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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

CARIBBEAN REGIONAL

PROJECT PAPER

INVESTMENT PROMOTION AND EXPORT DEVELOPMENT
(Amendment # 2)

AID/LAC/P-362 & CR 193

Project Number: 538-0119

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
 C = Change
 D = Delete

Amendment Number 2

DOCUMENT CODE

3

2. COUNTRY/ENTITY

Regional Development Office/Caribbean (RDO/C)

3. PROJECT NUMBER

538-0119

4. BUREAU/OFFICE

LAC

05

5. PROJECT TITLE (maximum 40 characters)

Investment Promotion and Export Development

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
1 2 3 1 8 9

7. ESTIMATED DATE OF OBLIGATION

(Under "B." below, enter 1, 2, 3, or 4)

A. Initial FY 8 4

B. Quarter 3

C. Final FY 8 9

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY <u>84</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant) SDA/ESF	(1,324)	(-)	(1,324)	(17,200)	(-)	(17,200)
(Loan)	(-)	(-)	(-)	(-)	(-)	(-)
Other U.S.						
1.						
2.						
Host Country	-	-	-	150	-	150
Other Donor(s)						
TOTALS	1,324	-	1,324	17,350	-	17,350

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) SDA	719	840		11,300	-	7,200	-	15,700	-
(2) ESF	719	840		1,500	-	-	-	1,500	-
(3)									
(4)									
TOTALS				12,800	-	7,200	-	17,200	-

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To develop national and regional capability in the Eastern Caribbean to identify and promote private investment in productive, export-oriented businesses in the Eastern Caribbean.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY
0 6 8 8 | | | | 0 6 8 9

15. SOURCE/ORIGIN OF GOODS AND SERVICES and participating countries of the Eastern Caribbean

000 941 Local Other (Specify) Eastern Caribbean

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment)

The purpose of this amendment is to add \$7.2 million to continue activities of the Project Development Assistance Program (PDAP) component, provide for a Grant to the OECS to support investment promotion activities and provide a Technical Assistance fund for specialized technical services to RDO/C in support of investment promotion.

17. APPROVED BY

Signature

Alfred Bisset
Alfred Bisset

Title

Acting Director

Date Signed

MM DD YY
0 5 2 2 8 7

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

AMENDMENT NUMBER FOUR
TO THE
PROJECT AUTHORIZATION

Name of Country: Caribbean Regional
Name of Project: Investment Promotion and Export Development
Number of Project: 538-0119

1. Pursuant to Part II, Chapter 4 Section 531 of the Foreign Assistance Act of 1961, as amended, the Investment Promotion and Export Development Project was authorized on August 30, 1984, amended on April 10, 1986, on September 24, 1986, and on February 26, 1987. That authorization is hereby amended as follows:
 - A. In the second sentence of the first paragraph delete "\$12,800,000 (Twelve Million Eight Hundred Thousand United States Dollars)" and substitute in lieu thereof "\$17,200,000 (Seventeen Million, Two Hundred Thousand United States Dollars)".
 - B. The following sentence shall be added to the second paragraph: "Funding is also provided to support operations of the Eastern Caribbean Investment Promotion Service (ECIPS) as an agency of the Organization of Eastern Caribbean States (OECS)".
2. The authorization cited above remains in force except as hereby amended.


Alfred Bisset
Acting Director

5/22/87
Date

INVESTMENT PROMOTION AND EXPORT DEVELOPMENT (IPED) - 538-0119
PROJECT PAPER AMENDMENT NUMBER TWO

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LIST OF ACRONYMS

AAP	Annual Action Plan
C&L	Coopers and Lybrand
CAP	Country Action Plan
CAIC	Caribbean Association of Industry and Commerce
CBI	Caribbean Basin Initiative
CFSC	Caribbean Financial Services Corporation
CMCF	Caricom Multilateral Clearing Facility
CARICOM	Caribbean Community Secretariat
DEVCO	Development Corporation, St. Vincent
E. C.	Eastern Caribbean
EAS	Economic Affairs Secretariat
ECCB	Eastern Caribbean Central Bank
ECIPS	Eastern Caribbean Investment Promotion Service
ECSEDA	Eastern Caribbean States Export Development Agency
HIAMP	High Impact Agricultural Marketing and Production Project
IDC	Industrial Development Corporation
IPED	Investment Promotion and Export Development Project
IPO	Investment Promotion Officer
IPIP	Infrastructure for Productive Investment Project
IRR	Internal Rate of Return
JNIP	Jamaica National Investment Promotion
LBI	Louis Berger International, Inc.
MOU	Memorandum of Understanding
NCC	National Coordinating Committee
OAS	Organization of American States
OECS	Organization of Eastern Caribbean States
PDAP	Project Development Assistance Program
PMM	Project Monitoring Matrix
PMPP	Public Management Policy and Planning Project
PRE	Private Enterprise Bureau
PSIAP	Private Sector Investment Assistance Project
RDO/C	Regional Development Office/Caribbean
RMPT	Regional Management Pilot Training Project
SEA	Small Enterprise Assistance Project
SIC	Standard Industrial Classification
SRI	SRI International
UNIDO/CIPS	United Nations Industrial Development Organization/Caribbean Investment Promotion Service

- 1 -

I. SUMMARY AND RECOMMENDATIONS

A. Recommendations

The Regional Development Office/Caribbean (RDO/C) recommends approval of a \$7.2 mil. Amendment to the Investment Promotion and Export Development Project (IPED). Funding is included in this PP Amendment to:

- Continue activities of the Project Development Assistance Program (PDAP) component of IPED for 12 months from November 1, 1986 to October 31, 1987* (\$2.770 mil.)
- Provide a grant to the Organization of Eastern Caribbean States (OECS) supporting the establishment of the Eastern Caribbean Investment Promotion Service (ECIPS) (\$3.0 mil.)
- Provide a Technical Assistance fund for several contractors to support RDO/C's investment promotion and export development initiatives (\$1.153 mil.)
- Increase funding for Contingency (\$0.227 mil.) and add funding for Audits (\$0.05 mil.)

B. Summary

A mid-term evaluation of PDAP was conducted in 1986. This led to intensive discussions between RDO/C and Coopers and Lybrand (C&L), the PDAP contractor, concerning future directions of the program. On October 11, 1986, AID/W provided approval to continue the PDAP (C&L) contract for one year (thru October 31, 1987) (See State 321805, Annex A). Concurrently, RDO/C initiated an intensive dialogue with OECS countries concerning opportunities for institutionalizing and strengthening investment promotion capability in the region. This has led to a plan and schedule for the phase-out of C&L's work under PDAP by October 31, 1987 and to agreement on establishing the Eastern Caribbean Investment Promotion Service (ECIPS). ECIPS, an agency of the OECS, located in the U.S. will play a supporting and coordinating role with country industrial development corporations (IDCs) in their efforts to attract foreign investors and buyers to the region.

The phase-out of C&L's island advisors in the region will result in a need for technical assistance in investment promotion targetted to specific IDC needs which may emerge. For example, two

* Funds obligated in January 1987 pursuant to State 321805.

IDCs (St. Kitts-Nevis and Antigua) will be relatively new when the C&L contract terminates. Other country IDCs will have unique assistance requirements. Further, RDO/C, with the phase-out of Department of Commerce's Foreign Commercial office and phase-out of C&L's staff in the region, will have increased responsibility for responding to expressions of interest from private sector concerns.

To respond to the above, the Amendment to the IPED project seeks approval for (a) continuing PDAP with the current contractor to complete the three-year contract period (retroactive to October 1986 based upon concurrence from AID/W contained in State 321805 - Annex A), (b) supporting the establishment within OECS of an institution, ECIPS, to continue the kind of support which C&L is providing to national investment promotion entities, and (c) providing funds to meet anticipated technical assistance requirements resulting from the phase-out of C&L's work and start-up of ECIPS.

II. BACKGROUND AND RATIONALE

A. Background

1. The IPED Project

The Caribbean Basin Initiative (CBI) opens new market opportunities for the Eastern Caribbean in labor-intensive light manufacturing, creating the promise of new jobs in economies facing chronic unemployment. To fulfill this promise, local private production must be expanded. The island states must attract new industry and explore new markets, particularly in North America.

IPED represents an effort to increase private investment in manufacturing in the English-speaking Eastern Caribbean through coordinated development of local investment projects and international investment promotion. The components of IPED include:

- PDAP II - A Project Development Assistance Program (PDAP) of job creation and development of investment promotion. (Completion date October 1987.)
- ECIPS - A program to develop the Eastern Caribbean Investment Promotion Service and its national counterparts. (Completion date December 1989.)
- Evaluation/Redesign - A comprehensive evaluation of key RDJ/C private sector projects to assess impacts and lessons learned applicable to new project designs. (Completion Date May 1988.)
- IPIP Support - Technical Assistance in support of the AID loan-funded Infrastructure for Productive Investment project (538-0088) which seeks to increase the amount of industrial floorspace in Eastern Caribbean countries. (Completion date September 1987.)
- Privatization - Technical Assistance to assist countries examine the feasibility of divestiture of productive enterprises.

UNIDO/CIPS

A Caribbean Investment Promotion Service training program implemented by UNIDO. (Completed November 1986.)

Technical Assistance -
Fund

A fund to provide for technical assistance in support of RDO/C's private sector implementation activities with particular focus on investment and export promotion. This will include responsibility for managing the IPED project. (Completion date December 1989.)

The background relevant to this Amendment principally relates to a transition from PDAP to ECIPS as RDO/C's primary strategy for investment promotion in the Eastern Caribbean. The interested reader is referred to the original Project Paper and the first Amendment for background on other components of IPED.

2. PDAP

In designing PDAP II in 1984, RDO/C retained the emphasis on jobs creation begun in the earlier PDAP I project in 1981, but added a complementary emphasis on institutional development. As a tool for the analysis and management of institutional development, the Country Action Plan (CAP) was given prominence in the new design. The institutional focus was on the establishment or strengthening of national Industrial Development Corporations (IDCs). The concept was that job creation through foreign investment promotion could not be successful if pursued by expatriates in isolation from host country institutions which were weak or non-existent.

Despite this design modification, the style of PDAP I (jobs oriented) continued into PDAP II. This was probably the result of retaining the PDAP I contractor (Coopers and Lybrand won the award competitively), an excessively high jobs target (12,000-15,000), and insufficient management attention due to staff shortages within RDO/C. The CAPs never lived up to the expectation outlined in the Project Paper and institutional development suffered.

From hindsight, the narrowness of the job creation focus seems clear. However, there was an advantage derived from this approach. The Eastern Caribbean (EC) islands are dependent largely on sugar, bananas and tourism. Manufactured exports were almost nil and were almost exclusively targetted to the CARICOM market in the past. Now diversified exports (garments, electronic parts, tennis rackets, medical products, wet suits and

other light manufactured goods) are flowing to the U.S. and other extra-regional markets. Without this development, to which PDAP I and II contributed, the collapse of the old prime CARICOM markets in Trinidad and Jamaica would have been devastating to the EC countries. PDAP I and II helped to convince the EC islands that it was possible to attract foreign investors and produce new products for new markets. Now the Governments are much more enthusiastic about investment and export promotion and are demonstrating the initiative and drive requisite for institutional development.

By late 1985 PDAP II began to experience major implementation problems relating to contractor personnel, contractor financial management, RDO/C monitoring, inadequate contractor data collection and reporting, inability to reactivate the CAP process, declining Government commitment, and a too rapid expenditure rate. These problems led to a reappraisal of PDAP II and many corrective actions during 1986:

- Key contractor management staff were replaced.
- The project's information system was improved, especially with respect to jobs creation and institutional development.
- The contractor's in-house audit in conjunction with the AID Regional Inspector General office led to negotiation of a plan for compensating AID for unauthorized expenditures.
- Several meetings were held with contractor and government officials to restructure the approach and rekindle their commitment.
- A mid-term evaluation was conducted which recommended several modifications in the project (See Annex H for RDO/C's response to the evaluation recommendations.)

B. Rationale

This Amendment principally seeks approval for (a) continuing PDAP with the current contractor to complete the three-year contract period and (b) establishing within the OECS an institution, ECIPS, to continue the kind of support which C&L is providing to national investment promotion entities and (c) establishing a Technical Assistance Fund to enable RDO/C to meet its specialized technical assistance needs in support of investment promotion.

Assisting the OECS countries to create jobs and develop their capacity to promote both investments and exports is central to the U.S. development assistance strategy in the region. Notwithstanding problems noted above, PDAP has made a significant contribution to this objective. The modifications made in the contractor's and RDO/C's implementation approach, combined with the commitment expressed by the OECS and national governments, means that we are now poised for a potentially greater impact. At the country level, one (St. Lucia) has graduated from the need for long-term technical assistance in its National Development Corporation. Two others (St. Kitts-Nevis and Antigua/Barbuda) have recently announced the establishment, with PDAP's assistance, of industrial development units. In all, the seven countries* have made progress in improving their investment promotion operations. They now need support in establishing a cost-effective institution to represent them in the off-shore market-place.

The contractor has demonstrated flexibility in responding to directions from RDO/C to balance its focus between job creation and institutional development. C&L has been a key factor in assisting RDO/C and the Governments to revitalize the CAP process. The new CAPs articulate each Government's priorities, problems and prospects for strengthening its IDC and provide a basis for RDO/C to negotiate the mix of project resources (i.e. technical assistance, training and budgetary support).

Further, in light of the imminent phase-out of C&L's work (October 31, 1987), the Governments have demonstrated considerable initiative towards establishment of a regional investment promotion entity within the OECS. This development has occurred against the back-drop of (a) a strong perception on their part of success of the UNIDO/CIPS program, (b) arduous negotiations with RDO/C concerning declining levels of AID support for national programs, and (c) an increasing dialogue on regional political integration throughout the OECS.

Given the reappraisal of PDAP over the last few months, the responsiveness of C&L and the renewed commitment by the Governments, RDO/C has contracted to retain C&L thru October 31, 1987. During the remaining months, C&L will provide staff training

* St. Lucia, Grenada, Montserrat, St. Vincent, St. Kitts-Nevis, Antigua and Dominica

and a temporary home in Washington, D.C. for the new ECIPS, continue its island advisory services in Antigua, St. Vincent, St. Kitts-Nevis, Grenada and Dominica, and continue its jobs creation/investment promotion activities in conjunction with national and ECIPS staff.

Institutionalization is a slow process which must be approached with a sustained commitment of donor and national resources. The planned phasing-out of C&L signals a move into another phase of institutionalization. By November 1, 1987, ECIPS will have incorporated the basic hard and soft technology represented by C&L Washington, D.C. operation. This new organization will continue to need targeted specialized technical assistance, training and program or operational support as it seeks its own offices, strategy and style of operation. Likewise, the national IDCs will continue to need specialized technical assistance to address specific needs, and operational support until Governments can either increase the IDCs budgets and/or devise strategies for sustaining these national and regional operations without donor assistance.

Given the above, RDO/C sees a strong justification for modifying the IPED project to continue PDAP for 12 months (October 31, 1986 - October 31, 1987) and for initiating a thirty month grant to OECS in support of ECIPS. In fact, the time available is viewed as the minimum which RDO/C considered given the complexity of the issues involved and the strong focus on institutional development. RDO/C recognizes the need to reassess the situation carefully in 1989 to determine the need for further AID support.

This amendment further seeks approval to establish a Technical Assistance Fund. This fund will enable RDO/C to meet known and anticipated needs for personnel to manage the expanded IPED project and to phase-out of long-term C&L island advisors in the Region. For example recent political and economic developments in Grenada justify continuing long-term technical assistance to that country's IDC. The Government has recently decided to reduce the size of its civil service by a significant proportion. This decision places considerable emphasis on the need for attracting new investments and creating new jobs. The political history of Grenada combined with the current economic realities provides strong justification for continuing direct, long-term investment promotion technical assistance to this country. Other requirements include an IPED Project Manager, a Business Services Advisor and a Financial Advisor, all stationed in RDO/C.

III. RELATIONSHIP TO RDO/C STRATEGY

A. Private Sector Strategy Update

The "RDO/C Private Sector Strategy Update," included as an annex to the February 1987 Annual Action Plan (AAP) provides an in-depth analysis of the evolution of our strategy. The IPED Project and its PDAP component, in particular, was a centerpiece of RDO/C's initial private sector strategy of export-led growth and development. Within this context, attention has been primarily given to contractor-managed foreign investment promotion, with lesser emphasis on institutional development in the public sector.

RDO/C's revised private sector strategy still recognizes that export growth is essential to the long-term viability of the region, and that foreign investment will play a critical role in this process. The revised strategy, however, places greater emphasis on developing institutional mechanisms to improve public sector support for the private sector and to improve dialogue between the public and private sectors. Given this and other developments in our strategy evolution, RDO/C's overall thrust has shifted from promotion of exports to strengthening the private sector.

The strategy update discusses the private sector portfolio from several perspectives, including the target group focus, impact horizon, business assistance, institutional development and policy dialogue. Following is a summary of now proposed assistance to ECIPS and IDCs supports these aspects of the strategy. (See page 10 of Update, AAP)

1. Target Group Focus

Revised
Strategy: Broader private sector.

Amended IPED: The focus will continue to be on foreign investors and buyers, but will be expanded to include nationals for possible joint venture operations. Through potential collaboration with the Eastern Caribbean States Export Development Agency (ECSEDA), ECIPS will have greater focus on local exporters.

Revised
Strategy: Development of local institutions.

Amended IPED: Implementation of investment promotion will shift from a comprehensive expatriate institutional contract with C&L and use of the UNIDO program in New York to (a) ECIPS for U.S. outreach, (b) the OECS for management and integration and (c) strengthened national IDCs guided by country action plans for investment promotion in the countries.

2. Impact Horizon

Revised
Strategy: Short to longer term.

Amended IPED: IPED will shift from a short impact horizon to a short to longer term horizon. The nature of search for export product buyers and investors must be approached with a long-term plan with hopes for short-term results. Institutional development begun under PDAP II will continue within a broader horizon. RDO/C recognizes that ECIPS and the IDCs may need continuing assistance after 1989.

3. Business Assistance

Revised
Strategy: Increased and coordinated.

Amended IPED: After helping to launch investments and export contracts, the IDC will work with the local firms and joint ventures to solve problems and see that their needs are reflected in policy reforms. Given its knowledge of the needs of its clients and its interest in their successful operation, the IDC will be in an excellent position to match its clients with various USAID funded

business assistance. The IDC, in cooperation with the local chambers and the National Coordinating Committees (NCC), will be a conduit to technical assistance, training, equity and credit from several RDO/C projects including Small Enterprise Assistance 538-0133 (SEA), Caribbean Financial Services Corporation 538-0084 (CFSC), Regional Management Training and High Impact Agricultural Marketing Project 538-0140 (HIAMP).

4. Developmental Balance

Amended IPED: In the past, IPED overemphasized larger firms, exports and the U.S. market. This amendment supports local institutions to serve a more representative corporate pool, gives more attention to investment for local and regional markets and provides more linkage between IPED and other programs, including the NCCs developed under the SEA project (538-0133), ECSEDA, HIAMP and RDO/C supported training programs.

5. Policy Dialogue

Revised Strategy: Strategy emphasizes role of private sector in national and sub-regional dialogue.

Amended IPED: As noted above, IPED will strengthen the IDCs to more effectively perceive, understand and support the needs of the foreign investor/buyer and the local investor/exporter. ECIPS will be a new forum for regional dialogue on issues associated with investment promotion.

B. Relationship to Other Projects

This amendment to the IPED project will facilitate clearer and more direct linkages with other RDO/C projects. With the agreement to establish ECIPS as a regional investment promotion institution, and the phasing-out of a long-term expatriate contractor, RDO/C has been able to encourage OECS countries to focus on forward planning for investment promotion. We have revived the Country Action Plan (CAP) process. The CAP is a rolling two-year workplan for each IDC, and provides the basis for negotiations among USAID, the country and the OECS regarding expectations over the plan period. It will also serve as an instrument to (1) help focus often diverging in-country opinions on issues affecting investment promotion and (2) guide RDO/C in a more effective dialogue with the private sector at both national and regional levels. Thus the CAP potentially will provide to RDO/C a focal point for dialogue and negotiations with both the public and private sector concerning several key aspects of private sector development, many of which are being addressed by other RDO/C projects. Following is a brief discussion of how the amended IPED relates to other projects.

Small Enterprise Assistance Project (SEA 538-0133)

Investors and exporters promoted under IPED will need the technical assistance, training and credit offered by the SEA project. As noted above, the IDC and National Coordinating Committees (being established under the SEA project to coordinate USAID-supported private sector assistance in OECS countries) will provide the conduit between these firms and SEA. For example, ECIPS may send a potential investor to Dominica. The IDC promotes a joint venture between the investor and a local firm. The IDC knows the local partner will need technical assistance and training. The IDC makes a request to SEA via the NCC. SEA contacts the firm and a program is arranged.

High Impact Agricultural Marketing and Production Project (HIAMP, 538-0140)

HIAMP provides capital and business expertise to initiate or increase exports of high value agricultural products to export markets. PDAP and ECIPS will operate primarily in the light manufacturing sector, but may be able to identify markets for agricultural products. ECIPS and the IDCs may work in conjunction with HIAMP to identify investors, joint venture partners and markets/buyers for agroprocessing. The primary benefit to HIAMP will be the ability of the IDC to serve as a one-stop-shop for investors seeking to be involved in agricultural ventures. In country, the HIAMP island advisors will work in close cooperation with the IDCs. As space becomes available, the advisors have been moving into the IDC offices.

Regional Non-Formal Skills Training Project (538- 0073)

The OAS administers this program to train labor for private sector enterprises. Some of the training has been provided for investors identified under PDAP. This is expected to continue with ECIPS/IDCs when the Skills Training Project is amended to continue for two more years (thru 9/30/89).

Caribbean Financial Services Corporation (CFSC, 538-0084)

CFSC is the only private bank in the region specializing in the long term industrial credit needed by many of the investments and export contracts to be promoted under this amendment. The availability of credit will be one factor in attracting investors to the region.

Public Management and Policy Planning (PMPP, 538-0096)

Under PMPP RDO/C assists OECS states to analyze and improve economic policies and regulations. While PMPP adopts a long-term macro-economic viewpoint, ECIPS/IDCs has a micro-development viewpoint -- the individual investor. The points of intersection of these viewpoints are key policy issues, identified in the CAPs, which influence the success of the investor and of the country's investment promotion efforts. IPED will be coordinated with PMPP activities where opportunities exist to improve performance of the countries' investment promotion program, e.g. on issues of public finance.

Regional Management Training Pilot Project (RMPT, 538-0148)

This project will strengthen the capacity of the University of the West Indies and other management training institutes to conduct management education and development modules focused primarily on the private sector. The project will be coordinated with IPED efforts in improving another important aspect of profitable enterprises, that of well-run businesses exposed to and incorporating appropriate modern management techniques. We expect that local businessmen identified for joint ventures with foreign investors will be candidates for training provided under RMPT Project.

Summary

In summary, the IPED project is being amended to help ensure institutionalization of a regional and national investment promotion capability. This represents a move by RDO/C to strike a balance between our previous emphasis on jobs creation and export promotion on one hand, and strengthening local institutions, on the other hand. The agreement by OECS states regarding the establishment of ECIPS represents a sincere desire to institutionalize a capability demonstrated during PDAP by an expatriate firm. The amended IPED project, thus, is poised to play a more dynamic role in RDO/C's private sector strategy which seeks to strengthen the local and regional private sector thru more effective partnerships between foreign and local investors and between the public and private sectors.

IV. PROJECT DESCRIPTION

A. Goal and Purpose

The original goal of the IPED project remains:

To increase private sector productive employment in the Eastern Caribbean countries.

The purpose has been broadened to reflect a more deliberate emphasis on institutionalization. The revised purpose is:

To develop a national and regional capability in the Eastern Caribbean to identify and promote private investment in productive, export-oriented businesses.

A revised Logical Framework for IPED is presented in Annex B, incorporating modifications made to the project in PP amendment number one and in this amendment number two.

B. Expected Achievements

As amended, the IPED Project will result in the following achievements by the PACD of December 31, 1989 (EOPS):

- National investment promotion agencies operating in conjunction with a regional investment promotion institution with an off-shore presence in the U.S. to identify and attract foreign investors and buyers to the Eastern Caribbean (EC);
- Increasing foreign investment flowing into the EC;
- Increasing joint venture operations with foreign and local investors;
- A strengthened OECS as a result of successful and continuing cooperation among the States on investment promotion;
- Increasing export volumes and earnings.

Project outputs which are necessary to produce these expected achievements are as follows:

- Investment promotion agencies in each EC country established or strengthened;
- The Eastern Caribbean Investment Promotion Service established as a regional agency of the OECS;
- Investment Promotion staff of the EC countries and of the regional ECIPS trained;
- Techniques and networks for investor and buyer search tested, proven and, as necessary, adapted to country specific needs;
- A data base on potential investors and buyers established and, as necessary, adapted to country specific needs;
- A management information system for tracking investment promotion efforts developed and, as necessary, adapted to country specific needs;
- Techniques to estimate production and marketing costs for potential investors and buyers developed, tested and proven and, as necessary, adapted to country specific needs;
- A capability established in each EC country to analyze the investment climate and to develop and follow-up on recommendations to improve the climates;
- A total of 123 business starts or expansions (foreign, joint venture and local); (See Table 1)
- A total of 5,428 new jobs created as a result of business starts and expansions. (See Table 1).

Table 1

IPED INVESTMENTS AND JOBS

<u>Year</u>	<u>Investments^{1/}</u>	<u>Jobs^{2/}</u>
1984 (2 mo.)	4	261 ^{3/}
1985	28	1,493 ^{3/}
1986	39	1,342 ^{3/}
1987 (10 mo.)	25	1,100
1987 (2 mo.)	1	44 ^{4/}
1988	12	528 ^{4/}
1989	<u>15</u>	<u>660</u> ^{4/}
TOTAL	123	5,428

1/ New investments, expansions of past investments not initially planned and major export contracts.

2/ Jobs filled during the year from new investments, expansions and export contracts.

3/ Actuals during C&L contract work with IDCs.

4/ Estimates for ECIPS working with IDCs following expiration of C&L contract. The actual yield of 44 jobs per investment during the early years is assumed to continue during the ECIPS' start-up and implementation period (1987-89).

C. Project Components

1. Continuation of PDAP II

Based upon a mid-term evaluation of PDAP II in May 1986, negotiations with regional Governments and discussions with AID/W, RDO/C has recently negotiated the final phase of the PDAP II contract with Coopers and Lybrand (C&L). RDO/C had prepared a draft PP amendment number two to IPED in August 1986 proposing a continuation of the C&L contract thru December 1988. This proposal was not approved by AID/W which provided RDO/C authorization in State 321805, dated October 11, 1986 to negotiate only a 12 month extension in the C&L contract. These negotiations were drawn-out due to the need to correlate C&L's final work closely with the close-out of the UNIDO/CIPS program in November 1986 and the proposed establishment of ECIPS.

Under the terms of the contract amendment, C&L is required to continue to contribute to institutional strengthening or establishment of national IDCs, work closely with RDO/C and the OECS in launching ECIPS, and generate, in cooperation with the IDCs, 15 investments or business expansions and 1500 jobs during the 12 month period.

The C&L island advisors are continuing their work with the governments to establish investment promotion agencies. They have enjoyed considerable success, particularly in St. Kitts-Nevis and in Antigua where decisions were made recently to formally establish investment promotion units. The advisors will continue to provide on-site guidance and on-the-job training to IDC staff throughout the end of the C&L contract in October 1987.

The advisors' work will focus on activities presented in the CAPs. The advisors played a major role recently in revitalizing the CAP process. The CAP will serve as a two year rolling work plan for the IDCs' investment promotion activities. The CAPs also form the basis for RDO/C to negotiate Memoranda of Understanding (MOU) with each Government concerning participation of its IDC in this project. The MOU will specify understandings reached concerning job targets, training, policy issues and funding commitments during the CAP period, and will provide a basis for monitoring/reporting on performance.

C&L will house ECIPS during the balance of the PDAP contract. During this time, C&L will train ECIPS staff on all aspects of PDAP's investment promotion operations, including providing formal introductions to current investor/buyer leads,

providing orientations to C&L's data management system, screening and following-up on leads, coordinating with national IDCs and analysis of country investment climates. By the end of the C&L contract, ECIPS staff will be able to undertake regional investment promotion activities with minimal technical assistance and training.

C&L will provide office space, equipment and support services during this start-up phase for ECIPS. All project funded equipment, established systems and data bases will be transferred to ECIPS. C&L will also provide assistance to ECIPS in locating a permanent facility in the U.S. A major objective of C&L is to ensure maximum possible transition of C&L functions to the IDCs and ECIPS during this phase down period for C&L. (See Section VII for more detailed discussion.)

2. OECS/ECIPS and IDC Support

Through this amendment number two to the IPED project, RDO/C will provide a grant of \$3.0 mil. to the OECS to support ECIPS and the IDCs.

a. ECIPS

ECIPS will be an agency of the OECS. It will be governed a Board of Governors consisting of the Ministers of Trade and Industry of the OECS states and a five person Board of Directors with representation from the public and the private sector. The Executive Director of ECIPS will serve as Secretary to the Board and the OECS Project Director will provide staff support to the Board.

ECIPS will consist of an office in Washington, D.C. (initially), headed by an Executive Director and staffed with two IPOs, and an Administrative Assistant. The Executive Director will report to the Board of Directors and liaise with the OECS Project Director. The OECS Project Director for the Grant will oversee the two operational components of the Grant, ECIPS and the IDCs. (See Sections VII. A and B Institutional and Administrative analyses for further details.)

ECIPS will receive temporary support in Washington, D.C. thru the C&L contract until October 1987. Direct support will be provided to ECIPS in the grant to OECS for personnel costs, staff training, travel and per diem, office equipment/furnishings/supplies, office rent, investment promotion costs and technical assistance.

During the period April - October, 1987, ECIPS staff will receive concentrated training from C&L on every facet of C&L's Eastern Caribbean promotion operation. During this period, ECIPS will be physically housed in the C&L Washington, D.C. offices. By September 1987, ECIPS will have made arrangements for a permanent location in the U.S. Over the next two years USAID support for ECIPS' entire operation will be gradually phased down as the countries become increasingly able to devise alternative financing mechanisms.

b. IDCs

The IDCs similarly will continue to receive support from C&L through the island advisors and the intensified training activities during the contractor's phase-out period. The grant to OECS will support operations and activities discussed in the CAPs and approved by RDO/C. The CAPs and MOUs will be updated annually. It is anticipated that support for all seven states will amount to \$840,000 over the life of the grant. This support will be phased down over this period as the Governments are better able to devise appropriate financing mechanisms to sustain IDC operations.

The OECS Project Director will have responsibility for allocating grant funds in accordance with MOUs and will report to RDO/C on IDC performance based upon his/her staff's analysis of progress, problems and prospects, and based upon periodic IDC reports to the OECS. The Project Director will be supported by a Technical Advisor and Accountant.

Continued IDC participation in the program will be contingent upon successful implementation of the CAP and upon counterpart contributions from the respective governments for investment promotion activities of its IDC and for meeting its portion of ECIPS' costs. (See Section V, Cost Estimate and Financial Plan, and Section VII, A and B, Institutional and Administrative Analyses.)

3. Technical Assistance

RDO/C has identified several needs for technical services in support of its investment promotion and export development programs. These include a Project Manager for IPED, an Investment Promotion advisor in Grenada, a Business Services consultant and a Financial Advisor in RDO/C. A total of \$1.153 mil. is provided for these services.

IPED is currently being managed in RDO/C by the Chief of the Private Sector Office (PSO) supported by a temporary PD&S-funded Personal Services Contractor (PSC). The current contract for the PSC expires in July 1987, at which time RDO/C intends to extend the contract using IPED project funds, through the PACD (12/31/89).

Recent economic and political developments in Grenada argue for continuing long-term technical assistance to the IDC after the expiration of the C&L contract. While the Grenada project portfolio will be phased over to management from Bridgetown, the Investment Promotion advisor will remain as one of several U.S. advisors to respond to and facilitate U.S. industries special interest in potential investment in Grenada. RDO/C will recruit an Investment Promotion Advisor to meet the special requirements of that country.

The U.S. Department of Commerce has recently decided to close its Foreign Commercial Services office in the Eastern Caribbean. This development, along with the phase-out of C&L's investment promotion staff in the OECS countries will result in RDO/C having to respond directly to more requests from the U.S. and regional private sector. To help meet this requirement, RDO/C will establish a small Business Center with a library and hire a PSC Business Services Advisor in the Private Sector office. This Advisor will also assist the Technical Advisor to be hired under the grant to OECS to support continued development in the IDCs. The cost of this center is minimal and will be shared with the Commerce Department.

The RDO/C private sector strategy approved by AID/W during the March 1987 review of the Annual Action Plan, calls for better integration of RDO/C's projects to strengthen the region's private sector. Part of the strategy is to achieve better complementarity between those projects which will generate business credit needs and those projects which will supply business credit. RDO/C will contact with a Financial Advisor to facilitate this process.

V. COST ESTIMATE AND FINANCIAL PLAN

A. Overall IPED Funding

This amendment adds \$7.2 million to project amendment number 1.

<u>Element</u>	<u>\$000</u>
C&L	\$2,770
OECS Grant	3,000
Technical Assistance Fund	1,153
Audits	50
Contingency	<u>227</u>
Total	\$7,200

As of PP Amendment 1, authorized life of project funding was \$10 million. Table 2 shows the breakdown of project costs at this level plus the additional \$7.2 million for a new project total of \$17.2 million.

TABLE 2
Overall IPED Financial Plan
(\$000)

<u>Components</u>	<u>PP Andt #1</u>	<u>This Amendment</u>	<u>AID Project Total</u>
Investment Promotion			
C&L	\$6,700	\$2,770	\$ 9,470
OECS Grant	-0-	3,000	3,000
IPED Technical Assistance	500	-	500
Evaluation	1,100	-	1,100
Training for Investment			
Promotion Officers (UNIDO)	770	(16)*	754
Technical Assistance for			
Privatization	530	-	530
Technical Assistance Fund	-	1,153	1,153
Audits	-	50	50
Contingency	400	243	643
	<u>\$10,000</u>	<u>\$7,200</u>	<u>\$17,200</u>

* Savings from UNIDO component reallocated to contingency.

TABLE 3

PP Amendment No. 2

Summary Cost Estimate and Financial Plan
(US \$000)

COMPONENT	AID		OECS		TOTAL
	FX	LC	FX	LC	
C&L Contract	2,630	140	-	-	2,770
OECS Grant	2,076	924	150	-	3,150
. Project Mgmt.	(200)	(284)	-	-	(484)
. ECIPS	(1,514)	-	(150)	-	(1,664)
. IDCs	(200)	(640)	-	-	(840)
. Contingency	(162)	-	-	-	(162)
Technical Assistance Fund	1,153	-	-	-	1,153
Audits	-	50	-	-	50
Contingency	<u>227*</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>227*</u>
TOTAL	<u>6,086</u> =====	<u>1,114</u> =====	<u>150</u> =====	<u>-</u> =====	<u>7,350</u> =====

* Savings from Training for Investment Promotion Officers (UNIDO) component (\$16,000) reallocated to contingency.

TABLE 4
EXPENDITURES BY FISCAL YEAR
(US \$000)

Component	FY 87		FY 88		FY 89		FY 90		TOTAL	
	AID	OECS	AID	OECS	AID	OECS	AID	OECS	AID	OECS
C&L Contract	2,630	-	140	-	-	-	-	-	2,770	-
OECS Grant	(610)	-	(1,074)	(25)	(938)	(100)	(378)	(25)	(3,000)	(150)
. Project Mgmt.	72	-	188	-	188	-	36	-	484	-
. ECIPS	328	-	546	25	500	100	140	25	1,514	150
. IDCs	210	-	340	-	250	-	40	-	840	-
. Contingency	-	-	-	-	-	-	162	-	162	-
Technical Assistance Fund	106	-	531	-	421	-	95	-	1,153	-
Audit	-	-	50	-	-	-	-	-	50	-
Contingency	-	-	-	-	-	-	227	-	227	-
TOTAL	<u>3,346</u>	<u>-</u>	<u>1,795</u>	<u>25</u>	<u>1,359</u>	<u>100</u>	<u>473</u>	<u>25</u>	<u>7,200</u>	<u>150</u>

B. Financial Plan

Table 3 presents the summary cost estimate and financial plan for elements of Amendment 2, showing both AID's and OECS' contribution by foreign exchange and local costs. In addition to the \$150,000 OECS contribution, the countries are funding the operations of the IDCs. The elements of this amendment are the C&L contract, the OECS grant, the Technical Assistance Fund, audit and contingency. The OECS grant is divided into four sub-elements, i.e. OECS project management, ECIPS, IDCs and contingency.

Table 4 presents estimates of the level of expenditures over the project's 32 month life, covering fiscal years FY 87 to FY 90. The majority of the project funds are being expended in FY 87 for the C&L contract. USAID expenditures for the OECS grant build up to about \$1 million in FY 89 and decline substantially to under \$0.4 million in FY 90.

Section VII. F. provides an analysis of the financial implications of the project, including the recurrent costs of ECIPS.

C. Methods of Implementation Financing

As displayed in Table 5 below, all of the project activities will be financed by USAID on a cost reimbursement or direct payment basis. The OECS will be eligible for an advance of funds under USAID regulations.

Technical Assistance will be contracted and paid directly by RDO/C.

Table 5

Project Financing Mechanisms

<u>Activity</u>	<u>Method of Financing</u>	<u>US \$000</u>
1. C&L Contract	Direct reimbursement	2,770
2. OECS Grant	Direct payment	3,000
3. Technical Assistance (PSC, Purchase Order, fixed price or direct cost-reimbursable contract).	Direct reimbursement or direct payment	1,153
4. Audits (Direct Contract)	Direct reimbursement or direct payment	50
5. Contingency	Undetermined	227

VI. IMPLEMENTATION PLAN AND SCHEDULE

A. Implementation

This PP amendment provides for (a) the last phase (12 months) of the C&L contract, (b) a grant to OECS for ECIPS and IDC support, (c) a Technical Assistance Fund, and (d) funding for audits and contingency.

Each of the major elements of this amendment are on a separate timeline which overlap and which will be closely correlated.

1. The C&L Contract

The C&L contract was amended on September 24, 1986, based upon cabled authorization from AID/W (Annex A). At this time, discussions with the regional governments concerning ECIPS and IDC requirements had not progressed sufficiently to enable RDO/C to provide detailed instructions to C&L. Hence, RDO/C signed a letter contract amendment with C&L authorizing a continuation of existing activities in the field and in the U.S. On January 30, 1987, RDO/C finalized the scope of work for the C&L contract for the last phase. This was based on detailed discussions with the IDCs and the OECS concerning a strategy for phasing out C&L and phasing-in ECIPS.

The contractor's management structure for PDAP will be unchanged. The reader is referred to the original Project Paper (Section V.A.3e., pp 33-36). The contractor has changed key personnel in both Barbados and Washington D.C.

The contract amendment calls for monthly workplans for the island advisors, a plan for phasing-over C&L's technology and hardware to ECIPS, and periodic progress reports. C&L's work with the IDCs during this last phase will be guided by the Country Action Plans (CAPs).

<u>Schedule of Events (C&L)</u>	<u>Timeframe</u>
Letter contract amendment	September 1986
UNIDO/CIPS IPOs to C&L	January 1986
Contract amendment	January 1987
Overall workplan finalized	February 1987
Advisor workplans completed	Monthly
TA/Training	On-going

<u>Schedule of Events (C&L) Cont'd</u>	<u>Timeframe</u>
Monitoring/Reporting	Ongoing/Quarterly
ECIPS staff on board, training initiated	July 1987
Formal Phase-out of C&L begun	September 1987
Hard assets transfer to ECIPS and IDCs completed	September 1987
Island Advisors depart the Region	October 1987
ECIPS staff vacates C&L offices	October 1987
End of C&L contract	October 1987

2. OECS Grant

The OECS will manage grant resources to ECIPS and the IDCs.

a. IDCs

In November 1986, RDO/C and the OECS countries agreed on a plan to revitalize the CAP process which was initiated earlier in PDAP. The plan included agreement on CAP format, ministerial roles and writing assignments for ministry officials and IDCs. The CAPs were received in draft in RDO/C by early 1987. In May Memoranda of Understanding (MOUs) will be established between RDO/C and each country documenting RDO/C's commitment to support CAP activities. C&L staff have been involved in each step of the process.

The OECS will earmark grant funds to each IDC based on the MOU. Most of the funds will be provided in the form of TA and training. Allocations for operations (e.g. travel) will be made to the IDC based on successful implementation of the CAP activity. OECS will establish appropriate reporting and accounting practices with the IDCs and to USAID to control the flow of funds and enable proper monitoring of IDC progress in implementing the CAP. OECS will monitor governmental budgetary allocations to IDCs as agreed to in the MOUs.

<u>Schedule of Events (IDCs)</u>	<u>Timeframe</u>
Agreement on CAP format and responsible parties	December 1986
Draft CAPs to RDO/C	January 1987

<u>Schedule of Events (IDCs)</u>	<u>Timeframe</u>
CAP Issues negotiated	Feb. - March 1987
CAPs finalized	April 1987
MOUs signed	May 1987
OECS Grant signed	June 1987
Initial conditions precedent to disbursement satisfied	July 1987
Monitoring/Reporting	Ongoing/Quarterly
First OECS quarterly report to RDO/C	September 1987
CAP updates to RDO/C	December 1987
Revised MOUs signed	January 1988
LBII evaluation	May 1988
CAP updates to RDO/C	December 1988
Revised MOUs signed	January 1989
Final evaluation	October 1989

b. ECIPS and OECS Project Management

The OECS will administer grant funds for ECIPS. The OECS will establish a Project Director position within its Economic Affairs Secretariat (EAS) in Antigua with broad responsibilities to direct all grant funded activities in cooperation with the seven IDCs and the Executive Director of ECIPS. ECIPS will begin operations in April 1987, as an agency of the OECS. The Project Director and the ECIPS Executive Director will also be responsible for initiating staff recruitment for their two offices and arranging for short-term contractual services which may be required by the IDCs and ECIPS.

The OECS will sign a contract for the services of a Technical Advisor to the Project Director. This Advisor will make arrangements for contracted technical assistance and training to the IDCs as planned and approved in the CAPs. The Advisor will also encourage linkages between ECIPS and the IDCs on technical matters.

<u>Schedule of Events (OECS and ECIPS)</u>	<u>Timeframe</u>
OECS Grant signed	June 1987
RDO/C review of accounting procedures	June 1987
Project Manager and ECIPS Executive Director selected and on-board	July 1987
Conditions Precedent to Disbursement Met	July 1987
ECIPS Investment Promotion Officers on board	July 1987
Project Director's Accountant on board	July 1987
ECIPS working arrangements with IDCs established	August 1987
Project Director's Technical Advisor on board	September 1987
ECIPS workplan for Oct. 87 - Sept. 88 completed	September 1987
C&L transfer to ECIPS completed	September 1987
ECIPS moves to permanent quarters	October-November 1987
Executive Director participates in review of updated CAPS	January 1988
OECS Budgetary Contribution for FY 88	March 1988
LBII evaluation	May 1988
Executive Director participates in reviews of updated CAPS	January 1989
OECS Budgetary Contribution for FY 88	March 1988
OECS submits plan for institutionalizing ECIPS and RDO/C	January 1989
Final evaluation	October 1989

3. Technical Assistance Fund

The expansion of investment promotion, combined with the phase-out of long-term C&L staff in the region, has resulted in the need for select technical assistance. RDO/C will contract for: a Project Manager for investment promotion, an Investment Promotion Advisor in Grenada and a Business Services Consultant in RDO/C. Each of these Contractors will report to the Chief of the Private Sector Office.

Investment promotion activities in IPED are currently being managed by the PSO Chief with the support of a temporary, PD&S-funded PSC. The extension of the C&L contract, the addition of grant support to ECIPS and the IDCs and activity associated with the CAPs and MOUs represent a significant increase to the project management responsibilities in RDO/C's Private Sector Office. In addition to these components, RDO/C expects funds to become available this fiscal year to implement the Privatization component of IPED. RDO/C intends to use project funds to retain the current Project Manager for IPED's investment promotion components for the remainder of the project. Remaining elements of the project (Privatization, Evaluation/Design and IPIP support) will be handled by other staff within the PSO.

<u>Schedule of Events (PSC Support Fund)</u>	<u>Timeframe</u>
Contract IPED Project Manager	July 1987
Finalize terms of reference for Financial Advisor, Grenada Advisor and Business Services Advisor	July 1987
Advisors selected and on board	October 1987
End of contract - Grenada Advisor	December 1988
End of contracts for others	December 1989

B. Monitoring

RDO/C monitoring responsibilities for earlier components of IPED were discussed in the original PP and the first amendment. Through the work of Louis Berger International, Inc. (See section IX, Evaluation Arrangements), RDO/C is currently reassessing our monitoring strategies for all PSO projects, including the expanded IPED.

1. AID Responsibilities

The Private Sector Office (PSO) will continue to manage the IPED project. A direct-hire Private Sector Officer will be the Projects Officer and he will be assisted by a West Indian Personal Service Contractor who will help to monitor project activities on a daily basis. Monitoring will be accomplished through quarterly reports from the contractor and grantee, contractor work plans, country action plans and Memoranda of Understandings relating to investment promotion efforts, site visits and evaluation reports. The Social/Institutional Analyst in RDO/C will have responsibility for institutional development within the country IDCs and establishing linkages between the IDCs and other RDO/C projects such as SEA and Non-Formal Skills Training projects.

Routine monitoring tasks will address (1) assuring that conditions precedent to disbursement are met, (2) terms of contracts are met, (3) audits and evaluations are conducted as required, (4) payment documents are properly processed and (5) senior management is informed of significant developments in project activities.

More substantive areas of monitoring include:

- . Phase-over of C&L's investment promotion strategy to ECIPS
- . Start-up of ECIPS
- . Allocation of grant funds to ECIPS and the IDCs
- . Development of technical assistance to meet needs of ECIPS and IDCs
- . Accomplishment of targets in Country Action Plans, including policy reforms implemented
- . Investments made, export contracts signed, jobs created
- . Government budgetary contributions to the IDCs and to ECIPS.

The PSO will further be assisted by RDO/C's Project Committee including the Controller, the Regional Legal Advisor, the Regional Contracting Officer and the Project Development Officer to (1) ensure compliance with AID's policies, procedures and regulations; (2) ensure timely and coordinated provision of AID financing; (3) identifying implementation issues and problems; (4) preparing quarterly reports for AID review.

2. OECS Responsibilities

The grant to OECS will be managed by a Project Director and a two person support staff located in the OECS' Economic Affairs Secretariat in Antigua. This team will be responsible for liaison with the ECIPS staff in the U.S. and with the IDCs' in-country staff. The

Project Director will prepare quarterly reports for AID on all aspects of the grant and will submit monthly financial vouchers to the RDO/C Controller. The Project will secure the services of an accountant located at the OECS whose sole responsibility will be keeping the accounts of this project. The Project Director will coordinate with the RDO/C Project Officer and the PSC assistant on all aspects of the grant.

The ECIPS Executive Director will manage a small staff in the U.S. to conduct a range of investment promotion activities in close cooperation with the country IDC's and in support of the strategies outlined in the IDC Country Action Plans.

The Executive Director of ECIPS will work with the OECS Project Director to prepare annual workplans. These workplans will be reviewed and approved by RDO/C and will provide the basis for monitoring grant-supported activities not addressed in the Country Action Plans.

In addition to the above, RDO/C will sign a Memoranda of Understanding (MOU) with each participating country. The MOU will be based on the Country Action Plan and will document specific areas of agreement and AID support of specific investment promotion activities. The MOU and the Country Action Plan will be the basis for OECS and RDO/C to monitor project activities at the IDCs. The OECS Project Director's staff will include a Technical Advisor whose major responsibility will be to support the IDCs in strengthening their operations, including establishing linkages with ECIPS. This Advisor will, therefore, be responsible for monitoring the progress of the IDCs in implementing the activities agreed to in the MOUs and for reporting to AID, through the OECS Project Director, and liaising with the Mission Social and Institutional Analyst on this progress.

C. Procurement Plan

This amendment will finance office equipment and technical assistance. OECS, as grantee for the ECIPS and IDC support component, will have responsibility for procurement in accordance with HB 11, Host Country Contracting.

C&L will continue to have responsibility for procurement for the PDAP component of the project as originally designed in accordance with the provisions of their contract.

D. Environmental Impact

Annex J presents the Initial Environmental Examination (IEE) for this project amendment. A negative determination has been recommended and was approved by AID/W on April 2, 1987.

E. Lautenberg Amendment

Funds provided in this project amendment will not be used to finance activities prohibited by the Lautenberg Amendment (Section 559 of the FY 1987 Foreign Assistance Appropriations Act). Assistance provided herein will support broad based investment and export promotion and will not directly support production of export items which will compete with U.S. goods. USAID support herein will be to intermediary agencies whose primary objective is to attract investment and buyers to the region. In our assistance to these intermediary agencies, USAID does not specify the type of industries to be targeted for investment or export promotion. Given these factors, the IPED project does not violate the Lautenberg Amendment.

VII. SUMMARY PROJECT ANALYSES

A. Institutional Analysis

Institutional structures for carrying out the various activities involved in industrial development and export/investment promotion vary widely in the Eastern Caribbean. (See Annex C for analyses of the individual country agencies). The spectrum includes well established and funded institutions such as the National Development Corporation in St. Lucia, to nascent institutions and a high dependency on PDAP advisors for investment promotion as in Antigua and St. Christopher and Nevis (St. Kitts-Nevis). These wide variations preclude the imposition of any one model or "across the board" interventions. Institution building components are designed to be island specific and have been developed collaboratively through the Country Action Plan (CAP) process with the host countries. Areas requiring attention are the following:

1. Organizational Form

Four of the seven countries have established statutory bodies legislated by Parliament. They are: Dominica, Grenada, St. Lucia and St. Vincent and the Grenadines. In Belize, a private sector body, with political support from the government was created in 1985, but it has no legislative authority. In St. Kitts-Nevis legislation was ratified to Parliament in April 1987, while Antigua is studying comparative legislation with a view to amending the existing act which authorizes an Industrial Development Board. In Montserrat, investment promotion and industrial development activities are a part of the work load of line officers in existing ministries.

Institutional development is evolving toward the creation of Industrial Development Corporations or units in all of the islands of the Eastern Caribbean. By the PACD it is expected that all OECS countries will have mandated IDCs of varying sizes and composition with dominant representation by the private sector on governing Boards. Technical assistance is being provided to assist these entities in becoming "one-stop" services for local and foreign investors and coordinators of investment packages for entrepreneurs. Assistance is also being given to the new institutions in Antigua and St. Kitts-Nevis on enabling legislation used by other OECS countries.

2. Financial Status and Sources of Funding

A continuing problem for EC countries is the question of permanent funding for investment promotion efforts. For small island states these are difficult decisions. Central government commitment to industrial development/investment promotion efforts will vary with administrations. Hence, it is necessary for IDCs to find mechanisms for becoming mostly self supporting. In six of the seven OECS countries the Central Government allocates an annual subvention. In the seventh, St. Vincent and the Grenadines, Government has taken the position that DEVCO (Development Corporation) must be self supporting.

RDO/C is discussing funding implications of the IDCs with participating governments. Government commitment for providing at least a portion of expenses will be a prerequisite for funding. While long-term funding of institutions by USAID is not desirable, short term funding of the investment promotion entities is deemed critical to the overall success of the ECIPS concept. ECIPS can only succeed to the extent the backstopping capabilities of the individual IDCs are in place to follow through on leads.

3. Accountability and Lines of Authority

In those countries which have established IDCs, the bodies are fairly independent of direct ministerial control. In the majority, the Board, which is predominantly private sector, plays a major role in all levels of decision-making. Most of the established IDCs are in need of improvements in the critical decision-making path; most need assistance in expediting procedures. In the cases where no IDC exists, of course, complete systems will need to be established. In St. Kitts and Antigua dialogue leading to consensus on lines of authority and responsibility has resulted in a CAP work plan for institutional development.

4. Management System

With the exception of St. Lucia and Dominica, all the territories are in need of considerable assistance developing appropriate management systems. Training for General Managers and support staff is being addressed in the workplans of the individual countries. Training will include both long and short term personnel development and in-country workshop-seminars for systems development.

5. Personnel

Investment promotion/industrial development activities have lagged due to lack of skilled personnel in key positions in nearly all the participating countries, with the exceptions of Dominica and St. Lucia. In part, this is a financial problem reflecting inability to fund additional personnel, and in many instances to adequately remunerate employees. This problem is being redressed both through specific counterpart training by the PDAP advisors and through structured training modules which will be designed for each country utilizing both Coopers and Lybrand expertise and the assistance of a Technical Advisor to the project located in the OECS.

Lack of adequate numbers of personnel will pose problems particularly in the new institutions in Grenada, Antigua and St. Kitts-Nevis.

6. Investor Search, Investment Promotion and In-Country Investment Servicing

With the exception of St. Lucia and Dominica, all of the participating countries still rely very heavily on the PDAP advisors for much of the employment generating promotional activities of the country. Thus, this final phase of the C&L contract is focussing on specific counterparting of PDAP advisors to investment promotion personnel. After October 1987, this need will be met through training courses and the use of the Technical Advisor based at the OECS Secretariat in Antigua.

B. Summary Administrative Analysis

1. Project Success to Date

Detailed examination of the individual countries (Annex C) demonstrates that considerable institution building efforts have been occurring across the board under the PDAP project. It is also fair to say that PDAP has built on the best. That is, it is difficult to be successful at institution building in a vacuum. Where countries have established institutions with strong backing by government, such as in St. Lucia and Dominica, PDAP's ability to work with local officials has been enhanced and the overall capability of the country to carry out investor search and investment promotion are acknowledged to have increased considerably. In other countries such as Grenada, Antigua and St. Kitts-Nevis institutional development is just beginning. Concerted institution building efforts are planned for the duration of the project.

2. Needs Assessment and Level of Effort

Based on assessments of institutional development needs (See Annexes C and D), it is clear that host countries, all in different stages of institutional development, will require varying levels of project effort and a mix of types of technical assistance and training. PDAP is presently engaged in providing most types of technical assistance and training. Details on specific training and technical assistance levels in each country will be worked out between the country officials, C&L and the Project Unit at the OECS.

a. Coopers & Lybrand Phase

Overall project structure and organization in the field for the duration of the Coopers contract will change with the amendment. Major changes include:

- o Discontinuation of the Montserrat Advisor
- o Discontinuation of the St. Lucia Advisor
- o Phase down from three advisors to one in Grenada
- o Discontinuation of the Belize Advisor
- o Discontinuation of Dominica Advisor

Coterminously, with the phasing down and discontinuation of long-term advisors where the institutions have reached a capability threshold, there will be a need for more specific, targeted short-term technical assistance and training.

Additionally, where new institutions are being established, such as Antigua, and where they are still fledgling such as Grenada, both long and short-term technical assistance and training will be provided over the project period.

In sum, the level of effort required with respect to personnel is the following:

- o Five, 12 month advisors: Antigua, Grenada, St. Kitts-Nevis, St. Vincent and the Grenadines
- o One, 12 month Project Manager in Barbados,
- o One, 6 month advisor in Dominica
- o Ten months of short-term technical assistance by Coopers and Lybrand Associates
- o Ten months short-term training secondments for IDC personnel

b. Post-Coopers & Lybrand Phase

After October 31, 1987 project structure and organization will change. In effect, it is expected by April 1987 that the grant with the OECS will be signed and shortly thereafter an OECS project unit will be established to manage the grants to ECIPS and the IDCs. However, until October 31, 1987 the Coopers advisors and Washington staff will still be in place facilitating the changeover and focussing on transmitting C&L investment promotion techniques to staff of both ECIPS and the IDCs. Coopers' role at this stage is primarily that of technical assistance.

The OECS Project Unit will be comprised of three persons: the Project Director, a Technical Advisor and an Accountant.

These persons will be hired by the OECS Secretariat in Antigua.

3. Training and Technical Assistance

Training and technical assistance provided in this project are targeted at two groups: private sector individuals, and companies; and investment promotion officers of industrial development institutions whether public, private or mixed. From an institution-building perspective training and technical assistance will be provided which strengthen overall management systems and capabilities of individuals and organizations.

a. Training

In the Coopers and Lybrand (C&L) phase, C&L will concentrate on transmitting investment promotion techniques and the investor search operation to ECIPS and IDC personnel in the seven islands. Intensive computer programming modules will also be mounted. C&L has presented a training program to RDO/C which outlines the types of modules, workshop and seminars to be conducted until October 31, 1987. Prior to leaving the project C&L will review needs with the various IDCs and make recommendations for further training.

b. The Technical Assistance

Technical Assistance (TA), both long-term and short-term will continue to be provided by the project. As stated above C&L will continue to provide long-term TA through its field advisors until October 31, 1987. After that period long-term TA

will be provided by a PSC hired by RDO/C and located in Grenada, and a Technical Advisor located at the OECS who will have primary responsibility for assisting the new IDCs in the Leewards and secondarily assist the other IDCs as needed.

Additionally, until October 31, 1987 C&L, through its island advisors and subcontractors, will continue to provide technical assistance to private sector companies on an "as needed" basis. After this period, it is expected that many of these companies will increasingly benefit from TA provided under the Small Enterprise Assistance Project.

C&L will continue to operate its Washington, D.C. support system thru October 31, 1987. This system will also be transferred to ECIPS' staff during this period.

4. Investor Search and Information Systems Development

Transfer of skills and technology will occur at two levels: internally within the country and the local investment promotion agency; and externally and regionally through ECIPS initially linked to the Coopers and Lybrand Investor Search operation in Washington, D.C. Details and workplans remain to be worked out, but it is expected that the OECS Board and the Executive Director of ECIPS will soon prioritize which components of the Investor Search operation and its database information system are most appropriate for an overseas OECS operation. During the first few months, OECS personnel will be counterparted with C&L operations in Washington, D.C.; phase-over will occur on a staggered basis, depending on acknowledged needs. Following phase-out of the C&L staff, OECS and RDO/C will agree on appropriate short-term technical assistance which may be required.

5. Rationale for the Phase-Over

The IDCs and governments have been most concerned to ensure that the human and technical resources provided by PDAP are institutionalized both by the individual countries and by the new regional investment promotion agency, ECIPS. The collaborative nature of the CAP was designed to achieve this. Specific training workshops and seminars have been designed to transfer the techniques developed by C&L. Inauguration of ECIPS by May 1987 allows for a five month intensive transfer operation to occur. It is also recognized that all the necessary TA in database management may not

have occurred by October 31, 1987 and provision is being made in both the ECIPS and IDC budgets to fund specific training modules in these areas. Colocation in Washington will ensure effective transfer of the C&L system to ECIPS.

6. Project Organization and Management

a. Coopers and Lybrand Phase

The overall project structure remains essentially the same. There is consensus that the PDAP model is sound; but there will be changes in personnel reflecting the evolutionary developments of individual countries with respect to institutional capability.

The project will be comprised of both U.S. based functions and personnel and field advisor functions and personnel in the individual territories. A Project Manager will be resident in Barbados. See Annex D for a detailed discussion of roles of the Barbados Project Manager and the Field Advisors.

b. OECS-ECIPS Phase

After October 31, 1987, full responsibility for the management of the project will devolve on the OECS Economic Secretariat located in Antigua. This move is a very logical one and is the culmination of efforts launched by the Ministerial Economic Affairs Committee (EAC) to create an Eastern Caribbean Investment Promotion Service to follow on and institutionalize regionally the UNIDO/CIPS experience. The Economic Affairs Secretariat (EAS), the technical arm which services the EAC, will provide project management for the ECIPS-IDC grants.

c. The Economic Affairs Secretariat

The EAS is mandated to monitor the trade of OECS member states, to promote the economic integration aims of the OECS and to provide policy planning implementation and advice in agriculture, industry, manpower development and training. Thus the nature of this project fits well into the overall terms of reference of the Secretariat.

i. Legal Status

The Council of Ministers consisting of a representative at the Ministerial level of each of the governments of the OECS is the principal organ of the East Caribbean Common

Market and the ultimate authority of the Economic Affairs Secretariat. The Council of Ministers, serving as the ECIPS Board of Governors, is also the supreme authority of ECIPS. In the case of ECIPS the Board of Governors has delegated powers to the Board of Directors with the object of enabling the Board of Directors to implement the objectives of ECIPS.

The Director General is the Chief Executive Officer of the OECS and has responsibility for the general direction and control of the Organization. The Director General (D.G.) will act as the OECS representative for the grant of this project. It is expected that the D.G. will designate the Director of the EAS as his representative. As such he will have overall responsibility for the project and will be able to sign all necessary USAID documentation. The Director of the EAS will also sit as an ex-officio member of the ECIPS Board of Directors thus providing good liaison between the Board of Directors and the Project.

ii Organization

The Economic Affairs Secretariat consists of three sections; Trade, Economic Policy and Statistics, Sector Policy and Planning and Finance and Administration. The range of services expected to be provided by ECIPS as well as the institutional strengthening component of this project are elements which the Secretariat is already mandated to perform. There should be no confusion over the lines of responsibility, and in fact, given the present functions of the Secretariat, management of this project should build expertise in a number of areas and promote the efforts of regionalism.

iii Management

Selection of the OECS Project Director is a very critical factor in determining the ultimate success of this institution building effort. The Project Director's role is a pivotal one. He/she will have overall management responsibility for both aspects of the project, that is management of the ECIPS grant including liaison with the Board and the ECIPS office in Washington, as well as management of seven grants to the IDCs. As an objective of the project is closer collaboration among the OECS IDCs in investment promotion, the Project Director will serve as coordinator and facilitator in these efforts. The Project Director will be expected to develop a close working relationship with the ECIPS staff in Washington.

The ability to successfully manage such a complex project, with many different actors, scattered in a wide geographical area will necessitate securing the services of a senior manager with relevant working experience among the public and private sectors of the OECS. The person will also need professional skills in industrial development, investment promotion, marketing, and institutional development. There are persons with these skill mixes in the Eastern Caribbean and every effort will be made to secure a person of such calibre. For both the ECIPS Executive Director, the OECS Project Director and other positions, RDO/C is currently developing with OECS appropriate selection criteria and procedures. Also, RDO/C will approve candidates before contracts are negotiated to ensure selection of qualified staff.

Additionally, to support and assist the Project Director in his/her multiple management responsibilities the project will secure the services of a technical advisor and an accountant. The technical advisor will work principally with the two fledgling IDCs, Antigua and St. Kitts-Nevis and secondarily with the other investment promotion agencies facilitating their brokering of technical assistance and training and helping them assess their needs for overall institutional development. This person would also work when necessary with the ECIPS staff in assessing and facilitating their technical assistance and training needs. The project will hire an accountant to oversee the disbursement of funds, keep track of expenditures and prepare invoices for RDO/C's Controller's office. This person will be hired specifically to keep the accounts of this project, which will be kept separate from OECS operational accounts. It is expected to be a full-time job.

iv Financial Status

All of the OECS territories make an annual subvention to the Secretariat. Donor funding accounts for some 30% of the Secretariat's budget, but this is entirely through programmic support. The Secretariat, heavily dependent on country subventions, is therefore, financially vulnerable to the fluctuations in OECS economics.

A covenant to the grant to individual country IDCs will require a Government commitment to contribute an agreed upon amount to the operations of ECIPS beginning in year two. The Secretariat is empowered to disburse funds without obtaining prior approval from any other agency such as the Director General or the Council of Ministers. The Secretariat should be able to promptly disburse funds to both ECIPS and the IDCs. The accounting system established at the OECS Secretariat will be examined by the RDO/C Controller for adequacy in meeting RDO/C's reporting needs.

7. Successful Project Management

In sum, the OECS Secretariat has been chosen as the grantee for the Project for a number of reasons. First, and most importantly, it is the recognized agency for the OECS with responsibility for industrial development and marketing and equally importantly, the concept of ECIPS and its ratification is the product of the Economic Affairs Committee, the ministerial authority of the Economic Secretariat. Second, the Economic Secretariat has had experience with USAID projects and it is envisioned that the project management can be handled effectively and efficiently. It is also recognized that the complexity of the project will also entail considerable managerial oversight from RDO/C. The Mission acknowledges this and has secured the services of a senior West Indian professional as Project Manager. Cooperation between the RDO/C project manager and the OECS Project Director is essential. Since RDO/C enjoys a good working relationship with the Secretariat the Mission feels comfortable with the choice of the Secretariat as the grantee.

C. Technical Analysis

The purpose of this section is to explain and defend the technical approach to be used by ECIPS and the IDCs. This approach has been developed or adapted by C&L during the period 1981-1987 with the participation of the IDCs.

The presentation is in three parts. First, the technical approach to be used by ECIPS in the U.S. is presented. Second, the approach to be used in the region by the IDCs is presented. Third, the Mission presents its position on two issues related to the choice and use of the investment-export promotion technology to be financed under this amendment.

1. ECIPS

ECIPS will perform three roles: search for investment, buyers and information; promote the region to investors and buyers and service their needs for analysis, advice and information; and handover investors, buyers and information to the IDCs.

a. Search

C&L has perfected several search techniques including:

i Trade Shows

Before 1985, C&L had decided that working an industry trade show was more cost effective than mass mailings, cold calls or a research-based targeting of a few firms. It now operates a booth and walks the floor of shows for the electronic, data processing, furniture, garment, fancy foods and other industries. By talking to many company representatives gathered in one place it is possible to judge product suitability, offshore and readiness, and determine who will make the decision to invest offshore. Key trade show skills which are currently being taught to East Caribbean IPOs are:

- the ability to judge if a product or product component could be made more cost effectively in the region;
- the ability to establish a productive dialogue with a company representative;
- the ability to establish the basis for a follow-up contact;
- the ability to transport, erect and reconfigure a regional promotional booth.

ii Seminars & Speeches

Seminars and speeches are a cheap way to get visibility and generate follow-up. C&L's work has established a precedent for East Caribbean speakers to appear at many occasions. ECIPS with its greater access to key nationals, will be able to plug traveling businessmen and officials into these exposure opportunities which will also be learning opportunities for the speakers.

iii Networking

C&L over seven years has built up a personal network of business people, lawyers, accountants, technicians in the U.S. Government, bankers, etc. Through calls, telexes and brief visits, this network can quickly generate or confirm leads and information. It will be turned over to West Indian representatives who will add to it their own network based on diplomatic-political relations and access to offshore West Indian communities.

iv Screening

Using Standard Industrial Classification (S.I.C.) categories, C&L has developed a method to screen industries according to their suitability for the strengths of the Eastern Caribbean. Some of the variables used in screening are:

- high value to transport cost
- low production volume
- labor intensity
- high labor trainability
- importance of communication in English
- operation in a U.S. time zone

Use of this method has produced a list of industries in which search operations have been conducted for three years. ECIPS will continue to emphasize most of these industries. Equally important, the method embodies the strategic thinking used in investment/export promotion.

v Sub-Contractors

C&L has identified productive subcontractors in electronics industry search and TA, strategic analysis and publicity. ECIPS will be able to continue these sub-contractors with RDO/C funding and identify others as appropriate.

b. Promotion

All of the above techniques have the purpose of identifying a prospect for promotion. The purpose of promotion is to get the prospect to seriously consider doing business in one of the islands, i.e. to convert a prospect into a hot prospect. This will be done in the following ways:

i Data Base

C&L has interacted with over 8,000 firms or persons who have expressed a credible business interest in the Eastern Caribbean. C&L has developed and will turn over to ECIPS the computerized database essential to record, update and manage these leads. Each lead is recorded by address, production, first contact, key person, degree of "hotness", site visits, follow-up action and a text showing current status. An entry may be dormant for two years and then become not due to changes in corporate

ownership/strategy or due to changes in markets, competition or regulations. Given such a change the lead can be put immediately on a full service basis with phone calls, information provision and plant visits. The use and maintenance of the data base will be a key element on ECIPS' technology.

ii Cost Analysis

One of the best ways to promote a lead is to show how costs would be lower in the region. C&L has developed cost-analysis formula for electronics, garments, furniture and data entry. ECIPS will use these formats and develop others, to continually up-date local information and work with leads accordingly.

iii Project Monitoring Matrix (PMM)

C&L has developed a computerized PMM consisting of a data format, software and a method for raw data collection. The matrix contains about 175 information items including "nits" (by type, actual and forecast), jobs, status of proposal, training needs, training activities completed, investors serviced in country, etc. This monitoring system will be used jointly by ECIPS and the IDCs.

c. Hand Over

ECIPS third function is the handover of investors, buyers and information to business people and officials in the islands. C&L has been doing this for seven years. While what has been learned by both C&L and the islands during this period cannot be defined as a technology per se, ECIPS will take over which are established and, therefore, a valuable head start for their operation. Moreover, since ECIPS will be staffed by Caribbeans familiar with the region, the handing-over process should be accomplished in a more culturally and politically sensitive manner than could be done by an expatriate firm. This is a very important point considering the sensitivity expressed by the Governments to an equitable and fair-sharing and allocation among the states of leads generated by ECIPS. This is a major potential impediment to the success of ECIPS and is a point which will be addressed in detail by the Board and Staff (e.g. developing guidelines, codes of ethics, lines of communications and allocation criteria for information sharing).

2. IDC

The IDCs will both give guidance to ECIPS concerning industries, products, markets and information and receive from ECIPS investors, buyers, information, ideas and advice. Specifically, the IDCs will do the following:

a. CAP

The Country Action Plan (CAP) sets out targets for progress in investment, employment, institutional capability and investment climate. The IDC will communicate to ECIPS those targets relevant to ECIPS' work. Thus the CAP will provide valuable country specific direction to ECIPS; and serve to unify and motivate the country to make the most of what ECIPS produces.

b. Investment Climate

As the IDC gets real-world market signals and business information from ECIPS and understands the needs of visiting prospects, it will be able to make practical recommendations to Government for improvements in the investment climate.

c. Hand Holding

Through its island advisors, C&L has learned the importance of "hand holding" for visiting investors and buyers. C&L developed appropriate techniques which the IDCs are adopting. These include meeting the visitor at the airport, providing information in an appropriate format, making appointments and introductions and, in general, seeing the situation from the newcomer's view point. Hand holding is a style of responsiveness composed of many services and skills. It often does not come naturally to an island official and has to be learned.

d. Proposed Approval

Most approvals of investment applications come from cabinet but there is much the IDC can do to speed its own review and help get the proposal to cabinet.

e. Trouble Shooting

Once an investment (or export) application has been approved, many things can go wrong or be delayed. At these points the local or foreign business person needs an official friend who can get things done.

3. Issues

Above, it is argued that a proven technology exists, appropriate to the operations of the IDCs and ECIPS and that part of this technology has already been adopted by the IDCs. Below two issues are addressed which arose during the mid-term evaluation of PDAP II conducted by SRI International:*

(a) Are these promotion techniques too complex and expensive in relation to the attractiveness of the islands for investment and export?

It may be true that the promotion effort is disproportionate to the attractiveness of the product, particularly with respect to Dominica, St. Vincent and Grenada. However, the purpose of promotion in this project is not just to sell the product, but to educate and, in some cases, wake up the producers. For example, a jam producer may think he has a good product until he attends the fancy food show in New York and sees that his competitors are offering attractive labels, consistent color, large volume, low prices and no dark precipitate suspiciously lingering at the bottom of the jar. Similarly with investment promotion, a country is often not aware of its unattractiveness and stiff competition until it goes to the market place. The effort, expense and slickness of other countrys' promotion programs often amazes officials from the OECS. They return home with a desperate urge to catch up.

The promotion program will be used to create this desire to catch up in as many West Indians as possible. This is part of the RDO/C strategy: to create and maintain a connection to the outside world and use its business standards rather than those nurtured over the centuries in little islands.

(b) Are these techniques cost-effective?

SRI's criticism is based on its experience reviewing investment promotion in several countries and an investigation of C&L's performance which focussed more on outputs ("hits") than on the less easily observable operational side. SRI's criticism does not answer the question, "compared to what".

* "Investment Promotion in the Eastern Caribbean: PDAP Evaluation," SRI International, May 1986.

Investment promotion programs run by Singapore, Jamaica, Ireland and Barbados have more "hits", a better product to sell, more offices, more expenses, and proportionately fewer expatriate contractors with their high overhead and longer operating histories. Comparison in terms of cost effectiveness is virtually impossible. For example, the Industrial Development Authority of Ireland in 1984 had 27 offices; 690 staff; fixed assets in buildings, land, equipment etc. of \$620 million and provided 650 feasibility study grants. In that year it claimed credit for "creating" 8,200 jobs, the kind of figure, which requires an almost theological interpretation.

In 1985 the Jamaica National Investment Promotion (JNIP) agency spent US \$4 million for three U.S offices and 100 in-country staff and claimed 6,822 jobs, a cost per job of US \$586. In that year PDAP spent about \$3.3 million for all functions including institution building, policy advice and privatization. We may assume that about two-thirds of the amount or 2 million was directly attributable to the search/promotion function. Given a reported job yield of 1500, the cost per job was approximately \$1,300 or more than two times the Jamaican rate. This does not necessarily mean that the PDAP effort was less efficient than Jamaica's. Jobs may have been counted differently. The jobs obtained may differ in quality or duration. The Eastern Caribbean is a "harder sell" than Jamaica. The impact of both promotion efforts in that year may have been dwarfed by world market conditions, the decision of one large investor or chance factors.

Due to the difficulty of establishing a necessary relationship between inputs and outputs and making cross country comparisons, the appropriate approach and the one to be emphasized is to practice cost control, constantly monitor the effectiveness of inputs and design an operation which is large enough to perform and small enough to be absorbed by host institutions.

D. Financial Implications

This amendment to the IPED project provides funding for (a) the continuation of the C&L contract for PDAP, (b) a grant to the OECS for ECIPS and IDCs investment promotion activities, (c) a technical assistance fund to meet RDO/C's requirements for specialized technical assistance in support of investment promotion and (d) funding for contingency and audits.

1. PDAP Cost Overview

The PDAP II contract is a cost plus fixed fee contract. It was to run from 11/1/84 to 10/31/87 at a total cost of \$6,687,000 or an average of \$186,000 per month during the 36-month period. Funds ran out early and the actual monthly expenditure rate, including disallowances resulting from an audit, was an average of \$299,000 or 61 percent above the planned rate.

This increase cannot be attributed to any single factor. On the one hand, there was under-budgeting of several elements of the project, particularly the Washington, D.C. based investor search operation. On the other hand, RDO/C contributed to increasing the expenditure rate by requesting additional efforts at the field level. For example, the plan called for one long-term resident advisor in Grenada and that was increased to three, one for investment promotion, one to assist with the institutional development of the newly formed IDC and one to assist the Government of Grenada on privatization. In addition, a resident advisor was placed in Montserrat for six months, although this was not included in the original plan.

During the extension period, the planned rate of expenditure is \$231,000 per month, a 23 percent decrease from the actual rate of the previous period. The decrease is due to the elimination of Belize from the project, a reduction in the number of island advisors (in Grenada, St. Lucia, Dominica and Montserrat) and a reduction in the cost of the Washington, D.C. search operation.

A more precise comparison between the old and new expenditure rates requires the elimination from the contract extension of pass through and support items not included in the initial contract. Of the \$2,770,000 extension budget, these items total \$271,000. Eliminating these items results in a planned monthly expenditure rate of approximately \$208,000 which represents a 30 percent reduction from the old expenditure rate.

2. USAID Funding for ECIPS

Annex I presents a summary budget for the grant to the OECS for support to ECIPS and IDCs. Table 1 of this annex shows an estimated FY 89 budget for ECIPS of approximately \$600,000, which includes costs for equipment and furnishings, technical assistance, promotion and items which are needed during the project, but which can be reduced considerably after ECIPS is established. When AID assistance to ECIPS ends on 12/31/89, it is estimated that recurrent costs will be less than \$400,000.

With ECIPS in its third year of operation, there will be less need for ministerial oversight and ministers' visit to ECIPS can be added to trips to the U.S. scheduled for other reasons. Equipment purchased during the first year should still be in service but a 25% allowance is made for replacement. The rent estimate is for an expensive urban location and may not be fully utilized once the C&L contract ends and ECIPS finds a more permanent location. If before the end of 1989 the OECS states place ECIPS in a joint mission, rent savings of more than \$25,000 per year is likely. Finally technical assistance is seen as an initial, non-recurrent expense.

After protracted negotiations, the OECS has agreed to contribute to ECIPS US\$50,000 in CY 1988 and US\$100,000 in 1989. The OECS has been reluctant to commit itself to a higher level at this time. Budgets are extremely tight in the OECS and governments have been urged by RDO/C and other assistance agencies to reduce fiscal deficits, lighten business taxation and maintain a reserve for hurricanes and other natural disasters. Also governments are hesitant to drain funds from proven items in their budgets until ECIPS demonstrates its cost effectiveness. The cost-effectiveness of ECIPS will be a major element of the interim evaluation scheduled for May 1988. (See Section IX Monitoring and Evaluation Arrangements.)

The Grant Agreement will require the OECS to provide AID a plan by early 1989 for meeting ECIPS's recurrent costs. We estimate that most of the additional funds required could be obtained by switching rather than increasing funding. For example, several governments already pay for investment promotion and economic officers stationed in the U.S. If ECIPS is successful, these positions can be closed and their funding switched to ECIPS. A position consolidation plus the establishment of a common mission with investment promotion, diplomatic and consular functions sharing the same overhead would make ECIPS manageable financially.

3. IDC Funding

As a result of many detailed consultations with the governments of the seven OECS states and their IDCs, RDO/C has estimated support needed by the IDCs. The estimate for the first full year of support is \$320,000. This estimate is included in Table VII.2 and declines over the life of the OECS grant, i.e. \$340,000 in FY 1988 and \$250,000 in FY 1989.

Table 2 of Annex I shows the estimated breakdown per country. Support will be provided for training, equipment, promotion, travel and salaries. The salary component will be a small portion of the total.

Table 3 of Annex I shows estimated OECS government outlays to their IDCs for investment promotion during the period of the RDO/C grant to the OECS. The US\$ equivalent of this support during the three full CYs 1987-1989 is approximately \$2.25 million.

Support from RDO/C to the IDCs via the OECS grant is expected to begin in June 1987 and continue to 12/31/89, a period of less than three full years. The slight difference in comparative period notwithstanding, the planned RDO/C support represents 37 percent of estimated support from the OECS governments.

E. Economic Analysis

1. General Considerations

In previous attempts to encourage investment in the region, and particularly in PDAP II, considerable emphasis was placed on the high-cost, expatriate-staffed search for external investors. The approach represented by this amendment represents a shift away from that emphasis and toward development of indigenous capacity to find investors. There is thus a balance in the project between investor search and institution building. It is now possible to take advantage of complementarities in the system that will make local efforts more effective.

One such complementarity arises from the creation of the Small Enterprise Assistance (SEA) project. That project is aimed at strengthening indigenous capacity in services and in other small enterprise activities. Improving the quality of operations of local enterprise increases a country's attractiveness to outside investors. For example, it has been observed that investment in a machine shop or repair shop, even though it does not directly provide many jobs, may contribute more to the local investment climate, and to long-term job creation, than a single large foreign investment that has an immediate effect of creating more jobs. The creation of such local "private infrastructure" therefore complements investor search efforts. It is the creation of these complementary enterprises at which the SEA is aimed.

The shift in emphasis in this amendment to the development of indigenous capacity is therefore designed to take advantage of these interrelationships and is expected to improve the efficiency of achieving the objectives of the project.

2. Cost-Effectiveness

With institution building being a major project output, it is difficult to identify a single satisfactory benefit measure. As a first approximation it therefore seems advisable to take the somewhat amorphous benefit package as given, and to focus on the costs of achieving that given set of benefits, whatever may constitute that set: value added, jobs, value of investment, value of training, or other benefits.

The approach used in this analysis was to select a target internal rate of return (IRR), to identify the costs of the program over its impact period, and then to calculate the dollar value of benefits that would have to accrue over the same time period in order to generate the target internal rate of return. The criterion of reasonableness is then applied to judge whether it is likely that the necessary value of the benefit stream is attainable. If so, the project is judged to be economically viable.

Table 6 illustrates one such estimate. The benefits generated ultimately derive from two sources. Some derive directly from the project itself during the first two years as in the case of the investor search component. Others accrue indirectly and over a longer period of time as a consequence of the improved capability of ECIPS and the IDCs resulting from the institution building component of the project. There are therefore two cost elements as well: the cost of the project and the operating costs of ECIPS and the IDCs. The AID portion of the cost is approximately \$6.9 million over a period of three calendar years. The total expenditure of the IDCs in the region is approximately \$2.3 million over the first three years of the project. In the first three years, the total initial resource cost of achieving the project's objectives is therefore \$9.2 million. If the institution building and jobs creation elements of the project are successful, the benefits will be felt for several years into the future.

For purposes of these calculations this impact is assumed to be spread over 17 years after the project. Implementing the techniques acquired through the institution-building segment of the project will not be costless. It is therefore assumed that the IDCs will spend \$820,000 in each of the out years after the project is completed. ECIPS is assumed to spend \$389,000 annually after year three. The total cost stream is shown in the fifth column of the table. Total resource costs of achieving the full benefits of the project over the twenty year period are estimated to be more than

TABLE 6

BENEFITS NEEDED TO GENERATE
10 PERCENT IRR, 20 YEARS
(US\$000)
(Constant 1987 prices)

CALENDAR YEAR	PROJECT YEAR	PROJECT OR ECIPS EXPENDS	EXPENDS BY IDCS	YEARLY COST TOTALS	YEARLY NEEDED BENEFITS	NET BENEFITS
1987	1	3776.8	176.5	3953.3	1715.748	-2237.55
1988	2	1408.4	716	2124.4	1715.748	-408.651
1989	3	1243.2	1360.5	2623.7	1715.748	-907.951
	4	389	820	1209	1715.748	506.7481
	5	389	820	1209	1715.748	506.7481
	6	389	820	1209	1715.748	506.7481
	7	389	820	1209	1715.748	506.7481
	8	389	820	1209	1715.748	506.7481
	9	389	820	1209	1715.748	506.7481
	10	389	820	1209	1715.748	506.7481
	11	389	820	1209	1715.748	506.7481
	12	389	820	1209	1715.748	506.7481
	13	389	820	1209	1715.748	506.7481
	14	389	820	1209	1715.748	506.7481
	15	389	820	1209	1715.748	506.7481
	16	389	820	1209	1715.748	506.7481
	17	389	820	1209	1715.748	506.7481
	18	389	820	1209	1715.748	506.7481
	19	389	820	1209	1715.748	506.7481
	20	<u>389</u>	<u>820</u>	<u>1209</u>	<u>1715.748</u>	<u>506.7481</u>
LIFETIME TOTAL		13041.4	16213	29254.4	34314.96	5060.562

NPV = 0.000082

NOTE: FISCAL YEAR PROJECT COSTS HAVE BEEN PRORATED TO CALENDAR YEARS.

\$29 million. The sixth column of the table indicates that annual benefits would have to equal \$1.78 million to yield an internal rate of return of 10 percent to the project over twenty years. These benefits would be in the form of net value added to the region (after deducting the resource costs of generating these benefits) by increased investment and exports and would be divided among the factors of production in the region as wages, profits, and returns to land.

To place this value in some perspective, in 1985 the total GDP of the six OECS States, measured in 1985 prices, was approximately US \$704 million. The share of that attributable to the manufacturing sector was approximately \$56.3 million. The \$1.78 million in annual value added benefits necessary to yield an internal rate of return of 10 percent to the IPED amendment therefore represents 0.3 percent of GDP and about 3.2 percent of the 1985 value added in manufacturing. Annual increments of \$ 1.78 million would therefore be equivalent to, in the early years, roughly a 3.2 percent annual increase in manufacturing value added. If growth in manufacturing output averages 5.0 percent annually, the required annual value added benefits therefore would need to account for about 64 percent of the region's manufacturing growth in the early years in order to produce the target internal rate of return. As the manufacturing base grows the \$1.78 million of course becomes a smaller percentage of that base, the the ratio would fall to about 25 percent of an assumed 5 percent manufacturing growth rate by year 20.

Alternative target internal rate of return scenarios were tested (tables not shown here). The results indicate that \$1.9 million in annual benefits would be necessary to yield an internal rate of return of 15 percent over twenty years. For several reasons, among them the potential of a shrinking available labor pool to complement new investments, the benefit period might be considerably shorter than 20 years. Testing the sensitivity of the outcome for a 10-year horizon revealed that annual benefits of \$2.0 million would generate an IRR of 10 percent, while \$2.1 million would give an IRR of 15 percent over this shorter period. These represent 3.6 and 3.7 percent, respectively, of 1985 manufacturing value added. Increments of this magnitude in the growth rate of the manufacturing sector attributable to this project are relatively large, and represent an ambitious target.

However, these calculations may overstate the "burden" on the manufacturing sector to generate the benefits from the project, since a portion of the \$1.78 to \$2.1 million in value added benefits may be created by the service sector and other sectors both directly and through a multiplier process set off by the new investments. The \$1.78 million in needed benefits is 2.1 percent of combined 1985 manufacturing and services value added. If ECIPS generates tourism investment, the ratio is reduced still more, to less than 1.5 percent.

The number of jobs created represents another measurable indicator of project success. The Technical Analysis, above, reports calculations of the cost per job created in 1985. There is some difficulty in defining "a job" for purposes of assessing effectiveness. The number will be higher or lower depending on whether the count is made just after the plant startup, at full operation or somewhere between. Under the assumptions made, the promotion cost per job was approximately \$1,300. An investor search component dominated by an expatriate contractor would be costly for EC countries to sustain after termination. Through its institution-building activities, the amendment moves the countries in the direction of a more cost-effective approach.

3. Conclusion

In order to yield target rates of return of 10 to 15 percent over an impact period of from ten to twenty years, the project would have to account for manufacturing growth rate increments equivalent to approximately 3 percentage points in the early years. This may not be as daunting as it appears, since with an expanding manufacturing base the ratio steadily declines, reaching about 20 percent after twenty years. Some of this value added could be created by non-industrial sectors through linkages created by the new investment. If manufacturing alone is to account for the project benefits, it is questionable whether the target rate of return can be achieved. However, success in stimulating investment in other sectors, notably services and to some extent tourism, substantially improves the likelihood that the project will be cost effective. Thus, in order for the needed benefit stream to be achievable, the OECS and each State must follow through with vigorous application of the skills acquired during the institution building phase of the project, and each must provide appropriate funding to do so for several years to come. Achieving cost effectiveness will depend upon successful search for a wide range of firms, not merely those in manufacturing.

F. Social Analysis

1. Socio-Cultural Feasibility

PDAP has been in operation in the Eastern Caribbean since 1982. During that period there have been numerous reviews as well as a formal evaluation carried out by SRI International, Inc. RDO/C has also been engaged in a collaborative assessment, both formally and informally, with the General Managers of the Industrial Development Corporations, the Ministers responsible for industry and trade, leaders of regional institutions such as the Eastern Caribbean Manufacturer's Association the Caribbean Association of Industry and Commerce and the Economic Secretariat of the OECS States.

Most important, RDO/C staff have been working with representatives of OECS Governments and the Ministries of Trade and Industry to develop Country Action Plans and to design ECIPS. The process has been truly collaborative and has received high praise at the Ministerial level.

As a result the Mission is confident that there is regional consensus on the merits of continuing collaboration in investment promotion, as well as consensus on the emphases the project should take during the next two years, i.e. ECIPS. Additionally, dialogue has continued with C&L's staff on the institutional development needs of the participating countries and on Industrial Development Corporations (IDC).

The C&L advisors have worked closely with the OECS Governments and with RDO/C staff at both the Country Action Plan levels and in the design of ECIPS and its technical assistance and training needs. The C&L manager will continue to work with the ECIPS Board and the Executive Director on the methodology of the changeover process from C&L's investor search operation to ECIPS.

Feedback from the entire collaborative process, including the reviews and evaluations, clearly indicates that the host countries want to accelerate investment promotion. Consensus has been reached as well on the importance of skills transfer and the sustainability of the methodology of investment promotion and the importance of overall indigenous institutional capability. As PDAP moves into this final phase, it does so with the blessings of the region's private sector and individual governments. Also, as is indicated in the Technical Analysis, the Administrative Analysis and

the Evaluation Plan, the methodology for monitoring the project's progress, including continuous inputs from the host countries themselves, has been improved and was a focus of attention during this recent evaluation phase.

2. Social Impact

a. Socio-Economic Background

The Eastern Caribbean LDCs are small, very open economies. Their combined population is around 600,000 and is not evenly distributed, ranging from 12,000 persons in Montserrat to around 126,000 persons in St. Lucia. In terms of per capital GNP the countries also differ, with the low being St. Vincent of about US \$700 and the high being Antigua of about US \$1,550. Unemployment is chronically high and ranges from an estimated 40% in St. Vincent to 20% in Antigua. The savings rate in all the LDCs is negative, a reflection of consumption levels that are close to or exceed domestic production. The LDCs depend heavily on external sources to finance investment, both public and private sector.

The tradition of undiversified exports and the importance of tourism as a foreign exchange earner have rendered the economies vulnerable to external shocks. Since 1983, difficulties have arisen associated largely with the CARICOM states of Trinidad and Tobago and Guyana. Trinidad and Tobago introduced an import licensing scheme which severely disrupted intra-CARICOM trade. In Guyana, economic mismanagement resulted in inability to fulfill payment obligations to the CARICOM Multilateral Clearing Facility (CMCF) and CMCF was thus suspended in April 1983. Although member countries have since been seeking ways to reinstate the CMCF, over two years, have passed with little progress made toward that end.

In general, the governments recognize the need for the private sector, both local and foreign, to provide the impetus in diversifying the economies. Diversification is critical to bringing the LDCs onto stable economic growth paths that provide jobs for the unemployed. Governments have supported efforts, such as those of PDAP and CIPS, to encourage trading links and investment with the United States as a result of the problems of CARICOM trade.

Additionally, promotion and support has come from the highest OECS ministerial level in the design of ECIPS as an investment promotion service targetted at US investment in the Eastern Caribbean. EC private sector involvement is also ensured with the creation of an ECIPS Board dominated by the private sector. The Board will play a prominent role in the direction ECIPS will take.

However, the shortage of entrepreneurial, managerial and technical talent, as well as shortage of skilled labor has been one of the most important obstacles to private sector development. Upgrading and expanding the availability of managers and technicians is a priority of regional governments and a core component of RDO/C's overall strategy. Hence, the high level of support at the country and regional level for the thrust of PDAP on institution building including personnel development.

b. Social Impact of PDAP

PDAP should be viewed as taking a three pronged approach to addressing the above listed constraints. First, through its investment promotion efforts, the project has sought to expand private sector investment in the Eastern Caribbean. The investor search operation has concentrated on the U.S., but has also included Asia and Europe. Resident Island Advisors, however, have also focused on developing technical and managerial expertise among local entrepreneurs and have provided technical assistance to that end. Equally importantly, they have also assisted Eastern Caribbean companies in locating new markets in the US, when the regional trading market began to collapse in 1984. PDAP has been influential in improving local private sector market expertise and technical capability.

Secondly, the training, technical assistance and overall institutional development efforts of PDAP, which are being re-emphasized in this phase of the project, will hopefully, go a long way to developing indigenous institutional capability to aggressively search out new markets and sources of foreign investment.

Thirdly, success in attracting new investment and in improving the capability of local enterprises, including through joint ventures, is critical to redressing the chronic unemployment and balance of payments problems of the region. Redirection of markets and movement away from traditional commodities is occurring, but it must be recognized that such diversification, including light industrial development is still in an early stage. PDAP has been, and will, through ECIPS, continue to be instrumental in linking East Caribbean businessmen and enterprises to the well-established markets and technologies outside of CARICOM.

VIII. SPECIAL PROVISIONS

The following special provisions will be included in the Project Grant Agreement.

A. Conditions Precedent to Disbursement

1. First Disbursement

Prior to the first disbursement under the Grant, or to the issuance by U.S.A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to U.S.A.I.D. in form and substance satisfactory to U.S.A.I.D.:

(a) An opinion of counsel acceptable to U.S.A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms;

(b) A statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.2., and of any additional representatives, together with a specimen signature of each person specified in such statement.

(c) Evidence that an accounting system for this project is in place which conforms with generally accepted accounting standards; including a statement of procedures regarding the approval, disbursement, control and accounting of project funds for ECIPS and the IDCs.

2. Disbursement to IDCs

Prior to any disbursement, or to the issuance by U.S.A.I.D. of documentation pursuant to which disbursement will be made for activities for a particular participating OECS country IDC, the Grantee, except as U.S.A.I.D. may otherwise agree in writing, shall receive from U.S.A.I.D. an executed Memorandum of Understanding (MOU) between U.S.A.I.D. and the respective OECS Government stating the particular terms and conditions, in addition to the provisions of this Grant Agreement, which will apply to the funding of that particular IDC for a stated year.

3. Disbursement for ECIPS

Prior to any disbursement, or to the issuance by U.S.A.I.D. of documentation pursuant to which disbursement will be made to finance ECIPS activities in 1988 and 1989, respectively, the Grantee shall, except as the Parties may otherwise agree in writing, furnish to U.S.A.I.D., in form and substance satisfactory to U.S.A.I.D., the respective breakdown of the 1988 and 1989 Government contributions or dues to the Grantee for ECIPS by country or territory.

B. Special Covenants

1. Project Evaluation

The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include during the implementation of the Project and at one or more points thereafter:

(a) Evaluation of progress toward attainment of the objectives of the Project;

(b) Identification and evaluation of problem areas or constraints which may inhibit such attainment;

(c) Assessment of how such information may be used to help overcome such problems; and

(d) Evaluation, to the degree feasible, of the overall development impact of the Project.

2. Workplans

During the period of the Project, the Grantee except as U.S.A.I.D. may otherwise agree in writing, shall submit annually to U.S.A.I.D. beginning no later than September 30, for the previous year, the ECIPS Workplan for CY 1988, 1989 and 1990 for prior review and approval by U.S.A.I.D. The first Workplan shall include a discussion of proposed linkages between ECIPS and any other investment and/or Export Agency in the OECS.

3. Country Contributions to ECIPS and the IDC

Except as U.S.A.I.D. may otherwise agree in writing, the Grantee shall suspend all disbursement of Grant funds to a particular participating OECS country IDC if:

(a) That country does not make the counterpart contribution to ECIPS stipulated in the documentation submitted in compliance with section 4.3 of this Agreement.

(b) U.S.A.I.D. notifies the Grantee of substantial deviation from agreements negotiated between U.S.A.I.D. and that particular OECS country Government and documented in MOUs, including agreements regarding counterpart contributions as scheduled for its IDC.

4. Recurrent Costs

Unless U.S.A.I.D. and the Grantee otherwise agree in writing, the Grantee shall covenant to submit to U.S.A.I.D. by January 31, 1989 a written plan for meeting estimated recurrent costs for ECIPS after the project ends.

IX. EVALUATION ARRANGEMENTS

The overall IPED project is scheduled for evaluation by Louis Berger's staff during May of 1988. Prior to the termination of the C&L contract on 10/31/87, an assessment of PDAP will be conducted at a level less intense than an evaluation and more thorough than a debriefing. This will allow a final assessment of seven years of PDAP before the C&L staff is dismantled. This assessment will provide practical guidance for the participants under the OECS grant and lay the groundwork for the formal evaluation in 1988.

The evaluation in 1988 will serve as a mid-term evaluation of the OECS component and is expected to shed light on opportunities for improving the functioning of ECIPS and AID assistance to the IDCs. It will also assess progress, problems and prospects for improving the management of the OECS grant and for assessing RDO/C's success in implementing the monitoring system currently being developed by Berger.

This evaluation will broadly assess RDO/C's experience in supporting investment promotion back to May 1986, the date of the evaluation by SRI International. This will include a focus on:

- Outputs : Investments, jobs created, investment and buyer leads, export contracts, privatization, etc.;
- Institutionalization : Development and strengthening of ECIPS, new and existing IDCs;
- Technology : Techniques being used by ECIPS and the IDCs for promotion, deal making monitoring, reporting;
- Linkages : Between ECIPS-IDCs and with ECSEDA, NCCs, OECS;
- Efficiency : Regarding use of inputs;
- Compliance : With AID regulations.

This evaluation will be followed-up with necessary agreements on adjusting implementation methodology. RDO/C will also participate in dialogues with the OECS to address the recurrent costs of ECIPS with a view to ensuring its viability by the end of the project.

A final evaluation will be scheduled for mid 1989. This evaluation will focus on the same issues noted above plus any issues raised during the previous evaluation. This evaluation will be the principal basis for formulating recommendations regarding future AID assistance to ECIPS, IDCs and the OECS, in particular, and investment promotion, in general.

Relationship to Louis Berger International, Inc.

In June 1986, RDO/C signed a two year contract with Louis Berger International, Inc. (LBII) to provide design, evaluation and monitoring services to RDO/C for its private sector projects. Four elements of LBII's work are related to monitoring and reporting required under RDO/C's grant to the OECS; generic evaluation scope of work, sample survey, a generic monitoring system and IPED evaluation.

The generic evaluation scope of work abstracts and summarizes the goals, purposes, outputs and inputs of RDO/C's private sector projects and identifies relevant external influences. Parts of the generic evaluation scope of work relevant to IPED can be used to guide the OECS Project Director, in his/her responsibilities for monitoring and evaluation. RDO/C and LBII staff will explain to the Project Director the goals, purposes, outputs and inputs relevant to the grant so that he/she will understand that grant activity has an overall logic and discipline.

LBII is currently designing a sample survey which will cover business establishments in the OECS. The survey will show the status of RDO/C private sector clients, provide a baseline for at least one project and furnish a methodology for RDO/C to use in repeat surveys. The survey will ask many questions of interest to the OECS Project Director on investment, exports, employment, government services for business, changes in volume of production, training needs, etc. The Project Director will be informed of the survey questions, method and results. This will benefit the Project Director in at least two ways. First, the Project Director will have an independent source of information on the effectiveness of the IDC. Second, the Project Director and his Technical Advisor will know the clients and method by which they can conduct their own spot assessments of the effectiveness of the IDC.

LBII is also developing a generic project/program monitoring system which will incorporate the logic and categories of the generic evaluation scope of work, and use sample survey data as well as data accessed apart from the survey, including data

generated under the OECS grant. Thus, informational relations between the monitoring system and the Project Director will be reciprocal, each will inform the other. From the viewpoint of the Project Director, this relationship will bring the wider horizon into focus and provide a context in which he can guide the operations of the IDCs and ECIPS.

As noted above, in the second quarter of CY 1988, LBII will evaluate IPED. This will allow ample time for the Project Director to be brought into the planning of the evaluation and allow him/her to guide the IDCs and ECIPS in anticipation of it.

In summary, there is a close connection between LBII's comprehensive and sophisticated program and the activities under the grant. The four points of contact explained above will ensure that planning and reporting under the grant are subject to a results orientation and a framework of accountability.

ACTION AID-7 INFO AMT DCM CHERON 9

ANNEX A
Page 1 of 3

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LOC: 009 586
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CN: 01348
CHRG: AID
DIST: AID

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E.O. 12356: N/A

TAGS:

SUBJECT: INVESTMENT PROMOTION AND EXPORT DEVELOPMENT
PROJECT (538-0119)

REFS: A. BRIDGETOWN 06796; B. ZALLMAN-ORR TELCON 9/16

1 OPTIONS PRESENTED REF. A WERE REVIEWED BY AA/LAC ON
SEPT. 16: AS ADVISED REF. B, A MODIFIED VERSION OF
RDO/C'S PREFERRED OPTION WAS ACCEPTED: MISSION MAY
OBLIGATE DOLS 1.1 MILLION FOR THE C&L CONTRACT UNDER
BUDGET ALLOWANCE ALREADY AVAILAELE, SUBJECT TO THE
FOLLOWING:

A: C&L SHOULD BE INSTRUCTED TO CONCENTRATE ITS
ASSISTANCE ON:

- COMPLETING THE 1986 CAPS;
 - HELPING OECS GOVERNMENTS TO CREATE, ADEQUATELY STAFF
AND FUND, AND DEVELOP THE CAPABILITY OF THEIR INDUSTRIAL
DEVELOPMENT UNITS; AND
 - HELPING THE OECS SECRETARIAT ASSESS THE FEASIBILITY
OF CREATING AND MAINTAINING A JOINTLY SUPPORTED EASTERN
CARIBBEAN INDUSTRIAL PROMOTION SERVICE (ECIPS)
- F. RDO/C AND C&L SHOULD AGREE UPON AN EXPLICIT CALENDAR
OF EVENTS WHICH INDICATE THAT THESE OBJECTIVES ARE BEING
CARRIED OUT. THE CALENDAR SHOULD INCLUDE SPECIFIC DATES

FOR:

PRESENTATION OF ACCEPTAELF 1986 CAPS FOR EACH OECS
COUNTRY;

RECEIPT BY A.I.D. OF LETTERS FROM EACH OECS
GOVERNMENT DESCRIBING THE ACTIONS TAKEN AND PLANNED IN
SUPPORTING THEIR INDUSTRIAL DEVELOPMENT UNITS;

- COMPLETION OF THE ECIPS FEASIBILITY STUDY;
- RECEIPT BY A.I.D. OF A LETTER FROM THE OFCS
SECRETARIAT DESCRIBING ITS PLANS TO CREATE AND FUND
ECIPS AND EVIDENCE OF THE ACTION TAKEN BY EACH MEMBER
STATE TO ENABLE THE CREATION OF THE ECIPS AND PROVIDE
FUNDING FOR IT.

C. THE C&L CONTRACT WILL NOT BE EXTENDED BEYOND THE
PRESENT EXPIRATION DATE OF OCTOBER, 1987, AND THE TOTAL
ADDITIONAL FUNDING FOR THE CONTRACT WILL NOT EXCEED THE
DOLS 2.8 MILLION ESTIMATED REF. A., WHICH INCLUDES DOLS
1.1 MILLION IN FY86 FUNDS.

OVER THE NEXT FOUR TO SIX MONTHS, RDO/C WILL REVISE ITS STRATEGY FOR INVESTMENT PROMOTION IN THE EASTERN CAPEVERDEAN. AID/W AND RDO/C WILL JOINTLY REVIEW THIS STRATEGY, THE PROGRESS OF THE OECS COUNTRIES IN PREPARING TO TAKE OVER RESPONSIBILITY FOR INVESTMENT PROMOTION, AND THE PROPOSED A.I.D. ASSISTANCE IN IMPLEMENTING THE STRATEGY AT THE NEXT ACTION PLAN REVIEW (OR EARLIER IF POSSIBLE). POSSIBLE ASSISTANCE MODES INCLUDE PROVIDING SUPPORT FOR AND T.A. TO THE INDUSTRIAL DEVELOPMENT ENTITIES FOR EACH OECS STATE AND/OR TO A U.S. BASED INVESTMENT PROMOTION OFFICE, FUNDING A NEW CONTRACTOR TO CONTINUE SOME OR ALL OF THE ASSISTANCE FOR WHICH C&L IS NOW RESPONSIBLE, OR A COMBINATION OF THE FOREGOING.

F. THE FEASIBILITY OF PROVIDING ASSISTANCE DIRECTLY TO THE OECS COUNTRIES WILL DEPEND ON THEIR TAKING AGGRESSIVE ACTION WITHIN THE NEXT 4-6 MONTHS TO: PARTICIPATE IN THE PREPARATION OF THE COUNTRY ACTION PLANS (WHICH C&L WILL DRAFT); ESTABLISH, AND ADEQUATELY STAFF AND FUND THEIR INDUSTRIAL DEVELOPMENT UNITS; AND BEGIN TO ESTABLISH AN OUTREACH UNIT TO REPLACE C&L'S INVESTOR SEARCH OPERATION.

F. THE INFORMATION REQUIRED FROM C&L ON THE INVESTOR SEARCH OPERATIONS ALSO SHOULD BE SPECIFIED.

2. THE COUNTRY ACTION PLAN PROCESS: A YEARLY UPDATE AND REVIEW OF PROGRESS IN IMPLEMENTING THE CAP SHOULD BE FEED INTO ANY CONTINUATION OF THE PROJECT. IT IS SUGGESTED THAT THE MISSION DEVELOP AND MAKE KNOWN TO THE OECS STATES THE CRITERIA IT HAS ESTABLISHED FOR APPROVAL OF THE CAPS. SUGGESTIONS FOR POSSIBLE CRITERIA INCLUDE DEMONSTRATION THAT:

A. THE COUNTRY WILL PROVIDE SUFFICIENT BUDGET AND STAFF FOR ITS INDUSTRIAL PROMOTION EFFORT;

B. THE COUNTRY HAS AVAILABLE FOR DISTRIBUTION TO POTENTIAL INVESTORS THE BASIC INFORMATION NECESSARY TO ENABLE THEM TO ASSESS THE COSTS AND BENEFITS OF BUSINESS VENTURES IN THE COUNTRY;

C. THE CRITERIA AND PROCEDURES THE COUNTRY HAS ESTABLISHED FOR APPROVAL OF COMPLETE INVESTMENT APPLICATIONS ARE REASONABLE AND WILL PERMIT APPROVAL OR DISAPPROVAL WITHIN A SPECIFIED PERIOD OF TIME (E.G. 4 WEEKS);

D. THE LINES OF AUTHORITY FOR APPROVAL OF INVESTOR PROPOSALS AND FOR RESOLUTION OF DISPUTES ARE CLEARLY DEFINED;

E. THE COUNTRY HAS IDENTIFIED THE MAJOR POLICY AND REGULATORY CONSTRAINTS WHICH ARE KEEPING INVESTORS FROM DEVELOPING EXPORT-ORIENTED BUSINESSES AND COMMITTED ITSELF TO ANALYZE AND REMOVE THOSE CONSTRAINTS;

F. THE COUNTRY HAS AN ACCEPTABLE PLAN FOR SATISFYING

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ANY OF THE ABOVE CRITERIA THAT ARE NOT YET MET WITHIN A RELATIVELY SHORT TIME.

3. THE PP AMENDMENT REVIEWED INFORMALLY HERE ON AUG. 7 IS ACCEPTED AS A BASIS FOR INCREASING THE LIFE OF PROJECT FUNDING BY DOLS 2.8 MILLION. THE MISSION DIRECTOR, RDO/C IS AUTHORIZED TO AMEND THE PROJECT AUTHORIZATION ACCORDINGLY.

4. OBLIGATION OF FY 87 FUNDS: IDEALLY, THE JOINT REVIEW OF RDO/C'S REVISED PROJECT STRATEGY (PER PARA 1D) WILL OCCUR PRIOR TO THE OBLIGATION OF FUNDS FOR THE PROJECT IN FY 87. AT A MINIMUM, HOWEVER, WE REQUEST THAT PRIOR TO AUTHORIZATION OF FUNDS IN EXCESS OF THE DOLLARS 2.8 MILLION APPROVED UNDER PARA 1C, RDO/C SHOULD CABLE AN ACTION PLAN EQUIVALENT DESCRIPTION OF THE REVISED PROJECT, INCLUDING DEFINITION OF THE ROLE OF THE OECS, PARTICIPATING COUNTRIES AND PROPOSED FUTURE TECHNICAL ASSISTANCE REQUESTS AND HOST COUNTRY FINANCIAL COMMITMENT. THE DESCRIPTION ALSO SHOULD IDENTIFY THE MODE FOR PROVIDING TECHNICAL ASSISTANCE (PROJECT ASSISTANCE TO THE PARTICIPATING COUNTRIES, PROJECT ASSISTANCE TO THE OECS, DIRECT AID CONTRACT) AND ITS TIMING.

5. THE BUREAU REITERATES MOST STRONGLY THAT THIS C&L CONTRACT WILL NOT BE EXTENDED BEYOND OCTOBER 1987, AND THAT THE DOLS. 2.8 MILLION FUNDING LIMITATIONS WILL NOT BE EXCEEDED. WHETHER ANY FOLLOW-ON CONTRACTS WILL BE REQUIRED IN CERTAIN AREAS IS A JUDGMENT THAT WILL

HAVE TO BE MADE LATER. IN ORDER TO ACCOMPLISH THIS, RDO/C ISURGED TO EXERCISE RIGOROUS MANAGEMENT OVERSIGHT OF THIS CONTRACT. FURTHERMORE, THE BUREAU EXPECTS RDO/C TO EFFECTIVELY ADMINISTER THE CONTRACT, WITH PARTICULAR EMPHASIS ON CLOSELY TRACKING TIMELY ACCOMPLISHMENT OF PROJECT OBJECTIVES AND MONITORING LEVEL OF CONTRACT EXPENDITURES.

6. GIVEN THE BUREAU'S INTEREST IN THE FINAL RESOLUTION OF THE ISSUES RELATED TO THIS PROJECT, AND IN THE OVERALL ISSUE OF INVESTMENT PROMOTION SUPPORTED BY THIS AND OTHER BUREAU PROJECTS, IT WOULD BE HELPFUL TO HAVE AN LAC/DR OR LAC/PS OFFICER PARTICIPATE IN THE MISSION'S REVIEW OF THE INITIAL SET OF CAPS OR AT SOME OTHER APPROPRIATE POINT IN THE PROJECT (E.G., MISSION REVIEW OF REVISED PROJECT STRATEGY). THIS WOULD FACILITATE MOVING THE AUTHORIZATION/IMPLEMENTATION OF THIS PROJECT FULLY BACK UNDER THE NORMAL FIELD/WASHINGTON RELATIONSHIP. WHITEHEAD

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PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY 84 to FY 90

Project Title & Number: INVESTMENT PROMOTION AND EXPORT PRODUCTION (538-0119)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><u>GOAL:</u> To increase private sector productive employment in the Eastern Caribbean countries</p>	<ul style="list-style-type: none"> - Increasing rate of new jobs creation. - Declining levels of unemployment. 	<ul style="list-style-type: none"> - National official statistics - Interviews with management, unions. 	<ul style="list-style-type: none"> - Regional peace and relative stability will continue. - Human resource quality (health, education) is maintained or improved. - Pro-private sector Governments remain in power. - No pro-longed Caribbean recession
<p><u>OBJECTIVE:</u> To develop a national and regional capability in the Eastern Caribbean to identify and promote private investment in productive, export-oriented businesses.</p>	<p>End of Project status:</p> <ul style="list-style-type: none"> - Effective national investment promotion agencies operating in conjunction with a regional investment promotion institution with an off-shore presence in the U.S. to identify and attract foreign investors and buyers to the Eastern Caribbean. - Increasing foreign investment flowing into the Eastern Caribbean. - Increasing joint venture operations with foreign and local investors. - A strengthened OECS as a result of successful and continuing cooperation among the states on investment promotion. - Increasing export volumes and earnings. - Eastern Caribbean Governments have reduced their role in productive enterprises in favor of foreign and local private sector ownership and management. - Through a carefully coordinated series of evaluations and redesign efforts, the RDO/C private sector portfolio is better coordinated and managed, the strategy elements are better understood and articulated, and the impacts (past and potential) are more clearly identified. 	<ul style="list-style-type: none"> - Project records - Evaluation reports - Official statistics from Government, CARICOM - USDOC import statistics - Interviews with OECS, Governments, ECIPS, ECCB, business persons. 	<p><u>PURPOSE</u></p> <ul style="list-style-type: none"> - The EC Region retains and improves its investment incentives and labor costs advantages. - Regional cooperation remains a priority among OECS countries. - US economy remains buoyant and open to OECS exports. - Sufficient factory space is available. - Local investors have affordable and effective access to capital. - Attracting foreign investment remains a high priority for the region. - OECS Governments able to devise mechanisms to continue funding national and regional promotion efforts and/or attract continuing donor resources.

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>OUTPUTS</p> <ul style="list-style-type: none"> - Investment promotion agencies in each Eastern Caribbean country established or strengthened. - An Eastern Caribbean Investment Promotion Service (ECIPS) established as a regional agency of the OECS. - Trained Investment Promotion staff of Eastern Caribbean countries and of the regional ECIPS. - Tested and proven techniques and networks for investor/buyer search. - An established data base on potential investors/buyers. - A management information system (MIS) for tracking investment promotion which can be adopted to country specific needs. - Tested and proven techniques to estimate production costs for potential investors/buyers. - An established capability in each country to analyze the investment climate, and to develop and follow-up on recommendations to improve the climate. - Business starts or expansions (foreign and joint foreign/local). - New employment created from business starts or expansions. - Public sector enterprises turned over to the private sector for management and/or ownership. - RDO/C private sector projects evaluated. - RDO/C private sector projects designed or redesigned. 	<p>MAGNITUDE OF OUTPUTS</p> <ul style="list-style-type: none"> - One investment promotion unit in each of the seven OECS countries. - One regional investment promotion agency. - All Investment Promotion officers in seven national and one regional agency trained (via OITS, TDYS). - One basic set of techniques which can be adapted to country specific needs. - One basic data base to which all countries have access and can modify as necessary. - One basic MIS which each country can adapt its specific needs. - One basic set of techniques which each country can adapt to its needs. - Represented in trained staff, clarified lines of communication, improved incountry networking among concerned agencies, improved planning. 123 during 1984-1989 including 13 per year during 10/31/87-9/30/89. 5,428 New jobs during 1984-1989 including 1,232 new jobs during 10/31/87-12/31/89. 4 enterprises privatized in Grenada; 4 privatizations in other OECS territories. 14 project evaluations. 3 project design/redesigns. 	<ul style="list-style-type: none"> - Project records and evaluation reports. - Site inspections. - RDO/C project monitoring. 	<p>OUTPUTS ASSUMPTIONS</p> <ul style="list-style-type: none"> - Cooperation in investment promotion and buyer search remains a priority among OECS countries. - Effective cooperation among various elements of national governments and regional agencies concerned with investment and export promotion. - Trained investment promotion staff remains in employment of their home agencies for a reasonable period. - Investment promotion agencies able to address staff-turnover problems and attract/train new staff.

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NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
- Private sector program reports prepared.	2 program reports.		
- Effective management of the IPIP project and ECCB staff trained to continue project operations.	\$6 mil. in factory shell construction loans booked by 9/30/87.		
- Engineering certifications of the structural adequacy of IPIP factory buildings.	IPIP loans accepted on engineering grounds.		
- Free zone and factory estate opportunities seized	No opportunity missed due to lack of appropriate technical assistance.		

INPUTS

AID Grant of \$17.2 million

LINE ITEMS

PDAP II: \$ 9.47 mil.
 ECIPS/IDCS: \$ 3.0 mil.
 CIPS: \$ 0.754 mil.
 Privatization: \$ 0.530 mil.
 Evaluation/Redesign: \$ 1.1 mil.
 ECCB Support: \$ 0.5 mil.
 PSC Support Fund: \$ 1.153 mil.
 Contingency \$ 0.643 mil.
 Audits: 0.050 mil.

AID records:
 Disbursements
 Contracts/Grants

INPUTS ASSUMPTIONS

- OYB cuts will not severely effect this high priority project.
- Counterpart financing, (which is not formally negotiated in a regional project) will be available in a timely manner to support staff and office costs of the investment promotion agencies.

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INVESTMENT DEVELOPMENT CORPORATIONS ANALYSIS ANNEX

I. Antigua

A. Economic - Institutional Overview

The private sector in Antigua is among the most vibrant in the OECS states. The growth of local entrepreneurs is especially encouraging given Antigua's history. There has been a dramatic shift in the economy from sugar plantation monoculture to tourism and light manufacturing. Antigua's steady economic growth over the past decade has outpaced its population growth - 1.3% from 1973 to 1983, allowing for migration. Living standards have risen accordingly but unemployment, estimated at 20% is still a chronic problem.

However trade problems within CARICOM continue to affect the manufacturing sector in Antigua. In 1985 one local company closed and other failed to regain former production levels. Prospects for doing so are bleak. However, some local producers are diversifying their product lines and seeking new markets. The two US-based electronics manufacturers in Antigua suffered as a result of the slowdown in the US industry and increasing competition from the Far East. Despite impediments Antigua's young manufacturing sector continues to grow. The recently submitted Budget address calls for industrial investment promotion to be especially targeted.

Despite the obvious need for concerted and targeted industrial development and promotion efforts in the past, the Antiguan Government has not supported establishment of a development corporation to service existing companies and to promote the country as an investment location. However, this has changed. In addition to broadening its promotional effort in the US the Government has mandated the revitalization of IDB. Both the Board and a General Manager have been selected and are operationalized. Government has also allocated financial support to the IDB for the first two years of its operation.

B. Organizational Structure

1. Legal Status: Presently, the Industrial Development Act of 1953 is the rubric under which the IDB has been revitalized. However, it is recognized that in order for a modern IDB to function effectively the act should be amended. As one of its first acts the newly constituted Board has recommended that the act be amended and has asked the Attorney General's office to look into the matter.

2. Financial Status: Government has allocated EC \$200,000 per year for the recently revitalized Industrial Development Board. The GOAB also finances overseas Investment Promotion offices in London, New York, Miami, Canada and Venezuela for over EC\$2.5 million per annum.

3. Internal Organization Structure: Prior to the recent revitalization of the IDB, the Ministry of Foreign Affairs, Economic Development, Tourism and Energy had primary responsibility for investment promotion and industrial development. There is a division of labor in the Ministry between the Deputy Prime Minister who oversees External Affairs, and the Minister without Portfolio, who is responsible for investment promotion and industrial development in the Economic Development Section. The Minister continues to play an important role in investment promotion and works closely with the new General Manager. There are no other IDB staff at present. Hiring of staff and securing office space are important prerequisites to effectual functioning of the IDB. The Development Planning Office of Economic Development reviews investment applications and forwards them to Cabinet. The Ministry of Finance also reviews applications for investment.

C. Management

1. Lines of Authority

Establishment of an IDB should result in a much more effective atmosphere for encouraging foreign investment. Heretofore, there was no central government agency responsible for industrial development, and no active promotion program. The process was generally reactive. Investor servicing in country was ad hoc and investors complain that they do not receive accurate, timely information upon which to base their investment decisions and the lack of organization leads investors to question the level of government commitment to industry.

Now, however an IDB which expects to function as a three person operation is being designed as principally one-stop shop. Overall ministerial responsibility lies with the Minister without Portfolio in the Economic Development Section of the Ministry of Foreign Affairs, Economic Development, Tourism and Energy.

2. Management Capability

Presently, only the General Manager of the IDB is in place. She is preoccupied with details of inaugurating the institution. There are plans to have a staff of three persons by mid 1987. It is expected that staff would be involved in working with the PDAP advisor learning C&L's investor search and promotion techniques. At some point, however, the General Manager should be exposed to management training for an IDC. This may entail both on-site and off-shore training.

D. Staffing

1. Personnel Numbers and Retention

The Board and General Manager have agreed to start the organization with a small, tight staff of three persons including the General Manager. The staff will interact closely with ECIPS in Washington and with the Investment Promotion officers located in North America. A Needs Assessment will have to be done after one year's operation to determine staffing levels and further training requirements.

2. Training

Training of staff will be a primary focus of the project and a significant percentage of the program budget will be spent on meeting T.A. and training requirements. As the institution is new, it is expected that T.A. and training will be a significant part of budgetary expenses for a considerable period beyond the life of the project.

E. Relations with Private Sector Organizations

The road of public-private sector relations in Antigua has historically been rocky. However, presently relations between the

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Manufacturer's Association, the Chamber, the National Development Foundation and the Government are cordial and supportive. The Chamber and Manufacturer's Association have agreed to merge and there does not appear to be government resistance to this move. In the past, this was construed to be an attempt by the private sector to coalesce against the government. The government is very positive toward private enterprise development and private sector organizations would welcome and support the creation of an IDC.

F. PDAP Assistance to Date

PDAP presently operates as the investment promotion arm of the government in Antigua. The PDAP advisor meets investors, prepares promotional materials and investment guides, arranges trade shows and develops leads in the absence of a national entity.

PDAP has also been providing technical assistance to local firms assisting them search for export markets and sub-contracting and joint ventures. PDAP also helps local manufacturers in accessing financial and technical assistance.

Most importantly, in terms of institution building PDAP presently is working closely with Government and the General Manager to develop an IDC. This includes the structure and composition of a governing board, areas of responsibility and function, staffing requirements and lines of reporting; budgetary projections; sources of funding; and identification of community resources or liaisons with which the institution would work.

G. Issues

Although Government has committed the funds for the IDC, progress will have to be monitored carefully to ensure that office space is secured and staff are in place. These will be conditions precedent to a Memorandum of Understanding.

The IDC will need significant technical assistance throughout the CAP period, and it is also clear that government would be hesitant to take this step without knowing that the necessary support would be forthcoming. These are areas PDAP and RDO/C expect to discuss with the GOAB during the CAP process.

II. Dominica

A. Economic-Institutional Overview

Although the Government of Dominica is highly supportive of foreign and local industrial investment, the anticipated increase in overseas investment has not materialized. While one new company has indicated its intention to begin operation by 1987, two other overseas controlled enterprises have closed completely, and a further company is presently shut down. Two of the companies were garment manufacturers. Government's attitude to overseas investment remains positive, although the imposition of a 5% ad valorem customs charge (presently reduced to 1% while the charge is being reviewed) is a disincentive to such investors. The major factor mitigating against Dominica as an investment location for overseas manufacturers is the absence of other similar companies (Dominica has only one operating overseas owned assembly company) and lack of general knowledge about Dominica. Increasing investment promotion activities is a priority. In addition, the limited manufacturing base for support resources such as packaging, printing, spare parts etc., or for 807, 806 or other subcontract work, and the difficulties of transportation, particularly by air are also significant. For local manufacturers, the continuing problems with export marketing remain. Problems of price, quality, and timeliness all act against the successful securing of export contracts, while market uncertainty, technology and finance limitations make plant expansion difficult, uncertain, and hence unattractive.

However, while the investment climate for industry (although not necessarily for agribusiness and select tourism) remains precarious because of environmental constraints, Dominica has developed a strong IDC. The IDC is an organization which appears to be well founded, with a good, legislated structure, industrious staff, and the support of Government. Its limitations appear to be in its resource levels; the allocated budget being barely sufficient to fulfill the goals of the IDC other than at the base level, and in the training and experience of the staff.

B. Organizational Structure

1. Legal Status: The Industrial Development Corporation is a statutory body set up in 1974 to promote private foreign investment and administer for Dominica a program of incentives for investors based on standardized CARICOM concessions and incentives.

2. Financial Status: The IDC receives a government subvention of approximately EC\$390,000 per year of which the Investment Promotion budget is approximately 10%. The IDC presently

is highly dependent on PDAP's funding for investment promotion efforts, funding of travel to conferences and trade fairs, and publication of promotional material.

3. Internal Organizational Structure: The IDC is directed by a Board made up of seven members from the private sector and senior government officials. The Chairman of the Board is appointed by the Minister of Agriculture, Trade, Industry and Tourism. Tenure is three years.

The IDC is directed by a General Manager who oversees a staff of ten, including a CIPS officer in Washington.

C. Management

1. Lines of Authority

The Management and staff prepare papers for the Board and for Cabinet. The Board acts on all investment requests. The Board sends the documents to the Minister of Trade, Industry and Agriculture who forwards them to Cabinet. Cabinet is the ultimate authority.

2. Management Capability

The IDC is considered to be a well run organization with a very capable General Manager who has a good rapport with, and strong support from the Government.

D. Staffing

1. Personnel Numbers and Retention

Although the IDC has qualified personnel, it is thin. Presently, the PDAP advisor is assuming the role and responsibilities of a staff member and reports directly to the General Manager. The IDC plans to involve existing on-line staff in investment promotion when PDAP advisor departs this year. The HIAMP advisor has also moved into the IDC and is supplying important T.A. in agribusiness development.

2. Qualifications and Training Needs

PDAP has assisted in arranging for the General Manager to attend an Arthur D. Little Project Preparation Course, but it is recognized that other staff lack training or appropriate skills to fulfill responsibilities. Training and Technical Assistance in Investment Promotion have been identified and targeted for specific individuals during the next two years.

E. Relations with Private Sector Organizations

The General Manager and staff of the IDC have developed good working relationships with the Dominica Association of Industry and Commerce (DAIC) and, in fact, the Chairman and Board members of the IDC have usually also been active members of the DAIC.

F. PDAP Assistance to Date:

1. Advisor Assistance

Since the inception of the PDAP program, the PDAP advisor has been based in the IDC offices and has worked directly with the organization. The IDC General Manager has utilized the PDAP advisor as an additional staff resource, integrating the PDAP program into overall IDC activities.

PDAP has provided additional financial support in the funding of an investment mission to Hong Kong, participation by IDC staff members in several investment promotion conferences and in covering the printing costs of Dominica's promotional materials.

2. Subcontractors Short Term Technical Assistance

During PDAP I, a feasibility study on the extension of Canefield Airport was also conducted.

More recently, the PDAP advisor has assisted the IDC in computerizing its accounts and in developing a corporate data base, using the NCR personal computer and software purchased by the PDAP project.

The advisor has also worked with a number of small local firms interested in developing export markets for their products.

G. Issues

It is recognized that Governments' annual subvention of EC \$390,000 is not adequate to meet the needs of the dynamic investment promotion operation. The World Bank recently urged the GOCD to increase its financial support to the IDC and step up its investment promotion program. This is a focal point for discussion during the CAP process.

III. Grenada

A. Economic - Institutional Overview

The political turmoil of the last ten years has negatively affected the development of the private sector, of private sector organizations and of the infrastructure designed to encourage private sector development, both local and foreign. Victimization, land expropriation, inappropriate fiscal policies, and lack of access to long-term credit undermined business confidence in Grenada, both within Grenada and without. This is slowly being redressed.

The problem has been compounded by serious shortages of skilled personnel and few institutions to support the revitalization effort. Hence, institutions like the IDC are very new and going through a process of development themselves. Thus, Grenada will continue to require inordinate attention in terms of funding and technical assistance for some time to come.

B. Organizational Structure

1. Legal Status: The Grenada Industrial Development Corporation is a statutory body established by an Act of Parliament in 1985. The IDC is mandated to develop Grenada's investment promotion capacity, to develop and manage industrial estates, and to enter into transactions for industrial development and tourism with prospective investors. The Act establishing the Corporation vested broad powers in the IDC.

2. Financial Status: The IDC receives an annual subscription from the Central Government of EC\$400,000. In addition, the Corporation received a USAID grant of US\$250,000. It is also expected that the IDC will soon accrue income from the management of industrial estates collected from factory rentals.

3. Internal Organization Structure: The IDC is governed by a nine member Board with a majority from the private sector. The Board is the same Board as the Grenada Development Bank. The General Manager of the Corporation sits on the Board. Members are appointed by the Prime Minister in his capacity as Minister of Finance, Trade, Industrial Development and Planning. The Board meets monthly.

The IDC is administered by a General Manager who has a total professional staff. The IDC is assisted by the professional services of a PDAP advisor and a PSC specializing in institutional development who previously worked for the Barbados IDC.

C. Management

1. Lines of Authority

The Board of the IDC plays a very prominent role both in terms of policy and management. All major applications are sent to the Board for approval and then submitted to Cabinet. The Board approves the Budget, sets strategy and policy and advises the Prime Minister. The Chairman of the Board assumes day-to-day Management responsibilities for the corporation.

2. Management Capability: The Grenada IDC is a fledgling organization, at present very weak institutionally, and in need of much further institutional development in all areas. The present General Manager has only recently been appointed. A focal point of the CAP will be T.A. and staff training.

D. Staffing

1. Personnel Numbers and Retention: As indicated above staffing of the IDC is inadequate. Although PDAP prepared a diagnostic report in 1984 which recommended a structure and staffing level for the IDC, this has not been agreed upon. The PDAP report recommended a number of cost saving measures which would have allowed the IDC to focus on hiring needed local professional personnel. Particularly, it was recommended that some clerical and other services could be shared with the Grenada Development Bank. Instead, perhaps as an employment generation measure, government has approved the hiring of a large number of clerical and service personnel at the expense of professionals.

2. Qualifications and Training Needs: In cooperation with C&L the IDC is establishing a detailed workplan outlining T.A. and training needs.

E. Relations with Private Sector Organizations

The composition of the Board of the IDC is heavily weighted in favor of the private sector. Overall direction and policy of the IDC reflects the thinking and needs of local private sector organizations and sub-sectors.

The private sector has welcomed the opportunity to work with Government in the area of industrial development and investment promotion. As the institution is very new, it is too early to forecast how relationships will develop.

F. PDAP Assistance to Date:

1. Advisor Assistance

Long Term Advisor: PDAP has provided a full time long term advisor since March 1985. A new advisor has recently taken up duties. The advisor's functions have been to contribute to the institutional strengthening of the IDC, assist in preparation of promotional materials, develop a clearly defined investment promotion program, this pattern will continue until October 31, 1987.

2. Short Term Technical Assistance

A report was prepared on the Establishment of an IDC in September 1984. This report described the current manufacturing environment in Grenada and the potential for further industrialization. The report recommended certain institutional arrangements for the new entity and recommended an organizational structure, functions and budgets for an Industrial Development Corporation.

3. Subcontractors

The GIDC Board member participated in a leadership tour, conducted by the State of Florida Department of Commerce, a PDAP subcontractor. A Grenada Investment Guide was designed and written for the C/CAA Miami Conference.

G. Issues

Grenada has been receiving significant attention at a number of levels by PDAP advisors. Institutional development has been a major focus and Grenada has had a full-time institutional development advisor who has prepared a diagnostic report on structures, functions and further institutional needs. Grenada has also received significant financial assistance from USAID for investment promotion activities. The CAP process discussions have focussed on priorities for institutional development using short-term T.A., and the role of the resident advisor. The role of the Board of Directors, and the skills mix of needed additional local staff still need to be addressed.



IV. St. Kitts-Nevis

A. Economic - Institutional Overview

Since colonial times, the economy of St. Kitts & Nevis has been agriculturally based, with sugar being the major crop. Sugar cane is grown on approximately 11,500 acres, virtually all the agricultural land on St. Kitts, and it represents approximately 65 percent of the export earnings of the State. It is by far the largest employer accounting for 5,000 jobs. In recent years, the government has attempted to diversify the economy by encouraging development of light manufacturing and tourism in the islands. These efforts have resulted in some notable successes. The manufacturing sector, which now accounts for approximately 2,500 jobs, experienced further growth in 1985.

Although the country has undeniably had some success in its attempts at economic diversification, there have also been some major setbacks. A major electronics company closed at the end of 1985 resulting in loss of jobs for 90 people. The electronics industry as a whole has been in a state of decline and many companies in St. Kitts & Nevis have been forced into periodic layoffs or outright workforce reductions. The apparel industry is threatened by an increase in protectionist sentiment in the U.S. The agricultural sector continues to decline due to declining demand for sugar and increased use of alternative sweeteners.

Investment promotion in St. Kitts & Nevis has tended to be a rather disjointed process involving many public and private sector agencies. Increasingly, PDAP evolved into a central coordinating agency for investment promotion and often takes the lead in dealing with potential investors.

However, St. Kitts-Nevis has taken the important step of establishing investment promotion organizations in both islands. It is expected that by the time this amendment is signed an IDC will be established which will include a branch unit in Nevis.

B. Organizational Structure

1. Legal Status: The Minister of Trade submitted the IDC proposal to Cabinet and it has been approved. Presently the Attorney General is drafting the necessary legislation. The Board will be private sector dominated. It is expected that Parliament will pass the necessary legislation by early April 1987.

2. Financial Status: The GOSKN has committed itself to contributing EC \$90,000 per year for two years to the IDC/IDJ. In addition, it is expected that the private sector will contribute another EC \$40,000 per year.

C. Management

1. Lines of Authority: It is envisioned that the IDC will be a "one-stop" operation under the ministerial portfolio of the Minister of Trade. Presently there is often confusion over the lines of authority and responsibility with investment promotion involving several agencies. Thus, this is a major step forward.

2. Management Capability: Managerial Capability will be highly dependant on securing the appointment of an experienced General Manager.

D. Staffing

1. Personnel Numbers and Retention

The GOSKN is now in the process of looking for a General Manager with the requisite investment promotion skills. An officer from the Ministry of Trade has been identified as an investment promotion officer and is working closely with the PDAP advisor. The PDAP advisor is also working with personnel in the IDU in Nevis to assist them in developing investment promotion skills until her departure in October 1987.

St. Kitts also is assessing the likely role for its UNIDO/CIPS officer now attached to the Coopers office in Washington.

As a fledgling organization, however, personnel will need a great deal of training and T.A. during the two year grant period.

2. Training: Training and Technical Assistance will be a major focus of the two year grant.

E. Relations with Private Sector Organizations

The private sector in St. Kitts and Nevis has been very active in seeking institutional strengthening and has financially supported the establishment of a Chamber of Commerce Secretariat, a National Development Foundation and a Manufacturer's Association.

Presently, although the private sector feels frustrated by lack of an investment promotion unit, it has actively engaged in promotion and sent large contingents to the Miami Conference. The private sector organizations appear willing to support any initiative which would improve the present diffuse nature of investment promotion activities.

F. PDAP Involvement to Date:

1. IDC

Institution building is the central focus of present PDAP activities in St. Kitts-Nevis. The objective is to have a small IDC in St. Kitts by early 1987. In Nevis, the central government has set up an IDJ in the Ministry of Economic Development and has approached PDAP for advice on appropriate functions for such a structure and for personnel. The Nevis government has allotted the resources for two staff persons and the line items in the budget are in place.

2. Publications

PDAP has taken an active role in coordinating public and private efforts to develop promotional materials. The objective is to more effectively manage the resources available as well as to identify new resources. Currently planning is being completed for a new investor's guide and an informational brochure.

3. Bank of Nevis

In Nevis, the government feels that local entrepreneurs are hindered by a lack of project finance. It took an active role in the information of a new local bank to address this need. PDAP has financed the services of a banking consultant to help get the bank going.

4. Advisor Assistance

Long Term Advisor: In the absence of an investment promotion entity, the St. Kitts advisor has acted as the investment promotion arm of the Government. The advisor has serviced investors in country, prepared promotional materials and has organized external investment promotion tours. The advisor has also played a critical role in the development of an IDC in St. Kitts and an IDC in Nevis.

5. Short Term Technical Assistance

Two articles were written on successful U.S. investments in St. Kitts, one on shrimp farming and one on electronics assembly. The Government was also advised on a proposed investment guide and promotional video.

6. Subcontractors

Development Associates assisted in analyzing the problems and potential of an industrial development corporation.

V. St. Lucia

A. Economic - Institutional Overview

St. Lucia is fortunate, within the Eastern Caribbean context, of having a superior combination of natural resources; there are sizeable areas of land suitable for the necessary industrial development infrastructure which are cheap to utilize and electricity supplies are adequate and will soon be augmented by a geo-thermal development which may well allow a reduction in the cost of electricity to industrial users. Water supplies are plentiful and a source for the supply of industrial grade water for the Vieux Fort Industrial Zone is about to be tapped. Roads, while far from well developed, are among the best in the sub-region and adequate for the present level of industrial activity. Telecommunication facilities are excellent, especially in the southern part of the island, where the major industrial zones are located. St. Lucia is now connected to the fully digital telephone system. Port and airport facilities are also among the best in the region, although the spatial relationships between them do cause some problems, some of which will be overcome by further investment.

The incumbent administration is both private sector oriented and well aware of both the urgent need for additional employment opportunities and the continued development of its own financial and administrative ability to create them. The result is a Government strongly committed to the creation of economic development in St. Lucia through private sector initiatives. Government appreciation of the limited resources of the local private sector has led it to formally recognize the role which foreign investment will need to play if the desired levels of employment and national economic development are to be achieved.

St. Lucia is fortunate in having both a well established National Development Corporation (operating since 1974) and a strong and active Chamber of Commerce, Industry and Agriculture which is supportive of both the NDC and the government's other activities in the areas of industrial development and investment promotion. In general terms, the institutional constraints within the country are money and manpower rather than the skill levels of the incumbents in key positions or the structure and policies of the organizations in which they serve.

B. Organizational Structure

1. Legal Status

The National Development Corporation is a statutory body created by the NDC Act of 1971. The organization has been given wide powers and "the authority to negotiate freely with prospective investors, thereby avoiding unnecessary delays which might be caused through the use of normal official bureaucratic machinery".

2. Financial Status

The NDC receives a government subvention of EC\$600,000 per year and also receives revenues from rental of factory space. The latter is not considered significant. Present financial resources are considered by PDAP to be inadequate, preventing the NDC from hiring needed additional professional staff and expanding office space. Presently, PDAP assists with funding promotional efforts including the necessary travel expenses which allow investment promotion personnel to attend trade shows and conferences. Discussion with the Government during the CAP process will include whether or not Government can be encouraged to increase its financial contribution to the NDC.

3. Internal Organizational Structure:

The NDC is directed by a Board of Directors, who shape policy directions. There are seven members. All are from the private sector. The NDC is divided into three divisions: investment promotion, industrial estates and accounting.

C. Management

While the Board of Directors provides overall policy direction and oversees staff recruitment and hiring, day to day operations are carried on by the General Manager and staff of 17 persons.

1. Lines of Authority

Ultimate responsibility for the NDC lies with the Prime Minister in his capacity as Minister of Finance and Planning. The NDC works closely with the Central Planning Unit in identifying major areas of potential private investment. However, procedurally the institution also works closely with the Ministry of Trade, Industry and Tourism. It is the Ministry which approves all concessions granted investors. In practice the NDC has developed good lines of communication with the Ministry providing investors

with support and assistance in meeting St. Lucian environmental, planning and other laws. However, there appear to be duplicate functions between the NDC and the Ministry of Trade which need disussion leading to clearer lines of responsibility.

As the NDC also has responsibility over industrial estates and builds and rents factory shells to investors, the Corporation is able to stay in close contact with firms and assist them with start-up problems.

2. Management Capability

The NDC is considered by all experts and analysts to be the best managed institution of its kind in the Eastern Caribbean. The NDC is at the stage of being able to provide technical assistance to sister institutions.

D. Staffing

1. Personnel Numbers and Retention

Although the overall staff of the NDC is large (17), PDAP and other experts feel that the numbers of professional staff is inadequate to handle the workload. This problem has been heightened with the departure of the PDAP advisor. Both government and PDAP concur that the Corporation needs to hire two additional staff members: an investment promotion officer who would receive short-term T.A. from PDAP/ECIPS, and an executive assistant to service the administrative and coordination requirements of the Investment Promotion Division.

2. Qualifications and Training Needs

The General Manager has recently been promoted to this position from Chief Engineer. Additionally, this person also has overall responsibility for Investment Promotion and Investment Servicing, but has little experience in either field. It is suggested that the General Manager could benefit from exposure to investment promotion by accompanying PDAP to trade shows and other meetings. In addition, the G.M. would benefit from a short Management Course, such as that recently completed by the G.M. of the Dominica IDC.

Other training of staff are being identified through the CAP process.

E. Relations with Private Sector Organizations

The NDC has developed a good working relationship with the Chamber of Commerce Industry and Agriculture and the Small Businessmen's Association. Recently the NDC and these two

organizations have centralized their administrative functions by jointly leasing office space which adjoins NDC offices. Although the organizations themselves will remain independent and separate, they are looking towards increased co-operation with a view to lowering their administrative costs and working more closely with the NDC.

F. PDAP Assistance to Date:

1. Trade Missions

PDAP provided direct financial assistance to the NDC for trade show/conference attendance and the NDC has used the PDAP booth at numerous trade shows. PDAP financed one mission to the Far East and played a key role in the appointment of Honorary Consuls responsible for trade and investment in both Hong Kong and Taiwan.

2. Advisor Assistance

Long Term Advisor: The PDAP advisor, although based in the offices of Coopers & Lybrand, always worked very closely with the NDC, relating principally to the Chairman. The advisor was viewed as an additional staff resource and was responsive to any requests made by the Chairman. Investor servicing in country was a shared responsibility, with the NDC servicing some investors, and the PDAP advisor others, depending on work loads.

The advisor played a particularly important role in developing an investment promotion capability in the Far East. The advisor was instrumental in the appointment by the St. Lucia Government of honorary consuls in both Hong Kong and Taiwan.

3. Short Term Technical Assistance

None in institution building.

4. Subcontractors

PDAP, through its contract with Louis Berger, provided a full time Free Zone advisor to the NDC for 14 months. This advisor worked solely on the establishment and operation of the Vieux Fort Free Zone. The development of this Free Zone ameliorated a key problem noted by foreign investors in St. Lucia, that is, problems with customs clearance.

G. Issues

The St. Lucia NDC is considered to be a mature institution. The role played by the PDAP resident advisor have been passed on to NDC staff members. However, the financing of trade

shows, travel etc. which was provided for in the PDAP contract are difficult for St. Lucia to fund at this time. RDO/C is considering funding these types of activities for the next two years. Also, it is recognized that the NDC is short staffed. There is agreement that the Corporation is in need of two additional staff members. RDO/C is considering assistance here, as well.

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VI. St. Vincent

A. Economic - Institutional Overview

St. Vincent and the Grenadines, a chain of small islands located at the lower end of the Caribbean, is one of the least developed of the OECS states. St. Vincent has a low per capita GDP (US\$770) and unemployment in the region of 40-45 per cent of the labor force.

Traditionally a monocrop economy based initially on sugar and later on bananas, the economy of St. Vincent has been undergoing major structural adjustments in recent years, with a declining agriculture sector, rapid development of offshore processing industries and an emerging tourism sector. Agriculture is still the predominant productive sector accounting for 16 per cent of both GDP and employment and over 25 per cent of export earnings. Manufacturing accounts for 10 per cent of GDP and employment. Thus, St. Vincent is primarily an agrarian society, with no major industrial activities as yet emerging. There is, however, a fledgling manufacturing sector which comprises flour milling, sporting goods, electronics and garments.

In the recent past DEVCO, the Development Corporation of St. Vincent, suffered financial and administrative mismanagement. Presently, much institution building work is occurring under PDAP but problems remain with staffing, funding and general management.

B. Organization and Structure

1. Legal Status: The Development Corporation of St. Vincent (DEVCO) is a statutory Corporation created in 1970 by the Development Corporation Act. DEVCO experienced major financial and administrative problems in the late 1970's and the 1970 Act was amended in 1982 to more clearly spell out responsibilities and accountability of officers and the Board to the Minister of Finance who has ultimate authority.

2. Financial Status: DEVCO does not receive any funding from the Central Government for recurrent expenditure. Government has taken the position that DEVCO must be self-supporting. While admirable in intent, this has proven impossible since DEVCO remains saddled with arrears inherited from its banking operations. Although the central government has stated that the banking operations will eventually be turned over to the National Commercial Bank, these liabilities impede DEVCO from pursuing its investment promotion activities including hiring of necessary staff.

DEVCO, fortunately received EC\$250,000 in 1985 from the CDB and in 1986 should access EIB money totalling EC\$1 million under Lome 3.

3. Internal Organizational Structure: DEVCO is presently being reorganized. PDAP worked closely with the Government and DEVCO, and designed a restructured organization which has been approved by DEVCO's Board of Directors and the Ministry of Finance and Planning. DEVCO is run by a Board of Directors comprising eleven members from the public and private sector; seven of which are from the private sector.

DEVCO's day to day operations are administered by a General Manager who oversees three divisions: investment promotion, development banking, and development/management of industrial estates.

C. Management

1. Lines of Authority: Ultimate authority for DEVCO lies with the Minister of Finance who is the Prime Minister. The Prime Minister appoints the Board of Directors and the Chairperson, which meets monthly. The General Manager of DEVCO reports to the Board, but does not sit on the Board. Recent analyses of DEVCO have written of two major concerns: (1) the responsibility for DEVCO residing with the Prime Minister, who because of the pressures of office cannot be expected to devote the necessary time and energy. (2) The continued political nature of the Board and its inordinate attention to details of the loan portfolio of the Corporation. Suggestions have been made to transfer ministerial responsibility to the Minister of Trade, Industry and Agriculture.

2. Management Capability: The PDAP Assessment of DEVCO pointed to the serious problem of lack of managers for the major operations of the Corporation. Because of the dearth of key management personnel, management systems are underdeveloped, and the General Manager must assume responsibility over a number of divisions in addition to his overall responsibilities.

DEVCO is still suffering from the legacy of serious mismanagement and this is compounded by the inability of the Government to recruit necessary management personnel at remunerative rates. PDAP's ability to provide further institutional strengthening is limited by lack of counterpart management staff. However, the institution has recently identified an individual who will function as an investment promotion officer and plans for a training program for this individual are included in the CAP.

D. Staffing

1. Personnel Numbers and Retention: As indicated above DEVCO has serious staffing problems. Although the Corporation employs sixteen persons in four divisions, there are serious gaps at the professional levels. Part of the problem is with inappropriate staff grading and remuneration structures which lead to quick turn-overs. At the senior staff level poor salaries prevent the Corporation from attracting the necessary calibre of staff. According to PDAP, DEVCO presently needs to recruit:

- a manager of industrial development
- an estate maintenance officer
- a manager of banking

2. Qualifications and Training Needs: PDAP, and the CDB are involved in training programs for employees in all four divisions of DEVCO. The CAP document will lay out a workplan which identifies training needs for staff personnel. The new General Manager was the UNIDO/CIPs representative in New York and has been trained in investment promotion techniques.

E. Relations with Private Sector Organizations

Private sector institutions in St. Vincent remain very weak despite institutional strengthening programs of CAIC. The composition of the private sector remains primarily in distribution rather than in industry or agri-business. Relations between government and the private sector are said to have improved since the present administration assumed office, and, although many issues remain with respect to taxation etc. the climate for exchange of views is open. The majority of Board members are from the private sector.

F. PDAP Assistance to Date

1. Advisor Assistance

Long-term Advisor: Since 1984 PDAP has been involved in considerable institution building work with DEVCO in addition to the work of the long-term advisor in investment promotion. PDAP initially conducted a diagnostic review of the Corporation to highlight its various weaknesses and strengths. Resulting from this, Government requested that PDAP assist with identifying an appropriate structure for the Corporation which would be consistent with a streamlined set of goals and objectives. The PDAP advisor designed a restructured DEVCO which has been approved by the Board of Directors and the government.

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During 1986/1987 PDAP is committed to assisting DEVCO with the implementation of the reorganisation measures recommended in its earlier report. A key feature of this assistance will be assisting the Corporation in installing a strategic planning capability while improving the efficiency of its routine administrative procedures. In addition the advisor is providing ongoing assistance and back-up to the Corporation in an effort to fine tune the Corporation's own investment promotion capability.

Also the Chamber of Commerce has sought PDAP's assistance in crystallizing and developing a project identified by the Chamber - the establishment of an equity or venture capital Bank in St. Vincent. This represents an opportunity for PDAP to strengthen its links with the private sector while at the same time developing a mechanism which might promote local private involvement in productive investment activity.

2. Financial Assistance

PDAP has been funding the General Manager's salary. This will continue only until October 31, 1987.

G. Issues

Although PDAP has a strategy plan for investment promotion and institutional strengthening for 1986-1988, the development specialist and field advisor is hamstrung in effectively translating that strategy into action without the necessary funds to put the additional staff in place and without successful resolution of the arrears issue which keeps DEVCO financially unstable and unable to make the necessary staff appointments. There also appear to be problems with the Board and its policy making capacity. RDO/C and PDAP have entered into serious discussions on these issues with DEVCO and the Government during the CAP process. Discussion and resolution of these issues with the Central Government will to be a prerequisite to further USAID assistance.

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INSTITUTIONAL/ADMINISTRATIVE ANALYSES

I. Institutional Analysis

Introduction

The individual analyses are included in Annex C of this document. What follows in this Analysis is a summary overview of the status of and constraints affecting the institutional development of investment promotion agencies in the Eastern Caribbean. These analyses facilitated the PDAP Advisors, country officials, and RDO/C in the collaborative diagnostic document called a Country Action Plan.

A. Institutional Overview

Institutional structures for carrying out the various activities involved in industrial development and export/investment promotion vary widely in the Eastern Caribbean. The spectrum includes well established and funded institutions such as the National Development Corporation in St. Lucia, to nascent institutions and a high dependency on PDAP advisors for investment promotion as in Antigua and St. Christopher and Nevis. Knowledge of these wide variations precludes the imposition of any one model or "across the board" interventions. Institution building components are designed to be, (as they may have been in the past) island specific and developed collaboratively with the host countries.

In St. Lucia and Dominica where the Industrial Development Corporations are well managed entities, with a high degree of government support and good relations with private sector organizations, institutional development is far advanced. St. Lucia no longer requires a long-term advisor; while in Dominica the resident field advisor will soon be departing.

In St. Vincent and the Grenadines, where PDAP has provided considerable input of both an investment promotion and institutional development nature, successful institutionalization, however, will require government commitment to resolution of financial questions.

Although Grenada has an established institution, it will continue to require fairly high levels of technical assistance, training and funding in order to become an effective institution. This will necessitate, for the duration of the project, assistance from both long-term and short-term advisors.

In Antigua and St. Christopher and Nevis, where industrial development organizations have just been mandated and are in the process of being developed, concerted and sustained long and short-term developmental assistance will be required. In the latter two countries this project will lay the foundations for organizational capability, but training and technical assistance needs will continue beyond the life of the project.

The following are the chief institutional areas requiring attention during the period of this amendment:

B. Organizational Form

Four of the seven countries assisted under PDAP II have established statutory bodies legislated by Parliament. They are: Dominica, Grenada, St. Lucia and St. Vincent and the Grenadines. In Belize, a private sector body, with political support from the government was created in 1985, but it has no legislative authority. In two countries - Antigua, and St. Christopher and Nevis legislation is in Montserrat, investment promotion and industrial development activities are a part of the work load of line officers in existing ministries.

While RDO/C does not take the position that Eastern Caribbean countries must mandate statutory corporations to carry out industrial development/investment promotion activities, there is a need for a specialist body providing a one stop service for local and foreign investors and to coordinate investment packages for both foreign and local entrepreneurs. Ideally this unit or organization should have an independent existence, outside Central Government, but should involve both the public and private sector in policy formulation and targets for industrial development. In many countries it is also felt that such a unit or institution should be multi-sectoral - promoting tourism, industry and agriculture - given the small size and fiscal and personnel resource bases of the islands.

Institutional development is evolving toward the creation of Industrial Development Corporations or units in all of the islands of the Eastern Caribbean. By PACD it is expected that all OECS countries will have mandated IDC's of varying sizes and composition with dominant representation by the private sector on governing Boards. The degree to which these organizations will have been institutionalized is predicated on the level of effort to be expended and the duration of long and short term assistance.

C. Financial Status and Sources of Funding

A continuing problem for EC countries is the question of permanent funding for investment promotion efforts.

For small island states this entails difficult decisions. Central government commitment to industrial development/investment promotion efforts will vary with administrations. Hence, it is necessary for IDC's to find mechanisms for becoming mostly self supporting. In six of the seven OECS countries the Central Government allocates an annual subvention. In the seventh, St. Vincent and the Grenadines, Government has taken the position that DEVCO must be self supporting.

Under PDAP III, RDO/C is discussing funding implications of the IDC's with participating governments. Government commitment for providing at least a portion of expenses will be a prerequisite for funding. While long-term funding of institutions by USAID is not desirable, short term funding of the investment promotion entities is deemed critical to the overall success of the ECIPS concept. ECIPS can only succeed to the extent the backstopping capabilities of the individual IDC's are in place to follow through on leads.

D. Accountability and Lines of Authority

In those countries which have established IDC's, the bodies are fairly independent of direct ministerial control. In the majority, the Board, which is predominantly private sector, plays a major role in all levels of decision-making. Most of the established IDC's are in need of improvements in the critical decision-making path; most need assistance in expediting procedures. In the cases where no IDC exists, of course, complete systems will need to be established. In St. Kitts and Antigua dialogue leading to consensus on lines of authority and responsibility has resulted in a CAP workplan for institutional development.

Institutional development issues are sensitive with respect to the decision-making process. Technical assistance in this area has required careful consideration of the most appropriate lines of authority and ministerial oversight.

E. Management Systems

With the exception of St. Lucia and Dominica, all the territories are in need of considerable assistance developing appropriate management systems. In the case of the latter, the General Manager has recently completed a fourteen week management program and is working with IDC officials and the Board on improving management procedures. This type of training may be appropriate for other General Managers and is being considered in the overall work plan of the individual countries. In St. Vincent, Coopers and Lybrand have been utilizing a West Indian development specialist to make recommendations to DEVCO on improving their management systems. Consideration needs to be given to using appropriate systems developed by other regional Institutions such as St. Lucia's NDC and the Barbados IDC.

F. Personnel

Investment promotion/industrial development activities have lagged due to lack of skilled personnel in key positions in nearly all the participating countries, with the exceptions of Dominica and St. Lucia. In part, this is a financial problem reflecting inability to fund additional personnel; and in many instances to adequately remunerate employees. This problem is a constraint in the Caribbean and will remain so for some time.

However, another problem is that key personnel are in need of specific training, both short term and long term. In St. Vincent, training needs have been identified in a systematic manner which relates training needs to the overall institutional development of in-country investment promotion/servicing capability. Diagnostic assessments of this nature will be conducted for the other IDC's.

In the case of those institutions at the design stage, such as St. Kitts and Antigua, entire personnel systems including job specifications and performance criteria must be designed.

G. Investor Search, Investment Promotion and In-Country
Investment Servicing

With the exception of St. Lucia and Dominica, all of the participating countries still rely very heavily on the PDAP advisors for much of the employment generating promotional activities of the country. Thus, this final phase of the C&L contract is focussing on specific counterparting of PDAP advisors and investment promotion personnel.

II. Administrative Analysis

A. Project Success to Date:

Detailed examination of the individual countries (Annex B) demonstrates that considerable institution building efforts have been occurring across the board under the PDAP project. It is also fair to say that PDAP has built on the best. That is, it is difficult to be successful at institution building in a vacuum. Where countries have established institutions with strong backing by government, such as in St. Lucia and Dominica, PDAP's ability to work with local officials has been enhanced and the overall capability of the country to carry out investor search and investment promotion are acknowledged to have increased considerably.

In Grenada and St. Vincent and the Grenadines, PDAP has worked closely with the IDC's in diagnostic studies and proposals on the structuring and functioning of investment promotion agencies and on management, financial and personnel systems.

In Montserrat, Antigua and St. Kitts-Nevis, PDAP has had to fulfill the role of providing investment promotion services as back-up to ministerial efforts. But significantly, in the cases of Antigua and St. Kitts-Nevis, PDAP is also working closely with government and the private sector in developing, structuring and defining industrial development entities. Efforts in Montserrat have determined that given financial resources and the population base of the island, Montserrat would best be served through overseas promotion activities. Montserrat continues to benefit from the combined OECS-Coopers & Lybrand Washington based operations.

In sum a balanced analysis which examines the actual work done in each territory reveals considerable success in institutional development. But it is also true, that the work is just beginning in several islands and that the next two years will require concerted institution building efforts, including personnel development, if the goals of PDAP are to be achieved.

	Legal Entity (incl. authority, responsibilities, procedures)	Government Financed Support	Adequate Finance	Adequate # of Personnel	Adequate Skill Levels of Personnel	In-Country Investor Servicing Capability	In-Country Implementation	Industrial Estate Management	External Investor Search
Antigua	*	*	*					*	Miami London Toronto
Dominica	*	*	*	*	*	*	*		
Grenada	*	*		*	*	*	*	*	
Montserrat	Investment Promo done by Govern- ment Unit.	*	*	*		*	*		
St. Lucia	*	*			*	*	*	*	
St. Kitts	*	*	*						
St. Vincent	*					*	*	*	

B. Needs Assessment and Level of Effort

Based on the above assessment of institutional development needs, it is clear that host countries, all in different stages of institutional development, will require varying levels of project effort and a mix of types of technical assistance and training. This can be seen on a matrix (Figure 1). PDAP is presently engaged in providing most types of technical assistance and training. Details on specific training and technical assistance levels in each country are being worked out between the country officials, C&L and RDO/C.

1. Coopers & Lybrand Phase

Overall project structure and organization in the field for the duration of the Coopers contract will change with the amendment. Major changes include:

- o Discontinuation of the Montserrat Advisor
- o Discontinuation of the St. Lucia Advisor
- o Phase down from three advisors to one in Grenada
- o Phase down of the Dominica Advisor within 9 months
- o Discontinuation of the Belize Advisor

Coterminously, with the phasing down and discontinuation of long-term advisors where the institutions have reached a capability threshold, there will be a need for more specific, targeted short-term technical assistance and training.

Additionally, where new institutions are being established, such as Antigua, and where they are still fledgling such as Grenada, concentration of both long and short-term technical assistance and training will be provided over the project period.

In sum, the Level of Effort required with respect to personnel is the following:

- o Five, 12 month advisors: Antigua, Grenada, St. Kitts-Nevis, St. Vincent and the Grenadines
- o One, 12 month Project Manager in Barbados,
- o One, 9 month advisor in Dominica

- o Ten months of short-term technical assistance by Coopers and Lybrand Associates
- o Ten months short-term training secondments for IDC personnel

2. Post-Coopers & Lybrand Phase

After October 31, 1984 project structure and organization will change. In effect, it is expected by April 1987 that the grant with the OECS will be signed and shortly thereafter an OECS project unit will be established to manage the grants to ECIPS and the IDCs. However, until October 31, 1987 the Coopers advisors and Washington staff will still be in place facilitating the changeover and focussing on transmitting C&L investment promotion techniques to staff of both ECIPS and the IDCs. Coopers' role at this stage is primarily that of technical assistance.

The OECS Project Unit will be comprised of three persons:
The Project Director
A Technical Advisor
An Accountant

These persons will be hired by the OECS Secretariat in Antigua.

C. Training and Technical Assistance

Training and technical assistance provided in this project is targetted at two groups: 1) private sector individuals, and companies; and 2) investment promotion officers of industrial development institutions whether public, private or mixed. From an institution-building perspective training and technical assistance will be provided which strengthens overall management systems and capabilities of individuals and organizations.

1. Training:

On-going training of public and private sector officials in investment promotion will be both short-term and long-term. Long-term training will be largely in-country accomplished on a day to day basis by involving particular IDC personnel and the Field Advisors in investment promotion activities. Also, investment promotion officers of individual countries will be seconded to the Coopers & Lybrand Washington office. After the Coopers contract ends, IDC personnel will receive training and

exposure to ECIPS at the ECIPS office. During such secondment it is expected that officers will:

- o attend trade shows and participate/speak at seminars
- o become familiar with the data base system
- o follow up prospective investors by telephone and company visits
- o visit other investor search operations
- o attend workshops on ECIPS-IDC collaboration.

2. Technical Assistance

Technical assistance to industrial development organizations will be developed as a result of collaboration between Coopers and Lybrand, the institutional officials, and the respective ministry officials and included in the Country Action Plan. Specific targets and a time frame will be established. In some countries, diagnostic reviews by PDAP have already occurred and these studies can provide the necessary background for decision-making. It is anticipated that development advisors will work closely with new organizations, in much the same manner as they previously have in St. Vincent, Belize and Grenada.

For example, in Belize PDAP worked with the Government and the Belize Chamber of Commerce and developed the concept paper for what became the Belize Export and Investment Promotion Unit, BEIPU). The Unit is a private sector organization with total support of the government and the private sector. The former PDAP advisor, no longer with PDAP, has moved from the Coopers and Lybrand office to the Belize Chamber of Commerce to assist directly in developing BEIPU. PDAP then provided an orientation and training program for the five members of the BEIPU Board. Further training and technical assistance is scheduled to take place in Belize and is being coordinated and planned with the Chamber, BEIPU and the Belize Institute of Management.

In Grenada, PDAP provided a long-term advisor who worked directly in the offices of IDC and reported to the Chairman. This advisor's work plan was institution strengthening and focused on organizational functions and budgeting as well as providing T.A. on preparation of promotional materials and developing an investment promotion program.

It is envisioned that both existing institutions in St. Vincent and Grenada, as well as new units and institutions in St. Kitts and Antigua will require similar modules provided by both Coopers and Lybrand associates and institution building experts under sub-contracts.

Technical assistance will also continue to be provided through PDAP interventions to private sector companies. It is expected that PDAP will coordinate this assistance with the USAID funded Small Enterprise Assistance Project.

3. Technical Assistance to Field Advisors

In addition to the T.A. PDAP in-the-field provides institutions and companies, they are backed up by a Washington support system which will continue to function for the duration of the project.

Assistance provided by the Washington office includes:

- Obtaining market information or performing market feasibility studies;
- Assistance in developing promotional materials;
- Coordination of activities with embassy personnel stationed in New York or Washington, D.C.
- Seeking U.S. vendors of machinery or components for Caribbean manufacturers;
- Performing advance work for advisor visits to the U.S.;
- Assistance in accessing the resources of Coopers & Lybrand, U.S. Customs and other officials offices.

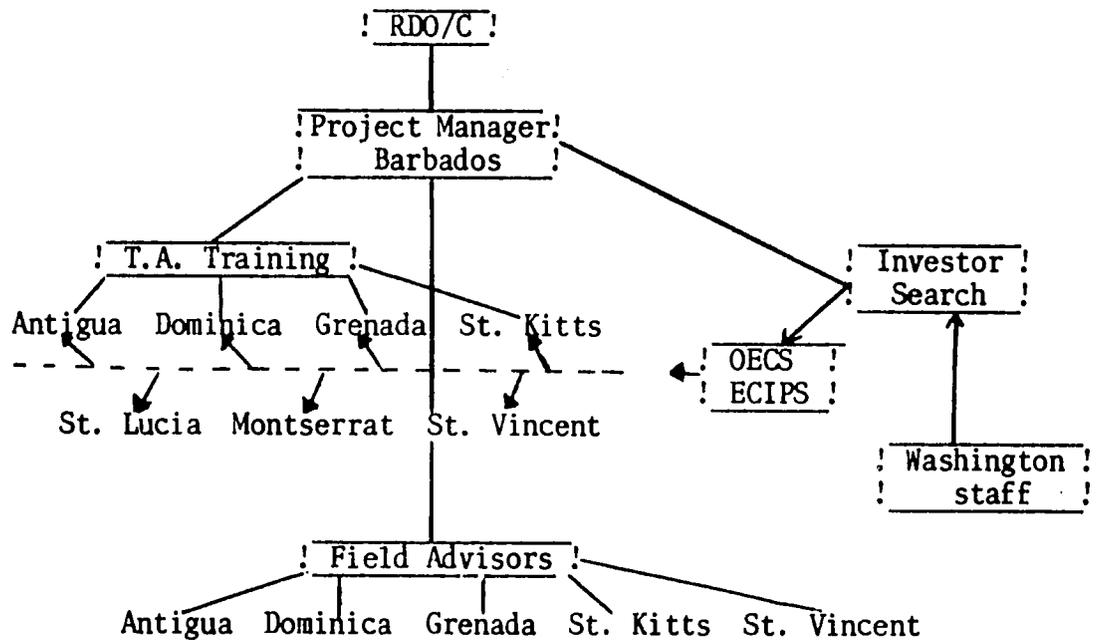
Washington staff also regularly obtain credit reports on potential investors and conduct other background checks requested by advisors on behalf of Caribbean governments or companies. Fulfillment of these kinds of requests is essential to the effective functioning of advisors in their countries.

D. Investor Search and Information Systems Development

Transfer of skills and technology will occur at two levels: 1) internally within the country and the local investment promotion agency; and 2) externally and regionally through ECIPS initially linked to the Coopers and Lybrand Investor Search operation in Washington, D.C. Details and workplans remain to be worked out, but it is expected that the OECS Board will soon prioritize which components of the Investor Search operation and its database information system are most appropriate for an overseas OECS operation. During the first year OECS personnel will be counterparted with C&L operations in Washington, D.C.; phase-over will occur on a staggered basis, depending on acknowledged needs. It is expected that for the second year the OECS ECIPS Board, ECIPS staff, the OECS Project Manager and RDO/C will agree on appropriate short-term assistance of both a technical and institutional nature which would result in an indigenous OECS overseas operation by end of year II.

E. Project Organization and Management

1. Coopers and Lybrand Phase



The overall project structure remains essentially the same. There is consensus that the model is sound; but there will be changes in personnel reflecting the evolutionary developments of individual countries with respect to institutional capability.

The project will be comprised of both U.S. based functions and personnel and field advisor functions and personnel in the individual territories. A Project Manager will be resident in Barbados.

a. Role of the Project Manager

The role and responsibilities of the Project Manager, resident in Barbados, remain essentially the same:

- o Supervise the entire Contract team, including Field Advisors and the U.S. based investor search operation
- o Assist RDO/C, each Advisor and Country officials in the preparation of Country Action Plans (CAPs)
- o Secure support staff, logistical support systems and equipment, and sub-contractors
- o Monitor and supervise all aspects of the Contract, ensuring compliance with its terms, conditions, and objectives, taking corrective action when necessary; and
- o Liaise with, and provide required reports to RDO/C, and participate with RDO/C in periodic reviews and revisions of Country Action Plans.

b. Role of the Field Advisors

The resident field advisors are the key and essential elements in both institution building and ongoing investment promotion efforts. Although each country program differs according to individual country needs and the strength or absence of the investment promotion institution, the major functions of the advisors are:

- o Assist in developing and strengthening investment promotion institutions;

- o Assist and advise in the formulation of public policy as it relates to local and foreign private investment;
- o Assist with investor servicing, contract negotiations, follow-up and other inputs required for successful implementation of an investment project;
- o Assist local and foreign investors with information regarding markets, technology and logistical support;
- o Participate in investment promotion activities such as trade shows, conferences and seminars in association with the public and private sectors;
- o Assist in planning and managing industrial infrastructure, including assistance to investors participating in the AID-financed investment for Productive Investment Project (IPIP);
- o Assist countries in the establishment and promotion of linkages with both local and foreign private sector groups and such institutions as the Caribbean Financial Services Corporation, local national development banks, commercial banks, the CDB, and ECSEDA, the OECS export promotion agency.

To this end field advisors are expected to work closely with particular individuals in established Industrial Development Corporations, such as the General Manager and/or the Investment Promotion Officer; or where such institutions do not as yet exist, with designated representatives who perform these functions for a government agency and also within established private sector organizations.

The primary aim is skills transfer and therefore, the field advisors are in a sense, counterparted to specific individuals and managerial positions in carrying out the above-mentioned functions.

c. Role of Host Country Governments

In each participating country officials have been involved in a review process of the role of PDAP to date and an

updating of a needs assessment. The culmination of this effort, which is being accomplished in consultation with RDO/C and PDAP, will be the Country Action Plan.

The CAP will constitute an agreement between AID, and the host country and hence will be approved by the appropriate ministry. The CAP will set out, not only the functions and outputs to be accomplished by PDAP in an established time-frame, but will also enumerate the Government's contributions and responsibilities to the effort of institution building and improving the investment climate under the Project. This will entail agreeing to establish particular personnel positions, providing the necessary office space, and agreed upon funding towards the institution building effort. This will vary from country to country depending on particular financial and institutional issues.

d. Relationship to Local Private Sectors

PDAP advisors have not only been assisting governments in investment promotion and institution-building. They have also assisted East Caribbean private sector organizations and individual companies. For example, in Antigua, the Field Advisor was instrumental in securing sub-contractors for an Antiguan firm with U.S. customers; in St. Vincent, the Field Advisor is exploring with local private sector organizations the possibilities of establishing a venture capital bank. PDAP has assisted companies desirous of participating in trade fairs and conferences and in securing specific technical assistance for production facilities in various islands.

Under PDAP III this kind of service will continue and will be coordinated with the USAID Small Enterprise Assistance (SEA) Project. Additionally, the local private sector will be encouraged to participate in the CAP process whereby specific technical assistance to the local business interests can be agreed upon by all parties. Private sector organizations will be encouraged to attend trade shows, sponsor prospective investors and advise investment promotion institutions.

e. Coordination with High Impact Agriculture and Marketing Project (HIAMP)

HIAMP is not primarily an institution building project but is designed to put together bankable projects and to support and monitor their implementation leading ultimately to long-term restructuring of agricultural enterprise in the region.

Under HIAMP, the contractor utilizing resident expatriate advisors, is assisting OECS countries by working directly with commodity producers and processors to secure market niches and to ensure that the products exported meet quality control and volume standards. Importantly, as well, the contracting firm is providing international expertise and organization to indentifying and assisting foreign private investment and joint ventures in agriculture, and assisting local investors and agencies in accessing markets and finding needed technical information and assistance.

In this respect, HIAMP complements PDAP. Agricultural produce and processed foods are specialized markets. PDAP's focus is primarily light manufacturing. The two efforts provide balance to OECS efforts to diversify their economies. However, in some countries, the comparative advantage may lie in agriculture and agro-processing. This has proven to be true in Dominica, where the vast majority of new enterprises established have been agro related.

HIAMP has been authorized and advisors are now in place in every island. They are communicating with the PDAP advisors and working out mutually acceptable divisions of labor. In several instances the HIAMP and PDAP advisors are both renting office space in the IDCs and can closely collaborate and interact skills transfer across a spectrum is being enhanced.

f. Relationship to ECIPS

The primary responsibility for adapting the C&L Investor Search operation to the needs of the OECS countries will be with the C&L Washington staff and the Executive Director of ECIPS. C&L staff are presently in the process of examining the system and making recommendations for changes in the master data base and the software needs of ECIPS and the seven national organizations.

The Barbados based C&L Project Manager has been working with the ECIPS Board providing information on the present system and assessing the priorities and needs of an ECIPS system.

Once the Executive Director and the Investment Promotion Officers are on Board they will be based in C&L's Washington offices and actively working with C&L staff to complete the changeover by October 31, 1987. While it is anticipated that systemic changes can be completed by this date, it is also recognized that there may be a need for specific T.A. after this date to transfer some modules and assist the countries to become on-line with the Washington system.

Thus during this transition period, C&L's primary role is to guide, recommend and assist in adapting the Investor Search Services to fit the needs of a small regional organization servicing seven countries.

2. OECS-ECIPS Phase

After October 31, 1987, full responsibility for the management of the project will devolve on the OECS Economic Secretariat located in Antigua. This move is a very logical one and is the culmination of efforts launched by the Ministerial Economic Affairs Committee (EAC) to create an Eastern Caribbean Investment Promotion Service to follow on and institutionalize regionally the UNIDO/CIPS experience. The Economic Affairs Secretariat (EAS), the technical arm which services the EAC, will provide project management for the ECIPS-IDC grants.

a. The Economic Affairs Secretariat

The EAS has a number of responsibilities which correlate directly with the role envisioned by this project. Primary roles include:

- promoting the economic integration aims of the OECS as set out in the East Caribbean Common Market Agreement which is annexed to the Treaty of Basseterre. These include trade and commercial policies and programs.
- providing policy planning, implementation and advice in agriculture, industry, energy, fiscal and macro-economic planning and manpower development and training.

It is the responsibility of the Secretariat to monitor the trade of OECS member states, to analyze levels and patterns of trade and to work towards the growth of trade involving OECS member states. Thus, providing professional advice, guiding and monitoring the progress of this project, which

enhances the capacity of OECS member states to promote investments, particularly foreign investment, fits well into the overall terms of reference of the Secretariat and provides another link in the chain of seeking to build productive export oriented enterprises in the region.

1) Legal Status

The Council of Ministers consisting of a representative at the Ministerial level of each of the governments of the OECS is the principal organ of the East Caribbean Common Market and the ultimate authority of the Economic Affairs Secretariat. The Council of Ministers, serving as the ECIPS Board of Governors, will also be the supreme authority of ECIPS. The Board of Governors has delegated powers to the Board of Directors with the object of enabling the Board of Directors to implement the objectives of ECIPS. The Executive Director of ECIPS will serve as the Secretary to the Board of Directors.

The Secretariat is the principal administrative organ of the Common Market and the Council of Ministers is empowered to entrust it with whatever functions the Council deems necessary to assist it in accomplishing its tasks.

The Director General is the Chief Executive Officer of the OECS and has responsibility for the general direction and control of the Organization. The Director General, in the performance of his functions, is responsible to all Ministerial committees, including the Economic Affairs Committee. The Director General (D.G.) will act as the OECS representative for the grant of this project. It is expected that the D.G. will designate the Director of the EAS as his representative. As such he will have overall responsibility for the project and will be able to sign all necessary USAID documentation. The Director of the EAS will also sit as an ex-officio member of the ECIPS Board thus providing good liaison between the Board and the Project.

2) Organization

The Economic Affairs Secretariat consists of three sections; Trade, Economic Policy and Statistics, Sector Policy and Planning and Finance and Administration. The Sector Policy and Planning Section (SPPS) has responsibility for promoting improvements in infrastructure and other support services for the productive sectors. Under its mandate this section is expected to:

- (a) assist in the preparation of agricultural and industrial policies, national and regional;

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- (b) assist in the preparation of project profiles, pre-feasibility and feasibility studies; and generally in project development and implementation;
- (c) assist in the organising of appropriate training and agricultural manpower development;
- (d) perform agricultural and industrial advisory services for OECS States;
- (e) represent the interest of Member States at regional and international forums;
- (f) assist in the development of appropriate marketing arrangements for non-traditional agricultural products where appropriate;
- (g) assist in the development of institutions engaged in agricultural and industrial activities in the Member States; and
- (h) assist in the coordination of donor agency activities in agriculture and industry.

Thus the range of services expected to be provided by ECIPS as well as the institutional strengthening component of this project are elements which the Secretariat is mandated to perform. There should be no confusion over the lines of responsibility, and in fact, given the present functions of the Secretariat, management of this project should build expertise in a number of areas and promote the efforts of regionalism.

3) Management

a. Project Director

Selection of the Project Director is a very critical factor in determining the ultimate success of this institution building effort. The Project Director's role is a pivotal one. He/she will have overall management responsibility for both aspects of the projects, that is management of the ECIPS grant including liaison with the Board and the ECIPS office in Washington, as well as management of seven grants to the IDCs. As an objective of the project is closer collaboration among the OECS IDCs in investment promotion, the Project Director will serve as coordinator and facilitator in these efforts. The Project Director will be expected to develop a close working relationship with the ECIPS staff in Washington. This will entail periodic travel.

The Project Director will have chief administrative responsibility for ensuring that the grants to the IDCs are being properly assessed and that USAID regulations are being enforced and adhered to. He/she will have oversight responsibility to ensure that the workplans outlined in the CAPs are enhancing the functional operations and institutional capability of the IDCs. He/she will also monitor ECIPS-IDC linkages and facilitate, where necessary, closer collaboration.

The Project Director will also function as a diplomat as well as manager. This is to say, the P.D. will liaise with the respective ministers, seek to smooth over differences between territories, and promote consensus on issues. This skill will also be important in the role as Secretary to the Board. It is expected that a close working relationship will also exist between the P.D. at OECS and the RDO/C Project Manager.

The ability to successfully manage such a complex project, with many different actors, scattered in a wide geographical area will necessitate securing the services of a senior manager with relevant working experience among the public and private sectors of the OECS. The person will also need professional skills in industrial development, investment promotion, marketing, and institutional development.

There are persons with these skill mixes in the Eastern Caribbean and every effort will be made to secure a person of such calibre. RDO/C is currently working with the OECS to develop criteria to ensure selection of a qualified P.D. Further, RDO/C will approve the selected candidate before a contract is signed.

b. Technical Advisor

Additionally, to support and assist the Project Director in his/her multiple management responsibilities the project will secure the services of a technical advisor and an accountant. The technical advisor will work principally with the two fledgling IDCs, Antigua and St. Kitts-Nevis and secondarily with the other investment promotion agencies facilitating their brokering of technical assistance and training and helping them assess their needs for overall institutional development. This person would also work when necessary with the ECIPS staff in assessing and facilitating their technical assistance and training needs.

c. Accountant

The project will hire an accountant to oversee the disbursement of funds, keep track of expenditures and report to the RDO/C Controller's office. This person will be hired

specifically to keep the accounts of this project, which will be kept separate from OECS operational accounts. This will be a full-time position.

4) Financial Status

All of the OECS territories make an annual subvention to the Secretariat. Donor funding accounts for some 30% of the Secretariat's budget, but this is entirely through programmic support. The Secretariat, heavily dependent on these subventions, is, therefore, financially vulnerable to the fluctuations in OECS economics. A covenant to the subgrants to individual country IDCs will be a Government commitment to contribute an agreed upon amount to the operations of ECIPS beginning in year two.

The Secretariat is empowered to disburse funds without obtaining prior approval from any other agency such as the Director General or the Council of Ministers. The Secretariat should be able to promptly disburse funds to both ECIPS and the IDCs.

The accounting system established at the Secretariat will be examined by the RDO/C Controller to determine its adequacy to meet RDO/C's reporting needs. The accountant hired for the project will be brought up to date with US Government systems and reporting practices. As the Secretariat has handled RDO/C projects before. It is not expected that serious problems will arise.

2. Successful Project Management:

In sum, the OECS Secretariat has been chosen as the grantee for the Project for a number of reasons. Firstly, and most importantly, it is the recognized agency for the OECS with responsibility for industrial development and marketing and equally importantly, the concept of ECIPS and its ratification is the product of the Economic Affairs Committee, the ministerial authority of the Economic Secretariat. Secondly, the Economic Secretariat has had considerable experience with USAID projects and it is envisioned that the project management can be handled effectively and efficiently. It is also recognized that the complexity of the project will also entail considerable managerial oversight from RDO/C. Acknowledging this, the Mission has secured the services of a senior West Indian professional as Project Manager. Cooperation between the RDO/C Project Manager and the OECS Project Director is essential. Since RDO/C enjoys a good working relationship with the Secretariat the Mission feels comfortable with the choice of the Secretariat as the grantee.

TOPICAL OUTLINE
for
THE COUNTRY ACTION PLAN
(CAP)

WHAT A GENERIC CAP LOOKS LIKE:

I. OBJECTIVES

A. Investment Promotion

1. What are the overall country investment promotion objectives for the period to 12/31/88? Discussion should be specific and target:

- How many direct new jobs will be created: new investment - expansion of current investment?
- In what sectors? Which sectors will receive greatest attention?
- What will be the relative focus for investment promotion?
 - Foreign
 - Local
 - Subcontracting
- What are the investment promotion activities to be completed during the life of the project?

2. What institutions will have responsibilities for meeting these objectives?

- Which institution will have primary responsibility?
- What are the tasks which this institution will perform to achieve objectives?
- What actions are needed from other institutions?

- i.e. . Ministry of Trade
. Ministry of Agriculture, Industry
. Ministry of Tourism
. Chambers of Commerce and other private sector organizations (hopefully, a National Coordinating Committee set up under the SEA Project).
. ECSEDA
. ECIPS

How will channels of communication and coordination be established among these institutions to perform these tasks?

3. What changes are needed in the investment climate to achieve objectives and can be made without substantial investment of money and manpower, and within the time frame of the project?

- Who will be responsible for these changes?
- What are other needed changes to be tackled over the longer term?

B. Institutional Development (for Promotion Investment)

1. Describe current and prospective organizational structure and staff responsibilities.

a. Personnel Development

- What is needed to meet the objectives (i.e. structure, systems, manpower, training)
- What are the training needs of the various personnel in investment promotion institutions?
- What training can be in country, on-the-job? What will be overseas?
- Length of time for training?

b. - What are the specific counterpart activities PDAP personnel and institution personnel will perform? What are the targets to 10/31/87?

c. - What are the major finance and budgeting issues to be addressed during the project? (i.e. Budget for IDC, IPO's, ECIPS, ECSEDA)

d. - What data base management will be put in place or improved during the CAP period?

e. - Other

C. Long Term Planning

What mechanisms will be put in place to do long range planning? Timeframe? Who will be involved?

D. Liaison with Other Organizations

What mechanisms will be established to develop linkages with ECSEDA, ECIPS and IPO's living abroad? How will these be monitored? What will be the role of IPO's after June 1, 1987 when USAID funding ends?

II. Work Plan - 1987

The work plan will cover the period January 1, 1986 to December 31, 1988. It will be divided into two sections:

Investment Promotion
Institutional Development

Each Section will suggest specific activities in each area which will be undertaken during the year and will include:

- o Tasks
- o Start Date - Completion Date
- o Responsible person

The work plan will also address the interim results which can be expected to be achieved by July 30, 1987. This should include:

- How many jobs created in what sectors, number of investor contacts?
- What institutional improvements - i.e. managerial and personnel improvements, budgetary improvements?
- Investment climate improvements, for example - reduction in number of steps in approval process, customs and tax problems, industrial space etc.

III. BUDGET

Total Program cost
Contribution by Government
Donor Funding Sought

Reflecting the objectives outlined in the CAP plan.

PDAP CONTACT SHEET

ORGCODE: _____ COMPANY: _____

 NEW UPDATE ADDRESS: _____
 (Circle One)
 CITY: _____ STATE: _____ ZIP: _____ COUNTRY: _____

CONTACT NAME	POSITION	TELEPHONE () -	TYPE
ORIGIN / /	FOLLOW-UP / /	PRIMARY PRODUCT	SIC CODE
STATUS 1 2	3 4 5 6	REFERENCE	OUR PERSON

COUNTRIES OF INTEREST: _____

COUNTRIES VISITED: _____

REMARKS FOR PROJECT PDAP

DATE:
/ /

circle appropriate code (Status II may have one number and up to four letters circled)		
STATUS I - ORGANIZATION TYPE A - Trade Association B - Bank C - U.S. Company D - Canadian Company/Govt E - European Company/Govt F - C&L Office G - U.S. Government Institution H - Consulting Company I - Individual requesting information J - Non-PDAP Caribbean Company/Govt K - Non-Governmental Institution L - Law Firm M - Latin American Company/Govt N - Asian Company/Govt O - Chamber of Commerce P - Potential Financing STATUS III - VISITS 1 - Planning to visit region 2 - Visited region once 3 - Visited region more than once	STATUS II - CURRENT STATUS 1 - Initial contact with company completed 2 - Basic information received by company 3 - Follow-up initiated -- no interest at all 4 - Follow-up initiated -- no interest presently 5 - Follow-up continuing 6D - Negotiations underway -- wholly-owned subsidiary 6C - Negotiations underway -- subcontracting 6J - Negotiations underway -- joint venture 6N - Negotiations underway -- new subsidiary 7D - Success -- wholly-owned facility 7C - Success -- subcontracting 7J - Success -- joint venture 7N - Success -- new facility Q - Company visited PDAP DC R - PDAP rep visited company (or plant) S - Sent company specific cost study T - Sent samples to region U - PDAP should visit company W - Will send samples STATUS IV - C&L CLIENTS C - C&L client	STATUS V - HOW IDENTIFIED A - Desk research/mailings B - Identified by subcontractor C - Trade show D - C&L Office E - Referred by OPIC F - Referred by DOC G - Referred by PDAP advisor H - Prospect contacted PDAP; source unknown I - Seminar J - Advertisements/articles K - Unknown L - Other M - Referred by AID STATUS VI - HOT/SUCCESS CODES H - HOT I - INVESTMENT PLANNED S - SUCCESS T - CURRENT PDAP SUCCESS PLANS EXPANSION X - USED TO BE HOT

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5C(1) - PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A. includes criteria applicable to all projects. Part B. applies to projects funded from specific sources only: B.1. applies to all projects funded with Development Assistance loans, and B.3. applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP-TO-DATE?
HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1986 Continuing Resolution
Sec. 524; FAA Sec. 634A

Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project;

Congressional Notification sent forward and expired on April 22, 1987.

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

Yes.

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

No action required.

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4. FAA Sec. 611(b); FY 1986 Continuing Resolution Sec 501 If for water or water-related land resource construction, has project met the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See AID Handbook 3 for new guidelines.) Not applicable (N/A).
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project? Not applicable (N/A).
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. This is a regional project.
7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit By bringing foreign investment and technology into the region and by encouraging privatization of state-owned enterprises, the project will have favorable effects on (a), (b), (d) and (e).

unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise). Expanded U.S. trade and investment are central to the purpose of this project.
9. FAA Sec. 612(b), 636(h); FY 1986 Continuing Resolution Sec 507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars. Not applicable.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? No.
11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes.

12. FAA 1986 Continuing Resolution Sec. 522. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? Not applicable.
13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16. Does the project or program take into consideration the problem of the destruction of tropical forests? Yes.
Not applicable.
14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)? Not applicable.
15. FY 1986 Continuing Resolution Sec. 536. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution? None.
16. ISDCA of 1985 Sec. 310. For development assistance projects, how much of the funds will be available only for activities of economically and socially disadvantaged enterprises, None.

historically black colleges and universities, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(a), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions;

(a) the new labor force created by this Project will be drawn largely from the urban poor; and
(d) the majority of the labor force may be women.

(c) support the self-help efforts of developing countries;
(d) promote the participation of women in the national economies of developing countries and the improvement of women's status, (e) utilize and encourage regional cooperation by developing countries?

- b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used? Yes.
- c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? Not applicable
- d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed country)? This requirement does not apply to regional projects.

- e. FAA Sec 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth? Yes.
- f. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority? Yes.
- g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government. The project recognizes the productive potential of the region's labor force, will expand the industrial base for continuing growth, and will contribute to the effective development of an investment promotion capacity in each of the participating countries.

PROJECT EVALUATION SUMMARY (PES) - PART I

ANNEX H
Report 5

1. PROJECT TITLE Investment Promotion and Export Development - (PDAP II Component)			2. PROJECT NUMBER 538-0119	3. MISSION, AID/W OFFICE RDO/C
5. KEY PROJECT IMPLEMENTATION DATES			6. ESTIMATED PROJECT FUNDING	7. PERIOD COVERED BY EVALUATION
A. First PRO-AG or Equivalent FY 84	B. Final Obligation Expected FY 86	C. Final Inout Delivery FY 87	A. Total \$ 6,694,684 B. U.S. \$ 6,694,684	From (month/yr.) 08/84 To (month/yr.) 08/86 Date of Evaluation Review 08-09/86
4. EVALUATION NUMBER (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) 538-86-05				
<input checked="" type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION				

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
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 & 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:		
1. RDO/C to approve Coopers & Lybrand project monitoring and information collection system.	RDO/C C. Griffith	11/30/86
2. RDO/C to orchestrate a phase-over of staff from the current CIPS-UNIDO program to an interim training program by Coopers & Lybrand pending establishment of the proposed ECIPS.	RDO/C C. Griffith	11/30/86
3. RDO/C to amend Coopers & Lybrand contract, including the Scope of Work, to provide increased funding for one year.	RDO/C C. Griffith	12/15/86
4. RDO/C to redesign PDAP to reflect a restructured program.	RDO/C C. Griffith J. Wooten	01/31/87

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

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)		12. Mission/AID/W Office Director Address	
RDO/C: CGriffith, PSA, KFinan, A/C/PD&M AArgento, C/PSD, DClarke, SPS/EVAL JWooten, PDD(dft) TBratrud, D/PRM DMutchler C/PRM		Signature <i>James S. Holtaway</i>	
		Typed Name James S. Holtaway, Director	
		Date September 29, 1986	

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CLASSIFICATION
PROJECT EVALUATION SUMMARY (PES) - PART I

Report Symbol U-447

1. PROJECT TITLE Investment Promotion and Export Development - (PDAP II Component)			2. PROJECT NUMBER 538-0119	3. MISSION/AID/W OFFICE
4. EVALUATION NUMBER (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				
5. KEY PROJECT IMPLEMENTATION DATES				
A. First PRO-AG or Equivalent FY _____	B. Final Obligation Expected FY _____	C. Final Input Delivery FY _____		
6. ESTIMATED PROJECT FUNDING A. Total \$ _____ B. U.S. \$ _____		7. PERIOD COVERED BY EVALUATION From (month/yr.) _____ To (month/yr.) _____ Date of Evaluation Review _____		

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., program, 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

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS <table style="width: 100%;"> <tr> <td><input type="checkbox"/> Project Paper</td> <td><input type="checkbox"/> Implementation Plan &g. CPI Network</td> <td><input type="checkbox"/> Other (Specify) _____</td> </tr> <tr> <td><input 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 type="checkbox"/> Project Agreement</td> <td><input type="checkbox"/> PIO/P</td> <td>_____</td> </tr> </table>	<input type="checkbox"/> Project Paper	<input type="checkbox"/> Implementation Plan &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	_____	10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT A. <input type="checkbox"/> Continue Project Without Change B. <input type="checkbox"/> Change Project Design and/or Change Implementation Plan C. <input type="checkbox"/> Discontinue Project
<input type="checkbox"/> Project Paper	<input type="checkbox"/> Implementation Plan &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	_____											
11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)	12. Mission/AID/W Office Director Approval Signature _____ Typed Name _____ Date _____												

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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.

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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 precede 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.

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- 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 organizations 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, RDO/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

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

TABLE 1

OECS GRANT BUDGET

PLANNED FISCAL YEAR EXPENDITURES

\$ '000

	FY 87	FY 88	FY 89	FY 90	TOTAL
I. ECIPS					

A. Salary	61.50	158.00	178.50	48.00	446.00
B. Travel & Per Diem	50.45	66.50	66.50	36.40	219.85
C. Equipment	48.00	0.00	5.00	0.00	53.00
D. Office Supplies	8.50	15.00	15.00	4.25	42.75
E. Maintenance of Equipment	6.50	13.00	13.00	3.25	35.75
F. Rent	0.00	50.00	50.00	12.50	112.50
G. Promotion	38.00	76.00	76.00	19.00	209.00
H. Trade Shows	20.00	40.00	40.00	7.50	107.50
I. Technical Assistance	100.00	150.00	150.00	37.50	437.50

ECIPS SUB-TOTAL	332.95	568.50	594.00	168.40	1663.85
Less OECS Contributions		25.00	100.00	25.00	150.00
RDC/C ECIPS SUB-TOTAL	332.95	543.50	494.00	143.40	1513.85

II. OECS SUPPORT					

A. Salary	40.00	80.00	80.00	20.00	220.00
B. Travel & Per Diem	18.87	36.63	36.63	9.42	101.55
C. Equipment	2.00	0.00	0.00	0.00	2.00
D. Office Supplies	1.50	3.00	3.00	0.75	8.25
E. Maintenance of Equipment	1.00	2.00	2.00	0.50	5.50
F. Communication	8.50	17.00	17.00	4.25	46.75
G. TA & Training	0.00	50.00	50.00	0.00	100.00

OECS SUPPORT SUB-TOTAL	71.87	188.63	188.63	34.92	484.05

III. IDC SUPPORT	210.00	340.00	250.00	40.00	840.00

IV. CONTINGENCY	0.00	0.00	0.00	162.00	162.00

GRAND TOTAL	614.82	1072.13	932.63	380.32	2999.90

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TABLE 2Grant Support to IDCs - First Year Representative Budget

(US \$)

<u>Country</u>	<u>Type of Support</u>	<u>Year 1</u>
Montserrat	Promotion, Travel	\$ 15,000
Antigua/Barbuda	Training, Promotion, Travel, one IPO	50,000
St. Kitts-Nevis	Office Equipment, Training, Promotion, Travel	40,000
St. Vincent and the Grenadines	One IPO, Training, Promotion Travel	45,000
Dominica	Training, Promotion, Travel	55,000
St. Lucia	Refurbishment of Office, One IPO, Promotion, Travel	55,000
Grenada	Promotion, Travel, Training	46,000
All IDCs	Computer hardware and Software	14,000*
		<u>\$320,000</u>

* Based on preliminary needs assessment. Allocation pattern to be determined.

TABLE 3

Estimated OECS Government Outlays to IDC for Investment Promotion
(EC\$000)

<u>Country</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
Montserrat	189	189	208	230
Antigua and Barbuda	-	200	220	242
St. Kitts/Nevis	-	60	65	72
St. Vincent	100	150	165	181
Dominica	390	420	462	508
St. Lucia	400	500	550	605
Grenada	300	300	330	363
	<u>EC\$1,379</u>	<u>1,819</u>	<u>2,000</u>	<u>2,201</u>
U.S. \$ Equivalent @ 2.68 = US\$000	514	678	746	821

Notes:

Figures for 1986 are actuals or estimates
 Figures for 1987 are projections
 Figures for 1988 and 1989 are estimated at 10% above the
 previous year's figure.

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

LAC/DR-IEE-87-11

ENVIRONMENTAL THRESHOLD DECISION

Project Location : Eastern Caribbean
Project Title : Investment promotion and export
and Number : development
: 538-0119
Funding : \$6,280,000
Life of Project : 5 years 4 months
IEE Prepared by : John D. Wooten
: PDO, RDO/C/Bridgetown
Recommended Threshold Decision : Negative Determination
Bureau Threshold Decision : Concur with Recommendation
Comments : None
Copy to : James S. Holtaway, Director
: RDO/C/Bridgetown
Copy to : John D. Wooten
: PDO, RDO/C/Bridgetown
Copy to : James Talbot, REMS/CAR
Copy to : Eric Zallman, LAC/DR
Copy to : IEE File

James S. Hester Date APR - 2 1987
James S. Hester
Chief Environmental Officer
Bureau for Latin America
and the Caribbean

Project Location : Eastern Caribbean

Project Title : Investment Promotion and Export Development
(538-0119)

Funding (LOP) : \$16,280 million

Life of Project : 5 Years 4 Months

IEE Prepared by : John D. Wooten, Jr.
John D. Wooten, Jr.,
Project Development Officer

Date : March 20, 1987

Environmental Action : Negative Determination

Concurrence : James S. Holtaway
James S. Holtaway
Director, USAID,
Regional Development
Office/Caribbean

Date: March 24, 1987

Clearances:

PDO:MGHuffman cleared

PSO:CGriffith cleared

SIA:CAKarch cleared

PSO:CReece cleared

C/PDO:KAFinan [Signature]

C/PSO:GArgento [Signature]

SA:PROrr [Signature]

D/DIR:ABisset [Signature]

Discussion:

The purpose of the Investment Promotion and Export Development project (IPED) is to develop national and regional capability in the Eastern Caribbean to identify and promote private investment in productive, export-oriented businesses.

The project includes several components designed to train local staff of national industrial development corporations (IDCs), identify foreign investor and buyer leads, and provide an array of technical support services to IDCs, to a regional investment promotion organization, and to RDO/C in support of the above mentioned purpose. Amendment number 2 to the Project Paper authorizes (a) continuation of the Coopers and Lybrand contract for U.S.-based and regional investment promotion services for one year, (b) a grant to the OECS to support the establishment of an indigenous, U.S.-based regional investment promotion capability to replace Coopers and Lybrand (C&L) and continue A.I.D. support to national IDCs and (c) provide a personal services contractor support fund to meet specialized RDO/C technical services requirements resulting from an expanded IPED project and from phase-out of C&L staff in the region.

The project is expected to identify investors and buyers interested in channelling their business to the Eastern Caribbean, thereby producing jobs in and increasing exports from the OECS countries. The most significant environmental impact, therefore, is expected to be changes in economic employment patterns. These changes are expected to be positive and significant.

In view of the findings in this IEE, a negative determination is recommended.

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