreement	<input type="checkbox"/> PIO/P	_____											

<b>11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)</b> RDO/C: <i>CG</i> Griffith, PSA <i>KF</i> Finan, A/C/PD&M <i>AA</i> Argento, C/PSD <i>DC</i> Clarke, SPS/EVAL JWooten, PDD(dft) TBratrud, D/PRM <i>TB</i> DMutchler C/PRM <i>TJ</i>	<b>12. Mission/AID/W Office Director Approval</b> Signature _____ Typed Name James S. Holtaway, Director Date September 29, 1986
--	---

CLASSIFICATION  
**PROJECT EVALUATION SUMMARY (PES) – PART I**

Report Symbol U-447

<b>1. PROJECT TITLE</b> Investment Promotion and Export Development - (PDAP II Component)			<b>2. PROJECT NUMBER</b> 538-0119	<b>3. MISSION/AID/W OFFICE</b>
<b>5. KEY PROJECT IMPLEMENTATION DATES</b> A. First PRO-AG or Equivalent FY _____ B. Final Obligation Expected FY _____ C. Final Input Delivery FY _____			<b>4. EVALUATION NUMBER</b> (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY)  <input type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION	
<b>6. ESTIMATED PROJECT FUNDING</b> A. Total \$ _____ B. U.S. \$ _____			<b>7. PERIOD COVERED BY EVALUATION</b> From (month/yr.) _____ To (month/yr.) _____ Date of Evaluation Review _____	

**B. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR**

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
5. RDO/C to develop the details of a grant to the proposed ECIPS once established.	RDO/C C. Griffith	01/31/87
6. Country Action Plans to be developed and negotiated by participating countries and Coopers & Lybrand and to be approved by RDO/C.	RDO/C C. Griffith	01/31/87
7. Grant Agreement between RDO/C and OECS to be executed.	RDO/C C. Griffith	02/28/87

<b>9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS</b> <input type="checkbox"/> Project Paper <input type="checkbox"/> Implementation Plan e.g., CPI Network <input type="checkbox"/> Other (Specify) _____ <input type="checkbox"/> Financial Plan <input type="checkbox"/> PIO/T <input type="checkbox"/> Logical Framework <input type="checkbox"/> PIO/C <input type="checkbox"/> Other (Specify) _____ <input type="checkbox"/> Project Agreement <input type="checkbox"/> PIO/P	<b>10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT</b> A. <input type="checkbox"/> Continue Project Without Change B. <input type="checkbox"/> Change Project Design and/or <input type="checkbox"/> Change Implementation Plan C. <input type="checkbox"/> Discontinue Project
---	---

<b>11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)</b>	<b>12. Mission/AID/W Office Director Approval</b> Signature _____ Typed Name _____ Date _____
---	--

2

## PES Part II

The "PDAP" program comprises the Project Development Assistance Project (authorized with US\$4.6 million LOP funding in December 1980) and its successor, the major component of the Investment Promotion and Export Development Project (IPED), authorized in 1984 with LOP funding of US\$8.0 million\*. Both the PDAP I and II activities have been implemented under separate contracts with Coopers & Lybrand following full competitive procedures.

The PDAP II program has two objectives, (a) investment promotion and (b) institutional development. Specifically, it was expected that 15,000 jobs would be generated by October 1987 and effective local investment promotion development agencies would be established in each of the participating countries by the end of the program.

PDAP underwent a mid-term evaluation in May 1986. The results of the evaluation are presented in one main report with a separate addendum by one of the three evaluators. The main report has been presented by SRI International and the addendum report has been submitted by C. Blankstein of Charles Blankstein Associates, Inc. The reports agree on essentials. The Blankstein, report, however, deepens and expands some important points in the SRI Report. Both reports were helpful to the Mission in its mid course review of the project. RDO/C has taken advantage of the insights and experiences in order to improve performance and effectiveness of the program. This project evaluation summary (PES II), therefore, reflects both reports. It also presents the Mission's conclusions and recommendations in accordance with the LAC Bureau guidelines.

Both evaluation reports contain useful recommendations. Most important are conclusions about (a) the PDAP model and its appropriateness for the Eastern Caribbean countries, (b) the results of the program to date and the progress towards the achievement of the goals established, (c) institutionalization of an investor search program for the Eastern Caribbean countries and (d) the mechanisms for achieving the project's goals and objectives.

\* Amended in 1985 - to increase LOP funding to \$10 million  
Amended in 1986 - to increase LOP funding to \$11.1 million

The evaluation reports note that the employment generation component to date has fallen substantially short of expectations. The project will not achieve the original design target of 15,000 jobs by the project activity completion date of September 30, 1987. In the absence of firm data, indications are that about 5,600 jobs were created during the first two years as a result of project efforts. The evaluators have attributed this lower than hoped for result to (a) employment targets that were unrealistically high; (b) deficiencies in the Washington, D.C. based investor search program which precluded the generation of a sufficient number of serious investor leads to meet the overall employment target; (c) the constraints of policy environment and infrastructural inadequacies which may have inhibited a successful investor search program; and (d) an inadequate data collection or monitoring system for the project. Thus the PDAP advisors have been engaged in an aggressive promotion campaign often against almost impossible odds.

The evaluation concludes that institution building progress has been limited. However, RDO/C is of the opinion that the contractor should be credited with more success in institution development than the evaluation reports indicate. For example, in St. Lucia and Dominica, PDAP's ability to work with local officials has been enhanced and the overall incountry capability to carry out investor search and investment promotion has increased considerably. PDAP has also assisted in the establishment of the Belize Export and Investment Promotion. In Antigua, Grenada, St. Vincent and the Grenadines, St. Kitts and Nevis, PDAP has worked closely with the Governments and the IDCs in diagnostic studies and proposals on the structuring and functioning of investment promotion entities. RDO/C is cognizant of the need for concerted institution building efforts to ensure the establishment of effective agencies in each country to carry on PDAP's investment promotion functions.

Other findings contained in the reports relate to the design of the project, including the utility of the PDAP model, the cost-effectiveness of the investment promotion efforts, and the management of the project by the Contractor. The design of the project has been deemed appropriate by the evaluators. The USAID Mission concurs. The SRI Report states that the PDAP model represents an innovative approach to investment promotion and is well adapted to meet the unique circumstances of the Eastern Caribbean. The report supports the view that the provision of services to a set of small, independent countries would be prohibitively expensive if extended on an individual basis. However, more flexibility is required to address island specific needs and opportunities as they exist. Indeed, the Blankstein report concludes that the problems of performance have not resulted from the design of the project or the model itself, but from faulty implementation by the contractor.

An accurate, quantitative measurement of the cost effectiveness of the investment promotion activities has not been made available, since the system designed to accumulate base line data was not put in place until January 1986. Both reports conclude that the management of PDAP by the Contractor has been faulty. This contributed towards a lack of progress and achievement of overall project objectives.

Three principal factors contributed to poor implementation: (a) the Contractor did not implement in year one as planned an information system as required in the agreement; (b) the development by the Contractor of annual Country Action Plans (CAPS) has not been successfully completed. The CAP is an important coordination mechanism since it is the framework for contractor performance and ties together strategy, program elements, contractor performance and management and RDO/C monitoring; and (c) although not stated in the evaluation reports, RDO/C shares the responsibility for the poor implementation of the project. The Mission, due to staffing constraints and increasing workload, lacked the resources to adequately monitor the contractor's financial management and development of the information system, or to obtain appropriate feedback from individuals in participating countries.

The Mission agrees with the conclusions of the evaluators that: (a) there was an over emphasis on investor search activities (encouraged by the Mission) and too little on institution building, (b) the learning experience of the contractor over the life of PDAP was lengthy, costly, while implementation was plagued with weak management, although some operational efficiencies were eventually developed, and (c) additional assistance is required for Eastern Caribbean countries for investment promotion activities towards employment creation. The Mission does not accept the criticism by SRI International that the contractor's Washington-based search promotion operation is not cost effective. RDO/C believes that this criticism is based on (perhaps unavoidably) incomplete investigation of the contractor's performance in that it focussed more on outputs than on the less easily observable operational side. The criticism emerges as an assertion rather than an analysis since no comparison with other similar programs is given. In any event, RDO/C is of the opinion that comparison in terms of cost effectiveness is virtually impossible because of the difficulty of establishing a necessary relationship between inputs and outputs and of making comparisons across countries. RDO/C generally concurs with the other findings and recommendations. The recommendations include redesign actions required to improve the quality and effectiveness of continued support to the region's vital private sector. Below are the Mission's responses to evaluation report recommendations:

- A. Continue the commitment to private sector development... substantial additional external assistance is needed to achieve reasonable, objective measures of success.

RDO/C fully concurs in this recommendation. Through our private sector portfolio, a broad range of support is currently being provided to strengthen the role of the private sector throughout the region. The current evaluation of the portfolio will result in several recommendations for structural adjustments in design as well as improved management and monitoring systems for private sector projects. Such should enable RDO/C to establish clearer objective measures for success of our program.

- B. Allow for more individually tailored program approach in each country, including variations in budget, personnel and task assignments by country.

RDO/C concurs in this recommendation. PDAP II was designed to accomplish this through the Country Action Plan (CAP) process. However, the lack of sufficient mission staff for effective monitoring, the relatively low level of country participation in the CAP process, the over emphasis on job creation and other factors resulted in a less than rigorous CAP process and no approved CAPs. In the absence of approved CAPs and strong country participation, program expenditures became biased in support of the investor search/jobs creation to the detriment of institutional development. This also tended to give PDAP II more of a regional rather than a country focus to the detriment of institutional development. The primary objective became to identify potential buyers and investors for the region. If an investor's/buyer's interest waned in one country, the program justifiably attempted to "save" the prospect for the region by introducing him to other countries. This regional focus, although beneficial from the broad program perspective, tended to further isolate some country investment promotion institutions as concerns about "stolen leads" increased. Country level participation in the CAP process may have suffered further as a result.

---

\* Being conducted by Louis Berger International, Inc.

PDAP III will clarify relationships and improve management of the CAP process to ensure and document country participation. We have agreed to a formal process for approving the CAP with concurrence at a level in the governments higher than the investment promotion institution. This should provide an avenue for policy level dialogue on specific issues and implementation problems should such be warranted. Several other implementation modifications have been made to strengthen the country focus of the program. These relate to accountability of advisors, clearly identified training needs, a process for regular monitoring, and collaborative dialogue with country representatives. These are discussed in more detail in other sections of this amendment.

- C. Future RDO/C efforts should be heavily oriented towards institutionalization and helping to shape more attractive investment environments before committing substantial additional funds to investment promotion activities.

The design of PDAP II called for a dual emphasis on investment promotion (investor/buyer search and jobs creation) and on institutional development (training and learning by doing). The evaluation team found an excessive emphasis on the former. RDO/C concurs on this point. However, on the institutional development side more progress was made than recognized by the evaluators. Admittedly, several dynamics existed which resulted in a greater emphasis on jobs creation, some of which are discussed above (See B above). Another dynamic is the relative strength of the contractor in investment promotion activities juxtaposed with a contract whose initial focus was on the creation of 15,000 jobs within a 3-5 year period. The Contractor tended to focus on the area of greater interest. PDAP II, although laboring under what is now regarded as unrealistically high job expectations, did produce jobs in the E.C. The evaluation team concluded that the model is sound. Our job now is to take advantage of the insights and experiences we now have and improve performance and effectiveness.

RDO/C concurs that more needs to be accomplished in institutional development. PDAP III and the newly implemented Small Enterprise Assistance (SEA) project will be mutually reinforcing in their efforts to strengthen local institutions. Institutional development support needs to be accompanied, however, by continued support to investor search rather than preceed additional support in investor search as recommended by the evaluators. To significantly restrict assistance to international investor search activities in favor of an over emphasis on local institutional development would be tantamount to repeating the error of PDAP II, but in reverse.

This redesigned PDAP will seek a closer and more developmental interaction between institutionalisation and investor search.

- D. Individual and independent investment climate assessments should be undertaken for each country. These should provide a benchmark and blueprint for a private sector development plan, a basis for policy dialogue and a basis for an orientation program with local officials... concerning how the private sector works.

The work accomplished under PDAP II has provided significant insights into the specific country situations. A general assessment of the investment climate will form an integral part of the CAP. PDAP III includes an outline of the process we envision to generate sufficient IDC and government participation in and concurrence on the CAP. We believe that this more collaborative approach is consistent with the need for institutional strengthening.

RDO/C does not recommend an external "orientation" for local officials to the working of the private sector. We do agree, however, that broader and more in-depth orientations to the art of investment promotion is warranted. Continued exposure to investor search and negotiating proposals provides such hands-on orientation. Several institutions are well beyond the orientation level and are quite sophisticated in their dealings. RDO/C recommends collaborative development of specific action plans to accomplish well defined objectives.

- E. PDAP should be relieved of the overly ambitious employment targets.

RDO/C concurs that the jobs target of 15,000 new jobs\* was overly ambitious. This situation resulted, in part, from an evaluation of PDAP I which concluded that the job target was too modest. It was also derived from the experience of the Contractor during implementation of PDAP I. The job target projection of 15,000 should have been modified as a result of the CAP analytical process during which attainable program activities were to have been staffed-out with each country with benchmarks for effective monitoring. This did not occur. Reasons for this are many, including unclear guidelines from AID concerning the contents of the CAP, lack of an agreed-upon process for approving the CAP, and a low level of participation of country representatives in the CAP analytical process. Also, failure of the contractor to establish an appropriate management information system early in the project contributed to this problem.

A redesigned PDAP will have a target of 3,000 jobs which will be specified in more detail at a country level in the CAPs. We have asked each country to identify specific needs and targets for participation in PDAP III. We have also agreed upon a collaborative process for review and monitoring implementation, including a more refined data management system for tracking job creation and training.

---

\* PDAP II called for creation of 12,000 new jobs during the initial phase (3 years) and an additional 3,000 during the second phase (2 years) of PDAP II.

- F. PDAP should increase its emphasis on institution building and policy dialogue, allowing for a reduction in the number of long-term advisors and greater reliance on short-term assistance.

RDO/C generally concurs in this recommendation, however, for different reasons. Budgetary constraints within AID plus the need to encourage local investment promotion organisations to carry-out functions previously accomplished by PDAP advisors leads us to this conclusion. We believe that institution building is a relatively labor intensive endeavor. This is particularly true given the relatively low level of development of investment promotion institutions in the Eastern Caribbean, plus the fact that, in some islands, there is no such formal organization. Positive developments in institutionalization, plus deletion of Belize from PDAP, leads us to propose a reduction in the total number of long-term advisors from 10 to 3 by the end of PDAP. Given the relatively low level of development of some local institutions, remaining long-term advisors will not entirely escape performing some staff-related functions, however. These functions should, rather, be performed as elements of on-the-job training of available local staff.

Country representatives, in conjunction with PDAP staff, will identify specific short-term technical assistance requirements during the country action plan period. Country representatives are expected to have a hand in developing specific terms of reference and qualifications for this assistance. The Contractor has recognized that some of the required skills may not be available in-house, and is developing a sub-contracting plan to access the necessary skills for short-term assistance.

For the countries receiving long-term advisory assistance, RDO/C will examine opportunities for phasing-out this assistance during PDAP III. We anticipate, however, that at the end of PDAP III, several participating countries will continue to need limited short-term technical assistance accompanied with budgetary support to IDCs for a time. The case of St. Lucia is an excellent example. Under PDAP III, St. Lucia will only receive short-term assistance, training, limited budgetary support for some of its investment promotion staff and support from the Washington, D.C. search function. We expect that, by the end of Phase III, St. Lucia will be operating independently of the type of resources represented by PDAP.

RDO/C will also examine opportunities for phasing out assistance of long-term staff in the Washington, D.C. search effort. OECS countries are interested in establishing a regional presence in the U.S. to carry out this function. PDAP III will provide a forum for intensive training and continued dialogue on this very important matter. We anticipate providing some support to a trial exercise in regional investment promotion (the proposed Eastern Caribbean Investment Promotion Service, ECIPs) during the latter part of PDAP if a consensus can be reached on this matter.

- G. The Washington, D.C. investor search program warrants a review for more cost-effective targeting. A plan must be developed to transfer this element of PDAP to participating country governments.

RDO/C has carefully reviewed the Contractor Washington, D.C. investor search program, and has concluded that it warrants continued use by AID. The basic approach used by the Contractor is appropriate given the competitive disadvantages of the Eastern Caribbean region, the lessons learned during earlier stages of PDAP and insights gained from other international search programs.

RDO/C does concur that the Washington, D.C. investor search activities must be transferred to participating governments. A major concern is what is an appropriate, politically acceptable and cost-effective model for accomplishing this objective. Unilateral efforts may be prohibitively expensive, whereas regional efforts may be politically unattractive given the strong competitiveness which exists between the islands in attracting buyers and investors. RDO/C is requesting each country to aggressively address this issue in its CAP. We need to know what the countries perceive as feasible and are willing to work towards. RDO/C is working closely with the investment promotion committee of the Organisation of Eastern Caribbean States (OECS) to examine opportunities for regional collaboration in investment promotion. Countries participating in PDAP and other AID-sponsored private sector development activities, have agreed that some form of OECS cooperation on investor search would seem appropriate. This, along with their continued participation in PDAP, will provide a framework for dialogue and negotiation on this very important issue. We anticipate that during the latter part of PDAP, AID may provide limited budgetary support to a trial exercise in regional cooperation in a U.S. investor search presence. This possibility and detailed implementation arrangements will be discussed during the first year of a redesigned PDAP.

- H. The PDAP planning, reporting and management information system requires substantial improvement.

The Contractor has in place two information systems for project reporting. The first is the Contractor Prospect Tracking System (CLYPS). Implemented very early in PDAP, CLYPS is a master database with over 8000 company records. CLYPS allows PDAP to track the status of investor/buyer interest and provides a system for necessary follow-up. As a management tool it allows for the analysis of prospects from several parameters. For example, a list can be developed of all garment industry contacts who have visited the region twice and who were identified at trade shows. Master files are maintained in Barbados and Washington, D.C.

More recently (January 1986) the Contractor implemented its Project Monitoring Matrix (PMM). This was scheduled for implementation much earlier in PDAP II, but management problems within the Contractor and RDO/C along with our inability to agree upon acceptable Country

Action Plans (which were to provide the basis for monitoring) prevented progress in implementing the PMM. The PMM will provide, per country, detailed reporting on all PDAP intermediate and final outputs (e.g. investors serviced, projects in negotiating stage, training implemented, industry-specific technical assistance requests, etc.). The PMM will provide us the vehicle for monitoring progress towards targets identified in the CAP.

These systems will be modified based on monitoring requirements identified during review/approval of the CAPs. To accomplish this, RDO/C will utilize the assistance currently being provided by Louis Berger International, Inc. in the evaluation, design and monitoring of activities in the private sector portfolio. The PMM will be modified to address input/output relationships to determine cost-effectiveness of various search and promotion strategies.

Considerable progress has been made in developing management information systems for investment promotion in two countries - Belize and Dominica. With the assistance of a Peace Corps advisor in Belize and the PDAP advisor in Dominica, available computer hardware and software have been applied to the management of existing accounts. Training of local staff in maintaining these systems is planned for PDAP III. Through sharing these experience and continued dialogue, hopefully, other institutions will be convinced to allocate sufficient staff hardware and budgetary resources to adapt a management information system to their operations. It is expected that some CAPs will request specific assistance in this area.

- I. Additional industry-specific and business-related technical assistance is required in the Eastern Caribbean. RDO/C should utilize such technical assistance on short-term assignments to guide effective promotion activities.

RDO/C concurs that more industry-specific and business-related technical assistance is required in the region. The evaluation team was provided information on the use of short-term assistance under PDAP II to support this need. The needs are broader than PDAP's capacity to respond. RDO/C is looking to the recently initiated Small Enterprise Assistance (SEA) project to meet a greater proportion of industry-specific and business-related technical assistance needs in the region. Activities of PDAP III will be coordinated with the SEA, and other projects supporting private sector development.

These issues and evaluation recommendations will be specifically addressed in a redesigned PDAP initiative already underway. The final recommendation requires RDO/C to determine whether to retain the Contractor or meet the program needs through other mechanisms.

In the light of past contractor performance, the Mission recognizes that not only do we have to rethink our private sector strategy in the Eastern Caribbean region, but the approach to achieving PDAP objectives must be broadened. To this end, RDO/C has considered and adopted an option which would attain the important institutional building objectives at both the national and regional levels while at the same time maintaining the investment promotion momentum achieved by PDAP. The option proposes that the central role of the PDAP contractor would continue for a year during which period an entity within the Organization of Eastern Caribbean States (OECS) would be established and strengthened to assume the central role. OECS would receive a grant under IPED to operate an Eastern Caribbean Investment Service (ECIPS) in the U.S. This option has been inspired by a recent proposal by the OECS to establish a Statutory Corporation ECIPS which would spearhead regional cooperation in investment promotion. Also, in order to further strengthen host country capability to effectively carry out investor search and promotion efforts, the grant to the OECS would provide assistance to the Industrial Development Corporation (IDC) or other equivalent in each of the participating countries. It thus incorporates the important strategic recommendations of the evaluation, including more realistic job creation targets, as well as more well defined and concerted efforts on institution building.

#### Lessons Learned

The evaluators did not include a section on Lessons Learned as was called for in the Scope of Work. However, as a result of the evaluation findings and the Mission's own assessment of the PDAP II experience the following lessons have emerged.

1. In hindsight, the job creation targets set out in the PDAP design were unrealistically high. Driven by the need to meet unrealistic and unachievable targets, the Contractor, encouraged by RDO/C, overemphasized the job creation element of PDAP at the expense of the equally important institutional development element. The lesson to be derived from this experience is that, since the private sector is by nature subjected to sometimes rapidly changing environments and external factors, the outputs are bound to vary and the expectations of designers should be altered accordingly. Thus, a "blue print" approach to designing projects for the sector may not always be the most desirable. Greater flexibility in design is required to permit the project to be more reactive to the changing factors which affect the sector, and therefore accommodate changes in project achievements appropriate to the realities of the situation.

2. The experience of PDAP demonstrates that it is difficult for the Mission to do more with less. During the early years of PDAP II RDO/C was scaling up the program, handling intensive post intervention activity in Grenada (which occasioned the stationing of Bridgetown-based personnel in that country for months at a time) and was engulfed in a

workload of project design and implementation for nine countries. Closer management attention was necessary for this complex project which had activities in eight countries. With the pressure of a heavy workload on limited staff resources in the Private Sector Division, RDC/C could not adequately, and on an ongoing basis, monitor the performance of the contractor.

3. Another lesson learned from the PDAP experience is that where embryonic local organizations are involved, it is difficult to balance institutional development with other major outputs. In this instance, the project was expected to significantly increase the number of jobs in eight countries, while at the same time build the capacities of the local institutions (where they existed) to promote investment. Several countries were only beginning to establish such institutions. Both were important elements, but the urgent need to address unemployment in these island economies placed heavy demands on the human and financial resources of the project to concentrate on job employment creation. This was done to the detriment of the development/establishment of the local institutions.

4. Finally, the experience of this project has proven that strong indigenous initiative and participation are prerequisites for the success of an institutional development program. Given the insularities that exist among the eight participating countries, the different levels of institutional capabilities, and the inter-island competition for foreign investment, AID perhaps should not have superimposed a regional approach to investment promotion with an external agent in the central role. A regional approach to investment promotion in the Eastern Caribbean requires a strong political will and commitment to pool resources, to rationalize efforts and to submerge insularity.

EVALUATION COST DATA

USAID/ RDO/C or Bureau/Officer \_\_\_\_\_

Form completed by Darwin E. Clarke Program 09/29/86  
Typed Name Office Date

1. No. and Title of Project/Activity: 538-0119 Investment Promotion and Export  
(or Title of Evaluation Report) Development - PDAP II Component

2. Date of Evaluation Report: May 1986  
Date of PES (if different): September 29, 1986

3. Mission Staff Person Days involved in this Evaluation (estimated):  
- Professional Staff 10 Person Days  
- Support Staff 2 Person Days

4. AID/W Direct-Hire or IPA TDY support funded by Mission (or office) for this evaluation:

<u>Name</u>	<u>Period of TDY (Person-Days)</u>	<u>Dollar Cost: (Travel Per Diem, etc)</u>	<u>Source of Funds*</u>
N/A			

5. Contractor Support, if any, for this evaluation:\*\*

<u>Name of Contractor</u>	<u>Contract #</u>	<u>Dollar Amount of Contract</u>	<u>Source of Funds*</u>
SRI International	538-0119-C-00-6023	\$49,172	Project Budget
Charles Blankstein Associates Inc.		<u>12,876</u>	Project Budget
		\$62,048	

Indicate Project Budget, PD&S, Mission O.E. or Central/Regional Bureau funds

\*IQC, RSSA, PASA, PSC, Purchase Order, Institutional Contract, Cooperative Agreement, etc.

XD-ADU-259-A  
47092

# INVESTMENT PROMOTION IN THE EASTERN CARIBBEAN: PDAP EVALUATION

May 1986

SRI Project Number IMU-1993

By: Paul A. Laudicina  
John A. Mathieson  
International Policy Center  
SRI International

Submitted To:  
Mr. James S. Holtaway  
Director  
USAID/RDO/C

SRI International  
1611 North Kent Street  
Arlington, Virginia 22209  
(703) 524-2053



15

INVESTMENT PROMOTION IN THE EASTERN  
CARIBBEAN: PDAP EVALUATION

TABLE OF CONTENTS

	<u>Page</u>
Introduction . . . . .	1
Summary and Recommendations . . . . .	3
Utility of the PDAP Model . . . . .	7
PDAP Results to Date . . . . .	15
Investor Survey Results . . . . .	20
Investment Promotion Cost Effectiveness . . . . .	28
PDAP Management . . . . .	35
PDAP Country Reviews . . . . .	37
Grenada . . . . .	38
St. Lucia . . . . .	42
Antigua . . . . .	45
St. Vincent and the Grenadines . . . . .	48
Bibliography . . . . .	51
Appendix: Survey Questionnaire	

## INTRODUCTION

SRI International's International Policy Center (IPC) was retained by The U.S. Agency for International Development Regional Development Office for the Caribbean to undertake "an evaluation of RDO/C's Project Development Assistance Program (PDAP) model." SRI's IPC Director, Paul A. Laudicina, served as Chief of Party, assisted by SRI Senior International Economist John A. Mathieson. Charles A. Blankstein, of Charles Blankstein Associates (CBA), was also retained by RDO/C to undertake this effort. His report was prepared separately and issued in concert with the following SRI report.

Project work commenced on March 24, 1986, and was completed on May 2, 1986. The evaluation team was tasked to:

- Estimate the utility and cost-effectiveness of the PDAP model, as it evolved in the later stages of PDAP and is expressed in the contract covering PDAP II, in bringing about increased levels of employment, exports, and institutional capacity; and
- Recommend changes in the model or the way the model is implemented which may enhance its effectiveness, efficiency, and economy.

The SRI evaluation team conducted a series of in-depth interviews with AID/Washington officials and with executives and consultants from the Washington Office of Coopers and Lybrand, the organization contracted by AID to implement the PDAP project. The team also developed and implemented a detailed survey instrument aimed at gauging the opinions of U.S. business executives who either had invested or had at least considered investments in the Eastern Caribbean region.

The SRI evaluation team travelled to the Eastern Caribbean on April 20 to undertake a series of in-island interviews with the PDAP resident advisors, AID officers, island government officials, and foreign and indigenous business persons. Members of the SRI team visited Barbados, Grenada, St. Lucia and Antigua. Charles Blankstein visited Barbados, St. Kitts, Antigua, and Dominica. The three person team conducted a total of 52 island interviews during the period April 20-29.

This evaluation was prepared and delivered to the RDO/C Mission Director and Staff during the week of April 28 - May 1. To assist in its final deliberations, the team was joined by James Burrows, Contracts Manager, Westinghouse Defense International Marketing Company, who offered the team and AID (courtesy of Westinghouse) valuable advice and counsel on investment decision-making issues in the Eastern Caribbean.

## SUMMARY AND RECOMMENDATIONS

- The PDAP model, as implemented, has two inadequacies: It has not provided for enough flexibility of program approach among the countries of the Eastern Caribbean, and it has focused too much attention on investment promotion activities before basic policy environment and infrastructure questions were addressed.
- The commitment and level of energy of the PDAP field staff is noteworthy. The resident advisors are engaged in an aggressive investment promotion campaign, often against difficult odds.
- By the objective performance standards established for PDAP I and II, the program has fallen far short of job/investment/export creation targets. The contractor would not appear to be able to meet these goals by the contract completion date even if a contract extension option is elected.
- The employment target established for PDAP is judged to be overly ambitious, and in its pursuit of this elusive target, the contractor has missed opportunities to focus greater attention on addressing more fundamental investment climate needs.
- PDAP's weak central management allowed a number of personnel and project administration problems to divert project staff attention and energies unnecessarily. These problems seem to have been solved.
- The Washington investor search program is in need of substantial upgrades, some of which have been initiated following recent changes in PDAP management. Clearly, this program has not generated a sufficient number of serious investor leads to meet the overall employment target established for PDAP despite funding commitments dramatically higher than originally budgeted.
- The investor survey conducted as part of this evaluation confirms that investment decisions in the Eastern Caribbean are based largely on

investment climate and infrastructure variables and -- at best -- can usually only be "facilitated" by the kinds of activities PDAP has undertaken.

### Recommendations

1. RDO/C should continue its commitment to a series of innovative and aggressive programs aimed at generating employment and exports through the stimulation of private sector growth in the Eastern Caribbean region. The Mission should understand that demonstrable progress has been made over the last few years in improving host government receptivity to and capabilities for generating private sector growth. However, substantial additional external assistance is needed in order to achieve reasonable, objective measures of success.

2. The evaluation team recommends certain changes in the PDAP model which provide for a more individually-tailored program approach to each country in the region. These program redirections should allow for significant variations in budget, personnel and task assignments by country.

3. In general, the evaluation team finds the greatest island program needs to be in the area of institution building and policy reform. No amount of investment promotion activity or funding can overcome fundamental investment climate and infrastructure constraints. Therefore, future RDO/C efforts should be heavily oriented toward helping to shape more attractive investment environments before committing substantial additional funds to investment promotion activities.

4. The evaluation team strongly recommends that before any PDAP program adjustments or restructuring are implemented, individual and independent investment climate assessments should be undertaken for each country. These assessments should detail each country's investment assets and liabilities, as well as analyze the country's policy environment and

institutional capabilities and needs. The country assessments should provide RDO/C with a benchmark and blueprint from which an effective private sector development plan can be structured.

These investment climate assessments should also provide the basis for a policy dialogue and orientation program with local government officials, many of whom need to gain a better comprehension of how the private sector works, its potential for offering collateral development benefits, and what the fundamental prerequisites are for private sector growth.

5. PDAP or any successor program should be relieved of the kind of overly ambitious employment creation targets under which PDAP has labored. The evaluation team has found no reasoned basis for the PDAP jobs target and does not believe any such basis can be developed until detailed individual island assessments are undertaken. After such assessments are completed, specific country targets can and should be developed to guide future investment promotion efforts.

6. The increased program emphasis on institution-building and policy dialogue should allow for a reduction in the number of resident island advisors. The evaluation team believes that in most cases the institution-building/policy dialogue functions can be accommodated through more active reliance on short term but regular increments of technical assistance. Direct investment promotion assistance, on the other hand, is more likely to demand an island presence. However, the evaluation team does not believe PDAP resident advisors should be acting indefinitely as surrogates for local government investment authorities. Hence, this evaluation's recommended emphasis on institution-building is a necessary ingredient to transferring the resident advisor promotion functions to viable government institutions.

7. The Washington investor search program warrants a detailed review and assessment, with more effective targeting of promotion techniques and analysis of the cost effectiveness of various promotion activities. In light of the increased emphasis recommended on institution-building, the evaluation team concludes that a plan must be developed to transfer the

program to the E.C. governments for their direct use and management. If such a plan for easy transfer cannot be developed, then given the high cost associated with this activity, the evaluation team concludes that it probably should be replaced by a different and local lead generation/investor assistance activity.

8. The PDAP planning, reporting and management information system requires substantial improvement. Careful attention must be paid to the development of detailed country action plans tailored to the findings of the island investment assessments. Definitional and time series reporting deficiencies must also be addressed. Specific and realistic contractor performance targets must be established and monitored closely in order to control program performance and budget allocation priorities.

9. Additional industry-specific and business-related technical assistance is required in the E.C. This will assist indigenous private sector development, and offer industry information and advice to prospective foreign investors. Such assistance should also help host governments and their promotion officials understand and be responsive to investor needs. RDO/C should utilize such technical assistance on short term assignments to guide effective promotion activities.

10. The evaluation team leaves to RDO/C the question of whether or not the lengthy and costly learning experience of the contractor over the life of PDAP is worth retaining because of operational efficiencies developed by PDAP over time. The team notes that even if RDO/C decides to retain and extend the Coopers and Lybrand contract, PDAP is likely to be subject to a number of routine staff changes in the next six months which will require the current contractor to recruit and provide orientations for new personnel. Given this fact, and the nature and extent of program modifications recommended for Washington and the field, the evaluation team concludes that RDO/C could find reasonable justification either to retain and task the current contractor or meet the Mission's needs in this program area through other mechanisms.

## UTILITY OF THE PDAP MODEL

The success of any funded activity should be evaluated on the basis of its performance in reaching determined objectives within the context of real world conditions, opportunities and constraints. The performance of PDAP will be reviewed later in this report. However, it is also often useful to assess the relevant merits of a program's strategy and approach in view of other, comparable efforts. The SRI evaluation team has examined the investment promotion activities of about twenty developing countries, and hence has covered nearly the entire range of investment promotion "models." This section compares the operational model of PDAP (in organizational and functional terms) with those of other promotion programs, in an effort to reach a determination of the utility of PDAP versus other approaches.

Any conclusions drawn from the following discussion should be conditioned by several caveats drawn from SRI's earlier examinations of investment promotion programs. First, the "fundamentals" of local business conditions are by far the most important determinants of new private investments, and not even the best possible promotion effort can succeed when fundamentals are not conducive to new ventures.

Second, there is no single, "best" approach to promotion, since each program should be molded and adapted to meet local conditions. An approach that succeeds in one area can fail in another. Finally, although promotion efforts have been in operation since the 1950s (Ireland) and early 1960s (Taiwan), the preponderance of promotion activities date back no earlier than 1980. As a result, until recently there has been no conventional wisdom on how best to proceed. Investment promotion per se has in large part been experimental, and should be addressed as such.

Based on the SRI evaluation team's extensive interviews, there appears to be no uniform, generally accepted definition of the PDAP "model," and this fact alone has given rise to misperceptions and operational complications concerning the program. Although PDAP has evolved over time,

as a starting point the current PDAP II model can be described as an organizational framework and a set of functional tasks. The organization is as follows:

1. A set of resident advisors located in the following sites: St. Vincent (1), St. Lucia (1), Dominica (1), Antigua (1), Montserrat (1), St. Kitts (1), Grenada (3), and Belize (1).
2. A team leader resident in Barbados.
3. A Washington-based investor search group, consisting of three full-time professionals and several consultants, with representation in the Far East.
4. Administrative support for the team leader, each resident advisor, and the Washington-based operations.

The functional activities of the project team fall into two general categories:

- A. Investment Promotion: This includes investor search, standard promotion activities, and investor assistance, and is carried out by all groups of the overall team.
- B. Institutional Building: This relatively new activity is conducted primarily by the resident advisors, and consists of assisting public sector promotional entities and private sector companies operating in the region.

Beyond this "lowest common denominator" description, perceptions concerning the PDAP "model" vary among those familiar with the program, ranging from an approach ("to assist private investors in the region"), to a contractual arrangement ("use of a consulting firm for outreach and investor services").

These variations and the amount of time given to defining PDAP lead to two conclusions by the SRI evaluation team. For purposes of program clarity and uniformity, it would be useful for Coopers and Lybrand, RDO/C and AID/Washington to agree upon a brief definition/description of the PDAP effort. For example, a senior Coopers and Lybrand official told the team, "If you find out what the PDAP model means, please let us know." The differing perceptions of the PDAP model have complicated program review and

probably have retarded appropriate program improvements. More attention should be applied to the actual operations and performance of the PDAP project itself.

### Unique Aspects of the Program

The organization and operations of PDAP vary considerably in comparison to other investment promotion programs examined by SRI. These unique characteristics are described below, as are brief comments on the relative advantages and disadvantages of these factors.

1. Multipurpose Activity: Since its inception, PDAP has combined several functional roles within the rubric of a single contractual arrangement. Initially, PDAP was intended to provide project identification and development as well as investment promotion services. In recent years, the PDAP staff has been charged with both promotion and institutional development. In most countries, investment promotion and services are the sole objective of the promotional agency. The advantage of the PDAP approach is that it employs scarce professional resources (where few are locally available) for a variety of aid-related tasks. The disadvantage is that the ultimate mission of the project team is mixed, leading to lack of clarity on priorities and evaluation criteria, and an inadequate skill mix for certain assignments.
  
2. Full Funding by an External Source: The PDAP program is financed solely by an external donor, AID. Donor assistance of various magnitudes can be found in many developing countries (e.g., Jamaica, Egypt, Costa Rica, Panama, Kenya, etc.), but in most cases the majority of promotion funding has been provided by the host country governments. The potential advantage of the PDAP approach is greater operational control by AID. On the other hand, this approach is relatively expensive, and does not ensure an ongoing commitment toward the program by host country governments.

3. Multinational Promotion: PDAP undertakes to promote private investment simultaneously in a large number of small national entities. Most if not all other promotion efforts are oriented toward attracting investment to a single site. The clear merit of PDAP is that it achieves economies of scale and permits a degree of promotion in each area that might be prohibitively expensive on an individual country basis. However, the approach does dilute financial and professional resources, and necessarily leads to competition among advisors and host countries for investment prospects identified by the common promotion effort.
  
4. Managed by A Well Known Firm: A number of consulting organizations have entered into contracts to provide technical assistance and other services to promotion agencies. However, PDAP is unusual in that the program itself is heavily identified with Coopers and Lybrand. Very few business executives interviewed were familiar with "PDAP," but most recognized the involvement of Coopers and Lybrand. In addition, the entire program is managed by the contractor, whereas in other instances the promotion agency is run by a host government or other local entity. The possible advantages of PDAP are use of the contractor's international network, recognition by prospective investors, and management capabilities. On the other hand, the PDAP program has little identity of its own among investors beyond that of the role of the contractor itself.
  
5. Operated by Expatriates: The PDAP effort is staffed largely by expatriates. In other programs, expatriates may be used in an advisory capacity, but seldom become integrally involved in day-to-day operations. As mentioned by some business executives interviewed by the evaluation team, PDAP advisors are seen as providing "independent" advice since they are not island nationals. However, the use of foreigners potentially poses a lack of authority and linkages with host governments. Investors often prefer to deal with promotion agencies which represent official perspectives and authorities.

6. Inverted Management Structure/Lines of Authority: In the case of most if not all promotion agencies, management authority is sited in the host country, to which branch offices at home and abroad report. In PDAP, the structure is reversed: In-country advisors report to a regional base, which shares management responsibility with a foreign base. It is not clear whether there are any advantages associated with this structure. However, local advisors may not have sufficient authority to operate effectively, or, local advisors -- who perform the majority of the level of effort -- may operate as they so choose with only minimal guidance and oversight by the offshore management centers.

#### The Model in Practice

The foregoing discussion reviewed the relative merits and disadvantages of the PDAP model from a conceptual or theoretical perspective. For the purpose of this evaluation, however, what is important is how the model "performed" in practice. To a certain extent, the question of whether or not the model per se has served well or poorly breaks down to semantics, and depends on "the view of the beholder." In addition, a reviewer should distinguish between the validity of the model on the one hand, and the administration of the model by the contractor on the other. That is, if objectives have not been met, is the model itself "flawed," or has it simply been inadequately applied?

The SRI team concludes that spending an inordinate amount of time and effort, either to arrive at an elegant formulation of the model and judging it on that basis, or to distinguish in detail between the model and its application, would be unproductive exercises. There are no comparable models in existence against which to judge the PDAP approach. Therefore, the evaluation team will focus on the actual performance of PDAP, and will reach conclusions as to how and to what extent PDAP should be changed in light of that assessment.

Overall, PDAP represents an innovative approach to investment promotion, and is well-adapted to meet the unique circumstances of the

Eastern Caribbean. PDAP provides a series of more or less uniform services to a set of small but independent countries. These services would be prohibitively expensive if extended on an individual island basis.

While the model's uniform treatment of islands may be justified from a management, equity, or political standpoint, it gives rise to a fundamental flaw in the PDAP approach. That is, each island has specific needs and opportunities, and should be addressed individually. Some require more policy reform than promotion, some more institution building than policy reform, etc. The extent to which the model superimposes a common program "template" over the entire region in effect may skew levels of activity away from needed efforts.

In practice, a certain amount of program flexibility has been extended to individual island advisors, thereby overcoming rigidity in the model. However, the emphasis of Coopers and Lybrand management and AID on job creation has forced most if not all advisors to spend most of their time on investment promotion, since performance is judged on the basis of new investments and jobs created. As a result, despite the greater emphasis placed on institution building in PDAP II, the advisors have by-and-large been forced to concentrate their efforts on "chasing jobs." The model-induced emphasis on job creation has therefore led to far less than required attention to improving the policy climate and preparing local agencies to assume functions now performed by PDAP advisors.

The PDAP notion of utilizing a central investor search resource (based in Washington) is a unique aspect of the model, and in theory makes sense. Despite a naturally expected degree of competition among islands and advisors for investor leads generated (a possible model "fault"), the evaluation team was convinced that potential investors were given objective advice and were not directed toward particular sites.

As will be discussed later in this report, however, the evaluation team was not convinced that in execution the investor search activity has been of sufficient use to justify its cost. Certain segments of and

individuals associated with the search program have been more effective than others, but the totality of the effort has not generated a sufficient number of serious investment leads.

A peripheral but important component of the PDAP model, as proposed by the contractor, was the international "network" of Coopers and Lybrand offices throughout the United States and overseas. In practice, this network has been of little material assistance to the PDAP effort. However, the evaluation team feels that no firm of this type should expect to receive active cooperation from affiliates and branches that do not benefit directly. In addition, affiliates should be expected to be loathe to refer their clients to PDAP opportunities, lest their clients' experience in the Eastern Caribbean cause frictions with the existing relationship between Coopers and Lybrand and its clients.

A final noteworthy component of the PDAP model is central contractor management. As envisioned, the PDAP approach would leave management of a complex project to the contractor. As is discussed later in this report, personality conflicts and questions over internal control over the project led to lack of coordination and direction. For example, little effort was made by the initial Barbados team leader to engage the Washington-based search activity into the overall effort. These and related problems have until recently undermined the model's management approach and objectives.

Overall, the PDAP model is essentially sound from a conceptual perspective. It has evolved over time in the programmatic sense that demands on the project team changed both formally and informally. Some deficiencies in performance can be traced to the model itself (e.g., the emphasis on job creation rather than on policy dialogue or institution building, or the requirement that island advisors play multifaceted roles for which they may not be qualified or inclined to perform). However, a considerable degree of the problems encountered must be ascribed to contractor performance. For example, the lack of appropriate and contractually required reporting on program activities in the past inhibited the capability for review and correction by Coopers and Lybrand management or for oversight by AID.

The evaluation team has reviewed the PDAP model requirement for a resident advisor on each island. The central question posed should not be whether or not the model requires one advisor on each island. Rather, the issue should be, what do the individual needs of each island demand? With an answer to this question in hand, appropriate staffing assignments can be determined accordingly. In the opinion of the evaluation team, certain functions, e.g., institution building, are easier to accommodate with regular non-resident technical assistance.

Investment promotion activities per se are more difficult to accommodate without resident advisors. However, the team notes that some islands in the region (e.g., St. Lucia) should be ready to graduate from the resident advisor program and institutionalize this function in the appropriate local government structure. All resident advisor promotion activities should be aggressively oriented to achieve this same functional transfer.

This evaluation recommends a number of changes in the PDAP model, both in the role and priorities of the PDAP advisors and in their interaction with the investor search program. The question of the utility of the PDAP model really turns on semantics. The evaluation team leaves to RDO/C the issue of whether or not the model changes suggested constitute a fundamental critique of the model, or are simply a call for adjustments which can be accommodated within the PDAP model framework.

## PDAP RESULTS TO DATE

In its scope of work, the evaluation team was asked to assess the performance of PDAP in terms of investment and job creation, export development, and institution building. This evaluation has been hampered by a poor contractor reporting system which has only in recent months undergone considerable change and improvement. The subject of the reporting system is dealt with in greater detail in the companion report prepared by CBA.

For purposes of this report, however, several points are relevant. No systematic reporting of PDAP quantitative outputs was in force through PDAP I and much of PDAP II. Island advisors were not asked for actual figures in their monthly reports to the Barbados team leader, and advisors did not review reports issued to RDO/C or AID/W. Most reviews were descriptive in nature and contained few statistics to track over time. Actual employment figures were seldom if ever documented, but estimates were used in their place. Definitional problems have not been dealt with effectively, as is detailed below. However, the evaluation team notes that periodic reports have improved dramatically in frequency and quality over the past few months.

### Employment Creation

PDAP I was administered with a target of generating 3,000 job opportunities by the end of the contract period (a three-year period ending September 1984). An evaluation completed in September 1983 noted that at that time, PDAP had played a key role in promoting 13 new enterprises accounting for 226 jobs but expected to employ 1,986 individuals when in full operation. The SRI evaluation team has current employment figures for eight of the 13 firms, which represent a total of 1,117 less than those projected. Therefore, as best as can be calculated in the time provided to the evaluation team, the actual job creation figure for the 13 firms is about 869, rather than the 1,986 projected. An evaluation conducted in 1983 concluded that the 3,000 job target was "far too modest."

In its proposal for the follow-on contract to PDAP I, Coopers and Lybrand stated that by mid-1984, their PDAP team had assisted 19 private sector projects, and that "on the basis of the current plans of the entrepreneurs concerned it is expected that these will provide more than 4,000 new jobs in the region by the end of 1985." At least 3,000 further job opportunities were expected by Coopers and Lybrand in the region in the foreseeable future. The proposal focused on job creation "estimates" rather than actual job opportunities created by PDAP I. However, regarding the performance of PDAP I, Coopers claimed that "Each of these (19) private sector projects cited was wholly the product of the PDAP assignment." The proposal went on to state that the primary quantitative objective of PDAP II would be the generation of 15,000 jobs "broadly based in agriculture, agri-business, manufacturing, tourism and service activities."

The evaluation team was provided with a list of investments promoted under PDAP I and II, including current and forecast employment. While the team acknowledges that this is a working rather than final document that has not been verified, it is the only such document that could be used in fulfillment of the scope of work. Therefore, the following analysis must be read in the context of the problems associated with using this PDAP document.

The PDAP "success list" includes 67 investment projects. Since some of these ventures are in a start-up phase, no employment figures are listed. The total current employment figure by Coopers and Lybrand shows that 4,196 job opportunities were created. Assuming that these jobs were in effect at the end of 1985, this figure corresponds to that presented in the Coopers PDAP II proposal.

The evaluation team asked investors (in the United States and in the E.C. region) to indicate their current employment rolls. As might be expected, particularly given the cyclical nature of many of the businesses involved, labor forces have fluctuated. Some expanded and some contracted. Overall, on the basis of those firms contacted (by far not the entire

list), a downward adjustment of 308 jobs -- consisting of 400 job losses and 92 job gains -- results in a total of 3,888 job opportunities associated with PDAP I and II.

However, this latter figure includes two enterprises whose actual investment predates PDAP I (Pico of St. Vincent and St Vincent Children's Wear), even though according to some PDAP was instrumental in keeping the enterprises viable. These two enterprises consist of 280 full-time employees and 1,200 cottage workers. When combined, these 1,480 jobs account for 35 percent of the Coopers and Lybrand total (4,196) and 38 percent of the adjusted total (3,888). If one were to apply a "strict constructionist view" that the job rolls of the firms should not be credited to PDAP, then the adjusted job creation figure drops to 2,408 from 3,888. The evaluation team is not prepared to reach a conclusive determination as to whether or not these firms should be included as PDAP successes, since the team did not have time to pursue the issue. However, one can question the inclusion of 1,200 cottage industry jobs as equivalent to full-time permanent employment.

The development of a more comprehensive job performance evaluation would require time and effort well beyond the scope of this evaluation. Overall, the PDAP program has assisted in promoting investments which have created new jobs in the region, and a number of enterprises currently starting-up will lead to new job opportunities. However, job creation performance is clearly likely to fall well short of the 15,000 proposed target for PDAP I and II.

#### Investment

To the best knowledge of the evaluation team, neither PDAP I nor PDAP II had quantifiable investment targets (either in numbers of investments or total capital employed). Investors have been loathe to provide figures on capital investment, and so the evaluation team cannot provide this data.

The number of new investments promoted/created by PDAP I and II falls in the range of 65-70, some of which are in pre-implementation phases. The evaluation team notes one definitional problem -- should subcontracts be defined and reported in the same manner as direct investments or joint ventures? For example, four of the ten success cases listed for Antigua are in effect separate subcontracts extended to the same firm. In one sense these include separate promotional campaigns, but in another sense they only represent separate trade opportunities for the same local firm. Overall, fifteen of PDAP's 65/70 successful "investments" are described as subcontracts. The evaluation team believes that subcontracts should be listed separately, but the overall investment success list should be expanded to take this and other definitional questions into adequate consideration.

#### Export Expansion

No data was provided to the evaluation team on export growth attributable to the PDAP activity. Exports on each of the islands have both expanded and contracted in recent years, but largely as a function of international commodity prices and demand for their traditional agricultural exports.

Each of the PDAP investments is, however, export oriented, whether through agricultural and manufactured goods sales, service exports, or tourism. The program has apparently held well to its objective of promoting non-traditional exports.

#### Institutional Development

Although in-island advisors have focused their efforts largely on investment promotion, a fair level of effort has been expended on institution building, especially in the PDAP II era. A new investment promotion entity has been assisted by PDAP in St. Vincent and Grenada, and various forms of assistance have been provided to other host-country agencies charged with investment promotion. These have included numerous forms of technical assistance extended by PDAP/Barbados.

The evaluation team fully agrees with the PDAP II shift of emphasis toward institutional development, and further believes the shift of emphasis has not been adequate. That is, many of the promotional agencies are in an early development phase and require considerable technical, material and manpower forms of assistance to help them mature.

## INVESTOR SURVEY RESULTS

A major component in the examination of any program aimed at providing assistance to the private sector should be feedback from those firms that participated or were somehow involved in the program's activities. As part of its scope of work, the evaluation team was asked to interview executives from ten firms considered to be PDAP "success cases" (defined as having committed to invest and as having received official investment approvals), and from eleven firms which were "vigorously pursued by PDAP staff but did not invest." The evaluation team decided not only to survey all of these firms, but also to discuss the PDAP program with each of the 69 "success cases" identified by PDAP (expanding on the sample size of ten firms to include the entire universe of successes).

To carry out this task efficiently and within the time and budget constraints of the evaluation, the team decided to prepare a formal survey instrument and administer the questionnaire by telephone. A copy of the questionnaire is appended to this report. The evaluation team also interviewed about 15 executives of firms now operating in the region during the team's in-country research effort to confirm and add to information gathered in the United States.

The following section reviews the responses given in the team's telephone survey of investors, supplemented by comments offered by in-country investors. Quantitative figures will be given where possible, but due to the variability of investment forms and experiences (e.g., failed enterprises versus profitable ventures, small agribusiness concerns with three employees versus 100 employee electronics companies, etc.) the most appropriate presentation is a qualitative summary of responses to the questionnaires. Some of those interviewed provided full responses to the questionnaires, whereas others gave only partial responses. A number of investors asked that their replies remain confidential.

### Quantity of Responses

The evaluation team sought to contact each of the 69 investors listed as success cases, using telephone numbers listed on separate, printout "contact sheets" provided by Coopers and Lybrand. Of this total, the evaluation team was able to collect full or partial responses from 27 firms. Of the remainder, 22 contact sheets had no telephone number listed on the firm, seven firms had their telephones disconnected (some had perhaps relocated), and there was no answer at one telephone listing. For the remaining 12 firms, the principal executive was either out of town or otherwise unable to be contacted. The evaluation team made repeated attempts to reach firms with numbers listed, but did not have sufficient time to pursue all those firms which did not have numbers listed on the contact sheets. The team is confident that the sample reached is sufficient for purposes of this report, and that the executives interviewed represent the most active investors in the Eastern Caribbean region.

Of the 27 firms surveyed, 17 had ventures currently in operation, and 6 firms were in various pre-implementation phases. Of the remainder, two enterprises had failed, one was in the process of disinvesting, and one claimed to have no current or planned involvement.

The following discussion reviews the investor survey responses, consistent with the topics listed in the appended questionnaire. The evaluation team would like to stress that not all issues were covered in each interview, and that in some cases key executives have left the company in question, resulting in responses given by individuals not intimately familiar with the firm's experience. Notwithstanding these normal survey idiosyncrasies, the team is confident that the results reflect an accurate overview picture of corporate views.

### History of Involvement

Asked why their companies had explored offshore investment possibilities, most executives ascribed their search to some combination of two basic objectives -- to diversify sources of supply, and to deal with

competitive conditions at home or abroad. Rationales cited include the need for low cost labor, "economic factors," and fears of trade restrictions on imports from other sources of supply (e.g., the Far East).

Countries considered as investment sites generally included several or all countries in the Eastern Caribbean region, neighboring countries (e.g., Haiti, Jamaica, Dominican Republic), Mexico, and in some cases countries in the Far East (Taiwan, Singapore, Hong Kong, etc.). Most firms had no other offshore facilities, with certain exceptions; some electronics and apparel companies had ventures or subcontracts in the Far East, Mexico, or other countries in the Caribbean.

In response to the question of how they had become interested in the Eastern Caribbean as an investment site, several executives mentioned that they had been approached by PDAP personnel, primarily at industry trade shows. However, most claimed to have sought out information on the region on the basis of their own investment research. The economic factors most often cited as attractive were low cost labor, proximity to the United States, and the fact that the countries were English-speaking. Few executives in the United States placed much emphasis on the absence of quotas or CBI trade preferences. However, in-country managers claimed that U.S. 936 tax code provisions, 807 trade provisions, tariff preferences or lack of quotas are critical to the viability of their operations, and that any adverse changes in these policies would very clearly jeopardize their presence. As expected, very few firms placed a high priority on host country investment incentives. This finding is consistent with SRI's experience elsewhere.

Turning to negative factors in the region's investment climate, no consensus emerged. Concern was expressed in some cases over poor transportation links, lack of factory space and a dearth of middle management (primarily technical) expertise, as well as over general political stability. In-country managers interviewed focused on practical, operational problems. These include the absence of adequate factory space, lack of adequate access to utilities (electricity, water, and telephones),

delays over investment approvals and necessary licenses, and inadequate transportation. In many cases, these start-up concerns were allayed over time for existing investors, but continue to vex new, incoming firms.

Most executives interviewed were attracted to the region in general, and were directed toward their ultimate investment sites through a variety of means. The usual course of decision-making included the firm's own initiation of general interest, a degree of U.S.-based research and evaluation, one or more site visits, and an eventual decision to proceed. The PDAP investor search staff was involved in the initial stages in about one half of the cases, but investors generally agreed that if PDAP did play a role in the investment decision, it was the resident advisor activities that were of central importance.

#### Investment-Related Information

Of the 26 firms interviewed that claimed a presence (in the past or currently) in the region, 14 were cited as direct investments, 8 as subcontracts, and 3 as joint ventures. As is often the case with start-up enterprises, the corporate nature of the venture can evolve over time or even take on the characteristics of several activities at the same time (e.g., a firm can have a direct investment and a joint venture simultaneously, or a subcontract can shift to a direct investment).

The activities of the firms surveyed are distributed throughout the islands relatively evenly, thereby giving a fairly uniform geographic distribution. The product lines involved generally fall into one of three categories -- electronic components, apparel, and agribusiness. Most of the latter ventures are located in Belize. As noted previously, 17 of the 27 firms are now in operation, 6 are in a pre-implementation phase, and the rest either failed or were never implemented.

The evaluation team asked respondents to list the current employment of their ventures. Of the total, 5 firms claimed to have no employees; these were either project failures or ventures now starting up. Four

executives, primarily in firms with subcontracts in the region, had no idea of how many employees were involved. Several respondents gave estimated ranges of employment, since their work is cyclical.

With these caveats in mind, the total jobs accounted for by the investor survey was between 1,098 to 1,183 full-time employees and 1,200 part-time cottage workers. Of this total, St. Vincent Children's Wear accounted for 200 full-time employees and all of the 1,200 cottage workers cited. While assisted in start-up phases by the PDAP program, this investment predates the initiation of the PDAP program, and therefore it is problematic whether or not it represents a PDAP success case. Removing this component from the totals leaves 898 to 983 full-time jobs and no cottage industry jobs accounted for by the firms surveyed. However, the evaluation team notes that less than one half of the PDAP investment success cases were covered in the survey.

Most investors interviewed were loathe to provide figures on their capital invested, and/or were not sure of these figures. However, they ranged from a low of no funds employed (primarily subcontracts) to a high of U.S. \$500,000. In most cases, capital investment consisted of small amounts of inventory (components) and production machinery.

Most of the larger firms have employed an expatriate manager, resident on-island, to oversee their operations, especially in start-up phases. Others rely on local managers (particularly in sub-contract situations) with periodic visits by expatriate managers and technical personnel. Since cost factors are centrally important to the viability of ventures, and since expatriate housing and living costs are high in the region, most firms seek to recruit local technical/managerial personnel if at all possible.

#### Role/Activities of the PDAP Staff

Most of the investors interviewed claimed to have first come into contact with U.S.-based PDAP personnel primarily via contacts at trade

shows. While some had communicated with Coopers and Lybrand staff in the early years of PDAP, the majority of the firms surveyed felt that initial contact was in 1984 or thereafter.

Nearly all executives did receive written materials on the investment climate in the region from the Washington office of PDAP. About one half of those interviewed judged these materials to be adequate, but some suggested that they were too general to be of much use or were only good introductory pieces.

The evaluation team could not establish any pattern of experience for other forms of assistance provided by PDAP. Some indicated that no additional help was provided (nor asked for), whereas others stated that PDAP staff extended site visit assistance, arranged meetings, gave additional information, etc. With respect to in-country assistance, investors interviewed noted a wide variation of experience from island to island, which was to a large extent dependent on the energies and capabilities of the individual PDAP advisors.

The majority of executives surveyed described PDAP assistance as either "sufficient to their needs" or "timely and relevant," although some listed "modest" or "negligible". Very few respondents had any comments regarding the professional capabilities of the Coopers and Lybrand staff.

Most investors were positively impressed with the assistance provided by PDAP, including the provision of local contacts and information on operating conditions, offering unbiased opinions on local companies, and hosting investors on reconnaissance tours. Again, the comments varied by island.

Negative impressions regarding PDAP personnel were limited. Several investors claimed that they were misled into thinking PDAP advice was consistent with official government policy, only to find this was not the

case. Others wished the Washington staff or island advisors had more business experience and could pass on more specific information on operating conditions and regulations.

The major recommendation for improvement in PDAP services voiced by a number of those surveyed was for more detailed, industry-specific and island-specific information. They agreed that what they had received was useful, but was insufficient to the overall investment decision process.

### Conclusions

Most companies had no basis for comparing PDAP services with those of other promotion agencies, since few had "shopped around" extensively. Of 25 respondents, 16 claimed that they would have invested in the region regardless of the PDAP presence and assistance. Six investors stated they would not have invested in the region without PDAP, and three had no opinion. In the view of the evaluation team, this response should be expected, for several reasons. First, it is the investment climate fundamentals that drive any ultimate decision rather than promotional programs, whether good or bad. Second, few investors will admit (even if it is true) that an external agent such as PDAP played an overriding role in their decisions. Finally, there are many factors that contribute to investor decisions, including overcoming obstacles as they arise. Therefore, it is impossible to say whether investor interest would have been maintained if such obstacles were not addressed effectively.

Most survey respondents concluded that operating conditions in the region have essentially met their expectations. Some have experienced better than anticipated conditions, whereas others have encountered unexpected problems, particularly relating to U.S. trade policies and practices (e.g., adverse classification of production items, taxes on value added, etc.). Nearly all those questioned plan to maintain their investment indefinitely, and hope to expand operations. A select number have terminated their operations or plan to disinvest in the near future.

The survey of those companies which were vigorously pursued but did not invest provided results consistent with the survey of success cases. These firms did not invest, however, due to a perception that operating conditions (factory space, infrastructure, etc.) did not meet minimum requirements.

Overall, the investor survey confirms several conclusions reached independently by the evaluation team. Investment decisions were made on the basis of fundamental conditions in the region's investment and policy climate, as should be expected. Investors were much more interested in discussing these factors, both positive and negative, than reviewing the contributions provided by PDAP.

The PDAP effort, identified by most as Coopers and Lybrand, was generally positively viewed, and the assistance provided to investors was considered helpful, although responses ranged from "negligible" to "critically important." The latter referred particularly to assistance offered by resident island advisors.

Finally, from a broader CBI perspective, the majority of opinion among investors is that the Eastern Caribbean region has considerable long-term investment potential. Some islands are ahead of others in terms of infrastructure availability and technical capabilities, but all could become attractive investment sites over time if appropriate strategies are designed and administered to overcome physical bottlenecks and improve attitudes, policies and institutional structures which in combination form the local investment environment.

## INVESTMENT PROMOTION COST EFFECTIVENESS

The ultimate measure of the performance of investment promotion activities is the number and size of new investments/exports in the host country and the number of jobs generated from these investments. There is no practical ex post facto method to determine the relative impact of promotional efforts on investment decisions as distinct from the general investment climate or other factors. Most corporate officials would necessarily downplay the importance of investment promotion, since they would prefer to conclude that the investment decision was made on the basis of an objective assessment of host country conditions. (See the preceding investor survey section of this report for a more specific reading of the factors investors credit for their investment decisions in the E.C. region).

Attempts to trace the causal factors of the decision process prove to be difficult since entrepreneurs base their decisions on assessments of a complex mix of objective and subjective criteria. The credit that can be legitimately ascribed to investment promotion activities is sometimes substantial, other times minimal, but usually incidental to an investment decision.

Despite these difficulties, the cost effectiveness of investment promotion activities can and should be monitored and tested on a regular basis in order to allow for program corrections intended to increase the yield of the promotion function. Since promotion programs seek to generate and sustain investor interest, and since new investments create economic gains, it is possible at least in a notional sense to measure the benefits and costs of any investment promotion program as a whole, as well as a number of components within it.

Promotional efforts have both quantifiable costs and benefits. The benefits sought are increases in employment, capital invested, levels of foreign exchange savings/earnings, etc. On the other side of the ledger, costs can be measured in terms of the budgetary outlays incurred in promotional efforts. Over time, therefore, one can calculate the overall

benefits derived from new investments (e.g., number of new jobs created times the average prevailing wage rate), and compare the benefits to the costs of promotional efforts. The chart on the following page, drawn from SRI's investment promotion assessment for AID/PRE, illustrates how these cost/benefit factors might be disaggregated.

The evaluation team has not been able to identify any systematic or rigorous attempt by PDAP to evaluate the cost/benefit effectiveness of its various promotion efforts over the course of PDAP I and II. Therefore, the team has for purposes of this evaluation had to rely on data bases which are not well defined sufficiently to support a detailed analysis.

In addition, as stated elsewhere in this report, the evaluation team believes the jobs target set for the PDAP program was unrealistically ambitious given the region's infrastructural and investment climate constraints. Such overly ambitious targets invariably lead to aberrations in program emphasis. Quoting from SRI's 1984 investment promotion study for AID/PRE:

Although some form of cost/benefit calculation would establish a degree of accountability on the part of promotion agencies, it might also create certain problems. First, it assumes that promotion agencies are principally responsible for new investments or lack thereof. . . . even the efforts of well-managed promotion agencies can be stymied by a poor business climate or bureaucratic inertia. If unrealistically high expectations are set for performance, the promotion agency might end up spending more time promoting success than promoting the investment climate. While performance targets represent a useful technique for monitoring promotion programs, they should be managed carefully to avoid situations in which quality would be sacrificed for quantity.

In the view of the evaluation team, the PDAP program to a large extent fell into this trap -- with PDAP personnel becoming bound to unrealistic job targets.

COST CATEGORIES:

PROMOTIONAL ACTIVITIES

- Advertising
- Seminars
- Missions
- Brochures
- Direct Contacts

INVESTOR ASSISTANCE

- Sector Surveys
- Feasibility Studies
- Counselling

INVESTMENT INCENTIVES

- Foregone Tax Revenues
- Grants
- Subsidies
- Training Programs

BENEFITS:

- Investor Inquiries

- Increase in Investor Interest

- Investment Approvals
- Employment/Income
- Foreign Exchange Earnings
- Tax Receipts
- Capital Formation

COSTS AND BENEFITS ASSOCIATED WITH INVESTMENT PROMOTION ACTIVITIES

4/2

From September 1981 through February 1986, PDAP I and II actual expenditures totaled \$11.8 million on a budget of \$11.5 million. PDAP II actual expenditures currently are running at 78 percent of budget with 47 percent of the project performance period having elapsed.

Of the totals, PDAP II U.S. costs appear to have already exceeded the contract budget (Budget -- \$1.3 million; Actual -- \$1.4 million), whereas the in-country advisor activity is spending down at a rate just over budget (55 percent of the budget has been expended and 47 percent of the project period has elapsed).

It would seem, then, that as in PDAP I, the U.S. project costs have consistently outpaced budget -- dramatically at almost the halfway point of the PDAP II contract period. These costs appear to be almost completely attributable to the Washington investor search program. This program's expenditures represent 27 percent of PDAP II total expenditures to date. Allowed to spend through the scheduled end of the PDAP II performance period at the actual rate recorded thus far, the investor search program is projected to cost in excess of \$3 million -- a cost overrun rate consistent with PDAP I investor search overrun (290 percent or \$1.5 million versus \$374,000 budgeted).

Since the contractor does not disaggregate PDAP staff time allocations by functions (i.e., percentages of time spent on investment promotion versus institution building versus policy dialogue, etc.), it is impossible for this evaluation team to provide a finely drawn assessment of project costs by function. However, one can assess the yield of the Washington program by disaggregating the total number and source of investor contacts recorded by PDAP Washington since the inception of PDAP I.

PDAP I AND II Investor Contacts

<u>Source</u>	<u>Total Number</u>	<u>Percent of Total</u>
Trade Shows	1,807	27
Desk Research/Mailings	1,604	24
Seminars	970	15
By Subcontractor	502	8
Dept. of Commerce	276	4
PDAP Advisor	270	4
PADP Contact/Unknown Source	264	4
Advertising/Articles	261	4
Other	220	3
Unknown	205	3
OPIC	103	2
C&L Office	76	1
AID	60	1
Total	6,618	100

Assuming the data is correct, approximately 21 percent (1,366) of the total PDAP contacts were sources outside of PDAP itself. Therefore, one can conclude that PDAP has by its own reckoning generated approximately 5,252 investor leads in approximately four and one half years of operation.

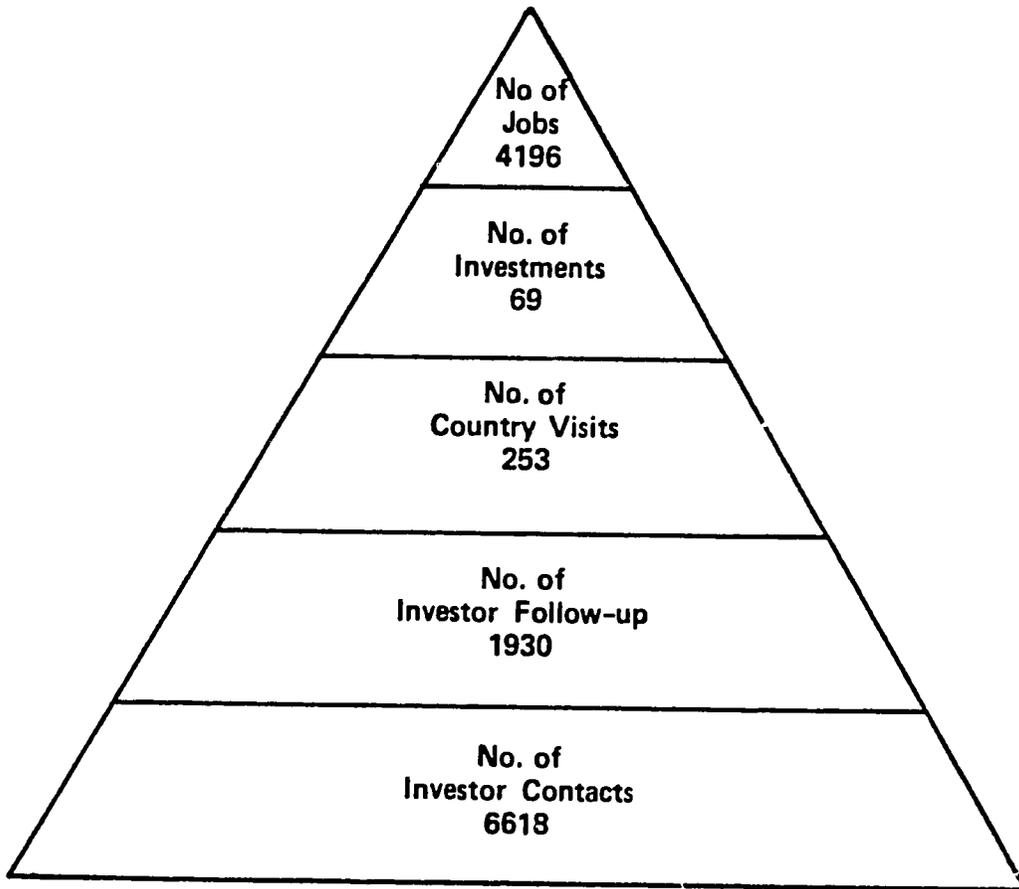
Of these contacts, PDAP cites 69/70 success stories (presumably investment commitments), two additional investments planned, four investment expansions, and 95 "hot" prospects. Of the 6,618 contacts, 1,930 leads resulted in some PDAP follow-up interaction, presumably based on company interests expressed. These follow-ups led to 253 island visitations reported, and 69 or 70 investment commitments, ultimately yielding a PDAP estimate of 4,196 new jobs created (a figure analyzed elsewhere in this report).

If these investment promotion activities were to be placed within the framework of the SRI investment promotion pyramid model, one can get a

better conceptual sense of how well each promotion process has helped lead toward the achievement of PDAP's job creation figure.

On the basis of these figures, the evaluation team observes that 29 percent of all prospective investor contacts led to PDAP servicing of follow-up inquiries (1,930). Approximately 13 percent of those who had follow-up contacts (253) actually visited the Eastern Caribbean, 69 of whom invested or made commitments to invest but might not have actually invested yet, yielding 4,196 jobs.

### PDAP INVESTMENT LEAD PROGRESSION



4/9

The evaluation team is impressed that 27 percent of all prospective investors who visited the islands actually committed to invest, and that 29 percent of all contacts generated actually sought follow-up information on the region. The team is less impressed with the total number of contacts made over the life of the PDAP program and the cost -- \$2.9 million (\$1.5 million for PDAP I and \$1.4 million for PDAP II) -- associated with generating those leads.

Approximately two-thirds (4,391) of all PDAP investor contacts can be credited to three activities: trade shows - 27 percent; desk research/ mailings - 24 percent; and seminars - 15 percent. Assuming the accuracy of these PDAP-generated numbers, it suggests to the evaluation team that these programs should be analyzed further and redesigned or improved in order to increase significantly the number of investor contacts.

Also, on the basis of the PDAP promotion pyramid established, once serious investors are brought to visit the region, the success rate is quite high (27 percent), even if the average number of jobs per investment is relatively small (61).

The evaluation team questions the validity of reviewing in greater detail the implications of these statistics for cost effectiveness insights. There is reason to believe that these numbers -- which were generated specifically at the request of the evaluation team -- might not represent a completely accurate picture of PDAP Washington promotion activities. Should this program continue, substantial attention should be devoted to generating the kind of statistical base and review mechanisms which are essential to effective program direction and oversight.

## PDAP MANAGEMENT

Virtually everyone interviewed by the evaluation team faulted the contractor for weak project management, especially in the PDAP I and early PDAP II years. PDAP suffered from a series of project personality conflicts and Coopers and Lybrand affiliate rivalries which apparently diverted contractor energies and attention.

It is arguable that to some extent these difficulties were inevitable, given the management structure established from the beginning of PDAP I. Inasmuch as RDO/C contracted with Coopers and Lybrand's Washington office, whose senior management was ultimately responsible for project oversight, but required central project management in Barbados with a project leader from Coopers and Lybrand's London affiliate (and a mixed team of resident advisors from Coopers and Lybrand Washington, its overseas affiliates, and subcontractors), the system was inherently subject to a series of centrifugal forces. However, these management stress points should have been evident to both Coopers and Lybrand and AID, and system safeguards should have been implemented to minimize difficulties and/or deal effectively with problems as they arose.

These management weaknesses were, in the opinion of the evaluation team, chiefly responsible for some of the early performance problems of various resident advisors who were judged to be poor candidates for their assigned island posts. In addition, design and implementation problems associated with the Washington investor search program also suffered from a lack of effective and knowledgeable management guidance. Similarly, the contractor reporting system and inadequacies in data generated by the Coopers and Lybrand management information system all could and should have been addressed early on in the PDAP project by a more earnest contractor or zealous oversight activity. report. Nonetheless, the current PDAP field organization has begun to generate the kind and volume of data essential to more effective contract administration and oversight.

The evaluation team notes that most of the management inadequacies cited have been addressed by RDO/C and the contractor alike. The team is, of balance, quite favorably impressed with the energy and commitment of the current roster of resident island advisors and their team leader in Barbados. In addition, the evaluation team applauds recent changes in the management of the investor search program.

In short, the current PDAP management structure should be capable of executing the kinds of project redirections recommended in this report, assuming increments of external assistance for certain designated tasks, and a rigidly adhered to project performance reporting system. However, should RDO/C decide that a different contract structure is warranted, the evaluation team is confident that the program recommendations contained in report could be accommodated with a different management structure.

A central contract management question before RDO/C should be whether or not the lengthy and costly learning experience of the contractor over the life of PDAP is worth retaining because of operational efficiencies developed by the PDAP team over time. The evaluation team notes that even if RDO/C decides to retain and extend the Coopers and Lybrand contract, PDAP is likely to be subject to a number of routine staff changes in the next six months which will require the current contractor to recruit and provide orientations for new personnel. Given this fact, and the nature and extent of program modifications recommended for Washington and the field, the evaluation team concludes that RDO/C could find reasonable justification to either retain and task the current contractor or meet the Mission's needs in this program area through other mechanisms.

## PDAP COUNTRY REVIEWS

The SRI evaluation team reviewed and experience and status of four of PDAP's eight target countries -- Grenada, St. Lucia, Antigua, and St. Vincent. In addition, Charles Blankstein examined St. Kitts, Dominica, and Montserrat, which are discussed in the CBA report.

While not formally required under the scope of work governing this evaluation, the following country reviews were prepared due to the team's belief that the true impact of the PDAP activity can be assessed accurately only from an individual country standpoint. In addition, these reviews provide the opportunity for island-specific observations on institutional development related to investment promotion, and for general recommendations. The brief comments which follow were based on an extremely limited amount of field research (less than one day per island), and thus in no way should be construed as comprehensive assessments.

## GRENADA

The case of Grenada is unique among PDAP countries in several important respects, and hence PDAP activities in Grenada should be examined with the following characteristics in mind.

- Grenada was late to enter the PDAP program, having been added only in the winter of 1984. Therefore, any assessment of results on Grenada should be conditioned by this limited gestation period.
- The Grenada program consists of three resident advisors, as opposed to only one advisor in each of the other PDAP countries.
- Grenada has a resident AID Mission, whereas all other PDAP countries have no AID presence.
- Economic and political developments in Grenada are, in comparison with other PDAP countries, of relatively high interest to the United States and U.S. officials, thereby adding an additional layer of complexity to PDAP and related assistance programs.

The PDAP program on Grenada was inaugurated in the winter of 1984. The first resident advisor, Russell Muir, operated in Grenada from that time until he left in mid-1985. In various stages throughout 1985, the single advisor was replaced by a team of three new advisors, each of whom plays a separate and distinct role in Grenada.

1. One advisor, Michael Dyson, carries out functions comparable to those of individual advisors in other PDAP sites. He seeks out investor prospects, hosts incoming investors, arranges appropriate meetings, and provides a range of pre-start-up investor services.
2. A second advisor, James Haybyrne, was seconded from Coopers and Lybrand's Washington office to the PDAP project for the expressed purpose of working on strategies for the divestiture of government enterprises. His recent work has concentrated on efforts to divest government-owned and operated utilities.

3. The third advisor, Roy Clarke, serves as an advisor to the Grenada Industrial Development Corporation (IDC), a recently established government entity organized to promote investment and administer approvals for investment incentives. Clark's role is to provide technical assistance to the IDC, and also to carry out an institutional development program.

The IDC was established by an Act of Parliament in February 1985. It is a statutory body with direct reporting responsibilities to the Minister of Finance, Trade, Industrial Development and Planning, a position currently held by the Prime Minister. The IDC has a broad mandate to "stimulate, facilitate and undertake" actions necessary for the establishment and development of industry in Grenada. Although charged with a wide range of functions related to investment promotion and assistance, the IDC to date has focused its efforts on reviewing and approving applications for investment incentives.

The IDC is described by all those interviewed as a "fledgling" organization currently in a developmental stage. The current staff consists of 13 individuals, including six professionals (two investment promotion officers, two project officers, and a manager and assistant manager for industrial estates). The IDC's Manager has recently resigned, and a new Manager is currently being recruited. The Chairman of the IDC's nine member board is Mr. S.H. Graham. Members of the IDC's Board are all drawn from the private sector, and represent various interest groups within the private sector. While the IPC reviews and provides recommendations on applications for investment incentives, ultimate approval authority rests with the Cabinet.

From a conceptual standpoint, apart from the application review role of the IPC, the ultimate functions and goals of the IPC and PDAP are nearly identical. Both seek to promote Grenada as an investment site and to provide a range of investor services. In practice, the "investment promotion" PDAP advisor most often serves the role of developing investment

leads, hosting incoming investors, and providing information and procedural advice to investors. In his absence or during busy periods, he is "backstopped" by the advisor resident in the IPC.

The results of the PDAP program to date have been modest in quantitative terms. Identified "success cases" include only a renovated hotel (previously employing about 250 construction workers, and currently about 100 as hotel staff) and an apparel firm employing about 75 individuals. However, a number of large pharmaceutical firms are in various start-up phases or are actively considering investment.

The lack of tangible program results can be attributed to a number of causes such as lack of factory space, underdeveloped infrastructure (e.g., inadequate access to water and electricity), policy constraints, poor transportation links, and investor concerns over long-term political stability. Many of these constraints have been addressed vigorously over the past two years, to the point where the current promotion advisor suggests that investment prospects now being discussed could lead to the creation of 1,000 additional job opportunities within a year's time. The PDAP team on Grenada has concentrated its efforts on tourism and light manufacturing as investment targets.

Neither the PDAP team nor the IPC has had more than a marginal involvement in the development of government policies that directly affect the investment climate. Neither had an input in a recently implemented change in fiscal policy which was based largely on a U.S.-funded consulting activity. The PDAP team does maintain working relations with the local AID Mission, which takes an active interest in PDAP activities. Historically and to this time, the nature and effectiveness of PDAP/Mission relationships are dependent upon and vary according to the individuals involved.

Despite the absence of measurable results, the evaluation team observed clear progress in dealing with infrastructure constraints, institution building, and changing attitudes toward private investment. Given the short span of time allotted for in-country interviews, however,

the team was unable to reach any determination on the extent to which these improvements can be attributed to the PDAP presence. In addition, it seems clear that a considerable proportion of foreign prospects have been attracted to Grenada as a result of both U.S. 936 tax provisions and high level executive interest within the firm, rather than on purely economic grounds. As a result, the future of new ventures in Grenada is vulnerable to changes in 936 provisions and possible reductions in U.S. government-inspired executive interest in the island.

The development of specific recommendations for the PDAP activity on Grenada is well beyond the scope of this project, and should be the result of a detailed investigation of constraints and opportunities. However, a few general courses of action appear warranted to the evaluation team.

- The PDAP investment promotion/assistance presence in Grenada should be retained until IDC has developed a sufficient institutional capacity to carry out these functions.
- Since all three current advisors report directly and individually to the Barbados team leader, it would seem advisable in the short-run to appoint one of the three Grenada advisors as local team leader. This could serve to coordinate island activities more efficiently and avoid overlapping communications.
- Considerable efforts should be made to develop and improve the IDC's institutional capacity. The evaluation team doubts that substantial progress can be made in improving the IDC under the current IDC management structure.
- Assuming that appropriate changes can be instituted in the IDC, a clear strategy should be articulated for transferring to IDC functions currently carried out by PDAP.
- In an interim period, the functions of the three PDAP advisors could be collapsed into one position sited within the IDC.

## ST. LUCIA

The PDAP activity in St. Lucia is distinct among that of other countries in the Eastern Caribbean in that the PDAP advisor operates alongside a well-established investment promotion agency, the National Development Corporation (NDC). Therefore, the role of PDAP was to supplement rather than inaugurate promotional activities and resources applied to meet that objective.

PDAP efforts on St. Lucia got off to a slow start due to considerable divergences of opinion and operating style between the first advisor, William Adler, and local authorities. After about one year, Adler was replaced by Andrew Proctor, the current advisor, who has been in place for about three years. Working relationships have improved markedly between PDAP and the NDC, and all individuals interviewed hold a high regard for the current advisor.

The advisor's activities largely parallel those of the NDC, an industrial promotion agency that has been in existence since 1974. The NDC's origins have been traced to an initiative of the Caribbean Development Bank to create similar institutions throughout the region. The NDC appears to be the only such institution to have taken hold and developed.

The NDC reports to the Minister of Planning. Its functions include investment promotion and the administration of industrial estates. The NDC consists of three divisions overseen by a General Manager.

- The Investment Promotion Division includes two promotion officers located in St. Lucia, and one officer who maintains a promotion office in New York City.
- The Engineering and Estates Division consists of one engineer, two engineering technicians, and two estate inspectors.
- The Accounts and Administration Division includes three professionals.

With respect to engineering and estates management, the NDC designs, constructs, and maintains factory shells. The NDC oversees some 6,000 acres of land in the Vieux Fort area, the target area for the government's promotional activities. The investment promotion division maintains the New York office, attends trade shows, conducts direct mail campaigns, organizes advertising, and prepares and distributes short videocassettes on the investment climate to potential investors. The NDC recently undertook the placement of a two page advertisement in the Wall Street Journal (April 9, 1986), and the evaluation team feels that this effort was highly professional.

In addition to standard promotion activities, the NDC also provides assistance to incoming investment prospects. The NDC not only hosts visitors, but also extends help in dealing with government agencies, preparing applications, understanding procedures, etc.

Since he was in the Far East on an investment promotion tour (funded by local sources rather than PDAP), the evaluation team was not able to interview the resident advisor. However, all those interviewed (government officials, representatives from the Chamber of Commerce, and private investors) offered a common view of the advisor's activities and usefulness.

The majority of the advisor's efforts have been allocated to prospective investor identification, promotion, and assistance. The advisor has worked closely with the NDC in participating in trade shows and other promotional efforts, hosting incoming investors, providing information and assistance, and arranging appropriate meetings. Often the PDAP advisor would be the initial on-site contact for incoming investors, and eventually would introduce these executives to relevant promotional officers in the NDC. In addition, PDAP brought in an external consultant to assist in the development of an industrial estate in Vieux Fort.

As elsewhere, the quantitative results of PDAP on St. Lucia have been marginal. Several apparel, plastics and electronics firms have inaugurated operations with the help of PDAP, but some have encountered major problems

(primarily relating to reduced orders or government policies), thereby leading to fluctuations in output and work forces employed. However, with the growth of the Vieux Fort industrial estate (and free zone) and the introduction of new forms of manufacturing (e.g., electronics) with potential spillover effects, one could conclude that St. Lucia -- under certain conditions -- could experience something of a "take-off" period of non-traditional manufacturing.

Several foreign investors state that PDAP's off-island investor search program (primarily trade shows) was instrumental to their location decision. NDC officials also appreciate leads generated by the PDAP program, but are not aware of how these leads are generated.

The evaluation team concludes that the resident advisor has been actively and productively augmenting the professional resources of the NDC, and the PDAP program has produced a small number of investor prospects that have come to fruition on St. Lucia. In addition, PDAP has extended financial resources for promotional activities beyond the means of the NDC. PDAP has not contributed materially to institutional development, basically because a strong institution is in place, and according to those interviewed has not been substantively engaged in policy dialogue activities.

In the view of the evaluation team, the PDAP program on St. Lucia could effectively and easily shift from a direct advisor presence on the island to other forms of technical and financial support for the NDC. The NDC apparently has the institutional capability and manpower resources to carry out most PDAP functions, but claims to lack the resources to conduct promotional activities. The NDC would like to retain access to the PDAP investor search activity, although in practice even this function should be transferred to the NDC. There was no opposition voiced to the possibility of having no new advisor to replace the current advisor, although the latter's energy and contributions have been highly appreciated.

## ANTIGUA

In Antigua, the PDAP resident advisors have operated to date in something of a vacuum with respect to local institutions and capabilities for investment promotion. However, there are clear indications that a new, government sponsored investment agency may come to fruition in the near future.

The initial resident advisor, Jane Booker, served for about three years on Antigua. Upon her assumption of the role of team leader in Barbados in late 1985, she was replaced by Mary Lou Schram, who had previously worked in the PDAP investor search program in Washington. The initial advisor was first located physically within the Antiguan Ministry of Economic Development. Due in large part to office deficiencies, she eventually relocated the PDAP office in a separate space shared with the Antiguan Chamber of Commerce, with which PDAP works closely.

The role of the PDAP advisor has been divided between a wide range of activities, including assistance to foreign promotion missions, fielding inquiries of prospects, hosting incoming investors, arranging meetings, etc. In terms of division of labor, the PDAP function generally concentrates on identifying and hosting investors. At a certain point, the Ministry of Economic Development takes over to administer investment applications and approvals and the provision of fiscal incentives.

The PDAP advisors on Antigua have developed good working relations with government agencies, including easy access to high level officials. The advisors have not, however, been directly involved in policy reform, but rather have concentrated on breaking down barriers existing between the public and private sectors, which have been considerable in recent years. An aura of distrust has existed between the public and private sectors, due largely to concerns over actual or eventual political power of various coalitions. The PDAP presence is not viewed as a "private sector organization," but rather as an agency trying to do a job, and has thus

earned the trust of both sectors. The advisor's efforts to host incoming investors, smooth out red tape problems, and act as a "wet nurse" to new enterprises is seen as beneficial to all.

Antigua has no operational industrial development corporation or board, although enabling legislation has been on the books since 1954. However, based on work by a private (non-PDAP) consultant to the Minister of Economic Development, a proposal has been placed before the Cabinet to approve an invigorated industrial development corporation/board. The proposed role of the new entity will be to analyze investment proposals, manage industrial estates, provide extension services, and carry out investment promotion activities. The agency's board of directors will include wide public and private sector representation.

The quantitative results of PDAP on Antigua have been modest, and from a definitional standpoint have been overstated. Specifically, four new ventures listed as "success cases" by Coopers and Lybrand are in fact four separate subcontracts to the same electronics firm. The total employment generation figure for the four new "investments" is 100 jobs, whereas the electronics firm currently employs a total of 55 workers. The current jobs listed for another electronics firm is 130, whereas actual employment is in the 75-100 job range.

The PDAP investor search activity has provided leads for subcontracts by the previously mentioned electronics firm, and this was described as a valuable marketing service for which the investor would be willing to pay some 10-15 percent of contract values. In addition, the PDAP resident advisor has assisted local firms in their strategic plans and in securing financing.

As in most cases, the advisors have focused their efforts at hosting incoming investors and providing follow-up services to existing firms. Little attention has been given to institutional development, in part due to the absence of a local investment promotion organization. The advisor has not been actively involved in investment policy reform, and the policy

climate is described as relatively unchanged in recent years. However, those interviewed noted a pro-private enterprise shift in government attitudes.

The evaluation team feels that a continued PDAP presence on Antigua is warranted, but that the attention of the advisor should be shifted radically to institution building, particularly in efforts to encourage and accelerate the development of an industrial development corporation/board. The local advisor should probably be assisted by external forms of expertise and technical assistance, perhaps on a periodic basis, along the lines of PDAP assistance provided in St. Vincent.

## ST. VINCENT AND THE GRENADINES

St. Vincent and the Grenadines labor under the most distressed macroeconomic conditions of the Eastern Caribbean region. The lowest per capita income (U.S. \$760) and the highest unemployment rate (45 percent) of the region, along with the E.C.'s highest birth rate, have subjected the government to tremendous financial pressure.

PDAP's early involvement in St. Vincent was constrained by a political environment unfavorable to private sector development. The first PDAP advisor, Stuart McIntosh, was assigned to St. Vincent in 1983 from C&L's London affiliate. Given the relatively unfavorable investment and political variables during the advisor's early tenure, most of his efforts reportedly were devoted to undertaking investment promotion activities quite independent of the St. Vincent Development Corporation (DEVCO), with marginal demonstrable success at new investment and job creation.

DEVCO was officially formed in 1973 with a very broad mandate aimed at "facilitating, stimulating and undertaking the development of St. Vincent and the Grenadines." Nonetheless, DEVCO has until recently been almost exclusively preoccupied with its development banking responsibility.

PDAP retained C. Anthony Audain in October 1984 to undertake a special six month assignment aimed at reorganizing DEVCO. While many of Audain's recommendations have reportedly been implemented, his fundamental conclusion that DEVCO be devolved of its non-industrial development functions (e.g., development finance, tourism, and housing) has yet to be implemented.

DEVCO's board consists primarily of private sector representatives. However, the Permanent Secretary of the Ministry of Trade and Industry also sits on the DEVCO board. Board decisions are taken by a majority vote with the Chairman casting the deciding vote in the event of deadlock.

The DEVCO Chairman reports to the Finance Minister, who currently also holds the position of Prime Minister. Investment applications, however,

are reviewed by the Minister of Trade and Industry, and are sent to the Cabinet for approval. DEVCO, therefore, has little direct or formal authority over investment approvals. This structure obviously limits DEVCO's effectiveness as an investment development institution.

DEVCO's budget is also fundamentally constrained inasmuch as the corporation is to be self-financed through interest paid on its development loans, and through rent payments on industrial estate leases. Since DEVCO is judged to have a very poor loan collection record, and since St. Vincent suffers from inadequate DEVCO-financed factory space, the corporation budget has been only large enough to defray salary expenses for its staff of five professionals.

The DEVCO structure consists of three main divisions -- Industrial Estate Management (with responsibility for the construction and management of factory space); Investment Promotion (a function performed by default to date by the PDAP resident advisor); and Development Banking (an overwhelming DEVCO preoccupation with apparent poor effectiveness). In addition to DEVCO's General Manager, the corporation's professional staff consists of one industrial development advisor, one industrial development officer, one loan administration officer and one accountant.

Inasmuch as DEVCO devotes little attention to investment promotion activities, these functions command the nearly full-time attention of the PDAP advisor. In order to address St. Vincent's institution building needs, the PDAP program has retained Mr. Darcy Boyce as a consultant one week per month largely to assist in implementing the Audain DEVCO reorganization study.

Despite St. Vincent's poor macroeconomic performance, it does offer the lowest labor costs in the region. The minimum wage is U.S. \$0.63 per hour for male workers and U.S. \$0.48 per hour for female workers. Nonetheless, effective investment promotion and resultant job creation is constrained by a lack of factory space. The modest additional factory space expected to be completed by mid-year is already slated for full utilization by the expansion of existing investor operations. St.

Vincent's largest employer, St. Vincent's Children's Wear, will occupy 20,000 square feet of the 30,000 square feet of new factory space, enabling it to increase its current full-time work force of 190 by as much as another 200 jobs, as well as to more fully utilize or expand its current cottage worker force of 1,200.

It should be noted the PDAP's employment figures for St. Vincent are heavily skewed by current employment figures for the two investors whose operations predate the PDAP program (PICO -- 80 current jobs, and St. Vincent's Children's Wear -- 190 current full-time jobs and 1,200 cottage jobs). The evaluation team also questions the legitimacy of PDAP enumerating the 1,200 cottage industry jobs in the same manner as full-time employment. Correcting for these two factors, PDAP's employment generation success has been quite meager.

The evaluation team concludes that these results cannot be expected to improve until St. Vincent solves its infrastructure problems, especially the lack of available factory space, and improves its investment promotion institutional structure. Therefore, the PDAP program should, in the opinion of the evaluation team, severely restrict its investment promotion role and be relieved of meeting established job creation targets. Rather, its primary focus should be on institutionalizing investment promotion functions in DEVCO and reforming the government investment policy environment and structure.

BIBLIOGRAPHY: PDAP EVALUATION

PDAP I

"Project Identification Document." Agency for International Development, June 20, 1980.

"Project Development Assistance." Caribbean Regional Project Paper, Agency for International Development, 1983.

Select Internal AID Memoranda and Documents. 1980-1984.

Project Development Assistance Caribbean Region. Technical Proposal, Coopers & Lybrand, May 1981.

Harrison, Lawrence E., Bolin, Richard L., and Haywood, Robert, C. Evaluation of the Project Development Assistance Program. September 30, 1983.

Select Cost Analyses, Coopers & Lybrand, 1984.

Advisor Activities Within the Region and Elsewhere. PDAP Annual Report, Volume II, Coopers & Lybrand, 1982.

Investor Search and Home Office Technical Assistance Activities. PDAP Progress Report, Coopers & Lybrand, July 31, 1982.

PDAP II

"Cost Reimbursement Type Contract." Agency for International Development, November 1, 1984.

Investment Promotion. PDAP Follow-On Project Technical Proposal, Coopers & Lybrand, July 27, 1984.

Select Coopers & Lybrand Documents on PDAP II Management and Results, 1985-1986.

PDAP Country Matrices - By Industry. March 1985.

An Economic Analysis of the Eastern Caribbean as an Offshore Production Site. Coopers & Lybrand, February 6, 1986.

Status Reports, PDAP Washington. August 1985 - January 1986.

PDAP Progress Report. Coopers & Lybrand, July 15, 1985.

Draft Country Action Plans. PDAP II, March 28, 1985.

Draft Country Action Plans. PDAP II, March 1986.

An Investment Targeting Analysis for Seven Caribbean Countries. Coopers & Lybrand, October 1985.

Investing in the Caribbean. Select Promotional Materials, Coopers & Lybrand, undated.

APPENDIX

Company: \_\_\_\_\_ Executive: \_\_\_\_\_

Telephone: \_\_\_\_\_

SURVEY QUESTIONNAIRE FOR PDAP INVESTORS

I. Introduction: We are conducting an evaluation of the AID sponsored program to stimulate private investment in the islands of the Eastern Caribbean. This so-called PDAP program is managed by the accounting firm, Coopers and Lybrand. We understand that your firm has undertaken an investment in the region. We would like to ask you a few questions to verify your firm's involvement in the region, and how your interest evolved.

II. History of Involvement

1. What caused your company to begin to explore offshore investment possibilities? \_\_\_\_\_  
\_\_\_\_\_

2. What countries did you consider? \_\_\_\_\_  
\_\_\_\_\_

3. Do you have other offshore operations? \_\_\_\_\_  
If so, where? \_\_\_\_\_

4. When did you first become interested in the Eastern Caribbean as an investment site? \_\_\_\_\_  
\_\_\_\_\_

5. By what means did you hear about the Eastern Caribbean as an investment site? \_\_\_\_\_  
\_\_\_\_\_

6. What factors attracted you initially to consider investing in the Eastern Caribbean?

Low cost labor \_\_\_\_\_

Stable government \_\_\_\_\_

Proximity to U.S. \_\_\_\_\_

CBI preferences \_\_\_\_\_

No quotas \_\_\_\_\_

Investment incentives \_\_\_\_\_

Other: \_\_\_\_\_

7. Are there factors which initially caused some concern as possible investment problem areas?

Small labor pool \_\_\_\_\_

No techn./middle management \_\_\_\_\_

Strong unions \_\_\_\_\_

High wages \_\_\_\_\_

Poor transportation \_\_\_\_\_

Lack of factory space \_\_\_\_\_

Other: \_\_\_\_\_

8. Were you attracted to the region in general, or any particular island? \_\_\_\_\_

\_\_\_\_\_

If you were attracted to the region, how were you directed to your eventual site? \_\_\_\_\_

9. How would you describe the development of your interest in the investment site? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

### III. Investment-Related Information

10. What is the nature of your investment?

Industry: \_\_\_\_\_

Direct investment, joint venture or contracting: \_\_\_\_\_

\_\_\_\_\_

Location: \_\_\_\_\_

Product Lines: \_\_\_\_\_

11. How would you describe the current status of your project?  
Pre-implementation phase: \_\_\_\_\_  
Start-up phase: \_\_\_\_\_  
Fully operational phase: \_\_\_\_\_  
Other: \_\_\_\_\_:

12. What is the size of your workforce?  
Currently: \_\_\_\_\_  
Projected: \_\_\_\_\_

13. Approximately what are the numbers of employees in the following categories?  
Production workers: \_\_\_\_\_  
Supervisory/Mgt. staff: \_\_\_\_\_

14. What is the amount of capital invested?  
Currently: \_\_\_\_\_  
Projected: \_\_\_\_\_

How would you describe the form of your capital invested (e.g., plant and equipment, financial, etc.)? \_\_\_\_\_

15. Did your investment require the placement of one or more expatriates at the site? \_\_\_\_\_

Did this effect your investment decision? \_\_\_\_\_

16. When did or will your investment become fully implemented?: \_\_\_\_\_

V. Role/Activities of Coopers & Lybrand (PDAP) Staff

17. When did you first become acquainted with Coopers & Lybrand staff? \_\_\_\_\_ Who? \_\_\_\_\_

18. Did you receive written materials (brochures, etc.) on investment prospects and procedures? \_\_\_\_\_

If so, how did you obtain these materials? \_\_\_\_\_

Were these materials adequate to your needs? \_\_\_\_\_

If not, why not? \_\_\_\_\_

19. What kinds of assistance, if any, did you ask of the Coopers staff?

Additional Information: \_\_\_\_\_

Site Visit Assistance: \_\_\_\_\_

Meetings Arrangements: \_\_\_\_\_

Approvals Assistance: \_\_\_\_\_

Other: \_\_\_\_\_

20. Among the four following categories, how would you describe the assistance provided to you?: Timely and relevant, sufficient to your needs, modest assistance, or negligible?

21. How would you characterize the professional capabilities and business acumen of the Coopers staff?: Highly professional, adequate for your needs, or inadequate?

22. Were you positively impressed with the abilities, attitudes, and levels of interest of the Coopers staff?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

23. Did you have any negative impressions of the Coopers staff? If so, please explain: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

24. In what ways do you feel the assistance provided to you could be improved? \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

25. Has the Coopers staff provided you with post start-up assistance? \_\_\_\_\_ At whose initiative?

\_\_\_\_\_ What forms of assistance? \_\_\_\_\_  
\_\_\_\_\_

V. Conclusions

26. How would you compare the investment promotion and support activities provided by Coopers with those you have encountered elsewhere? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

27. Upon reflection, do you feel your firm would have invested in the Caribbean Basin regardless of the presence of the Coopers staff and its assistance to you? \_\_\_\_\_

In the Eastern Caribbean? \_\_\_\_\_

Was it essential to your investment decision? \_\_\_\_\_

28. Have your expectations concerning the operating conditions for your venture been met? \_\_\_\_\_

If not, how have operating conditions been either better or worse than you expected? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

29. Does your firm plan to maintain its investment in the region indefinitely? \_\_\_\_\_ If not, how long do you think the venture will be maintained? \_\_\_\_\_

30. Is your company considering any business expansion in the region? If so, please discuss. \_\_\_\_\_  
\_\_\_\_\_

31. Compared to your company's other overseas investments would you regard your operation in the Eastern Caribbean as: Highly successful, moderately successful, marginally successful, or unsuccessful?

## PART I - THE SCHEDULE

### Section C, Description/Specifications/Work Statement

#### STATEMENT OF WORK

##### 1. The Scheme

On September 28, 1981 the AID Regional Development Office/Caribbean (RDO/C) located in Barbados initiated the PDAP Project through a US\$4.9 million contract with Coopers & Lybrand (C&L) to provide three years of technical managerial, and administrative services to assist the governments and private sectors of the Eastern Caribbean to identify, design, and implement development projects which promote productive employment. This contract called for the assignment of five long-term resident advisors to the LDC islands (St. Vincent, St. Lucia, Dominica, Antigua/Montserrat, St. Kitts) of the Eastern Caribbean with team leader resident in Barbados; up to 180 person-months of short-term technical assistance, supporting the resident advisors in their project identification and design work; a one-man, three-year investor search operation in the contractor's Washington, D.C. office, disseminating advice on the availability of investment opportunities to U.S. and other free world business communities; and administrative support for the team leader, each resident advisor, and the Washington-based operations. End of project results were expected to include five new development projects in each country (two for Montserrat) totalling at least \$30 million and generating at least 3,000 jobs, and a series of sector or policy studies for the participating countries.

A number of factors came to bear upon the success of the program:

a. Significant differences between the islands in the original group of PDAP countries, a situation complicated by the inclusion of Belize in 1982 and of Grenada at the beginning of 1984;

b. The many areas of competition between the islands, evident in the development of competitive projects operating in the Caricom market, the OECS industry allocation scheme, and the view taken of the PDAP countries by foreign investors;

c. The absolutely small size of the private sector in each of the countries concerned, and the focus of private sector activities on import/export and other commercial activities rather than manufacturing;

d. The inexperience in manufacturing of local entrepreneurs who seldom sold outside the Caricom market. Where companies were able to develop a viable business on the basis of the Caricom market alone, it was generally as a result of the protection offered by tariffs and other barriers to international trade, and remained constrained by the small size of the Caricom market;

e. The embryonic level of development of many of the private sector institutions and associations in the region, and their limited capability to respond to the needs of their membership; and

f. The surprising degree of isolation, both in physical terms and from the flow of ideas, which private sector companies in the Eastern Caribbean experienced.

As the contract was carried out, Belize and Grenada were added to the list of recipients; work quantities within the contract were increased; and the AID private sector strategy began to focus on the creation of employment and exports, with earlier public-sector and institution-building objectives superseded by technical directions driving PDAP towards the promotion of new private investment and offshore contract work. With this shift of focus it was possible for PDAP to help fulfill wider RDO/C policy objectives intended to encourage Caribbean governments and public sector institutions to recognize the benefits of a more active and successful private sector.

In late 1984, after a formal competition, Coopers & Lybrand was awarded a follow-on contract (PDAP II) which will run through October, 1987, with an optional extension through 1989. PDAP II follows substantially the final form of the first contract, continuing the model of resident advisors on participating LDC islands (now six), the team leader in Barbados and the Washington-based investor search which now has a staff of three full-time and several consultants plus representation in the Far East and Europe. PDAP II intensifies the focus on the creation of employment and exports, and resurrects the goal of developing indigenous institutions able to carry on an effective investment promotion operation after PDAP is completed. Specific outputs called for in PDAP II are the creation of 12,000 jobs in three years; an expansion of extra-regional exports in traditional and non-traditional products; and the establishment of local private, public, or mixed institutions to foment employment through the mobilization of private sector forces. The total cost of PDAP from 1987 will exceed US\$13 million.

## 2. Results to Date

PDAP resident advisors have been working with the public and private sectors of each of the LDCs and while each advisor has a slightly different role, the PDAP presence is important in the investment promotion efforts of each country. The resident advisors are linked with the investor search at trade shows, business seminars and conferences, industry-specific promotional tours, and by contact with the C&L client base. As an extra-contractual benefit, PDAP's local presence and knowledge have facilitated the overall AID program in these islands. However, investments have not been attracted at a rate sufficient to yield the agreed employment and export targets.

An independent evaluation in September, 1983 presented this general conclusion:

"We consider PDAP a promising approach to investment promotion, well adapted to the special needs of the small islands of the Eastern Caribbean and Belize. Alternative approaches are theoretically possible but in the real world of these islands and Belize, there does not appear to be any viable alternative, at least in the short run, to a team of resident advisors hooked into an international promotion network".

At this point, two and one-half years later, RDO/C wishes to re-examine this conclusion. Acknowledging the negative features of this region -- most notably infrastructure shortfalls, especially in factory space and electric power, and transportation costs -- and the difficulties these pose for investment attraction, RDO/C wishes to evaluate the validity of the PDAP model in its Eastern Caribbean setting. This will necessarily call for evaluation of the performance of the C&L in implementing the model, although that exercise is secondary to the purpose of evaluating the model itself.

## 3. Scope of Work

### a. Purpose

The purpose of this evaluation is twofold:

i) To estimate the utility and cost-effectiveness of the PDAP model, as it evolved in the later stages of PDAP and is expressed in the contract covering PDAP II, in bringing about increased levels of employment, exports, and institutional capacity; and

ii) To recommend changes in the model or the way the model is implemented which may enhance its effectiveness, efficiency, and economy. Recommendation of "no change" or "termination" may also be presented.

### b. Tasks

In evaluating the performance of the contractor in the execution of PDAP, the contractor will examine the PDAP management structure and operational procedures. This examination should include, but need not be limited to, the following:

- i) Examine the working relationships between the C&L's Washington office, the resident advisors, the team leader's office in Barbados, and RDO/C;
- ii) Assess the performance of management in integrating field and U.S. based activities, supervision of project personnel, and cost control;
- iii) Appraise the content and usefulness of the C&L's reporting and documentation to AID.

The contractor will examine performance in investment project development and investor search, including but not limited to the following lines of inquiry:

- i) The number of investment prospects brought to the negotiation or approval stage;
- ii) The effectiveness of the investor search system in identifying prospects for local investment; and
- iii) The appropriateness of the investments realized to each country's economic development.

The contractor will also examine performance in institution-building, in this instance the process of creating and/or strengthening local capabilities in investment promotion. This inquiry should focus on the PDAP II period, look to the training and technical assistance provided in each country, and should appraise the capability and potential of the local organizations assisted.

These examinations will be carried out through reviews of documentation in Washington and Barbados, and interviews in the U.S. and the Eastern Caribbean with a wide range of individuals and organizations involved in PDAP.

The contractor will interview: individuals in AID/Washington who participated in the conceptualization, initiation, and implementation of PDAP; AID/W staff presently interested in PDAP; Coopers & Lybrand/Washington staff and consultants involved in PDAP; U.S. companies which used PDAP assistance and located in the Eastern Caribbean; U.S. companies which used PDAP assistance and did not locate in the Eastern Caribbean; and Eastern Caribbean businessmen and government officials; and will investigate such other sources of information relevant to international investment promotion in the Eastern Caribbean as they consider necessary. The names of individuals, companies, and government offices with whom interviews may be requested will be provided to the Contractor by RDO/C. RDO/C also will provide the contractor with copies of the investment promotion and export development (IPED, Project 538-0119) project paper, which includes a history of PDAP, the evaluation of 1983, and the RFP of 1984 containing the scope of work for PDAP II. The Contractor will have unrestricted access to RDO/C files on PDAP.

In evaluating the effectiveness of the PDAP model in the Eastern Caribbean, the contractor should compare and contrast it with other models, and examine the relative benefits and costs of PDAP versus other approaches taken in high-unemployment, distressed areas that need investment capital as well as jobs; and should reach a judgement as to the degrees to which C&L's performance allowed for the realization of the job creation and export creation effects that the PDAP model could provide.

Findings will cover the performance of the C&L; the exogenous conditions bearing on the possibilities of success; the theoretical potential and the realized results of the PDAP model; and such other findings as the contractor considers relevant.

Recommendations may touch on changes in the model or in the way the model is implemented, e.g. the basic methodology, the C&L management, staff and assignments; interaction with AID; and other recommendations the contractor considers relevant.

While a consensus of findings and recommendations would be persuasive, it is not required; individual and dissenting opinions will also be welcome.

#### 4. Schedule

The evaluation will be carried out in three stages by a team of three consultants, two of whom will be provided by SRI International. Coordination with the other team members will be the responsibility of SRI International. Implementation will be during the period from March 31 through May 2 approximately as follows:

- a. March 31 - April 18, ten working days.

The team interviews AID, Coopers & Lybrand, and businesses in the United States as described above.

- b. April 21 - 26, six working days.

The team travels to Barbados; plans and carries out such field investigations throughout the PDAP islands as are deemed necessary; and prepares a memo summary of preliminary conclusions and recommendations.

- c. April 28 - May 2, five working days.

The team delivers memo to RDO/C; discusses with RDO/C their preliminary conclusions and recommendations; and delivers the final report to RDO/C on May 1, departing on May 2.

#### 5. Report

The report will present the consultants' findings as to the utility and cost-effectiveness of the PDAP model in bringing about increased employment, exports and institutional capacity; and their recommendations as to change in the model which may enhance its effectiveness, efficiency, and economy.

The following report format is suggested:

a. Executive Summary

Purpose of the evaluation, evaluation methodology used, findings, and recommendations.

b. Execution of the Evaluation

The scope of work, the evaluation team and their qualifications, and how the evaluation was done.

c. Findings and Recommendations

Detailed review of findings and recommendations. This also will include a discussion of factors found to be critical to PDAP's success; lessons learned; and the consultant's impressions of the development impact, potential and realized, of PDAP.

End of Section C

CHARLES BLANKSTEIN  
ASSOCIATES, INC.  
204 North Spring Street  
Falls Church, Virginia 22046  
(703) 237-6996

July 3, 1986

Gerrit Argento  
Private Sector Division  
PDD/C  
Bridgetown, Barbados

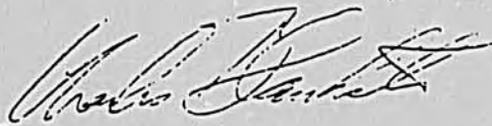
Dear Gerrit:

Enclosed is the PDAP Evaluation paper per our telephone conversation. I have also enclosed separately a "citations" sheet. In drafting the main evaluation report, it became apparent to me that detailed references to the underlying documents would be desirable. Given the detail in the main report, it was not clear that an extensive separate citations sheet would be necessary. If the report and the enclosed citation does not meet Peter's needs, I will expand it.

I am concerned about getting this material out lest it languish over the July weekend, so I will not comment here on the work. I am, of course, prepared to provide additional supporting information if any questions arise.

I do wish to convey to you and through you to other interested people in PDD my appreciation for the interest, support, and time PDD/C has given me in this effort.

Very truly yours,



Charles Blankstein

Evaluation of the Project Development Assistance Program (PDAP)

Submitted to:

AID Regional Development Office/Caribbean  
Bridgetown, Barbados

by

Charles Blankstein Associates, Inc.  
204 N. Spring St.  
Falls Church, Virginia 22046

June 30, 1986

## Table of Contents

Table of Contents.....	1
Executive Summary.....	2
A. Progress Toward Project Objectives.....	3
B. Project Design.....	5
C. Implementation of Project Components.....	6
D. Why was project implementation unsatisfactory?.....	9
E. Recommendations.....	10
Evaluation Report Main Text.....	12
A. Background, Viewpoint, and Relationship of This Report to the SRI Evaluation Report.....	12
B. Definition of the PDAP Model.....	14
C. Findings: Progress Toward Project Objectives.....	15
1 Project Purposes and Contract Objectives.....	15
2 Employment Generation.....	17
3 Institutional Development.....	19
4 Conclusions.....	21
D. Findings: Project Design.....	21
E. Findings: Implementation of Project Elements.....	22
1 Information System.....	22
2 Country Action Plans.....	24
3 Investor Search and Information Services.....	24
4 Island Resident Advisors.....	26
5 Contractor Management.....	26
F. Findings: Implementation Dynamics: Why PDAP Went Astray.....	29
G. Cost Effectiveness of the PDAP Model.....	32
H. AID Management Issues.....	35
1 Staff Resources for Implementation.....	35
2 Effect of Procurement System on Project Implementation.....	35
3 Increasing AID Dependence on Voluntary Contractor Conformity with AID Values.....	36
I. Conclusions and Recommendations.....	37
J. Lessons Learned.....	39
Annexes	
1. Evolution of the PDAP Model.....	41
2. Features of the PDAP II Contract.....	43
3. Analysis of available data on contractor performance.....	45
a. Jobs created and forecast employment.....	46
b. "Success story" data.....	47
c. Promotion activity data.....	48
d. Sources of leads.....	48
e. Contractor client and office participation.....	49
4. Information System: Financial Data Requests and Responses.....	50
5. Information System: Project Performance Data Responses.....	65
6. Bibliography.....	76

## EXECUTIVE SUMMARY

The "PDAP" program is the centerpiece of the AID Regional Development Office/ Caribbean private sector development program. PDAP is intended to stimulate employment, exports, and private investment by means of promotion by a U.S. contractor of investment in the region and by developing the capability of Eastern Caribbean (EC) public and private sector institutions to generate employment.

The PDAP program involved two projects: the Project Development Assistance Project or "PDAP I" (originally authorized with \$4.6 million LOP funding in December, 1980) and its follow-on Investment Promotion and Export Development Project or "PDAP II" (\$8 million LOP authorized in 1984). The two PDAP projects have been implemented under separate contracts with Coopers and Lybrand each following full competitive procedures. The current contract will run out of funds about 16 months before its estimated completion date of October 31, 1987. Expenditures recorded as of February 28, 1986 equaled \$11,838,178.

While the project has promoted some investment and employment, it has fallen far short of its objectives in all areas. The defects in the implementation of this project are significant not only because of the intrinsic importance of PDAP in the Eastern Caribbean Regional program but also because the PDAP experience illustrates a number of problems associated with AID programming to promote private enterprise; USAID management of contractor operations in an environment of declining staff levels; and the costs imposed by rigid procurement procedures.

Presenting the findings of this evaluation poses a dilemma for the writer. There are valuable lessons to be learned in the fine grained detail of the project, the subtle interactions of project components in implementation, and the effect of perhaps unintended practical constraints placed on AID managers by the current environment of regulations and policy. But communicating fine grained detail however pregnant with potential interest and utility presumes much with respect to the reader's patience. Further, PDAP presents some unique problems. It is a very complicated program. The inadequacy of data on what has happened in the project and why has impeded evaluation. (Indeed, the failure of the contractor to comply with its undertakings with respect to management information is considered to be a critical defect in project implementation.) The conjunction of complexity and poor data invites excessive explanation and extensive use of the subjunctive mode. Thus it is difficult to be simultaneously precise and concise in this document. As the writer must often elect relative brevity, he would welcome the opportunity to support his findings and conclusions in more detail as well as to correct any errors.

42

## Major Findings

### A. Progress Toward Project Objectives

PDAP has two major objectives: generate employment and develop capacity in the Eastern Caribbean country public and private sectors to generate employment. These objectives were specified in the contractor's technical proposal and incorporated into the contract:

Jobs: 19,000 by October 1987 (7000 attributable to PDAP I, 12000 to PDAP II)  
Institutional development: "effective local development agencies in each of the participating countries by the end of the program"

#### 1. Employment generation

Assessing performance in the employment generation area is complicated by poor data and confusing claims. The contractor claimed as of May 15, 1986 the following "employment generation...which (has) resulted from PDAP promotional and follow up activities":

current employment.....3668  
 forecast employment.....7565  
 "past peak" employment....5598

These figures are subject to serious question on a number of grounds:

1. The causal connection between contractor activity and investment, while clear in a number of cases, is doubtful in many others. (Of the 25 respondents to a SRI survey of all 70 PDAP "success" claims, only 6 indicated that PDAP was crucial to the investment decision. Sixteen of the 25 said the investment would have been made without regard to PDAP's efforts. In depth interviews by CBA in the islands corroborate SRI's survey findings and suggest that only investors considering their first overseas investment find PDAP essential.)
2. The number of jobs attributable to PDAP investment promotion activity seems to be overstated. Under the contractor's single function measurement approach, marginal PDAP contributions are translated into major employment creation achievements. For example, the contractor has claimed credit for some 1400 jobs in St. Vincent (equivalent to 38% of 3668) in connection with a firm whose investment predated PDAP. (PDAP may well have rendered useful post-investment assistance to the investor, but the claim of 38% of total project employment creation for post-investment services which the investor might well have sought elsewhere if PDAP had not been available seems questionable.)
3. The contractor aggregates different kinds of jobs in a single "employment generation" figure. Many jobs generated are by definition temporary, such as construction jobs or work on specific contracts. Other jobs are variable in duration and income, such as cottage industry activities. Some investments are candidly characterized by their owners as temporary operations. The "quality" of a job in terms of permanence, income, training, and other factors makes a difference. The contractor has not recognized the difference by generating relevant data.

4. Since the contractor failed to collect and maintain data on on-going employment in the past, "past peak" employment is difficult to assess. Possibly more useful information such as total payrolls or work days in jobs generated by PDAP was not collected.

5. The contractor's employment forecasts have been consistently unrealistic since the inception of the project.

Quantitative targets were not set for numbers of investments as such. As of April, 1986, the contractor claimed seventy "successes" (defined as commitments to invest or to subcontract with EC firms) over the life of the PDAP project.

It seems clear enough that the employment generation target was too high. The contractor apparently thought it understood the investment problem well enough to promise what it could not in fact deliver. Unfortunately from a developmental point of view, it is not clear what the contractor has learned about the investment problem to improve its performance and to help the West Indians learn how to promote investment after PDAP ends.

## 2. Institutional development

The PDAP project contemplated and the contract specified a wide range of activities to be carried out in the islands to improve the environment for private enterprise. The term "institutional development" is used in this report to refer not only to building the capacity of local public and private agencies as such to carry out employment generating promotional activities but also to refer more generally to encouraging improvements in the business environment through improved policy, infrastructure, and services.

Individual island advisors have provided "institutional development" services over the life of the project. The impact of these services is difficult to specify much less quantify, but clearly some of the advisors have had a positive effect on local business environment. Unfortunately, formal systematic efforts at institutional development coordinated with local government agencies and RDO/C did not take place. There seem to be two major reasons for this. First, the contractor failed to carry out its obligations with respect to development of acceptable CAPs (and thus management control and understanding at both contractor and RDO/C levels as well as local government coordination was undercut.) Second, the balance of direct contractor promotion with institution building contemplated by the PDAP II contract was apparently abandoned albeit informally in order to lay heavy stress on direct contractor investment promotion.

Failure to sustain a project-wide, vigorous, and systematic effort at institutional development has had serious consequences. The goal of establishing "effective local development agencies in each...country...by the end of the program" to carry on PDAP's functions cannot be achieved within the contract term much less within the funding remaining. Worse, PDAP's high-cost, low-productivity, expatriate staffed investment promotion system is unlikely to be either sustained by the EC countries with their own financial resources or replicated by them with their own people.

### 3. Conclusions with respect to progress toward project objectives

The contractor lost sight of the institutional development objectives of the project in its efforts to pursue its self-proposed but wholly unrealistic employment generation goals. Little has been done to prepare West Indians to carry on the work; the project has not developed methods of promotion appropriate for use by EC institutions; and AID has learned little to illuminate future efforts at investment promotion to generate private sector employment generation. Furthermore, direct employment generation results have been, at best, unimpressive - and there has been no dividend in information to help understand why results were limited.

Quantitative measures of performance and cost effectiveness of project performance are seriously hampered by the poor data base developed by the contractor. The deemphasis of institutional development, and therefore of benefits which might have been generated thereby, places the entire burden of the cost of the project on employment generation. The analysis in the text of this evaluation (based on the contractor's claim of 3668 jobs created) suggests a project cost per job promoted of \$3544; an aggregate annual payroll generated of about \$4,500,000, and aggregate life of jobs promoted payroll of about \$13,000,000, roughly in the range of total project cost. Other approaches and varied assumptions could generate figures significantly higher or lower. The key point with respect to cost-effectiveness is that if the project generates only job creation benefits rather than substantial institutional development benefits as well, short term expatriate service costs tend to overwhelm employment benefits. The higher the ratio of expatriate to local personnel, the more that tendency is reinforced. It is difficult in retrospect to identify a set of assumptions which would have justified the approach the contractor took given the resources available.

#### B. Project Design

Most projects encounter difficulties in implementation. Once the development problem to be addressed is understood and appropriate mechanisms and resources are provided to address the problem, the key factor in design is to assure that the project is to provide a means to monitor what is happening in the implementation process and why (an information system) and a method for guiding activity and making changes to adjust to emerging requirements, problems, and opportunities (a management control system). The PDAP project concept seems to have met these requirements.

Major features of the PDAP project design include:

- full time advisors resident on each of seven Eastern Caribbean islands
- a Washington based staff to carry out investor search and information services
- the contractor's project manager based in Barbados to facilitate management of field personnel and access to the assisted countries and RDO/C
- a management control system based on an annual Country Action Plan (CAP) for each island to provide:
  - direction and documentation of resident advisor activity;
  - analyzed and agreed upon understanding of local constraints, objectives, and strategy;
  - specification of policy and resource commitments of EC governments;
  - variation in country programs and flexibility for PDAP within broad project framework to tailor operations to unique needs of each country.
- an information system to provide contractor and RDO/C management with timely data on inputs, outputs, and indicators of project achievement

The original project design appears to be sound. The project as a whole contemplated a reasonable balance of short term (direct job creation) and longer term (institutional development) benefits. The information and management control systems which were called for by RDO/C, proposed by the contractor, and contracted for would be reasonable and adequate for the task - had they in fact been implemented. The project permitted the flexibility needed for any redirection required. In short, the design was reasonable. The problems of this project resulted from faulty implementation, not project design.

### C. Implementation of Project Components

There are a variety of implementation problems of varying degrees of significance in the PDAP project. Two are crucial because they obstructed implementation problem recognition and correction:

- Failure to implement an adequate information system
- Failure to develop Country Action Plans complying with stated requirements

#### 1. Information system

The information system called for under the contract to support monitoring and management control of the project is seriously flawed. Tests of system's capability failed to produce accurate and timely information on project performance, impact, and costs. Data on many important characteristics of project performance and experience was not gathered at all. Thus effective monitoring, self-correction within the project, and learning from PDAP experience have been hindered.

#### 2. Country Action Plans

The key to project management in the PDAP design is the annual Country Action Plan. Developing the plan is a primary responsibility of the island advisor. It includes the advisor's scope of work; identifies industrial policy problems objectives and strategies; provides a vehicle for policy dialogue with island government and private sector interests; specifies government and private sector commitments of personnel and other resources; training and technical assistance services required; budgets required; and achievements expected. The CAPs are to include "frameworks for change and institutional development...specific to local conditions".

The contractor's performance in development of these crucial CAP documents has been unsatisfactory. Indeed, RDO/C has never accepted any proposed CAP. While draft CAP submissions for 1986 were apparently taken more seriously by the contractor than the 1985 efforts, they still fall far short of the project's CAP concept.

The CAP ties together project strategy, advisor activity, local private and public sector commitments, use of project resources, higher management control, and RDO/C monitoring. Absent this strategy and coordination mechanism, it is hardly surprising that progress toward project objectives was limited.

### 3. Investor search and information services

Several problems are noted with respect to the Washington-based investor search and information effort. The search operation made 6618 investor contacts which led to visits to the region by 253 potential investors of which 70 made commitments to invest or contract. A report by SRI International suggests that the large number of contacts and relatively few visits and investments implies ineffective targeting of promotional effort. Costs of this operation were estimated to run approximately \$100,000 per month. This kind of operation is unlikely to be maintained by EC governments after PDAP financing ends. The project has not trained a significant number of West Indians to do investor search work. Nor has it developed an "appropriate technology" of investor search for EC use or explored with EC governments a post-PDAP approach to promotion which strikes an acceptable balance between regional and individual island interests. In short, the PDAP investor search scheme is an expatriate operation with little or no effort to define a technically feasible and politically acceptable post-PDAP approach to the problem.

Information services provided by the contractor's Washington staff have provided useful services to PDAP advisors and through them to some U.S. investor and EC private sector clients of PDAP. As investor search and information are overlapping staff activities in the current PDAP operation, it is impossible to distinguish costs and benefits of search and information services. This approach presumably contributes efficiencies to the contract but it may also lock PDAP into a high cost institutional arrangement which may be inappropriate for post-PDAP information services activity.

### 4. Island Resident Advisors

Generally speaking the resident advisors are dedicated, intelligent, hard-working, well liked by their clients, and reflected well on RDO/C and the USG. While a few individuals hired did not meet the demands of the job and were replaced, the island advisors have functioned well individually and, through extensive networking among themselves and with Washington, as a group. In short, in the absence of sound management direction to carry out the project as designed, the field people did a good job of making themselves useful and some did an outstanding job of "free-style" investment promotion.

Advisor activity was heavily focused on assistance to foreign investors. The extent of incidental institutional development services rendered varied from island to island according to the skills and interests of the advisors and receptivity of local people. Apparently, institutional development and "policy dialogue" matters were not addressed systematically on any island.

It is not clear that the current island advisor model with its intense networking, disinterested promotion of the region without regard to island of residency, and level of credibility to foreign investors will be applicable to future West Indian promotion efforts even if some level of inter-country cooperation is feasible. Like investor search, the expatriate island advisor model of regional promotion may have very limited relevance to a post-PDAP environment.

## 5. Contractor Management

Contractor supervisory management has been faulty with respect to:

1. assuring sound implementation of management procedures called for in the project, specifically:
  - a. the annual Country Action Plan;
  - b. the project monitoring system; and,
  - c. the form, utility, and timeliness of reporting
2. maintaining effective managerial relationships between levels within the contractor organization;
3. assessing and assuring the efficiency and cost effectiveness of investor search and information services;
4. providing and assuring compliance with contract provisions, AID regulations, and overall project objectives as reflected in project documentation.

As a result of these problems, questions have been raised concerning a number of issues including the appropriate management structure for the project, the relationship of the contractor home office with the team leader in the field, the elimination from contract implementation of subcontractors proposed as institutional development experts, the related capture of level of effort and related overheads in project funding, and related organizational issues.

Clearly any management scheme for the project should incorporate provision for compliance with AID regulations. But it is by no means clear that tighter headquarters control would have led to a more developmentally oriented strategy or greater knowledge and sensitivity to local West Indian needs and concerns. This evaluator would argue that the overriding management problem is the need to make the project development-oriented rather than expatriate performance oriented. This may require a somewhat different mix of knowledge, experience, and skills than the project has incorporated.

## 6. Conclusions on Components

The energy, intelligence, and skills of staff helped to mitigate the effect internal disputes, audit problems, and the weakness of contractor management understanding of the significance of institution building in the project. Nonetheless, the developmental aspects of the project were seriously constrained in order to focus efforts on investment promotion - a strategy which would have been questionable even if it had been successful in rapidly generating a great deal of investment and employment. In fact, it was not notably effective.

The project should help to develop methods and organizations to carry out investment promotion after PDAP ends. Direct promotional efforts by contractor staff should illuminate the road the West Indians must pursue, not substitute for local initiatives.

D. Why was project implementation unsatisfactory?

There are a multiplicity of subtly interacting factors which may have contributed in various degrees to disappointing results in PDAP to date, among them:

- the contractor committed to an unachievable employment target and then distorted the program in a vain effort to produce a large number of jobs

- serious problems of field compliance with AID regulations were discovered in an internal audit - as a result:

- management attention was focused on compliance issues rather than project performance

- the center of gravity of contractor management shifted from a Barbados based team leader manager with extensive experience in the EC to the contractor's Washington office where understanding of the project may have been limited

- possibilities for internal self-correction of the project's defects became more difficult in a charged corporate environment while management focused on non-substantive issues"

- the pattern of subcontractor participation in the project was changed resulting in a loss of development experience and influence on the contractor:

- institutional development subcontractors originally proposed by the contractor were largely eliminated from project implementation

- subcontractors which were used were for the most part firms either affiliated with or heavily dependent for business on the contractor

- failure to implement the CAP process properly had the practical effect of eliminating the necessity to test the contractor's approach against the realities of country reactions and thus also weakened the influence of West Indians on project strategy

- the approach to gathering information for monitoring purposes failed to identify emerging problems

- contractor management apparently believed in all good faith that project performance was going well apart from the audit problem

- the distribution of personnel in the project tended over time increasingly to reflect contractor and Washington search staff and decreasingly people with different backgrounds such as people from other firms, people with development backgrounds, and people with more experience generally

- the corporate culture of contractor and internal behavioral imperatives may have tended to encourage activities which were counterproductive to achievement of some project objectives

After the fact, one might question why RDO/C did not take action to correct the situation sooner. Again there are many interacting factors which obscured the situation and made the effort to "work through the problem" with the contractor a reasonable management decision even when viewed in retrospect.

- information coming to RDO/C from the contractor was optimistic albeit inaccurate

- extremely heavy staff workloads did not allow the time to investigate the situation adequately

- personnel changes resulted in a loss of institutional memory and to some degree "wiped the contractor's slate clean"

- the audit problem and related internal contractor management issues became a primary focus of attention - in consequence, the nearby black cloud of the audit obscured from RDO/C's vision the larger, but more distant grey cloud of weak performance

- some decisions were made which were entirely reasonable in isolation but did not get the desired results (specifically, RDO/C decided in the fall of 1985 not to insist on revised 1985 CAPs but rather directed the contractor to focus on preparing acceptable 1986 CAPs in a timely manner - unfortunately the 1986 CAPs were also unacceptable and still not approved as of this writing)

- the alternative to working through the problem with the contractor was to reprocur - a costly effort which would lose whatever momentum the project had

- the contractor's performance appeared to improve at least somewhat in early 1986

Declining staff ceilings and increasing program levels mean as a practical matter that missions must increasingly depend for implementation and oversight in development operations on the knowledge, experience, and professional skills of contractors. If the necessary development skills and orientation are not available, it is difficult for AID field staff to compensate. Even when serious performance defects are recognized, the difficulties posed by the procurement system in effecting change are a compelling constraint against resolute managerial action.

#### E. Recommendations

A number of detailed recommendations have been presented in separate memoranda generally in the context of current operating constraints. The following statement of recommendations is intended to address a few key issues in a broader perspective.

1. The PDAP "model" as designed provides a sensible overall structure for the pursuit of project objectives given the peculiarities of the Eastern Caribbean situation. Needed improvements in the design can be accomplished within the existing project structure. There seems to be little reason to terminate the project and many reasons to continue it assuming improvements in effectiveness and cost efficiency which appear to be within reach.
2. The PDAP "model" as implemented by the contractor lacks a sense of development orientation. It has become largely expatriates doing things for West Indians. If the project had had the massive employment generation effect the contractor promised, the benefits might have justified the heavy expatriate personnel costs experienced. While reasonable people can differ about how much employment was generated and how much is fairly attributable to PDAP staff, it is clear that the employment impact has been limited in many respects, institution building has been minimal, and the cost has been very high. "Milking the pyramid" of investor leads for residual benefits while fundamentally rethinking and redesigning the project rather than continuing with the operation more or less as is may be worth considering.
3. Whether a major or minor redesign is undertaken, a strong orientation toward institutional development and post-PDAP approaches to investment promotion by West Indians would seem appropriate. The project should be used as a vehicle to develop methods and organizations appropriate for EC implementation after PDAP even if those methods and organizations do not appear to be the most efficient in the short run. The current configuration of contractor personnel and services may not be optimal for meeting EC post-PDAP requirements.
4. The investor search and information probably should be completely redesigned and perhaps disaggregated. Investor search will probably change a great deal post-PDAP. There is at best only a small likelihood of an integrated regional promotional effort surviving PDAP because the national interests of the countries diverge. If there is any chance of a regional program, it should be tried now and not left to post-PDAP negotiation. On the other hand, an information service will be needed post-PDAP in any event. A regional service for information support might well be acceptable. If so, a transition to a lower cost, more permanent arrangement than PDAP contract staffing should be initiated as soon as possible.
5. Local people should take over as many island representative tasks as soon as possible. At a minimum, West Indians should participate in activities such as information functions, networking with other islands, direct support to visiting investors, and helping to identify and change obstacles to private enterprise. Training West Indians should be a central, not a peripheral concern.
6. Strict contractor compliance with project information and control mechanisms (such as the management information system and the CAP process) should be enforced as vigorously as compliance with Travel Regulations.
7. The ultimate idea of the project is to encourage private enterprise in the EC. It would seem that more local private sector participation could be encouraged in the PDAP process at several levels. Local people could be encouraged and assisted to provide pre- and post investment services. Heavier emphasis could be placed on promoting subcontracting with local firms at the expense, if need be, of marginal foreign investment promotion efforts. Perhaps most important, encouraging public-private sector dialog in all EC countries would be desirable.

## Evaluation of the Project Development Assistance Program (PDAP)

### A. Background and Relationship of This Report to the SRI Evaluation Report

The Project Development Assistance Program (PDAP) (Project #538-0042) was originally authorized in 1980 with the primary objective of improving the foreign assistance absorptive capacity of the small Eastern Caribbean countries by means of expanding their development project design and implementation capabilities. During the implementation of the initial project (PDAP I), the program took on a investment promotion emphasis. PDAP II (Project #538-0119) which was authorized in August, 1984 reflected the evolution of the program into one generally promoting employment creation through direct investment promotion and institution building with a view to transferring investment promotion capabilities to EC countries. Coopers and Lybrand was the prime contractor for both PDAP I and PDAP II. This evaluation focuses on events in PDAP II. However, for many purposes it is impossible to disaggregate the activities, benefits, and costs of PDAP I and PDAP II. The distinction is explicitly indicated where the context is not clear.

Charles Blankstein Associates, Inc. (CBA) was contracted by RDO/C (Contract #538-0119-C-00-6026) to participate with Stanford Research Institute (SRI) in an evaluation of the PDAP program (AID Project Number 538-0019). A three person group composed of Paul Laudicina and John Mattison, of SRI and Charles Blankstein of CBA examined various aspects of the project over a five week period from March 31 to May 3, 1986 including a two week period in the Eastern Caribbean.

CBA focused on AID documentation, interviews of AID/W and RDO/C personnel, acquisition and analysis of contractor data and other information outputs, and in the Eastern Caribbean (EC) concentrated on St. Kitts, Dominica, Monserrat, and joined SRI for interviews in Antigua. SRI focused on a survey of PDAP "success story" contacts, examined data on investor search activity, addressed comparisons with other investment promotion programs, and, in the EC, concentrated on Granada, St. Lucia, Antigua, and St. Vincent.

After five days of country visits, a preliminary memo of findings and recommendations was prepared by SRI after intensive discussion among the three evaluators. At that point, the evaluators appeared to be agreement on major findings and recommendations.

The SRI Final Report was prepared without CBA participation. The SRI report is largely consistent with and reflects incorporation of CBA views as of the preparation of the preliminary findings memo. However, the SRI report does not address certain evaluation issues and there are certain unresolved differences in viewpoint between SRI and CBA on final findings and recommendations. CBA consulted with appropriate RDO/C officials who recommended that CBA invoke the "individual and dissenting opinions" clause of the CBA scope of work. CBA prepared a brief memo identifying differing views followed by an interim memorandum dated May 16, 1986 incorporating CBA's preliminary findings and recommendations. RDO/C retained CBA to do further work relating to this evaluation and project redesign. Portions of the work called for under a supplementary scope of work were prepared and submitted to RDO/C during a second trip to the EC June 2 to June 13, 1986.

This report incorporates the several elements of the CBA scope of work and presents the material in standard AID evaluation form. Additional supporting materials are available in files.

PDAP is a complicated program with a rich but troubled experience. Reasonable people can and do differ in their interpretation of that experience. As this evaluator's knowledge of the facts and understanding of the process evolved, certain interacting and repetitive factors undercutting project performance were identified. These factors emerged as themes underlying and critical to the implementation process and therefore central to the findings of the evaluation. These themes are stated here to facilitate reading of this report and to clarify the evaluator's viewpoint:

1. information - the lack of systematic knowledge of the problems the project sought to address and what was happening in and as a result of the project
2. management - a lack of systematic definition of what what the project sought to accomplish, what was being done, and what the project was actually accomplishing
3. failure to comply with the formal system - departures from contract, regulations, and other applicable documentation without following appropriate procedures
4. cost-effectiveness - failure to relate the cost of services to benefits generated in the short run and failure to design services which could be incorporated into West Indian institutions and thus generate benefits in the longer term

Every effort has been made to be fair and balanced in the assessment of project performance. However, the picture that emerges is not a positive one. Further, the lack of data which confronts the evaluator at every critical point compels a choice: either accept, in effect on faith, that good things have happened and more good things will happen in the future - or appear to be negative about virtually all aspects of the project and therefore not fair and balanced.

This evaluator believes that under PDAP financing a number of individuals have performed a number of useful services. But viewed as a "project", an organized effort to achieve specific demonstrable objectives, PDAP implementation has been deficient.

Given the "project perspective" of the evaluation and a perhaps unavoidable negative tone to the analysis, it appeared desirable to incorporate a statement of the contractor's claims of project accomplishments without comment. This material is presented in Annex 5 (generally "institution building" activity and Annex 4, item 6 (employment generation).

## B. Definition of the "PDAP Model"

When the SRI-CBA evaluators first met with the contractor's management group, we asked, "what is the PDAP model"? They told us that they could not say what it is, that different people have very different views as to what the "PDAP model" is, and that contractors would be pleased if we, the evaluators, could tell them what the "PDAP model" is. In related comments, contractor representatives suggested that AID had often changed direction in the program and added activities not strictly related to project objectives which had made implementation more difficult (as well as increasing the rate of expenditure under the contract - the "burn rate").

The foregoing suggested that specifying what the "model" is and how it became that way was a matter of more than merely semantic significance. As the evaluation evolved, it became apparent that the project's difficulties did not stem from a failure of AID to have or the contractor to grasp a vision of the project concept. Thus, this writing will focus on operational issues. However, for various purposes, it may be useful to present a short statement of the "PDAP model" here. An overview of the statement of work of the PDAP II implementation contract is set out in Annex 2.

The "PDAP model" is a program of U.S. contractor-based (as distinguished from local government agency-based) assistance to both private and public sectors of island economies combining on-site technical and promotional assistance with international investor search and promotion.

Components of PDAP in its current form are:

1. Country representatives stationed on individual islands with broad-based local responsibility for assisting in promotion, formulation, and implementation of policies, projects, advisory services, and investment;
2. Management of operations in the Eastern Caribbean based in Barbados including oversight of island representatives, coordination with AID and regional development organizations, information gathering, and reporting;
3. US-based international investor search, investment promotion, and information service utilizing the contractor's established international network;
4. Institution building in private and public sectors to assure local capability to carry out PDAP functions when the project terminates;
5. Annual Country Action Plan (CAP) for each island to provide:
  - management control and documentation of resident advisor activity;
  - shared understanding of local constraints, objectives, and strategy;
  - a mechanism to facilitate appropriate strategic variation in country programs and operating flexibility for advisors within a broader project framework; and,
  - specification of policy and resource undertakings of island governments, AID, and to extent relevant other organizations in private sector and region.
6. Emphasis on the objective of private sector employment generation while recognizing and supporting a public sector role in creating the policy framework and infrastructure required to permit broad private sector participation.

### C. Findings: Progress Toward Project Objectives

In the early stages of this evaluation, it was suggested that many of the difficulties encountered by the PDAP program were attributable to a lack of clarity in AID's project policy aggravated by a tendency of RDO/C managers to change their minds with respect to their objectives. Examination of the contractor's technical proposal and the contract which incorporates much of the proposal's content suggests that the contractor undertook to perform services with a view to accomplishing certain results the prospects for which proved to be exaggerated. The contractor's undertakings are addressed in some detail as the relationship of promise and performance affects many dimensions of the project. There were in fact changes in RDO/C's project policy. Most of the changes involved adjustments to the differences between what the contractor promised and what it could deliver.

#### 1. Project Purposes and Contract Objectives

The purpose of the PDAP program is to increase employment in the Eastern Caribbean by means of direct investment promotion by a U.S. contractor and institution building through which EC countries develop the indigenous capability to generate employment including investment promotion functions performed at the outset by expatriates (see Annex I, "Evolution of the PDAP Model"). This is a classic approach to development projects in which expatriates perform currently needed tasks and simultaneously "work themselves out of a job" by developing capacity within local institutions to perform these tasks.

The contract objectives were stated in RFP No. RDO/C 84-1 (June 25, 1984) as follows:

- (1) Develop private business opportunities and private investments which result in expansion of the tourist industry, new or improved production, particularly for export markets, and increased private sector involvement in the development of industrial and other productive infrastructure; and
- (2) Improve governmental capabilities in the attraction of foreign investment and in supporting private sector led industrial growth (RFP, p. 4)

In addition, the RFP indicated that:

"specific, realistic indicators of achievement of... general objectives will be included in the Contract"... (The Proposal should suggest indicators such as (several noted in the RFP) or others the Proposer may consider valid and realistic, against which the Contractor's performance may be evaluated".

The contractor responded to the RFP with a technical proposal on July 27, 1984. The proposal states that:

"...quantitative indicators of success in employment and other economic development goals will need to be assessed in relation to the overall commitment by RDO/C of financial resources to the PDAP Follow-On Project and the proportion of project resources which are likely to be devoted to the institutional development objectives of the program... (work on institution building) diverts project resources from direct investment promotion activities which could create employment opportunities in the immediate future. Our technical approach attempts to balance these overall (ie employment creation and institution building) goals of the program. (Proposal, p 23)

The proposal (page 25) goes on to lay out a "balanced" program which includes among its "Primary Goals:

"...the creation of 15,000 new jobs over the life of the project...(It) should be stressed that these jobs will be additional to the approximately 7,000 jobs and job opportunities which are likely to have been created by PDAP I by the end of 1985" (Proposal, p 25)

"...expand export earnings at a rate sufficient to exceed the deterioration in terms of trade, designated in U.S. dollars..."

"Because of the importance of assuring a viable local institutional capabilities (sic), it will be a quantitative objective of the PDAP Follow-On project to establish effective local development agencies in each of the participating countries by the end of the program. Where the agencies operate with government support, significant links with and support by the private sector should be established.

"Success in expanding the abilities of local institutions to undertake some, and eventually all, of the activities funded under the PDAP II contract is more difficult to quantify...However, our experience on PDAP I has already demonstrated that training by demonstration and encouragement through success are strong factors at work in shaping attitudes of governments and other donor agencies towards the long-term value of local institutions properly staffed and equipped to carry out these activities.

"...it will be necessary to propose a framework for change and institutional development which is specific to local conditions...to avoid the imposition of 'standard' solutions across the board without regard to local conditions and sensitivities

(The proposal goes on to list several supporting objectives at page 26.)

The contract (Contract #536-0000-0-00-4114, effective date November 1, 1984) incorporates this language virtually word for word in the Statement of Work, Appendix A, pages 1-2). The contract estimated completion date is October 31, 1987. The contract provides for a option extending the completion date to October 31, 1989. In the event the option is exercised, the employment generation goal is increased by 3000 jobs to 22,000. The contract goes on to incorporate extensive excerpts from the proposal concerning methodology, monitoring, and reporting.

These substantive undertakings appear along with "Level of Effort" provisions in Article IV (page 3) which, among other things, call for 458 person months of professional direct labor distributed 239 months to investment promotion, 120 months months to institutional development, and 99 months to project monitoring and coordination.

"...the rate of person-months per year may fluctuate in pursuit of the technical objective provided such fluctuation does not result in the utilization of the total person-months of effort prior to the expiration of the term (of the contract)...(the) contractor may make shifts from one category of effort to another in the performance of the work"

The methodology of approach undertaken by the contractor is described at length in the contract (see Annex 2). The contractor thus would seem to have been given objectives, an agreed approach and level of effort, and flexibility within that framework to pursue the objectives.

9/6

## 2. Progress Toward Employment Generation Objectives

Assessing performance in the employment generation area is complicated by poor data and confusing claims. Rather than gathering data concerning employment levels, fluctuations, and benefits, the contractor has relied on a single function approach to employment performance measurement. The measurement is simply, "jobs".

The contractor claimed as of May 15, 1986 the following "employment generation...which (has) resulted from PDAP promotional and follow up activities" (see Annex 5):

current employment.....3668  
 forecast employment.....7565  
 "past peak" employment...5598

The contractor is thus 15,332 jobs short of its 19,000 job goal with 15 months and no funds remaining in its contract.

Dismissing the employment goals as wholly unrealistic (as they long since should have been), there remain serious concerns about what in fact has been accomplished. The contractor's employment generation claims are subject to question on a number of grounds:

1. The causal connection between contractor activity and investment, while clear in some cases, is doubtful in many others. SRI conducted a survey of all 70 firms identified by the contractor as PDAP "success" claims. Of the 25 SRI was able to contact, 6 indicated that PDAP was crucial to their investment decision. Sixteen of the 25 said the investment would have been made without regard to PDAP's efforts. (SRI Report, p 20 et seq.)

Personal interviews with investors and managers by CBA in the islands corroborate SRI's survey findings. It appears that the only investors which found PDAP essential to their investment decision were firms considering their first overseas investment. Those with experience in overseas operations welcomed the convenience of PDAP assistance but indicated they would have made the decision to invest in the absence of PDAP.

2. The number of jobs attributable to PDAP investment promotion activity seems to be overstated. Under the contractor's single function measurement approach, even marginal PDAP contributions pre- and post-investment are translated into major employment creation achievements. For example, the contractor has claimed credit for some 1400 jobs in St. Vincent (equivalent to 38% of 3668 total employment) in connection with a firm whose investment predated PDAP. (PDAP may well have rendered useful post-investment assistance to the investor, but the claim of 38% of total project employment creation for post-investment services which the investor might well have sought elsewhere if PDAP had not been available seems questionable.)

3. The contractor aggregates different kinds of jobs in a single "employment generation" figure. Many jobs generated are by definition temporary, such as construction jobs or work on specific contracts. Other jobs are variable in duration and income, such as cottage industry activities. Some investments are candidly characterized by their owners as temporary operations. A number of PDAP "success stories" are already out of business or in the process of disinvestment (SRI Report, p 21). The "quality" of a job in terms of permanence, income, training, and other factors makes a difference. The contractor has not recognized the difference by generating relevant data.

4. Since the contractor failed to collect and maintain data on on-going employment in the past, the claim of "past peak" employment is difficult to assess. An annual fluctuation to a peak level of employment in an ongoing business is different from a firm that employs 100 people for several months and then fails. Once again, the data is not helpful. Information which might have been more useful such as total payrolls or work days in jobs generated by PDAP was not collected.

5. The contractor's employment forecasts have been consistently unrealistic since the inception of the project (see generally Annex 3). Apparently, "forecasts" are essentially unanalyzed suggestions of possibilities for the future by company officials.

The contract did not set quantitative targets for numbers of investments as such or for amount of investment. As of April, 1986, the contractor claimed seventy "successes" (defined as commitments to invest or to subcontract with EC firms) over the life of the PDAP project. Apparently, some fifteen of the PDAP success claims are subcontracts rather than "investments" as such. Promotion of subcontracting by EC firms is strongly endorsed and probably should have been emphasized considerably more than it was. But employment generated through a subcontract should not be categorized as a "job" equivalent to a "job" in a workplace created by new investment in a plant.

The contractor apparently thought it understood the investment problem well enough to promise what it could not in fact deliver. Unfortunately from a developmental point of view, it is not clear what the contractor has learned about the investment problem to improve its performance and to help the West Indians learn how to promote investment after PDAP ends. It is not clear what the employment generation target should be. Project data apparently is insufficient to analyze the characteristics of what and how employment was generated in order to define targets better.

In retrospect, it appears that the job creation goals proposed by the contractor and incorporated in the contract were at all relevant times "unrealistic". There seems to be little reason to believe that these job creation goals can be met in several years much less the one year remaining in the contract term even assuming additional funding is provided.

The problem of unrealistic employment generation goals appears to have significance beyond the mere correction of optimistic expectations. The goals apparently had important operational ramifications. It is not clear at this point how competitive proposals with more modest employment generation claims might have fared against the contractor's proposal had its proposal called for say 4000 jobs by mid-1986. It seems clear, however, that the pursuit of the high employment goals resulted in a strong budgetary emphasis on generating investment leads and related services at the expense of institution building activity.

The failure to reexamine and adjust the goals to more realistic levels contributed to continuation of a strategy aimed at unattainable results. There may have been a relationship between the contractor's failure to develop a sound information system and carry out its obligations for management decision making under the Country Action Plan system and the failure to correct the targets. But at some point it would seem that the contractor would become aware that progress in employment generation was far short of expectations. It is difficult to understand why the contractor did not approach RDO/C to seek a formal revision in the contract. (In fact, the contract was amended three times, each time solely to add funding.)

### 3. Institutional development

The PDAP project contemplated and the contract specified a wide range of activities to be carried out in the islands to improve the environment for private enterprise (Contract Statement of Work, Appendix A, pp 4-5, 7-10). The term "institutional development" is used in this report to refer not only to building the capacity of local public and private agencies as such to carry out employment generating promotional activities but also to refer more generally to encouraging improvements in the business environment through improved policy, infrastructure, and services.

In order to evaluate the scope and quantity of non-investment promotion services provided under the PDAP contract, the contractor was asked for data on various activities including training, technical assistance, policy inputs, promotional materials, and so forth. (The data requested was data proposed by the contractor and required by the contract to be maintained for project monitoring purposes.) The data provided by the contractor is reproduced in its entirety in Annex 5.

It was not possible to evaluate these contributions in isolation. It does appear that many of these activities involve contributions which would be useful to individual recipients. However, systematic identification, planning, and delivery of required services apparently did not take place. Advisors apparently responded to requests or offered services in areas of personal interest or expertise. As indicated by the materials in Annex 5 and corroborated by comments of West Indian officials, PDAP tended to "retail" services rather than to improve the capability of local institutions to access and provide such services to others in the future.

The contractor made clear that institutional development activities were deemphasized and attention was focused on investment promotion. But it is difficult to specify the extent, reasons for, and effect of the contractor's withdrawal from its proposed "balanced" program. In approaching these questions, institutional development activity is considered from two perspectives: first, services provided by individual island advisors as part of their ongoing local activity; and, second, "institutional development" services performed by subcontractors.

Resident advisors have a unique opportunity to provide "institutional development" related services in each of islands and all have made some contributions in this area. The amount of time devoted to such services cannot be estimated. However, it seems to be agreed that the level of effort distribution for direct professional labor provided for in the contract (Article IV p 3) - 239 person months of investment promotion and 120 person months of institutional development - was not approached. Advisors have helped improve the capability of pre-existing local agencies (eg. St. Lucia and Dominica) and assisted in establishing new agencies (eg. Belize and Grenada). The impact of these services is difficult to specify much less quantify, but it seems clear that advisors have had a positive effect on local business environment.

What seems to be lacking in particular is a formal comprehensive or systematic effort at institutional development coordinated with local government agencies and RDO/C. Thus, while PDAP advisors have "done good things", opportunities for local participation and development have been lost. While a few islands have moved ahead in the promotion field, the attention of other EC governments has not been addressed to the post-PDAP period. This may complicate rather than help promote effective cooperation in investment promotion between the Eastern Caribbean countries in the post-PDAP environment. It is not easy to develop cooperation in investment promotion among the small EC states which are in significant respects in competition with each other. But at least the effort should be made.

Perhaps more significant than the institution building efforts of the contractor's resident staff is the question of subcontracted institution building services. The technical proposal describes (pp 67-75) and the contract statement of work incorporates (Appendix A, pp 7-10) an elaborate program of institution building and training involving, in addition to the contractor's field and Washington staff, a number of resources including subcontractors Development Associates, Inc. and Burson-Marsteller. It appears that institution building activity by non-Coopers and Lybrand resources was not systematically encouraged, planned, or supported. To the contrary, substantial contract commitments to institution building by subcontract were not carried out. For example, the Development Associates subcontract for institutional development related services was budgeted at \$448,000 but only \$19,000 was expended. Total expenditures for "non-advisor institution building" as of February 28, 1986 was \$65,300.

Whatever the reasons may have been for focusing contractor staff on investment promotion rather than institution building, the commitment to non-staff institution building of only \$65,300 out of expenditures of \$5,255,000 (as of February 28, 1986, Annex 4, item 3, p 2) seems difficult to explain - especially given the interest expressed by West Indian officials in institution building and training.

Failure to sustain a project-wide, vigorous, and systematic effort at institutional development has had serious consequences. The goal of establishing "effective local development agencies in each...country...by the end of the program" to carry on PDAP's functions cannot be achieved within the contract term much less within the funding remaining. Worse, PDAP's high-cost, low-productivity, expatriate staffed investment promotion system is unlikely to be either sustained by the EC countries with their own financial resources or replicated by them with their own people. Thus it is not clear what would be transferrable to EC agencies in an institution building effort even if it begins immediately.

#### 4. Conclusions with respect to progress toward project objectives

The contractor seems to have lost sight of the institutional development objectives of the project in its efforts to pursue its self-proposed but wholly unrealistic employment generation goals. While project documentation and contract clearly viewed institution building and the development of local capacity to take over investment promotion functions as of equivalent importance to generating employment, contractor management focused heavily on promotion at the expense of institution building activity. Institution building activity seems to have taken place primarily where agencies and strong West Indian leadership existed anyway.

On balance, it would seem that little has been done to prepare West Indians to carry on the work. The project has not developed methods of promotion appropriate for use by EC institutions. AID has learned little to illuminate future efforts at investment promotion to generate private sector employment generation. Furthermore, direct employment generation results have been, at best, unimpressive - and there has been no dividend in information to help understand why results were limited.

Clearly, the contractor lacked an overall management commitment to and strategy for institution building. Draft 1986 CAPS assert a heightened concern with institution building without, as of this writing, a clear concept or methodology. It is unlikely that adequate local capability will be in place in any EC country by the end of the current contract much less an effective program for regional cooperation in investment promotion.

#### D. Findings: Project Design

The PDAP project design - including advisors resident on each island, a Washington-based staff to carry out investor search and information services, and project management based in Barbados - on its face seems to be a reasonable approach to the development problem addressed. The plan was funded generously and adequate flexibility is provided.

Even the best designed projects encounter unforeseen difficulties in implementation. Thus good project designs incorporate provisions to deal with emerging realities. This project is provided with an information system to provide contractor and RDO/C management with timely data on inputs, outputs, and indicators of project achievement. It is also provided with a management control system based on an annual Country Action Plan (CAP) for each island to provide:

- direction and documentation of resident advisor activity;
- analyzed and agreed upon understanding of local constraints, objectives, and strategy;
- specification of policy and resource commitments of EC governments;
- variation in country programs and flexibility for PDAP within broad project framework to tailor operations to unique needs of each country.

While there are problems with the detailed design of several components which will be noted in the next section, it appears that the overall design of the original project was sound. The project contemplated a reasonable balance of short term (direct job creation) and longer term (institutional development) benefits. The information and management control systems which were called for by RDO/C, proposed by the contractor, and contracted for would be reasonable and adequate for the task - had they in fact been implemented. In short, the design was reasonable. The problems of this project resulted from faulty implementation, not project design.

## E. Findings: Implementation of Project Elements

There are a variety of implementation problems of varying degrees of significance in the PDAP project. Two were crucial because they obstructed problem recognition and correction:

Failure to implement an adequate information system  
 Failure to develop Country Action Plans complying with stated requirements

### 1. Information system

The management information system called for under the contract to support monitoring and management control of the project is seriously flawed both with respect to the implementation of the system which the contractor undertook to develop and with respect to the adequacy of the design of the system to generate necessary information.

The contractor proposed to RDO/C to establish:

"...a computerized Project Monitoring Matrix which will maintain up-to-date records of invoiced expenditures, current and projected inputs to specific areas of operational activity, and resultant outputs...(T)he PMM would include, but not be limited to, the input, outputs, and associated indicators displayed..." (in an exhibit which is reproduced in Annex 2 of this report). (Technical Proposal pp 26-27 and Exhibit I, "Project Management Matrix").

This scheme was incorporated in the contract statement of work (Appendix A, p 13).

Tests of information system capability in the evaluation failed to produce accurate and timely information concerning project performance, impact, and costs. There seem to be two separate systems, a billing system and a substantive information system or "PMM", which do not deliver separately or together the information which RDO/C sought.

The first test involved a request for routine information on budget and expenditure by function (eg. island advisors, investor search, institution building/training, administration etc.); by expenditure category (eg. salaries, equipment, travel, etc); by year; and by location (Annex 4, item 1). After several weeks of effort involving, the evaluators were told, considerable reconstruction of figures "by hand", data broken out by function and by project as of February 28, 1986 was telexed to Barbados (Annex 4, item 3). When it was indicated that it would be necessary to have some basis for examination of costs of island residencies, the PDAP Barbados office offered to prepare, again "by hand", a summary of advisor costs by island. The table prepared in April, 1986 (reproduced in Annex 4, item 5) was based on costs from October 1984 to November, 1985. Presumably, these five month old figures were the best data by location available in the project manager's office.

The foregoing management information problems are reflected in the standard invoice system (the summary form of which is reproduced in Annex 4, item 2) which is prepared by expenditure category (viz salaries, consultants, overhead, travel, etc.) but apparently also cannot generate:

"up-to-date records of invoiced expenditures, current and projected inputs (in) specific areas of operational activity, and resultant outputs..."

The Project Monitoring Matrix should generate substantive information in computerized form to monitor project activity:

The PMM would include, but not be limited to, the input, outputs, and associated indicators displayed...(in Exhibit I)"

The system was tested by an inquiry using the identical language of Exhibit of the proposal (Annex 4, item 1, page 4). The result was the production, apparently "by hand", of nine pages of narrative material (Annex 5). This material does not provide data for a management information system required to track the project in terms called for by the contract. At a minimum, the system failed to relate budget to expenditure by activity much less by performance indicators. In lieu of a system the product of which managers might grasp with relative ease, the contractor produced extended narrative material relevant to the project but not organized to facilitate management of the project.

The project called for information in form and content useful for monitoring and management. It is understood that the installation of the system such as it is was delayed which may account for these issues not having been raised earlier. But it is not clear how the contractor intended to meet the information requirements of the contract.

Turning from the question of whether the contractor met minimum standards of compliance with the contract in the information area, there is a broader and more troublesome problem. Data on many important characteristics of project performance and experience was not gathered at all. Thus effective monitoring, self-correction within the project, and learning from PDAP experience have been hindered.

The contractor seemingly failed to understand the significance of and to collect information relating to a wide range of direct and indirect benefits of the project beyond "jobs" such as payrolls, exports, training provided, government revenue generated, other local value added factors, secondary employment generation, the location and permanence of employment, and other qualitative impacts of the project. The information system apparently does not distinguish between permanent factory jobs and less than permanent work such as that generated under subcontracts, construction jobs, cottage industry work, and agricultural labor. Information on the characteristics of firms assisted is not maintained. In consequence, it is not possible to consider on the basis of experience what types of enterprises and what characteristics of investors are indicative of favorable outcomes for the island, the workers, and the local business community.

It should be noted in passing that forecasting of employment generation has been notably weak throughout the history of the project (see Annex 4 Sec a). Inspection of Progress Report employment generation forecasts raise questions concerning the quality of information flow to RDO/C managers.

It is not clear whether the defects in the information system reflect merely a distorted short term management focus or whether it is symptomatic of deeper lack of understanding of the problems being addressed. Clearly the information system lacks a developmental orientation in which learning to do better is an integral part of "doing". The system lacks the kind of integrated, functional, quantitative, concise characteristics that RDO/C sought - and might reasonably have expected to get - from a "Big Eight" accounting firm.

## 2. Country Action Plans

The key to project management in the PDAP design is the annual Country Action Plan for each island. The CAP system was established to deal with a number of project management and strategy requirements including control of levels of effort in different activities, assurance of appropriate flexibility and variation in project activity on the several islands, facilitation of local government participation (including identification of commitments of local resources), budgeting, and estimation of expected results.

Developing the plan is a primary responsibility of the island advisor. The annual CAP is to include the advisor's scope of work; identifies industrial policy problems, objectives and strategies; provides a vehicle for policy dialogue with island government and private sector interests; specifies government and private sector commitments of personnel and other resources; training and technical assistance services required; budgets required; and achievements expected. The CAPs are to include "frameworks for change and institutional development...specific to local conditions" (Contract Appendix A,p2) and "...be subject to host country and RDO/C approval" (p7)

RDO/C did not approve 1985 CAPs and has not approved 1986 CAPs to date because they fail to meet standards set out in the PDAP II contract statement of work (Appendix A, p 3,7). 1985 CAPs were submitted late and not promptly reviewed by the then incumbant RDO/C project manager who was departing post. In the fall of 1985, the new project manager, noting the anomaly of requiring revision of 1985 CAPs with only a few months left in the year directed the contractor to focus its attention on preparation of sound 1986 CAPs in a timely manner. Unfortunately, the 1986 draft CAPs submitted in February, 1986 were also unsatisfactory.

Failure to implement the CAP system properly is a significant contributory cause of project implementation problems. The contractor apparently now takes the CAP exercise more seriously than previously. But much work remains on current year drafts to meet basic contract requirements much less fully to utilize the management potential of the CAP procedure.

The contractor's performance in development of these crucial CAP documents has been unsatisfactory. The CAP ties together project strategy, advisor activity, local private and public sector commitments, use of project resources, higher management control, and RDO/C monitoring. Absent this strategy and coordination mechanism, it is hardly surprising that progress toward project objectives was limited.

## 3. Investor search and information services

The Washington based investor search and information operation is intended to reach out world-wide for investment prospects, direct their interest to the Eastern Caribbean, and provide a range of pre-investment services which assist the investor in reaching a decision to commit to one of the EC islands. The operation involves staff, consultants, and subcontractors. Investor contacts are pursued in a number of ways including trade shows, mail, advertising, articles, and follow-up on a large number of contacts generated by outside sources (including AID).

134

Investor search has cost \$3,095,061 life of project through February, 1986 and has dealt with 6618 investor leads of which 5252 were generated internally by the project (SRI Report, p 32). The search operation and all other sources have apparently led to only 253 potential investors visiting the EC, 70 "successes" (defined as decisions to invest or subcontract) and jobs (3668, the contractor's May, 1986 estimate). Current search operations under PDAP II were estimated to run approximately \$100,000 per month. The original PDAP II three year budget figure of \$1,208,000 has been exceeded with \$1,522,000 expended as of February 28, 1986. Questions have been raised concerning the efficiency of the operation, its cost-effectiveness, and whether an approach of this kind is relevant to operations which might be maintained by EC governments after PDAP financing ends.

It is difficult to comment on questions of efficiency because the data does not relate "inputs", such as contacts from trade shows or AID offices, to intermediate "outputs" such as visits by potential investors to the EC or to ultimate "outputs" such as commitments to invest or contract. (Some data derived from the contractor's data base is presented in Annex 4. Arguably the data suggests a declining marginal utility of promotional effort and expenditure but nothing can be determined with assurance from the data provided.) The SRI report suggests that the large number of contacts and relatively few visits and investments implies ineffective targeting of promotional effort. (See SRI Report pp 33-40)

The question of cost-effectiveness is difficult to address not only because of paucity of grist for internal analysis but also because comparisons with programs of other countries is difficult. The nature and cost of investment promotion programs in other countries vary widely. An effort is made to deal with the issue in quantitative terms in section G.

In any event, neither quantitative assessment or qualitative "fine-tuning" of an expensive investor search operation staffed by non-West Indians is the crucial problem. Rather, the crucial problem would seem to be developing an effective and cost efficient investor search approach appropriate for post-PDAP implementation by EC agencies. This seems essential to achieving PDAP project objectives however short term job creation objectives may be redefined.

PDAP has not trained a significant number of West Indians to do investor search work. Nor has it developed a "appropriate technology" of investor search for EC use or explored with EC governments a post-PDAP approach to promotion which strikes an acceptable balance between regional and individual island interests. There are elements of the search activity which would seem to relate well to a lower cost, less expatriate-oriented post-PDAP concept such as Carlson Associates, Inc. very productive work in the electronics sector. But Carlson's success has not been replicated and little or no effort has been made to define a technically feasible, politically acceptable post-PDAP approach.

Information services provided by the contractor's Washington staff have provided useful services to PDAP advisors and through them to some U.S. investor and EC private clients of PDAP. As investor search and information are overlapping staff activities in the current PDAP operation, it is impossible to distinguish costs and benefits of search and information services. This approach presumably contributes efficiencies to the contract but it may also lock PDAP into a high cost institutional arrangement which may be inappropriate for post-PDAP information services activity. If the investor search operation were changed, alternative approaches to accessing information probably can be found or established at a relatively modest cost.

#### 4. Island Resident Advisors

Generally speaking the resident advisors have been dedicated, intelligent, hard-working, well liked by their clients, and have reflected well on RDO/C and the USG. While a few individuals hired did not meet the demands of the job and were replaced, the island advisors have functioned well individually and, through extensive networking among themselves and with Washington, as a group. In short, in the absence of sound management direction to carry out the project as designed, the field people did a good job of making themselves useful and some did an outstanding job of "free-style" investment promotion.

Advisor activity was heavily focused on assistance to foreign investors. The extent of incidental institutional development services rendered varied from island to island according to the skills and interests of the advisors and receptivity of local people. Apparently, institutional development and "policy dialogue" matters were not addressed systematically on any island.

It is not clear that the island advisor model with its intense networking, disinterested promotion of the region without regard to island of residency, and level of credibility to foreign investors is relevant to future post-PDAP West Indian promotion efforts. Like investor search, the expatriate island advisor model of regional promotion may have very limited applicability to a post-PDAP environment.

Data on costs of island residencies are documented in Annex 4, item 5. The unburdened costs (salary, fringe, secretarial services, communications, rent, travel, but not overhead) of operating island residencies with single representatives appear to vary between \$150,000 and \$200,000 per year. This seems reasonable for an effective island representative. However, any support system would add overhead burden to these costs in one form or other - although it may be possible to provide support with a burden rate below the 100% range.

Cost efficiency questions may indeed be raised if these costs are attributed solely to PDAP investment promotion benefits. Maintenance of an island representative primarily to provide support to potential investors seems difficult to justify on most if not all islands. A strong case can be made for maintaining island representatives but concentrating more effort on institution building and training counterparts and considerably less on direct investor support. Perhaps the scope of the advisor's job might be extended beyond current PDAP responsibilities to include a more general role of promoting the utilization of resources available through other RDO/C development projects.

#### 5. Contractor Management

Contractor supervisory management has been faulty with respect to:

1. assuring sound implementation of management procedures called for in the project, specifically:

- a. the annual Country Action Plan;
- b. the project monitoring system; and,
- c. the form, utility, and timeliness of reporting

2. maintaining effective managerial relationships between levels within the contractor organization;

3. assessing and assuring the efficiency and cost effectiveness of investor search and information services;

4. providing and assuring compliance with contract provisions, AID regulations, and overall project objectives as reflected in project documentation.

Beyond the obvious problems are a number of other questions concerning management decisions which can only be raised, not answered. For example, significant shifts in subcontracting plans apparently took place as reflected in the following data. Two characteristics of this shift invite inquiry: first, the relative increase of flow of project funds to the contractor and its affiliates at the expense of proposed subcontractors; and, second, the reduction in institutional development activity which, under proposal and budget, was to be contracted out to firms presented as specialists in their fields.

Subcontractors by Contractor	Variations between:		
	Budget/3 years per contractor	Actual a/o Feb 28, 1986	Variation
Louis Berger	638,771	139,286	499,485
"Public Relations subcontractor"? Burson-Marsteller	120,000	51,985 (11,605)	68,015
Caribbean Business Development R.A. Hilliard Associates		(24,900) (15,480)	
Development Associates, Inc.	447,936	19,251	428,685
Subtotal	1,206,707	210,522	996,185
<u>Subcontractors affiliated with or doing 100% business with contractor</u>			
Coopers & Lybrand Canada		3,438	3,438
Coopers & Lybrand Barbados		545,281	545,281
Coopers & Lybrand Hong Kong		53,394	53,394
Coopers & Lybrand Belize		5,177	5,177
Robert Carlson Associates	100,543	171,332	70,789
Subtotal	100,543	778,622	678,079
Total Variation (these cases only)			\$1,674,264

These are selected items and may not reflect the overall picture of variations from proposal and budget. They are presented here solely to raise questions which cannot be addressed in this evaluation. Total variations appear to be a relatively high percentage of overall project funding. Expenditures paid to (the listed) contractors proposed by the contractor were about 17% of funds budgeted for them. Conversely, payments to C&L affiliates and Robert Carlson Associates (which firm, it is understood, does all its business with Coopers and Lybrand) exceed budget by some \$675,000.

The comments are not intended to criticize the services obtained. Mr. Carlson's efforts, for example, have been outstanding. The issue is compliance with the contract and with the procedures which contractors are expected to follow when the incidents of implementation indicate the need to make changes in plans.

Granting that the contract gives the contractor broad latitude to:

"make shifts from one category of effort to another in the performance of the work" (Article IV C, p. 3),

the contract also indicates that:

Without the prior written approval of the Contracting Officer, the contractor may not exceed the dollar costs for any individual line item by more than 15% of such line item...(with exception of fee, overhead, and G&A) (Contract Article VII A, p 4.)

From the substantive perspective, there is some quantum of change which requires formal application for approval by RDO/C and appropriate recognition in the contract file. It is understood that the contract was amended three times, each time solely to add funds.

It is not possible in this evaluation to arrive at any conclusions with respect to the following questions: At what point during project implementation should changes from project plans and budgets suggest a need to apply to RDO/C formally for approval? Does it change anything if the contractor is responsible for developing a project management information system to help track project expenditures for use by AID managers - and has not as yet done so? Would an analysis of a formal application for project implementation changes have resulted in RDO/C being better informed or informed earlier of emerging problems? What is the effect on the integrity of the procurement process if subcontractors proposed in competition can be effectively eliminated in implementation?

Because of staffing limitations and program levels, AID units must depend more heavily than in the past on the knowledge, skill, and professional objectivity of contractors who undertake to manage large scale operations such as PDAP. It is not wholly clear that RDO/C expectations in this regard were met.

As a result of these problems, questions have been raised concerning a number of issues including the appropriate management structure for the project, the relationship of the contractor home office with the team leader in the field, the elimination from contract implementation of subcontractors proposed as institutional development experts, the related capture of level of effort and related overheads in project funding, and other management organizational issues.

Clearly any management scheme for the project should incorporate provision for compliance with AID regulations. But it is by no means clear that tighter headquarters control would have led to a more developmentally oriented strategy or greater knowledge and sensitivity to local West Indian needs and concerns. This evaluator would argue that the overriding management problem is the need to make the project "development-oriented" rather than "expatriate performance oriented". This may require a somewhat different mix of knowledge, experience and skills than the project has incorporated.

## Implementation Dynamics - Why PDAP Went Astray

Considerable emphasis was placed in project design on monitoring and control of the project. Yet PDAP drifted off course and the extent of the difficulty was apparently not fully appreciated in 1985. Why were these implementation problems not identified and corrected? Several explanations were suggested but were found wanting.

First, it seems clear that the project was not simply ignored by RDO/C. A change in project managers in 1985 may have resulted in a hiatus in detailed oversight. But once on board, the new project manager appears to have maintained normal project management cognizance. He made regular calls on PDAP representatives in the islands. Reports were received and reviewed. Contact was maintained with the PDAP/Barbados office on a regular basis. Oversight was not perfunctory as reflected in the refusal to approve CAPs for failure to meet requirements. Apparently, an effort was made to work with the contractor which was going through painful internal administrative reviews and personnel changes. Perhaps a more severe management approach might have been beneficial but the approach taken does not seem unreasonable.

Second, much was made of the impact of "personality conflicts" between the contractor's Washington office and its previous team leader, a British national with extensive experience in the region. A number of problems relating to compliance with AID regulations during this individual's association with the project have been addressed elsewhere and need not be considered here. Presumably, the contractor's manager in Barbados participated in the contractor's overall management deficiencies. But it is difficult to assign significant weight to consequences of "personality" issues. The problems appear to be much more structural than personal.

A third consideration was probably real enough but its effects seem to have been overstated. The problems generated when the dispute erupted between the contractor's Barbados team leader and the Washington office did obscure for a time RDO/C's vision of the emerging performance issues: in effect a large black cloud nearby obscured a much larger cloud on the horizon. Among other effects, the dispute:

- absorbed a great deal of contractor staff energy;
- perhaps caused contractor staff to "hunker down" and "do their job" as they saw it rather than providing feedback on operational problems which might not have been well received at the time;
- perhaps restricted contractor staff feedback to AID lest constructive criticism reflect badly on the contractor in a time of corporate trouble;
- focused RDO/C attention on the dispute rather than operations.

The foregoing considerations may throw some light on the timing of corrective action taken by RDO/C. But they do not explain - much less are they - the underlying problems.

6. The skill mix and experience of contractor personnel changed. The techniques of using the search/information machinery became a key project skill while operating experience in business, development, and the region declined in relative importance in the recruitment process. Perhaps reflecting the perceived importance of the Washington based machinery and perhaps reflecting other internal imperatives, island advisor positions were filled with members of the contractor's Washington staff. The personal experience and skills of these new advisors may have tended to focus their attention, once they arrived in the field, on investor support rather than institution building, policy environment, and broader developmental concerns. (This is not a criticism of the advisors who were, in the absence of more effective management direction, doing the best they could according to their background and experience. However, it is possible that people with more experience in the region, or in development operations generally, or less tied to the contractor's Washington operation might have raised questions about the cost effectiveness of the strategy and time distribution being implemented.)

7. Participation in the decision making process by Eastern Caribbean government and private sector people was not encouraged to the degree desirable in a project explicitly involving institution building. Thus another dimension of feedback and correction was limited.

All these factors interacting tended to limit constructive communication between levels of the contractor organization and between RDO/C and the contractor's Washington office. Further, new contractor personnel had a narrower base of experience base than their predecessors which restricted their ability to contribute to a critical examination of project performance. These developments took place at about the time that a serious internal examination of cost efficiencies and possible declining marginal returns of the investor search operation might have been in order.

RDO/C management recognized that the project was experiencing difficulties. But it is not clear that the extent of implementation deficiencies were recognized. Staff was carrying very heavy workloads and could not put in time needed for an in-depth assessment of the situation. Project reporting continued to show (albeit inaccurately) progress in investor search and job creation. Informal information sources were focused on issues which had to await the passage of time for resolution. Termination of the contractor while supportable in light of what was understood implied attendant losses of personnel and investment. Thus management faced a dilemma of accepting serious program losses by terminating and initiating a reprocurement or risking further losses if the contractor was allowed to but failed to work out its problems.

All these factors contributed to the project tending to drift free of its mandated management controls and away from its stated objectives. Some of the very factors which contributed to the contractor's performance problems partly obscured RDO/C's perception of the nature of the problems involved.

## G. Cost Effectiveness of the PDAP Model

Cost effectiveness cannot be measured without accurate data on project benefits. A theme of this evaluation has been the paucity and inaccuracy of information available for program management and evaluation. The efforts in this section to quantify cost effectiveness of the project and major project components must be recognized as very rough estimates based on inadequate data and therefore subject to question. In particular, the inability to specify project employment benefits and to attribute those employment benefits to PDAP I or PDAP II has frustrated relating recent costs to recent benefits. Notwithstanding these problems, which ought not be allowed to shield the contractor from an effort to examine project performance closely, some general conclusions can be suggested pending contrary evidence.

### 1. Assumptions and Data Sources

The following data sources and assumptions are used in this section:

1. Data on budget and expenditures as of February 28, 1986 for PDAP I, PDAP II, and total by function and expenditure type is accepted as provided by the contractor's Washington office (Annex 4, items 3 and 4).
2. Supplementary data on costs of island residencies provided by PDAP/Barbados is accepted as provided (Annex 4, item 5).
3. The April, 1986 contractor detailed invoice provided by RDO/C reflecting expenditures in PDAP II as of February 28, 1986 is a supplementary source (Annex 4, item 2).
4. The contractor's May employment census reflecting 3668 current employees is accepted as an average level of PDAP generated employment (Annex 4, item 6). Employment claims included within this figure which were questioned in Section C 2 are in effect accepted on the assumption that some portion of the contractor's "forecasts" of additional employment generated by prior expenditure will in fact take place.
5. Institutional development was not systematically pursued under the project and associated costs are quite low relative to investment promotion. Institutional development benefits cannot be separately identified. Therefore, for purposes of the analysis, all project costs are considered to be costs associated with benefits of the generation of employment.
6. Employment benefits are dealt with in terms of estimated aggregate payroll generation rather than "jobs". As the limited data available necessitates heroic assumptions, the assumptions are specified here to facilitate substitution of better numbers for recalculation:
  - a. The average job generated under PDAP pays \$.85 per hour
  - b. The average work year equals 1440 hours (36 weeks times 40 hours)
  - c. The average annual income of PDAP generated jobs equals \$1224 (1440 hours times \$.85 per hour)
  - d. The average annual aggregate payroll of PDAP generated jobs is employment (3668) times average income (\$1224) equals \$4,489,632 or \$4,500,000.

111

e. The aggregate value of a "job" should reflect the expected duration of the job. Some may last for some time (albeit with different incumbants). Others will terminate quickly. (The termination phenomenon should be distinguished from seasonal and other fluctuations above and below the 3668 level). Again there is no data. Necessarily, the analysis is highly speculative but the values assigned are an attempt to reflect observed data.

The SRI Survey sought to contact each of the 69 investors listed as PDAP "success stories" and did contact 27 of which 17 were currently in operation, 6 in pre-implementation phases, two had failed, one was disinvesting, and one indicated no current or planned activity. Most "success" cases which SRI was unable to contact were apparently no longer in business. On this basis, the only data available, one-third of ventures that were "success stories" at any time remain active employers. A high termination rate seems reasonable given the nature of construction, "labor-sharing" contract, and agricultural enterprises. If it is assumed (generously) that the average life of a job is 3 years and the average annual income is \$1224, then the aggregate life of job income of an average job would be \$3672.

## 2. Overall Estimates of Costs and Benefits

a. As of February 28, 1986 the contractor had billed RDO/C \$11,838,178 in the PDAP program. PDAP I and PDAP II gross project costs per "job promoted" (total jobs in May, 1986 /total expenditures a/o February 28) =  $\$11,838,178/3668 = \$3227$ . If expenditures by May are estimated at \$13,000,000 promotion cost per job equals \$3544. (Promotion costs appear to be higher per job in PDAP II than in PDAP I, but the benefits of the two projects cannot be effectively separated.)

b. The aggregate payroll generated (assuming three year life of job times \$1224 per year = \$3672, times 3668 jobs) equals \$13,468,896 or \$13,500,000.

## 3. Costs and Benefits of Components

### a. Costs of Island Residencies

PDAP II - Island representation operations, all islands (unburdened ie direct costs not including overhead, G&A, and fee): (average monthly costs of salary + fringe + allowances + house rent + education allowance + storage + travel/perdiem + communications + office rental + secretary multiplied by twelve months all divided by total PDAP II expenditures)=  
 $\$1,621,447/\$5,255,049=30.9\%$

PDAP II - Island representation operations (unburdened) on Antigua, Belize, Dominica, St. Kitts, St. Lucia, and St. Vincent (Grenada omitted as special case) (same basis of calculation as above for named posts) =  
 $\$60,691 \times 12 = \$728,298;$   $\$728,298/\$5,255,049 = 13.9\%$

PDAP I and PDAP II per job cost of island residency by island based on 4/25/86 Justis/Booker telex and May employment survey:

<u>Island</u>	<u>PDAP_I</u>	<u>PDAP_II</u>	<u>Total_Program</u>	<u>Jobs_claimed</u>	<u>Cost/job</u>
Antigua	332136	205655	\$537791	273	\$1970
Belize	326485	197018	523503	357	\$1466
Dominica	406060	204329	610389	88	\$6936
Grenada	92513	324698	417211	267	\$1563
Montserrat		42565	42565		
St. Kitts	542122	169850	711972	420	\$1695
St. Lucia	627233	386095	1013328	389	\$2605
St. Vincent	434733	178120	612853	1874	\$327
Total			\$4469612	3668	\$1219

b. Cost of Washington Investor Search Operation

PDAP II - Washington based investor search operations (investor search expenditures/total expenditure)=\$1,522,265/\$5,255,049 = 29% of PDAP II project costs. Even if half of all claimed jobs (3611/2=1806) are attributed to this operation exclusively, the investor search operation cost per job promoted would be \$843, a high cost for EC countries to sustain after termination.

c. Cost of management

Taking overhead, G&A, and fee as the cost of management, the following calculations suggest a relatively high price for results obtained.

1. PDAP II - Cost of management not including Barbados ((overhead+G&A+fixed fee)/total expenditure)=  
\$1,598,710/5,255,049=30.4%

2. PDAP II - Cost of management including Barbados ((overhead+G&A+fixed fee+Barbados office)/total expenditure)=  
\$1,855,522/5,255,049=35.3%

These figures imply a management cost per job generated of \$506. This would seem to have some significance in the context of redesign. A substantial investment in institutional development would seem a priori to be a feasible alternative to a program the management of which has generated the amount and quality of employment experienced by PDAP.

d. Conclusions on Cost Effectiveness

Given the data available, any calculation of "cost-effectiveness" would be speculative and perhaps misleading. However, pending the availability of better data, the following general observations seem reasonable:

1. Overall costs per job and per dollar of payroll generated seem high and not sustainable by EC countries after the project ends.
2. The investor search operation in Washington is not likely to be sustained by the EC countries post-PDAP, seems costly per job, and per dollar of payroll generated.
3. Island advisor burdened costs are high if the only benefits considered are investor support. However, recasting the island advisor role could generate broader benefits to EC countries and RDO/C at no increase in cost.

4. Contractor management is very expensive given the results obtained. Other approaches to maintaining island residencies may be more cost effective.

It should be noted that the PDAP program may have generated significant direct and indirect benefits which cannot be specified because of lack of data. For example, the employment generation figure of 88 for Dominica does not reflect the significant impact generated by a PDAP promoted investment in an isolated area of southern Dominica. Jobs created but subsequently lost may leave a legacy of training and experience which make the work force more attractive for future investors. The experience under the project does not necessarily indicate that investment or employment promotion is not a good idea. It may well suggest that low cost and locally managed techniques may make more economic sense than high priced expatriate staffed operations.

#### H. AID Management Issues

This project presents several fundamental management issues related to three perceived trends in AID operations:

1. Declining staff ceilings available for project oversight and management relative to size and complexity of projects
2. Increasing rigidity of the procurement system making it less an instrument of management and more an obstacle to effective implementation, utilization, and, when desirable, reprocurement of services
3. Increasing dependence on contractor professionalism, candor, skills, experience, and willingness to conform to AID values

##### 1. Staff Resources for Implementation

RDO/C management of the project presents superficially an easy target for criticism for all the various reasons the contractor is criticized. But the time and work pressures on RDO/C direct hire staff were at all relevant times extremely heavy. The mechanisms designed to assist the monitoring process were not implemented. Emerging problems which might have been identified earlier were not spotted in the turmoil of more pressing contractor problems. Thus PDAP demonstrates again the consequences of thinning ranks of AID project implementors while increasing portfolios and complexity of projects. Ironically, the original PDAP model was itself an artifact of insufficient direct hire and PSC ceilings. In another era, the contractor's island representatives might well have been USAID personnel.

##### 2. The Effect of the Procurement System on Management of Project Implementation

The PDAP II contract was negotiated after a complete competitive bidding procedures in which the contractor proposed an elaborate program to be accomplished and an array of prime and subcontract resources to carry out the work. The proposal was incorporated in great detail in the contract. The reality of performance was far from the promise. The contractor apparently

viewed the contract language as having little significance beyond definition of the level of effort for which AID would reimburse. RDO/C also apparently viewed the contract language as having little else than hortatory effect beyond the level of effort provisions. Further, the cost in time, loss of momentum, and possible further complications arising from any reprourement seriously inhibited RDO/C management in considering alternatives when the depth of the problems of the PDAP project emerged.

If the detailed statement of work has no binding effect, what has the competitive procurement been about? If the competition had to do with the resources offered rather than the work to be done, why can a prime contractor change the resources offered without approval let alone rebidding? If the contract has little more than level of effort consequences, why should AID impose upon itself highly complex reprourement requirements? Why in any event should AID's own regulations operate as a shield to protect a successful bidder from the appropriate consequences of deficient implementation? Does the procurement system really require these results or have AID officers become so innured to managerially counterproductive consequences of interpretations of procurement regulations that they do not fight the battles anymore?

The procurement system imposes significant burdens on AID. But once the "up front" costs are paid for a given procurement, it is not clear why the system must become an obstacle to change when poor performance suggests that change is appropriate.

### 3. Increasing AID Dependence on Contractor Conformity to AID Values

A major consequence of shrinking AID staff resources for implementation oversight is an increasing dependence on contractors to conform to AID requirements and values with minimal AID staff oversight. Commonly, AID projects are implemented by contractor employees who have in fact absorbed much of AID's "culture" through extensive AID and development experience. Typically such people are temporary employees of consulting firms which are primarily in the business of servicing AID requirements. Such individuals may be to a significant extent "adjuncts" of AID, sharing AID's "corporate values and culture", and viewing their long-term interests in terms of association with AID, not necessarily with the firm which is providing the paycheck in the current assignment. Similarly, the small consulting firms which commonly provide such services are in a sense "adjuncts" of AID, are familiar with AID's needs, and are very much dependent on AID business.

The professional behaviors of people trained for and experienced in accounting and certain types of business consulting may be quite different from the professional behaviors of people trained for and experienced in traditional AID development work. A "development person" might tend to be more oriented toward such activities as trying to understand the broad range of effects of an intervention, more concerned with developing a local capability rather than accomplishing specific tasks one's self, more concerned with procedures whether formal or informal that assure AID approval and understanding of what is going on, more open to experiment and consideration of redirection of strategy and tactics. Someone whose background is that of selling and producing defined consulting report deliverables might be more oriented toward "bottom-line" concerns and measurable performance standards rather than vague notions such as "institution building", more concerned with doing one's own job than exploring how other's objectives might be served.

PDAP is a project implemented by a firm and by individuals who, for want of better description, tend would probably identify themselves as "bottom-line" oriented. Generally speaking, the firm's employees on the project see their probable long range interests in terms of the employer, not the employer's client. The firm and its employees may have a stonger short run bottom line orientation than a firm which is largely in the business of servicing AID. Performance under this project may suggest that capturing the benefits of "bottom-line" oriented incentives for AID may be more complicated than merely contracting with "bottom-line" oriented firms.

One might speculate concerning the effect of internal corporate culture on some of the incidents of implementation. For example, the contractor's poor information system performance cannot be explained in terms of lack of expertise in the field. The redirection of the flow of project resources through the contractor and its staff and away "other participants" cannot be explained as financial or mangerial incompetence. The foregoing is not an allegation of possible deliberate wrongdoing by the contractor. It is a suggestion that firms have complex and powerful internal systems designed to guide employee behavior toward corporate objectives. The effects of such incentive systems are not necessarily consistent at all times with AID objectives.

AID staff needs to know more about how a contractor's internal incentive system can directly or indirectly provide a inducements to achieve particular outcomes of interest to AID. Aligning AID objectives and contractor incentives may require a good deal of thinking at substantive and procedural levels.

In any event, AID staff accustomed to managing "development" projects implemented by "development" people sharing a "development culture" should be aware that there may exist other, perfectly legitimate, but different approaches to operations. Expectations of "like-kind" behavior may have affected both RDO/C and contractor people in this program. Indeed, it may be a common issue in loosely controlled operations in which functions normally performed by AID staff are performed by contractor employees. It may be useful for AID to consider how its institutional needs can be addressed when contracting with firms with strong internal cultures and incentive structures which are not necessarily designed to promote behavior thought desirable by AID.

## I. Conclusions and Recommendations

### A. Performance

1. The contractor did not fully implement the project as described in the project paper and in the contract much less contribute to an improvement in the design of the project on the basis of implementation experience. Crucial functions which were specified as such in key documentation (such as the CAP process and management information) were implemented poorly. Lack of appropriate information and sound planning led inevitably to other implementation problems. Thus Contractor management performance has been inadequate to meet AID needs and requirements.

11/6

2. RDO/C appears to have been too lenient in project oversight. RDO/C apparently did monitor the project and was aware of emerging problems. However, it may have failed to recognize the depth of the problems perhaps in part because of inadequate reporting and in part because RDO/C attention was focused on one particularly disturbing problem: internal contractor disputes and related audit issues. It can be argued that RDO/C should have taken more severe action against the contractor. However, the decision to work through a major problem with a wounded contractor rather than to take more drastic action does not seem unreasonable given the alternatives.

3. The underlying problem seems to be the contractor's failure to understand what its job is in an AID operational setting. The contractor in a development project must understand what it is doing, whether the project is effective, and, if the project is not effective, notify AID and help develop better approaches. In significant respects, this contractor failed to do so.

4. Structural characteristics rather than personalities seem to be the more significant causes of problems in the project. Virtually all the problems of the project appear to be controllable with the obvious exception of the inherent difficulty of employment generation in the Eastern Caribbean.

5. The energy, intelligence, and skills of contractor staff helped to mitigate the effect internal disputes, audit problems, and the weakness of contractor management. The institutional development aspects of the project were seriously constrained in order to focus efforts on investment promotion - a strategy which would have been questionable even if it had been successful in rapidly generating a great deal of investment and employment. In fact, it was not notably effective.

#### B. Redesign

1. A distinction can and should be drawn between defects in the "PDAP model" (ie the project design) and defects in contractor implementation of the model.

2. Some components of the PDAP model need to be redesigned; specifically,

a. The investor search and information probably should be completely redesigned.

b. The role of the island representative should be redesigned by expanding substantive responsibilities for other RDO/C private enterprise activities and turning over to local people insofar as possible tasks such as direct support to visiting investors.

3. The PDAP "model" provides a sensible overall structure for the pursuit of project objectives given the peculiarities of the Eastern Caribbean situation. Needed improvements in the design can be accomplished within the existing project structure. Improvements in effectiveness and cost reductions appear to be within reach.

4. The communication and control mechanisms of the model (such as the management information system and the CAP process) are extremely important and need to be emphasized in future PDAP operations.

5. The CAP framework offers a useful and non-controversial framework for a thorough review of project objectives island by island. Engaging local public and private sector people in the CAP process will help assuage concerns about "AID telling us what we need without asking us our views" while helping to develop more effective local strategies.

6. The project should help to develop methods and organizations to carry out investment promotion after PDAP ends. Direct promotional efforts by contractor staff should illuminate the road the West Indians must pursue, not substitute for local initiatives.

7. Participation in the design and implementation of the project by EC private and public sector has been inappropriately limited. The management of the project has emphasized performance by contractor staff. Some East Indians believe that AID and the contractor have failed adequately to consult on EC views of what is needed and how needs should be met. The CAP procedure calls for such EC participation but the failure to achieve a broad-based sense of participation with the beneficiaries of the project is more than a procedural defect. Any data gathering and analysis process should deeply involve the East Caribbean private and public sector. The proposed new emphasis on institution building would gain both credibility and effectiveness by such EC participation.

#### J. Lessons Learned

1. Sound operational data and management information is essential to project implementation. How the information is gathered, analyzed, and presented is crucial to effective implementation and AID oversight. In this case, the contractor's implementation of the project management and impact information system was key defect in an expensive, relatively low-payoff project. The information system was not narrowly conceived in project design. But in operation it was apparently not used to track the reality of operations and to test the validity of project design and implementation procedures. The further that AID staff is removed from day to day project operations, the more important accurate management information becomes.

2. Assumptions about the skills and reliability of contractors should be tested from time to time. Even a "big eight" accounting firm might not, in a given case, do a satisfactory job in management information support, for example.

3. The private sector is good at what the private sector is good at. AID must assure itself that private incentives are aligned with AID objectives before it can expect to reap the benefits of private enterprise efficiencies.

4. Investor decisions on offshore investments are influenced primarily by local policy environment, infrastructure, and to some degree local social and economic conditions rather than promotional skill as such. Different potential investors have different requirements. Investment promotion projects should attempt to assure that the national policy environment as well as institutional, private sector services, and infrastructure considerations are minimally acceptable to potential investors before heavy promotional expenditures are undertaken. Thus in some cases "step-wise" programs which seek to build on existing strengths and changes governments are willing to undertake may be more efficient than "across-the-board" promotional efforts.

5. Projects which involve new substantive areas or apply new techniques may involve a higher degree of uncertainty than traditional AID operations. Similarly, projects blessed with enthusiastic support at the USAID staff level may suffer a countervailing disadvantage of less than fully objective project monitoring. In such cases, there may be a role for an intermediate level of evaluation between normal implementation oversight on the one hand and large scale, expensive formal evaluations on the other to assist management in maintaining perspective and control on project performance.

6. RDO/C operates in a complicated environment with complex projects, a relatively small staff, and an array of contractors some of whom thoroughly understand what AID expects of them and others, such as, apparently, the PDAP contractor who either do not understand the subtleties of AID culture or find it difficult to respond to it because of internal corporate imperatives. The PDAP model reflects a number of good but not perfect compromises needed by RDO/C to deal with its staff and budgetary limitations. To the extent that RDO/C (and AID generally) relies on contractors to carry out functions that involve broad field responsibility, the following must be assured:

Staffing key contractor positions with people who understand AID's needs and culture very well;

Strict adherence to project mechanisms designed to provide understanding, flexibility, change, and consultation - such as the CAP activity in PDAP

Serious attention to what information should be gathered, how, by whom, and for what purpose.

Exchange of information within the AID system as a whole concerning the quality of contract performance. (The PDAP contractor, we are informed, has received additional AID business in part on the basis of what was understood to be its sound performance in PDAP.)

8. Many contractors are engaged simultaneously in implementing existing contracts while seeking new business. Under such circumstances, complete objectivity in assessing current performance problems is a burden not all contractors can be expected to carry.

## ANNEXES

1. Evolution of the FDAF Model

FDAF I was designed in 1980 to meet AID's perception of a need to improve the foreign assistance absorptive capacity of the small Eastern Caribbean countries by means of expanding their development project design and implementation capabilities. Unlike larger countries, staff was not available in the EC governments to manage a major influx of development funding. In the past, USAID staff personnel often performed important aspects of the function of project design and development support to host country governments. However, by the time that the RDD/C program was building toward its recent high levels, this kind of AID role was out of the question for various reasons including staffing constraints, the small and isolated country sites in the EC, and the heavy infusions of development assistance which were to be managed. RDD/C therefore began to explore the idea of contractor provided project design assistance on site in the region, a kind of "super-consultant" concept under which a contractor employee located on individual islands would provide locally a range of managerial and technical services as well as provide access to other kinds of specialized technical assistance services through sub-contracts:

"In sum, FDAF personnel will serve at once as development planners and...development brokers" (PID, p 17)

The project paper carried this concept through while focusing somewhat more than the PID on employment creation and private sector concerns.

During FDAF I implementation, an emphasis on employment creation through investment promotion developed. AID's expectations for investment driven employment grew, fueled by optimistic reporting and comments in a 1983 evaluation. The August, 1984 FDAF II Project Paper reflects this "organic shift in emphasis during the first year of operation" (PP p 4) and states, "...the feasibility and effectiveness of the FDAF model is demonstrated. We see no equally effective alternative to the FDAF approach for investment promotion in these countries." (PP p 5)

In support of its conclusions, the Project Paper cites contractor success claims yet to be realized as of this writing, April, 1986. (For example, the contractor's May 31, 1984 "Investment Projects Negotiated Or In Place" report cites "current (employment) plans of investors" to be 4185 and "Probable Expansion Plans by Dec 1985" to be 3236, a total employment effect expected within 19 months of 7421. A May, 1986 survey of employment generated by the project claims 3668 employed, a claim the validity of which is questioned. Apparent progress as reported to AID in 1984 seemed to justify a major new infusion of AID funds which was provided in FDAF II, authorized on August 30, 1984.

The FDAF II RFP was answered by the FDAF I contractor, Coopers and Lybrand, with a proposal defining 15,000 jobs as a primary goal. This figure conformed roughly to an unsupported employment generation estimate in the FDAF I evaluation. We do not know what other proposers suggested that they could accomplish were they awarded the FDAF II contract. But the combination of experience under FDAF I, a world-wide office network, no start-up costs or delays, and the promise of 12,000 to 15,000 new jobs in addition to the 7,000 jobs expected to be generated by FDAF I must have made a favorable impression on RDD/C officials involved in the procurement process. Coopers and Lybrand was awarded the FDAF II contract.

During the course of the evaluation it was suggested by the contractor that AID policy changes had made the implementation task more difficult. Perhaps this

was so and perhaps in a degree greater than other AID contractors experience in other situations. We were unable to confirm that what appeared to us to be the more important implementation problems experienced by the contractor were caused by AID. To the contrary, our impression is that activities called for by AID did fall within the scope of the program and the contract.

While the FIDAP II FF and subsequent RFF did emphasize employment creation through investment promotion, the broader FIDAP concepts incorporating institution building and "... (creating) policy environments attractive to productive investments...", for examples, were not eliminated from "the model". AID documentation reflects more of a program balance than expenditure data and our understanding of operations experience under the project.

With respect to AID changing its mind over the course of the program to the contractor's detriment, project documentation indicates more consistency than expected in RDO/C's articulation of the FIDAP model concept going back to the original FID in June, 1980. The major changes reflected in documentation from the original FIDAP concept to the FIDAP II design were:

1. Establishment of local institution building as a primary objective (as distinguished from relying more on regional institutions);
2. A sharp increase in employment goals from 3000 to 15000 and, related thereto, the articulation of a shift from "investor search" to "investment promotion", a more aggressive approach to employment generation;
3. An emphasis on internal tracking and monitoring project activity at the input and output levels to enable AID management to determine the progress and utility of the project - perhaps reflecting an AID management concern about confirming the successes claimed to date.

On paper, the major change in the "model" is local institution building (which arguably was implicit in significant ways in the first FIDAP model). As relatively little institution building was done in implementing FIDAP II, it would not seem to be a major cause of difficulty. There is a heavier emphasis in FIDAP II on aggressive pursuit of investors, but this does not constitute a fundamental change in the model. Better management information does not constitute a change in the "model" in any way but rather merely "tightening" implementation.

In contrast to project documentation, there seem to be differing recollections by participants concerning when and the degree to which FIDAP shifted in emphasis from assistance to island public and private enterprise to promotion of private foreign investment. This shift was recommended in the August, 1983 evaluation and implementation was initiated during FIDAP I. Perhaps the "shift" did affect performance of FIDAP I. However, the current FIDAP concept as stated above appears to have been settled and clearly articulated in the FIDAP II project paper, contractor technical proposal, and contract scope of work documentation.

Absent further evidence, the contractor's suggestion that performance problems in FIDAP II were caused or contributed to by RDO/C management of the project seems difficult to confirm. To the contrary, it could be argued that RDO/C's reliance on the contractor's reporting and overall management of the project contributed to or permitted serious implementation problems to emerge. We therefore preliminarily conclude that the "FIDAP model" as expressed in project documentation and as briefly summarized above fairly defines the project to be evaluated, and that it is fair to evaluate the contractor's performance on the basis of its contractual undertakings.

## 2. Features of PDAF II Contract

### "I OBJECTIVES OF WORK PERFORMED UNDER THE CONTRACT

#### "A Primary Objectives:

"...contribute significantly to the generation of productive employment and the expansion of production for extra-regional export. Specifically, the goal of this contract is to:

"1. Generate...15,000 jobs (12,000 during three year contract term and 3,000 more if option is exercised)...additional to the approximately 7,000 jobs and job opportunities which are likely to have been created by PDAF by the end of 1985...

"2. Expand extra-regional exports in both traditional and non-traditional products...(at a rate sufficient to exceed the deterioration in terms of trade, designated in U.S. dollars...

"3. Update the capability of public sector institutions to implement employment generation programs, and assist appropriate private sector institutions, association and individual firms in upgrading their capability in the field of employment generation. Because of the importance of assuring viable local institutional capabilities...assist to establish effective local development agencies in each of the participating countries by the end of the program. " (Emphasis in original)

#### "B Supporting Objectives

"1. ...increase contribution...to economic base...by the local and foreign - owned private sector...

"2. ...achieve significant diversification of the economic base...

"3. ...by working closely with the public sector, encourage a range of public sector policy initiatives designed to encourage local and foreign private investment"

### "II METHODOLOGY

#### A. Resident Advisors"

1. prepare country action plans
2. identify/implement viable employment generating projects
3. assist project design, presentation, and implementation
4. assist in project contract negotiation and followup
5. assist with market, technology, and logistical information
6. promote linkages with local and foreign private sector groups and institutions
7. participate in investment promotion (trade shows, seminars etc.)
8. advise on policy relating to domestic and foreign investment and private sector development
9. assist planning and management of industrial infrastructure
10. develop awareness of public sector officials
11. assist in promotion participation in training and conferences

122

"B. Investment Promotion": (country promotion and country specific promotion)

1. Promotional events
2. Referrals from agencies and organizations
3. Media relations and advertising
4. Desk research and mailings
5. Support for complementary institutions
6. Strategic follow-up and marketing attention to prospects
7. Development and deployment of support system (as described in proposal) and country/regional promotional materials
8. Strategic targeting of industries and companies
9. Work with institutions and organizations to improve training
10. Promote introduction of technological improvements in EC industries
11. Assist local manufacturers to access technical and business information
12. Provide information on U.S. quota regulations

"C Institution Building"

1. Formal training (incorporates C&L proposal by reference)
2. Practical application of formal training
3. Assumption of activities by country institutions

"III Project Management

"B...Project Monitoring and Management"

1. "...implement a computerized Project Monitoring System (PMM) which will maintain up-to-date records of invoiced expenditures, current and projected inputs to specific areas of operational activity, and resultant outputs..."

2. "...specific PMM inputs, outputs and associated indicators will be determined on the basis of Country Action Plans...and quarterly plans for investment promotion..."

"C. Project Reporting

"...quarterly reports..."

IV "Article IV - Level of Effort

"a...level of effort...762 person-months of direct labor

"estimated composition..."

1. <u>Professional</u>	Person Months
Investment Promotion	239
Institutional Development	120
Project Monitoring/Coordination	99
Total	458
2. <u>Non-Professional</u>	
Home Office	36
Field	288
Total	324"

No changes in contract obligations from those outlined above have been incorporated in the contract. The contract was amended three times solely for the purpose of adding funding.

123

#### 4. Analysis of available data on contractor performance

##### Introduction: The Information Problem

The weakness of the reporting system and problems with data generated by the contractor's management information system are major problems in evaluating this project - as well as a significant performance shortfall. For purposes of this writing, we must simply take the data as supplied, comment here only selectively on its applicability for project evaluation purposes, and note various internal inconsistencies. A telephone survey of all "success story" clients was conducted by SRI and its results are incorporated in their report.

Doubtless objections can be raised concerning the selection and interpretation of this data. We believe that the data is selected and treated fairly, but freely concede the possibility of erroneous selection and analysis. Once again, the major problem of the evaluation and one of the key problems of the project is data. The contractor does not appear to have thought through what data is needed to manage the project, how to obtain it, and how to use it.

Encouraging the development process - whether in the public or private sector is an experimental enterprise. The process demands that attention be paid to understanding the environment into which an intervention is made and that the intervention process be observed in order, first, to manage the process as effectively as possible and, second, to learn from the process so that the activity can be done better here or elsewhere in the future.

The PDAF Project has not advanced the state of the art because information has not been maintained on the various activities and their results in ways which permit knowledge to be built. There are a lot of good anecdotes in the PDAF program. The data is difficult to verify.

It is curious that a project managed by a "big eight" accounting firm is weakest precisely where one might expect it to be strongest: in the gathering, management, and use of data. The PDAF II project paper, the RFP, the technical proposal, and the contract all address the information problem. Performance on information systems apparently fails to meet the minimum requirements called for in the contract. But apart from contractual obligations, the contractor with its information expertise and field experience should have been working with AID to improve the project's information and "learning". It should have been concerned with how knowledge of how to do the job could be transferred to local people. That transfer was a contractual obligation. The contractor's approach to the project does not appear to be that of a development oriented manager of AID development funds. To date little has been learned, little transferred, much expended.

In this section the following data is considered:

- a. Jobs created and forecast employment
- b. "Success story" data
- c. Promotion activity data
- d. Sources of leads
- e. Contractor client and office participation

The survey of investors and field interviews to be presented in the SRI Report addresses PDAF client views and provides some cross check on other data.

### a. Jobs Created and Employment Forecasts

It is not possible to present firm figures on jobs created. The need for this category of information was clearly established in project documentation. Development of hard data on employment was not emphasized in implementation. Apparently, the first attempt by C&L to present current actual employment was not made until this evaluation was scheduled.

The April, 1986 briefing document presented to AID and the evaluators containing the current employment figures is, in many respects, not consistent with current figures. Nor is it regularly consistent with underlying "success story" files from which we understand that some of the current employment data is derived. On the basis of field interviews, CBA believes that the problem is one of poor reporting and information management rather than one of intentional overstating of jobs by field representatives. However, there is no tracking of employment results in the island offices. Field advisors apparently were not trained or directed to address employment data problems. I am further informed that reporting by Mr. Gallagher was done personally by him rather than through a systematic data collection process.

One problem running through the data is the difficulty of determining what is being reported. Apparently, until the February, 1986 PDAF Progress Report, the contractor was reporting two classes of forecasts (viz, current plans and expected expansions) rather than actual jobs. The following table summarizes employment data reported since 1984 in the Contractor's Progress Reports (1-4) and compares the latest (2/28/86 and May summary) "current employment" and "forecast employment" figures (5 & 6):

Contractor Report Date:	1 3/31/84	2 5/31/84	3 3/31/85	4 7/15/85	5 2/28/86	6 5/86
Current Plans	3155	4185	4425	4675		
Probable+ '85	2666	3236				
Probable+ '86			3336	3436		
Total	5821	7421	7761	8111		
+ Production Sharing	145	205	1112	1212		
Current jobs				4015	4165	3668
Forecast jobs				8100	8298	7565

The current employment figure of 4165 presented by the contractor to AID and the evaluators in the April, 1986 briefing materials was analyzed in the SFI Report.

The data available in Washington does not provide a basis for qualitative analysis of employment generated such as characteristics of temporary employment (eg construction and cottage labor) and continuity of sub-contract work. It is also not possible on this data to come to any conclusions on questions such as whether the jobs would have been created without PDAF intervention. However, many investors reported that they would have invested without PDAF. Only first time investors indicated that PDAF was essential to their decision. Conversely, it is also not possible to determine whether and to what degree jobs that PDAF might have created were "lost" for reasons inherent in local conditions. It would have been useful to have detailed information on "losses" as well as "wins" to help sharpen future efforts and, perhaps, focus government attention on constraints subject to their control.

125

The contractor apparently made no effort has been made to examine secondary effects of employment. This is a serious omission. For example, it would seem to this evaluator that the fifty real permanent jobs properly attributed to PDAF efforts in the aloes project in rural southwest Dominica has significance beyond the number of jobs created as such. Thus a single minded focus on the "jobs created" number may have overlooked potentially very important project benefits.

Even assuming that 4165 is a reasonable claim of current employment, comparison of the 4165 figure with past progress reports of "current plans" and probable expansions reflects both the optimism of the contractor and the difficulty of bringing expectations to reality. In the May, 1984 Progress Report, the contractor indicated 4185 "current plans" jobs and 3236 additional jobs "probable" in 1985, a total of 7421. Query whether PDAF II would have been approved in its current form and funding level had AID management expected 4165 jobs created by May, 1986.

#### b. Success story data

An examination of 69 "success story" files shows considerable variation in the quality of reporting. It does not appear that the contractor assured the availability and quality of data sought by AID for the agency's management purposes in this data category. On the other hand, success story data is collected for activities dating back to early 1982. Reporting might well not have been emphasized early in the project.

The project database, "Status VI - Hot/Success Codes", reflects the following information:

"Current hot"	95
"Success"	70
"Used to be hot"	226

If the 24% historical record of successes to successes plus "used to be hot" holds, 23 currently hot prospects will become "successes". As noted above, "success" is not necessarily equivalent to employment generation and not all "real successes" generate significant employment or even stay in business.

The contractor counts a prospect as a "success" if and when a potential investor "makes a commitment" to invest. As noted above, inadequate data in the underlying files make it impossible to get a sense of current status (with the unfortunate exception one which is experiencing "severe financial crises" and another labor problems). The issue here is not that not all "successes" succeed but rather the inadequacy of information on which an objective assessment of the program can be made by management, much less by evaluators in a few days of work. The contractor does not appear to have thought through such questions as, "what are the dimensions of "success" which the project should pursue?"; "how can data be gathered and used to help differentiate the types of projects to promote and the extent of commitment that PDAF should undertake?"

## c. Promotion activity data

Considerable data has been maintained on promotional activity as reflected in the following table:

Line Item	3/31/84	5/31/84	3/31/85	7/15/85	2/28/86
Contacts	4886	5086	6190	6400	7496
Further interest	3410	3580	3910	4850	
Followup	1019	1128	1505	1205	
"Hot prospects"	68	51	54	45	
Trade shows	24	26	53	53	
Seminars	14	15	22	22	
Mass Mailing	18	18	21	21	
Articles/ads	15	21	32	32	

Useful additional data categories generated under "Status III" reflects prospect visits to the Eastern Caribbean (presumably cumulative as of April 10, 1986). Prospect visits are considered a crucial factor in obtaining investor commitments:

1. Planning to visit -	107
2. Visited region once	213
3. Visited region more than once	40

(Query: Does this mean that 253 prospects visited the islands yielding the 69 "success" stories which in turn generated 3668 jobs? How is a visitation by a firm already active in the islands treated?)

## d. Sources of leads

(This area is analyzed in the SRI Report)

Data base Status V categories indicates how prospects were identified:

A. Desk research/mailings	1604
B. Identified by subcontractor	502
C. Trade show	1807
D. C&L Office	76
E. OPIC Referral	103
F. DDC Referral	276
G. PDAP advisor	270
H. Prospect contacted PDAP source unknown	264
I. Seminar	970
J. Advertisements/articles	261
K. Unknown	205
L. Other	220
M. Referred by AID	60
Total	6617

(One AID officer indicated that the figure 60 for AID references is unquestionably incorrect as he believed that he personally had made about that many references in a one year period and that he knows that other AID officers have also made numerous references of potential investors to the contractor.)

e. Coopers and Lybrand Office and Client Participation

The data base indicates contacts with 201 C&L clients (Status IV - C). It is not clear how many became clients as a consequence of PDAP contacts. Only 75 leads are listed as generated by C&L offices. RDO/C expectation of PDAP capitalizing on C&L's worldwide network of offices should be examined at greater depth.

f. Quality of C&L response to investor inquiry

AID officers reported investor dissatisfaction on numerous occasions with the quality of contractor response to inquiries.

SEND VIA TELEFAX

April 14, 1986

To: Robert Justis  
Coopers & Lybrand

From: Matty Mathieson *Matty*  
SRI International

As we discussed, attached is a list of categories on which we would like additional information. One set involves budget/financial data for the PDAP program. The other is related to program outputs.

We would appreciate it if you would supply this information to us by the end of the week. If you have any questions, please give me a call. Thanks.

cc: Charles Blankstein

#### 4. INDIVIDUAL SUBCONTRACTORS

LOUIS BERGER	1,099,763	824,790	630,771	139,286
ROBERT CARLSON ASC.		123,593	100,543	171,332
CEO ACCESS PERSONS			306,600	
S. WINKELMAN				79,107
J. THOS. MALATESTA				57,701
PUBLIC RELATIONS			120,000	
BURSON-MARSTELLER				11,605
CARIB. BUSINESS DEVELOP.				24,900
R.A. HILLIARD ASSC.				15,400
MR. ROY CLARKE		87,724		
C+L CANADA		25,157		3,438
C+L BARBADOS		488,592		545,281
C+L HONG KONG		55,586		53,394
C+L LONDON		9,233		
C+L PARIS		17,265		
C+L SINGAPORE		10,584		
C+L TORONTO		2,984		
FREE ZONE AUTHORITY				27,857
GENERAL CONSULTANTS LTD.				16,112
MARTIN HERMAN		77,771		1,470
TAM CHUNG-CHEONG				3,000
WALLACE EVANS+PARTNERS		21,764		
WASH. CONSULT. + MGMT. ASSC.		49,118		
C+L BELIZE		67,604		5,177
IBERC			67,800	62,489
DEVELOPMENT ASSOCIATES		133,700	447,936	19,251
STATE OF FLORIDA				46,000

2058-74  
600  
2008

5. PERSONNEL BY CATEGORY, INCLUDING DIRECT LABOR, FRINGE, OVERHEAD,  
TRAVEL, PER DIEM + OTHER ALLOWANCES

A. INVESTOR SEARCH/PROMO	373,956	1,459,196	1,186,417	1,426,761
MGMT (BROWN, PAZMANY)		318,730		138,324
ALL OTHER		1,140,466		1,288,437
B. IN-COUNTRY ADVISORS	2,952,553	3,270,694	3,532,609	1,940,984
MGMT (BARBADOS)		509,412		232,654
ALL OTHER		2,761,282		1,708,330
C. ADMIN./CLERICAL	176,528	223,237	199,800	174,520

6. BY FUNDING CATEGORY

A. DIRECT LABOR + FRINGE (EXCL. SUBS.+CONSULTS)	732,462	1,234,070	1,302,314	1,040,696
B. TRAVEL	279,848	392,304	382,310	268,987
C. MATERIALS, SUPPLIES (EXCEPT COMPUTERS)	48,000	11,329	5,000	25,297
D. COMMUNICATIONS	57,600	227,172	115,000	208,098
E. CAPITAL EQPMT (COMPUTERS)		599	27,000	85,129
F. OVERHEAD + G+A	909,718	1,524,889	1,673,213	1,336,129

NOTE: WASHINGTON DOES NOT RECORD ADVISORS' TIME BY THE ITEM NO. 2A  
CATEGORIES REQUESTED: I.E., PRIVATE SECTOR PROMOTION, INSTITUTION  
BUILDING, AND INTERNAL REPORTING AND DEMONSTRATION. PLEASE TRY TO  
CONVEY TO EVALUATORS YOUR KNOWLEDGE OF HOW ADVISOR TIME IS DIVIDED  
UP, ALTHOUGH THEY PROBABLY HAVE A FAIRLY GOOD SENSE OF THIS BY NOW.

REGARDS†

2329 COLYASCL WB

440241 C-L INT

131

MONTHLY ADVISOR COSTS

<u>COMPANY/NAME OF ADVISOR</u>	<u>MONTHLY COSTS*(1)</u>	<u>PER DIEM/TRAVEL</u>	<u>COMMUNICATION (2)</u>	<u>OFFICE RENTAL</u>	<u>SECRETARY</u>	<u>TOTAL</u>
ANTIGUA	11,855.51	1,159.93	608.33	800.00	450.00	14,873.77
BARBADOS	13,778.47	3,595.65	2,027.15	1,000.00	1,000.00	21,401.27
BELIZE	11,731.32	1,091.54	236.22	250.00	-	13,309.08
DOMINICA	10,159.72	1,245.77	254.58	260.00	1,125.00	13,045.07
GRENADA	14,400.15	293.23	800.00	600.00	875.00	16,968.38
	10,661.60	107.77	-	-	-	10,769.37
ST KITTS	10,204.95	843.06	836.35	400.00	500.00	12,784.36
ST LUCIA	11,647.84	3,170.25	963.21	350.00	1,125.00	17,256.30
ST VINCENT	11,718.92	2,032.53	786.57	300.00	875.00	15,713.02
	<u>106,158.48</u>	<u>13,539.73</u>	<u>6,512.41</u>	<u>3,960.00</u>	<u>5,950.00</u>	<u>136,120.62</u>

(1) Monthly costs include : Labor, Post Differential/Allowance, House Rent, Education Allowance, Storage

(2) Communications include: Telephone, Telex, Postage

Note: These figures are averages based on a thirteen month period - October 1984 to November 1985

Append 4  
Item 5-

PROJECT DEVELOPMENT ASSISTANCE PROGRAM  
(P.D.A.P.)

Insert 1  
Item 6  
Page 3  
(Contractor Report  
to AID)

EMPLOYMENT FIGURES

May 15, 1986

The attached tables provide a breakdown of employment generation in countries covered by the PDAP program which have resulted from PDAP promotional and follow up activities.

A PDAP generated investment is defined in two ways:

- When the company's investment in the region/country was a direct result of PDAP promotional activity
- When PDAP, usually the field advisor, provided substantial assistance in the decision-making process of a company, or where PDAP played a major role in successful implementation of the project.

The type of investment varies, from wholly owned subsidiary to joint venture to subcontract. In the case of subcontracts, the company name provided on the table is the name of the U.S. firm, rather than the name of the local firm.

The employment figures are broken down by country and by company. Information is provided on current employment (as of May 15, 1986), forecast employment, and past peak employment. Past peak figures were compiled to capture the normal employment fluctuations which occur in any business and to provide a more accurate employment count. Forecast employment is based on company projections provided to PDAP advisors.

The job breakdown for all countries are as follows:

- Current : 3668
- Forecast : 7565
- Past Peak : 5598

The average employment, taking the average of current, forecast, and past peak, is approximately 5610. This figure reflects most closely the employment impact of PDAP generated investments.

The employment figures relate to direct labor employment and do not include managerial employment, nor any indirect employment in other economic sectors generated from PDAP investments. This indirect effect, while not quantified, has been substantial. Furthermore, the list does not include subcontracts which involved trial runs for a period of less than one month. It is estimated that there have been at least 15 such trial runs, employing approximately 100 people.

The type of job also varies, from permanent to seasonal, to cottage to construction. All jobs, however, are directly generated by the PDAP-generated investment and reflect the unique employment requirements of the particular investment.

## Annex 5

Information System: Project Management Matrix and Performance Data Response

Item 1 - Project Management Matrix as proposed (Technical Proposal, 27 ff)

Item 2 - Request for information in FMM categories

Item 3 - Contractor response to FMM information request

INPUTS

OUTPUTS

Advisor-Related Activities

- Number of Private Sector Projects identified in Agri-Business industry, tourism and services.
- Number of investment prospects serviced by telephone and correspondence
- Number of Foreign investors serviced in-country
- Types of infrastructure constraints identified and solutions implemented
- Number and types of investment promotion activities conducted
- Number and types of assistance to implement investment projects
- Number and types of production-sharing opportunities coordinated with local businesses
- Level of assistance in training needs identification

Institution-Building and Training

- Private Sector
  - Volume and types of assistance provided to local business associations in export and investment promotion
  - Number and types of formal training programs and number of participants
  - Number and types of technical assistance provided to individual companies
  - Number of participants in promotional events in U.S.
- Public Sector
  - Number and type of formal policy inputs provided to government
  - Volume and types of informal assistance provided to industrial development institutions in-country
  - Number and types of formal training programs in investment promotion in U.S.
  - Number of participants in on-the-job training in U.S.
  - Donor financing obtained for support of promotional institution

International Investment Promotion

- Number of new industries targeted
- Number and type of search and contact activities arranged and conducted
- Number of potential prospects identified and contacted
- Number and type of follow-up
  - Telephoned contacts
  - Letters
  - Personal meetings
- Number of production-sharing opportunities identified
- Number and type of media contacts
- Level of input to on-the-job and formal training
- Level of input to maintain support systems (Database and promotional materials)

1. Advisor-Related

- Number of jobs created
- Number and types of new investment projects negotiated and implemented
- Rate of Implementation of previously-negotiated projects
- Achievement of institutional development outputs (see below)

2. Institution-Building and Training (includes results of inputs provided by advisors as well as other program components)

• Private Sector

- Number of jobs created by existing firms
- Value of investment in new or expanded plant from production-sharing/joint venture projects
- Number and value of new products exported and number of and implementation new markets penetrated
- Number of existing firms expanding into new product and number of locally-owned firms created for production for export
- Increase in volume and types of participation by business associations and individuals in investment and export promotion activities
- Increase in number of trained supervisory and production personnel
- Demonstrable changes in local companies' management behavior and measurable increases in efficiency and competitiveness resulting from improved costing, production and inventory control systems.

Public Sector

- Demonstrable changes in attitudes, behavior, and policies toward private sector, local and foreign
- Improvements in supporting infrastructure, including private-sector financed industrial estates
- Increase in efficiency in review, approval, and implementation of foreign investment projects
- Increase in volume of and participation in off-island promotional activities and improvements in formal structure
- Increase in number of qualified investment prospects, investment, and job creation from promotion activities

3. International Investment Promotion

- Average number of new and hot prospects maintained
- Number of production-sharing opportunities referred to advisors
- Number of potential investors visiting region
- Number of favorable references in media
- Number of investments implemented and jobs created resulting from promotional activities

Please provide the following information on PDAP operations:

1. Volume and types of assistance provided to local business associations in export and investment promotion.
2. Number and types of formal training programs and number of participants.
3. Number and types of technical assistance provided to individual companies.
4. Number and type of formal policy inputs provided to government.
5. Volume and types of informal assistance provided to industrial development institutions in-country.
6. Level of support for on-the-job and formal training.
7. Level of support to maintain support system and promotional materials.
8. Number and value of new products exported and number of and implementation new markets penetrated.
9. Increase in volume and types of participation by business associations and individuals in investment and export promotion activities.
10. Increase in number of trained supervisory production personnel.
11. Demonstrable changes in local companies' management behavior and measurable increases in efficiency and competitiveness resulting from improved costing production and inventory control system.
12. Demonstrable changes in attitudes, behavior, and policies toward private sector, local and foreign.
13. Improvements in supporting infrastructure, including private-sector financed industrial estates.
14. Average number of new and hot prospects maintained.

INFORMATION REQUESTED BY PDAP EVALUATION TEAM

1. VOLUME AND TYPES OF ASSISTANCE PROVIDED TO LOCAL BUSINESS ASSOCIATIONS  
IN EXPORT AND INVESTMENT PROMOTION

Belize - Daily, PDAP Belize works with local business associations (BEIPU). Nearly all of the advisor's work with institution building has been directed toward the establishment, funding and implementation of this unit. PDAP and the unit are usually viewed as one. Quantification of this close and integrated working relationship is very difficult. The PDAP advisor is based in the BEIPU office.

Antigua - The PDAP Advisor is based in the offices of the the Chamber of Commerce and as such, the advisor works closely in every way with the Chamber. Specific programs have been -- October 1984 Investment Mission to Rochester New York, 1983-1985 participation in the C/CAA Miami Conference on the Caribbean, production of a economic video promoting investment into Antigua, production in 1984 and 1985 of an Antigua and Barbuda's Investment Guide.

Grenada - Major support was provided to the Chamber of Commerce in preparation of participation in the Miami Conference, including audio visuals and promotional materials. On site consultation by three PDAP advisors at the Miami conference regarding future participation in the Miami Conference and improved preparation. PDAP has providing indepth consulting advice to the Grenada Hotel Association.

Dominica - The Advisor sat on the steering committee for the CARIHEX exhibition which was held in Barbados in July 1985. In this show, a number of regional manufacturers displayed their products.

*St Lucia - Organized mission (investment) to the Far East for Chamber of Commerce and government.*

2. NUMBER AND TYPES OF FORMAL TRAINING PROGRAMS AND NUMBER OF PARTICIPANTS

Belize - Florida Department of Commerce Training Program for the new BEIPU Board of Directors (three from private sector, two from public sector) in Florida for one week. Visited State of Florida officials as well as field personnel involved in local investment promotion efforts. The program was very highly evaluated by the participants. Set the stage for the institution building process that has taken place since the establishment of BEIPU. PDAP has also been involved with missions to the Far East/Europe and the U.S. whereby the process of investment promotion, as developed by PDAP was learned first hand by the participants.

Dominica - PDAP will sponsor the participation by the General Manager of the IDC in an Arthur D Little Training Course.

Antigua — Antigua has no investment promotion unit as such. Rather, investment promotion has been carried out by an informal group composed of representatives of the Manufacturers' Association and the Chamber of Commerce. In 1983, PDAP organized a five city investment promotion tour in the United States, where representatives of both organizations participated. In May, 1985, PDAP sponsored the participation of Antigua's New York UNIDO representative in an investment promotion seminar held in Puerto Rico, organized by FOMENTO. In 1985, Antigua appointed a trade and investment officer to its embassy in Washington, D.C. He works closely with the Washington, D.C. investment promotion staff and has attended one trade show with them.

Grenada - PDAP sponsored participation for members of the Board of Directors of the IDC in our program with the Florida Department of Commerce. This course was a one week tour of four Florida cities, along the same model as the training conducted for Belize.

St. Vincent — PDAP provides financial assistance in the salary of the General Manager of DEVCO. PDAP sponsored his participation at the May, 1985 Investment Promotion Seminar held in Puerto Rico, sponsored by FOMENTO.

### 3. NUMBER AND TYPES OF TECHNICAL ASSISTANCE PROVIDED TO INDIVIDUAL COMPANIES

In every country PDAP has devoted considerable resources to providing technical assistance, on a request basis, to local companies. These requests generally fall into the following categories:

- i) information
- ii) market contacts
- iii) production assistance

On average, approximately 50-75 such requests are serviced every month.

Belize - Three companies received technical assistance in the form of feasibility studies under PDAP I — two of these, Quality Poultry Products and Belize Timber, have been funded for \$1.5 million and currently employ 100 people. Three garment operations received technical assistance resulting in two contracts to produce garments under 807. PDAP has also acted as a liaison between other technical assistance programs and individual companies, making companies aware of other assistance which is available such as International Executive Service Corps, Center for Industrial Development, Caribbean Project Development Facility, and VITA.

Antigua - Electronic Technology International received technical assistance on a number of occasions from PDAP's electronics industry specialist, Mr. Bob Carlson who helped them analyze their manufacturing costs in order to bid correctly on potential subcontracts. PDAP financed one month's assistance by the International Executive Service Corps to a garment company, CANAM.

Grenada - PDAP has assisted a number of companies. They are:

Ramada Renaissance Hotel - valuation, financial forecast and assistance with investor search which resulted in an \$1 million investment to rehabilitate and expand the hotel.

Grenada Telephone Company - financial analysis for negotiation of contract with Cable and Wireless.

Grenada Electricity Services - valuation, sources of capital analysis, asset inventory, and ongoing investor search.

Grenada Bank of Commerce - Valuation, prospectus, strategic plan, investor search.

GYS Machine Shop - valuation, recommendation for disposition to Cabinet

Carpentry shop - divestiture plan recommendation to Cabinet.

DECO Industries - financial forecasts for bank application for factory shell financing under the IPIP Program.

GRENTEX - financial plan for joint venture.

St. Vincent - PDAP subcontractor, IBERC, provided assistance to Jacob Ash and company on quotas and other customs information. PDAP conducted a market feasibility study of the arrowroot industry and provided a short term technical consultant to help the industry.

St. Kitts - Martin Herman, a PDAP subcontractor, provided technical assistance to a local garment company, Sun Island, on how to bid on potential subcontracts. PDAP did a feasibility study for Leeward Island Shrimp Company. For MKK Garments, PDAP provided technical assistance on manufacturing procedures. C&L's National Tax Group provided tax advice to several companies establishing operations in St. Kitts. In Nevis, PDAP recruited a consultant to assist in the organization and start up of a privately held bank.

Dominica — PDAP financed a short term study to assess the feasibility of growing fresh herbs for export and conducted a market feasibility study of aloe vera. PDAP financed a marketing trip for Tropicrafts, a local handicrafts company, and provided assistance to several potential electronics subcontractors on quotations.

#### 4. NUMBER AND TYPES OF FORMAL POLICY INPUTS PROVIDED TO GOVERNMENT.

Belize - Policy advice has been provided by PDAP on: written investment code, written criteria for evaluating concessions, lifting price controls on beef, creation and delegation of responsibility for investment promotion to the Belize Export and Investment promotion unit.

Antigua - PDAP is engaged in an on-going dialogue on the need for an investment promotion organization.

Grenada - Continuous policy advice is provided by PDAP on fiscal incentives, land acquisition and other areas related to tourism and manufacturing. PDAP was instrumental in government decision to remove the five percent tax on IPIP loans (factory building construction).

St. Kitts - PDAP has been involved in policy discussion on port charges and on the creation of an investment promotion institution.

Dominica — PDAP financed, at the request of Government, a feasibility study for a free zone to be located at Melville Hall Airport. The Advisor has a background in forestry and has provided a number of policy inputs on the development of Dominica forestry reserves. In PDAP I, the advisor participated extensively in discussions on the banana industry.

St. Vincent - PDAP wrote the industry section of the three year Government Development Plan.

St. Lucia - PDAP provided a consultant (from Louis Berger) to develop and implement an industrial free zone at Vieux Fort.

#### 5. VOLUME AND TYPES OF INFORMAL ASSISTANCE PROVIDED TO INDUSTRIAL DEVELOPMENT INSTITUTIONS IN-COUNTRY

Belize - PDAP has worked with the DFC on their Ladyville Industrial Estate Program — all three 6,000 sf shells are currently occupied. PDAP works informally with the business community to get them to think more in terms of production, processing and marketing export products, in contrast to trading mentality.

141

Antigua - As stated before, there is no investment promotion entity in Antigua, but rather the function is carried out by an informal group of private sector individuals with final responsibility resting with the Ministry of Economic Development. PDAP in effect, is the industrial development institution in the country providing investor search, investor servicing, development of promotional materials, follow up and implementation assistance.

PDAP has also worked closely in the operation of the Manufacturers Association.

Grenada - PDAP provides assistance in obtaining Dun & Bradstreet reports on potential investors, as well as conducting project evaluations for the IDC.

St. Kitts - As in Antigua, the PDAP Advisor is, in effect the investment promotion institution and provides the services associated with that role.

St. Vincent - With the rejuvenation of DEVCO, the PDAP advisor provides on-going advice, and assistance with all aspects of DEVCO.

Dominica - The Advisor is based in the IDC offices and, as such provides daily, ongoing informal assistance.

#### 6. LEVEL OF SUPPORT FOR ON THE JOB AND FORMAL TRAINING.

In all countries, PDAP maintains a close relationship with the OAS/Skills Training Program, which provides entry level and supervisory training for new manufacturing enterprises. In Antigua, PDAP helped organize a management training courses for supervisors in the electronics industry which was conducted by the head of the OAS program. *There are currently 15 entry level trainees from the electronics industry*

Under a subcontract with a St. Lucian-based apparel consultancy firm, PDAP has provided in plant assistance to a number of garment companies in the participating countries, most recently to PYRAMID Garments in St. Lucia and to MKK Garments in St. Kitts.

In Antigua, PDAP sponsored on the job training for two supervisors of a locally-owned electronics firm. The training was conducted at the Massachusetts facility of a company with whom the local company was contracting.

*Until 1985 the OAS/Skills Training Program operated only in St. Lucia and Dominica. As it has expanded to all countries in which PDAP operates, the cooperation and coordination between the two programs has increased dramatically.*

## 7. LEVEL OF SUPPORT TO MAINTAIN SUPPORT SYSTEM AND PROMOTIONAL MATERIALS.

In addition to PDAP brochures and country fact sheets prepared and used chiefly by the Washington, D.C. investor search team, Mary Ramond, a PDAP subcontractor provided technical advice to St. Kitts and Nevis in October, 1985 regarding production of an economic videotape.

Dominica - PDAP provided funds to print their Investor's Guide.

St. Lucia - PDAP purchased a videocassette recorder and a slide projector for the NDC.

Antigua - The PDAP Advisor wrote and printed an Investor's Guide in 1984. The Guide was updated and reprinted in 1985. The advisor assisted in writing and filming an economic videotape and prepared a brochure for a local company, ETI, on their qualifications as an electronics subcontractor.

Grenada - PDAP designed and printed investment guides which were used at the C/CAA Miami Conference.

## 8. NUMBER AND VALUE OF NEW PRODUCTS EXPORTED AND NUMBER OF AND IMPLEMENTATION OF NEW MARKETS PENETRATED

Belize - Cucumbers (350,000 lbs) 1985 to New York market. Boxed beef (two containers to Barbados and 10 containers to U.S.) in 1985

Antigua - Electronics (\$500,000 - \$600,000) beginning in late 1984. Waterbed sheets (\$45,000)

Dominica - Aloe Vera, grapefruit segments

St. Lucia - dive suits, plastic products

St. Kitts - roses, electronics

Grenada - garments to the U.S.

In 1982, when the project started, there were very few exports of manufactured goods to the United States. Most trade was regional with the majority of sales to Trinidad. PDAP introduced investments have, without exception, been export oriented, with the major and usually sole market being the United States. In Antigua, electronics are now exported to Europe as well.

9. INCREASE IN VOLUME AND TYPES OF PARTICIPATION BY BUSINESS ASSOCIATIONS AND INDIVIDUALS IN INVESTMENT AND EXPORT PROMOTION ACTIVITIES.

Belize - PDAP has involved 12 business leaders in the investment/export promotion process through local activities and direct participation in missions abroad, to the United States, to the Far East and to Europe. Several Belizean companies displayed at USDA show.

Antigua - Several investment promotion missions have been undertaken by PDAP on behalf of Antigua. In every case, there was significant participation both in the planning and execution of the missions by private sector business associations. In addition, PDAP sponsored participation by Lionel Hurst, Antigua's trade and investment officer in Washington, D.C. to the WESCON electronics show. ETI, a local electronics company participated in several electronics shows, courtesy of PDAP. PDAP also organized a promotional trip to prospective customers for ETI in 1984.

Grenada -Edwin deCaul used the PDAP booth at the Bobbin Show in 1985, as did Jenny Killand, from the Chamber of Commerce.

Montserrat - Kenny Cassell attended Electro in 1985 using the PDAP booth as a base.

St. Vincent - Jim Lockhart, electronics subcontractor, used the PDAP booth at the Wescon trade show in November 1985.

Douglas DeFreitus used the PDAP booth at the International Food Show in San Francisco in 1984.

Dominica - Murray Peddada (electronics subcontractor) used the PDAP booth at the Wescon trade show in 1985, then visited the Washington, D.C. office to work with leads in the data base.

St Kitts - John Mallalieu, St Kitts Enterprises and his US agent, use the PDAP booth regularly at electronics trade shows. Sam Nariani, Sun Island Clothes used the PDAP booth at the Bobbin Show in 1985.

PDAP assisted in organization of St Kitts investment promotion mission to Boston in September 1985. A joint public/private sector deligation led the mission.

St Lucia - Ed Faber sent electronic samples to be displayed at the PDAP booth at the WESCON show.

Two garment companies displayed their products at the Bobbin Show.

General - PDAP hosted several training sessions for the UNIDO/CIPS representatives over the years. Several CIPS representatives attended trade shows with PDAP's industry experts. Two countries, Grenada and Belize participated in the Florida Department of Commerce training.10. Increase in number of trained supervisory production personnel.

10. INCREASE IN NUMBER OF TRAINED SUPERVISORY PRODUCTION PERSONNEL.

*PDAP generated projects have in all countries, increased the number of trained supervisory production personnel. Since 1982, there are*

Belize - PDAP has helped various consultants and the Chamber develop the PID and PP for USAID Belize's program "Training for employment." A large training program tied in directly with BEIPU as a result of PDAP efforts to help train supervisory and production personnel over the next five years.

*at least 200 additional trained supervisory production personnel*

Antigua - PDAP sponsored two technicians from ETI to train in U.S. Helped organize a supervisory training course for electronics companies. As a result of PDAP-generated investments there are probably an additional 15-20 trained supervisors on the island.

Grenada - Investments by Ramada, Johnson and Johnson and SmithKline will increase the numbers of trained supervisory personnel.

11. DEMONSTRABLE CHANGES IN ATTITUDES, BEHAVIOR AND POLICIES TOWARD PRIVATE SECTOR, LOCAL AND FOREIGN.

The governments of all PDAP countries, with the possible exception of Grenada are private sector oriented, with an open attitude toward foreign investment and private sector development. PDAP activities have sensitized the governments to the particular needs and requirements of U.S. manufacturers, particularly with respect to incentives, and work ethic.

12. DEMONSTRABLE CHANGES IN LOCAL COMPANIES' MANAGEMENT BEHAVIOR AND MEASURABLE INCREASES IN EFFICIENCY AND COMPETITIVENESS RESULTING FROM IMPROVED COSTING PRODUCTION AND INVENTORY CONTROL SYSTEMS.

As stated previously, before PDAP most manufacturing exports were destined for the Trinidad market. Production efficiency, quality and on time delivery were not required for this market. With the shift towards exporting to the United States, companies have gradually changed their production methods and modes of thinking. This transition has not been easy and many companies have simply closed down, rather than make the transition.

PDAP has worked with many local companies in obtaining subcontracts. The companies that have been successful in securing contracts, have by definition, had to change their attitudes and competitiveness.

145

Participation in trade shows and investment missions and the simple demonstration effect of PDAP activities has served to expose many businesses to new ways of thinking and to new production techniques and methods.

PDAP subcontractors have provided considerable in plant assistance to many companies to improve their production efficiency and controls. In addition, success in obtaining subcontracts has resulted in exposure to U.S. production methods as U.S. trainers have come to the region to start up subcontracts.

### 13. IMPROVEMENTS IN SUPPORTING INFRASTRUCTURE, INCLUDING PRIVATE SECTOR FINANCED INDUSTRIAL ESTATES.

Belize — Roads, electricity have all improved over the past few years. A new airport will be constructed. A private industrial estate is being constructed in the northern part of the country.

Antigua - Antigua was the first country to privatize industrial estates. through the assistance of PDAP, government took the decision to allow and grant generous incentives to a private sector developer. PDAP also worked with USAID to design a financing program for private sector estates - IPIP. To date, two developers have accessed this financing which is available through the East Caribbean Central Bank.

Grenada - PDAP has assisted in the creation of an Industrial Development Corporation and the establishment of a national economic council with private sector membership. PDAP assisted in designing the master plan for the Frequente Industrial Estate, and provided technical assistance to a private sector developer, Edwin de Caul, who will access funds from the IPIP program.

St. Lucia - Considerable assistance was provided in the creation of the industrial free zone at View Fort. In addition, the Advisor has worked closely with the government in attempting to resolve another constraint, that is the lack of a container port at the industrial area.

Dominica - PDAP worked with a private developer of industrial space and conducted a feasibility study for a possible free zone at Melville Hall.

### 14. AVERAGE NUMBER OF HOT PROSPECTS MAINTAINED.

75 to 110 at any one time.

BIBLIOGRAPHY: PDAP EVALUATION

PDAP I

"Project Identification Document." Agency for International Development, June 20, 1980.

"Project Development Assistance." Caribbean Regional Project Paper, Agency for International Development, 1983.

Select Internal AID Memoranda and Documents. 1980-1984.

Project Development Assistance Caribbean Region. Technical Proposal, Coopers & Lybrand, May 1981.

Harrison, Lawrence E., Bolin, Richard L., and Haywood, Robert, C. Evaluation of the Project Development Assistance Program. September 30, 1983.

Select Cost Analyses, Coopers & Lybrand, 1984.

Advisor Activities Within the Region and Elsewhere. PDAP Annual Report, Volume II, Coopers & Lybrand, 1982.

Investor Search and Home Office Technical Assistance Activities. PDAP Progress Report, Coopers & Lybrand, July 31, 1982.

PDAP II

"Cost Reimbursement Type Contract." Agency for International Development, November 1, 1984.

Investment Promotion. PDAP Follow-On Project Technical Proposal, Coopers & Lybrand, July 27, 1984.

Select Coopers & Lybrand Documents on PDAP II Management and Results, 1985-1986.

PDAP Country Matrices - By Industry. March 1985.

An Economic Analysis of the Eastern Caribbean as an Offshore Production Site. Coopers & Lybrand, February 6, 1986.

Status Reports PDAP Washington. August 1985 - January 1986.

PDAP Progress Report. Coopers & Lybrand, July 15, 1985.

Draft Country Action Plans. PDAP II, March 28, 1985.

Draft Country Action Plans. PDAP II, March 1986.

An Investment Targeting Analysis for Seven Caribbean Countries. Coopers & Lybrand, October 1985.

Investing in the Caribbean. Select Promotional Materials, Coopers & Lybrand, undated.

CITATIONS TO PROJECT DOCUMENTATION

Unit of Analysis/quotation	FP	FFP	Proposal	Contract
<b>PROGRAM GOALS</b>				
Increase employment	19			
Specific job goal-FDAF II 15000 plus FADF I 7000	-	-	23, 24-26	Annex A, p1
Expand exports			25	Annex A, p1
<b>Institutional development:</b>			24	
-"establish effective local development agencies in each...country...by the end of the program"	19,26	25		Annex A, p2
-propose framework for institutional development sepecific to local conditions	28		25	Annex A, p2
<b>SCOPE OF WORK</b>				
Objectives		2	24	Annex A, p1-3
Develop private opportunities and investments	27	4		Annex A, p2
Improve government capability to attract foreign investment & support private sector led growth	28	4	21	
<b>INDICATORS OF PROJECT ACHIEVEMENT</b>				
-proposal will suggest and contract contain "specific, realistic indicators of achievement"		4	4	
-quantitative indicators...to be assessed in relation to overall commitment of financial resources devoted to institutional development"			23	
-project monitoring matrix will provide timely "records of expenditure...inputs to specific areas of operational activity, and resultant outputs"			26,27	Annex A, p13
-"FMM would include, but not be limited to, the input, outputs, and associated indicators displayed in (exhibit following p 27)			27etseq	Annex A, p13
-"Specific FMM input, outputs, and associated indicators will be determined on the basis of Country Action Plans...and quarterly plans for investment promotion"				Annex A, p 3, 13

142

PROGRAM ELEMENTS

Island Advisors		5-7	31etseq	Ann. A, 1
Action Plan		5		Ann. A, 11
Investment Promotion	27			Ann. A, 15
U.S. Based investment promotion		7	41etseq	
subcontracting arrangements			77, 82	
Institution Building and Training	28	6-7	69etseq	Ann. A, 17
Project Monitoring and Management	33-34	4	26etseq	Annex 4 p10, 12

LEVEL OF EFFORT

In general	19	8		3
O&L Direct				3
Consultants			77etseq	AnnA, p. 2
Subcontractors				AnnA4, E. 1
Budget				Page 5