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PDAP EVALUATION

Final Report

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BY: INTERNATIONAL POLICY CENTER

SRI INTERNATIONAL -- WASHINGTON

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RDO/C

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

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Introduction

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

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

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

The SRI evaluation team conducted a series of in-depth interviews with AID/Washington officials and executives and consultants from Coopers and Lybrand's Washington office. The team also developed and implemented a detailed survey instrument aimed at guaging the opinions of U.S. business executives who either had invested or at least considered investments in the Eastern Caribbean region.

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

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

Summary and Recommendations

• The PDAP model, as implemented, has two inadequacies: It has not provided for enough program approach flexibility among the countries of the Eastern Caribbean, and it has focused too much attention on investment promotion activities before basic policy environment and infrastructure questions were addressed.

• The commitment and level of energy of the PDAP field staff is noteworthy. The resident advisors are engaged in an aggressive investment promotion campaign, often against difficult odds.

• By the objective performance standards established for PDAP I and II, the **program has fallen far short of job/investment/export creation targets.** The contractor would not appear to be able to meet these goals by the contract completion date even if a contract extension option is elected.

• The employment target established for PDAP is judged to be overly ambitious and in its pursuit of this elusive target the contractor has missed opportunities to focus greater attention on addressing more fundamental investment climate needs.

• PDAP's weak central management allowed a number of personnel and project administration problems unnecessarily to divert project staff attention and energies. These problems seen to have been solved.

• The Washington investor search program is in need of substantial upgrades, some of which have been initiated following recent changes in PDAP management. Clearly, this program has not generated a sufficient number of serious investor leads to meet the overall employment target established for PDAP despite funding commitments dramatically higher than budgeted.

- The investor survey conducted as part of this evaluation confirms that investment decisions in the Eastern Caribbean are based largely on investment climate and infrastructure variables and can usually only be "facilitated" by the kinds of activities PDAP has undertaken.

Recommendations

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

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

3. In general, the evaluation team finds the greatest island program needs to be in the area of institution building and policy reform. No amount of investment promotion activity or funding can overcome fundamental investment climate and

infrastructure constraints. Therefore, future RDO/C efforts should be heavily oriented toward helping to shape more attractive investment environments before committing substantial additional funds to investment promotion activities.

4. The evaluation team strongly recommends that before any PDAP program adjustments or restructuring are implemented that individual and independent investment climate assessments should be undertaken for each country. These assessments should detail each country's investment assets and liabilities, as well as analyze the country's policy environment and institutional capabilities and needs. The country assessments should provide RDO/C with a benchmark and blueprint from which an effective private sector development plan could be structured.

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

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

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

7. The Washington investor search program warrants a detailed review and assessment, with more effective targeting of promotion techniques and analysis of the cost effectiveness of various promotion activities. In light of the increased emphasis recommended on institution-building, the evaluation team concludes that a plan must be developed to transfer the program to the EC governments for their direct use and management. If such a plan for easy transfer cannot be developed, then given the high cost associated with this activity, the evaluation team concludes that it probably should be replaced by a different and local lead generation/investor assistance activity.

8. The PDAP planning, reporting and management information system require substantial improvement. Careful attention must be paid to the development of detailed country action plans tailored to the findings of the island investment assessments.

Definitional and time series reporting deficiences must also be addressed. Specific and realistic contractor performance targets must be established and monitored closely in order to help drive program performance and budget allocation priorities.

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

shd C+L be retained?

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

UTILITY OF THE PDAP MODEL

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

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

Second, there is no single, "best" approach to promotion, since each program should be molded and adapted to meet local conditions. An approach that succeeds in one area can fail in another. Finally, although promotion efforts have been in operation since the 1950s (Ireland) and early 1960s (Taiwan), the preponderance of promotion activities date back no earlier than

1980. As a result, there has been no conventional wisdom on how best to proceed until the last few years. Investment promotion *per se* has in large part been experimental, and should be addressed as such.

Based on the SRI evaluation team's extensive interviews, there appears to be no uniform, generally accepted definition of the PDAP "model," and this fact alone has given rise to misperceptions and operational complications concerning the program. Although PDAP has evolved over time, as a starting point the current PDAP II model can be described as an organizational framework and a set of functional tasks. The organization is as follows:

1. A set of resident advisors located in the following sites: St. Vincent (1), St. Lucia (1), Dominica (1), Antigua (1), Montserrat (1), St. Kitts (1), Grenada (1), and Belize (1).

2. A team leader (and overall project director) resident in Barbados.

3. A Washington-based investor search group, consisting of three full-time professionals and several consultants, with representation in the Far East.

4. Administrative support for the team leader, each resident advisor, and the Washington-based operations.

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

A. Investment Promotion: This includes investor search, standard promotion activities, and investor assistance, and is carried out by all groups of the overall team.

B. Institution Building: This relatively new activity is conducted primarily by the resident advisors, and consists of assisting public sector promotional entities and private sector companies operating in the region.

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

These variations and the amount of time given to defining PDAP lead to two conclusions by the SRI evaluation team. For purposes of program clarity and uniformity, it would be useful for Coopers and Lybrand, RDO/C and USAID/Washington to agree upon a brief definition/description of the PDAP effort. For example, a senior C&L official told the team, "If you find out what the PDAP model means, please let us know." The differing perceptions of the PDAP model have complicated program reviews and probably have retarded appropriate program improvements. More attention should be applied to the actual operations and performance of the PDAP project itself.

Unique Aspects of the Program

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

1. Multipurpose Activity: Since its inception, PDAP has combined several functional roles within the rubric of a single contractual arrangement. Initially, PDAP was intend[ed] to provide project identification and development as well as

investment promotion services. In recent years, the PDAP staff has been charged with both promotion and institutional development. In most countries, investment promotion and services are the sole objective of the promotional agency. The advantage of the PDAP approach is that it employs scarce professional resources (where few are locally available) for a variety of aid-related tasks. The disadvantage is that the ultimate mission of the project team is mixed, leading to lack of clarity on priorities and evaluation criteria, and an inadequate skill mix for certain assignments.

2. Full Funding by an External Source: The PDAP program is financed solely by an external donor, USAID, the only such case known worldwide to SRI. Donor ssistance of various magnitudes can be found in most developing countries (e.g., Jamaica, Haiti, Costa Rica, Panama, Kenya, etc.), but in all examples known to the evaluation team, the majority of promotion funding has been provided by the host country governments. The potential advantage of the PDAP approach is greater operational control by USAID. On the other hand, this approach is relatively expensive, and does not ensure an ongoing commitment toward the program by host country governments.

3. Multinational Promotion: PDAP undertakes to promote private investment simultaneously in a large number of small national entities. Most if not all other promotion efforts are oriented toward attracting investment to a single site. The clear merit of PDAP is that it achieves economies of scale and permits a degree of promotion in each area that might be prohibitively expensive on an individual country basis. However, the approach does dilute financial and professional resources,

and necessarily leads to competition among advisors and host countries for investment prospects identified by the common promotion effort.

4. <u>Managed by Well Known Firm</u>: A number of consulting organizations have entered into contracts to provide technical assistance and other services to promotion agencies. However, PDAP is unusual in that the program itself is heavily identified with Coopers and Lybrand. Very few business executives interviewed were familiar with "PDAP," but most recognized the involvement of Coopers and Lybrand. In addition, the entire program is managed by the contractor, whereas in other instances the promotion agency is run by a host government or other local entity. The possible advantages of PDAP are use of the contractor's international network, recognition by prospective investors, and management capabilities. On the other hand, the PDAP program has little identity of its own among investors beyond that of the role of the contractor itself.

5. <u>Operated by Expatriates</u>: The PDAP effort is staffed largely by expatriates. In other programs, expatriates may be used in an advisory capacity, but seldom become integrally involved in day-to-day operations. As mentioned by some business executives interviewed by the evaluation team, PDAP advisors are seen as providing "independent" advice since they are not island nationals. However, the use of foreigners potentially poses a lack of authority and linkages with host governments. Investors often prefer to deal with promotion agencies which represent official perspectives and authorities.

6. <u>Inverted Management Structure/Lines of Authority</u>:

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

The Model in Practice

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

After considerable reflection, the SRI team has conclud[ed] that spending an inordinate amount of time and effort either at arriving at an elegant formulation of the model and judging it on that basis, or distinguishing in detail between the mode[l] agree and its application, would be unproductive exercises. There are no comparable models in existence against which to judge the PDAP approach. Therefore, the evaluation team will focus on the actual performance of PDAP, and will reach conclusions as to how and to what extent PDAP should be changed in light of that assessment.

Overall, PDAP represents an innovative approach to investment promotion, and is well-adapted to meet the unique circumstances of the Eastern Caribbean. PDAP provides a series of more or less uniform services to a set of small but independent countries. These services would be prohibitively expensive if extended on an individual island basis.

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

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

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

As will be discussed later in this report, however, the evaluation team was not convinced that in execution the investor search activity has been of sufficient use to justify its cost. Certain segments of and individuals associated with the search program have been more effective than others, but the totality of the effort has not generated a sufficient number of serious investment leads.

A peripheral but presumed important component of the PDAP model, as proposed by the contractor, was the international "network" of Coopers and Lybrand offices throughout the United States and overseas. In practice, this network has been of little material assistance to the PDAP effort. However, the evaluation team feels that no firm of this type should expect to receive active cooperation from affiliates and branches that do not benefit directly. In addition, affiliates should be expected

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to be loathe to refer their clients to PDAP opportunities, lest their clients' experience in the Eastern Caribbean cause frictions with the existing relationship between C&L and its clients.

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

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

inconsistent ?

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

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

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

PDAP Results to Date

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

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

Employment Creation

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

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

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The evaluation team was provided with a list of investm
promoted under PDAP I and II, including current and forecast employment. While the team acknowledges that this is a workin

rather than final document that has not been verified, it is the only such document that can be used in fulfilment of the scope of work. Therefore, the analysis will proceed but recognize the problems associated with using this document.

unclear ?

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

The evaluation team asked investors (in the United Stat and in the EC region) to state their employment rolls. As mig be expected, particularly given the cyclical nature of many of the businesses involved, labor forces have fluctuated. Some expanded and some contracted. Overall, on the basis of those firms contacted (by far not the entire list), a downward adjus ment of 308 jobs -- consisting of 400 job losses and 92 job gains -- results in a total of 3,888 job opportunities associa with PDAP I and II.

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

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

Investment

Neither PDAP I nor PDAP II had, to the best knowledge of the evaluation team, quantifiable investment targets (either number of investment or total capital employed). Investors have been loathe to provide figures on capital investment, and so the evaluation team cannot provide totals.

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

Export Expansion

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

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

Institutional Development

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

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

Investor Survey Results

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

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

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

Quantity of Reponses

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

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

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

History of Involvement

Asked why their companies had explored offshore investment possibilities, most executives ascribed their search to some combination of two basic objectives -- to diversify sources of supply, and to deal with competitive conditions at home or abroad. Rationales cited include the need for low cost labor, "economic factors," and fears of trade restrictions on imports from other sources of supply (e.g., the Far East).

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

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

Turning to negative factors in the region's investment climate, no consensus emerged. Concern was expressed in some cases over poor transportation links, lack of factory space and a dearth of middle management (primarily technical) expertise, as well as over general political stability. In-country managers interviewed focussed on practical, operational problems. These include the absence of adequate factory space, lack of access to utilities (electricity, water, and telephones), delays over approvals and necessary licenses, and inadequate transportation. In many cases, these start-up problems were allayed over time for existing investors, but continue to vex new, incoming firms.

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

Investment-Related Information

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

The activities of the firms surveyed are distributed ôñ&ññ&ññd&ü&dñ&&&ñ&&&& throughout the islands relatively evenly, thereby giving a fairly even geographic distribution. The product lines involved generally fall into one of three categories -- electronic components, apparel, and agribusiness. Most of the latter ventures are located in Belize. As noted previously, 17 of the 27 firms are now in operation, and 6 are in a pre-implementation phase.

The evaluation team asked respondents to list the current employment of their ventures. Of the total, 5 firms claimed to have no employees; these were either project failures or ventures now starting up. Four executives, primarily in firms with subcontracts in the region, had no idea of how many employees were involved. Several respondents gave estimated ranges of employment, since their work is cyclical.

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

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

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

Role/Activities of the PDAP Staff

Most of the investors interviewed claimed to have first come into contact with U.S.-based PDAP personnel, primarily via contacts at trade shows. While some had communicated with C&L staff in the early years of PDAP, the majority of the firms surveyed felt that initial contact was in 1984 or thereafter.

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

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

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

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

Negative impressions regarding PDAP personnel were limited. Several investors claimed that they were misled into thinking PDAP advice was consistent with official government policy, only to find this was not the case. Others wished the Washington staff or island advisors had more business experien and could pass on more specific information on operating conditions and regulations.

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

Conclusions

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

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

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

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

The PDAP effort, identified by most as Coopers and Lybrand, was generally viewed in a positive vein, and the assistance provided to investors was considered helpful, although responses ranged from "modest" to "critically important." This was particularly evident of assistance pffered by resident island advisors.

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

<u>Investment Promotion Cost Effectiveness</u>

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

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

Despite these difficulties, the cost effectiveness of investment promotion activities can and should be monitored and tested on a regular basis in order to allow for program corrections intended to increase the yield of the promotion function.

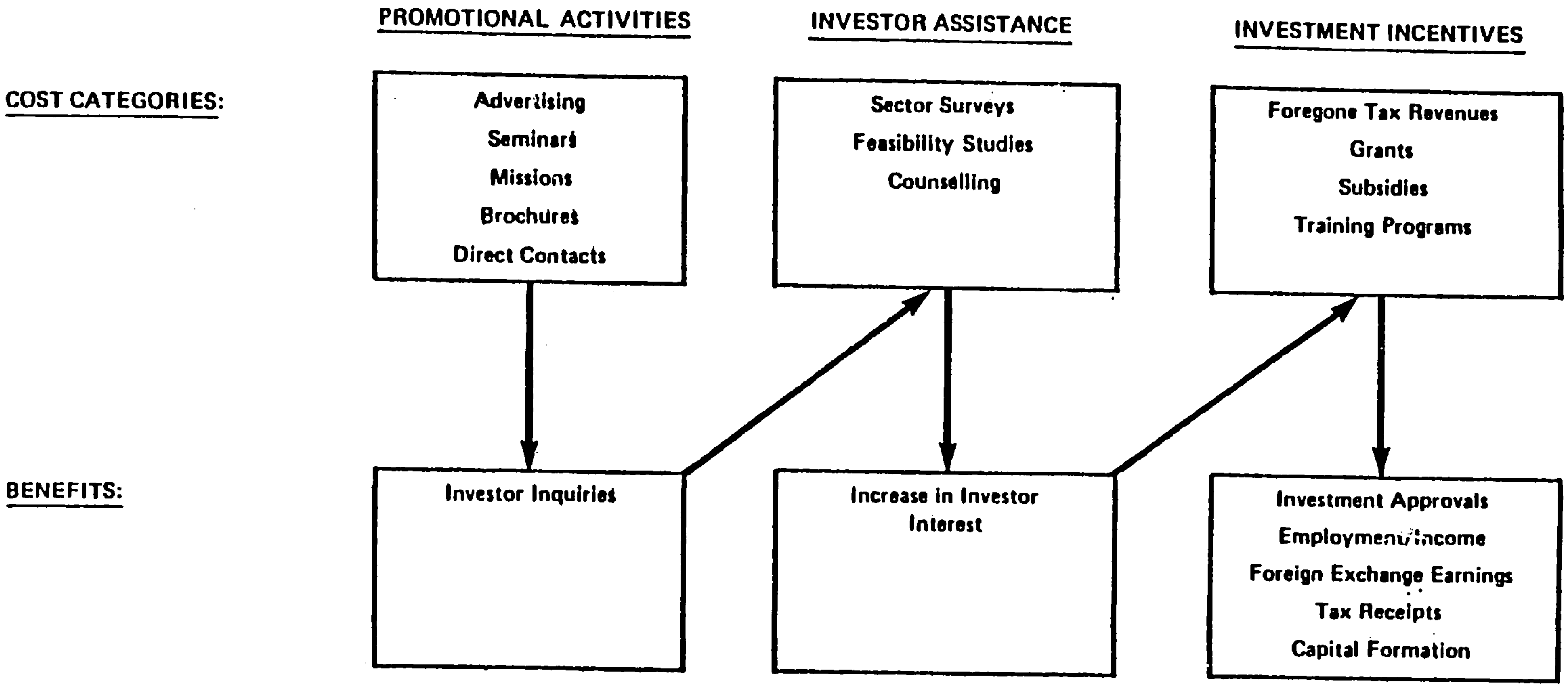
Since promotion programs seek to generate and sustain investor interest, and since new investments create economic gains, it is possible at least in a notional sense to measure the benefits and costs of any investment promotion program as a whole, as well as a number of components within it.

Promotional efforts have both quantifiable costs and benefits. The benefits sought are increases in employment, capital invested, levels of foreign exchange savings/earnings, etc. On the other side of the ledger, costs can be measured in terms of the budgetary outlays incurred in promotional efforts. Over time, therefore, one can calculate the overall benefits derived from new investments (e.g., number of new jobs created times the average prevailing wage rate), and compare the benefits to the costs of promotional efforts. The chart on the following page, drawn from SRI's investment promotion assessment for AID/PRE, illustrates how these cost/benefit factors might be disaggregated.

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

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

> Although some form of cost/benefit calculation would establish a degree of accountability on the part of promotion agencies, it might also create certain problems. First, it assumes that promotion agencies are principally responsible for new investments or the lack thereof.



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COSTS AND BENEFITS ASSOCIATED WITH INVESTMENT PROMOTION ACTIVITIES

> . . . even the efforts of well-managed promotion agencies can be stymied by a poor business climate or bureaucratic inertia. If unrealistically high expectations are set for performance, the promotion agency might end up spending more time promoting success than promoting the investment climate. While performance targets represent a useful technique for monitoring promotion programs, they should be managed carefully to avoid situations in which quality would be sacrifices for quantity.

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

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

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

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

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

PDAP I and II Investor Contacts

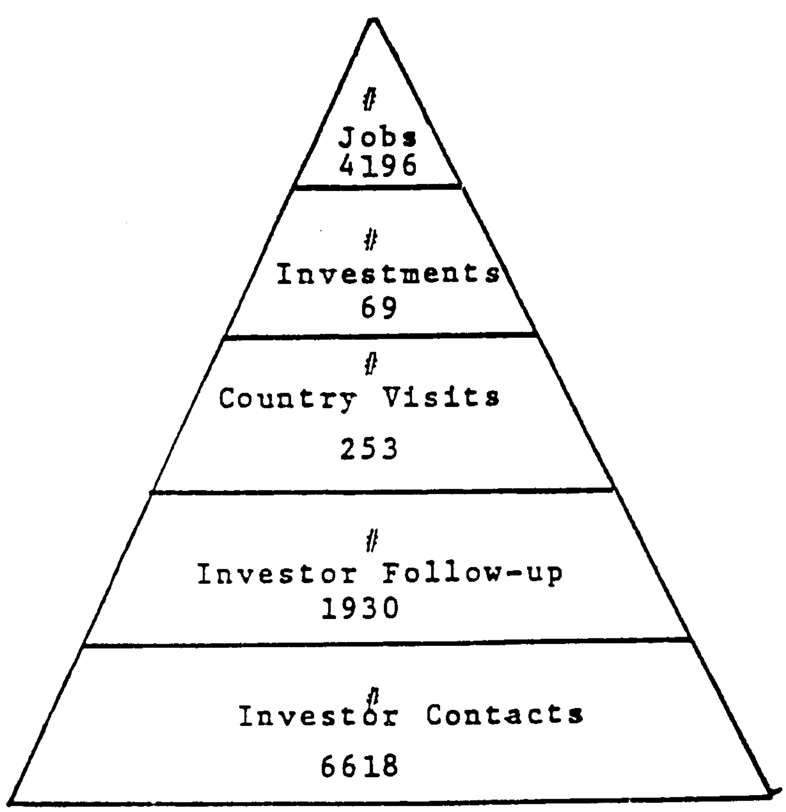
Source	Total Number	Percent of Total
Trade Shows	1,807	27
Desk Research/Mailings	1,604	24
Seminars	970	15
By Subcontractor	502	8
Dept. of Commerce	276	4
PDAP Advisor	270	4
PDAP Contact/Unknown Source	264	4
Advertising/Articles	261	4
Other	220	3
Unknown	205	3
OPIC	103	2
C&L Office	76	1
AID	60	1
Total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

Assuming the data is correct, approximately 21 percent (1,366) of the total PDAP contacts were sources outside of

PDAP itself. Therefore, one can conclude that PDAP has by its own reckoning generated approximately 5,252 investor leads in approximately four and one half years of operation.

Of these contacts, PDAP cites 69/70 success stories (presumably investment commitments), two additional investments planned, four investment expansions, and 95 "hot" prospects. Of the 6,618 contacts, 1930 leads resulted in some PDAP follow-up interaction, presumably based on company interest expressed. These follow-ups led to 253 island visitations reported, 69 or 70 investment commitments, ultimately yielding a PDAP estimate of 4,196 new jobs created (a figure analyzed elsewhere in this report).

If these investment promotion activities were to be placed within the framework of the SRI investment promotion pyramid model, one can get a better conceptual sense of how well each promotion process has helped lead toward the achievement of PDAP's job creation figure.



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

The evaluation team is impressed that 27 percent of all prospective investors who visited the islands actually committed to invest, and that 29 percent of all contacts generated actually sought follow-up information on the region. The team is less impressed with the total number of contacts made over the life of the PDAP program and the cost -- $3.9 million ($1.5 million for PDAP I and $1.4 million for PDAP II) -- associated with generating those leads.

Good!

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

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

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

PDAP MANAGEMENT

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

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

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

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

improvement

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

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

how serious?

GRENADA

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

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

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

1. One advisor, Michael Dyson, carries out functions comparable to those of individual advisors in other PDAP sites. He seeks out investor prospects, hosts incoming investors, arranges appropriate meetings, and provides a range of pre-start-up investor services.
2. A second advisor, James Haybyrne, was seconded from

Coopers and Lybrand's Washington office to the PDAP project for the expressed purpose of working on strategies for the divestiture of government enterprises. His recent work has concentrated on efforts to break up the monopoly power of government-owned and operated utilities.

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

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

The IDC is described by all those interviewed as a "fledgeling" organization currently in a development stage. The current staff consists of 13 individuals, including six professionals (two investment promotion officers, two project officers, and a manager and assistant-manager for industrial estates). The IDC's Manager has recently resigned, and a new

Manager is currently being recruited. The Chairman of the IDC's nine member board is Mr. S.H. Graham. Members of the IDC's Board are all drawn from the private sector, and represent various interest groups within the private sector. While the IPC reviews and provides recommendations on applications for investment incentives, ultimate approval authority rests with the Cabinet.

From a conceptual standpoint, apart from the application review role of the IPC, the ultimate functions and goals of the IPC and PDAP are close to identical. Both seek in the end to promote Grenada as an investment site and to provide a range of investor services. In practice, the "investment promotion" PDAP advisor most often serves the role of developing investment leads, hosting incoming investors, and providing information and procedural advice to investors. In his absence or during busy periods, he is "backstopped" by the advisor resident in the IPC.

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

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

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

but Despite the absence of measurable results, the evaluation team observed in Grenada clear progress in the areas of overcoming infrastructure constraints, institution building, and changing attitudes toward private investment. Given the short span of time allotted for in-country interviews, however, the team is unable to reach any determination on the extent to which these improvements can be attributed to the PDAP presence. In addition, it seems clear that a considerable proportion of foreign prospects have been attracted to Grenada as a result of both U.S. 936 tax provisions and high level executive interest within the firm, rather than on purely economic grounds. As a result, the future of new ventures in Grenada is vulnerable to changes in 936 provisions and possible reductions of executive interest in the Island.

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

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

ST. LUCIA

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

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

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

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

- The Investment Promotion Division includes two promotion officers located in St. Lucia, and one officer who

- The Engineering and Estates Division consists of one engineer, two engineering technicians, and two estate inspectors.

- The Accounts and Administration Division includes three professionals.

With respect to engineering and estates management, the NDC designs, constructs, and maintains factory shells. The NDC oversees some 6000 acres of land in the Vieux Fort area, the target area for the government's promotional activities. The investment promotion division maintains the New York office, attends trade shows, conducts direct mail campaigns, organizes advertising, and prepares and distributes short videocassettes on the investment climate to potential investors. The NDC recently undertook the placement of a two page advertisement in the Wall Street Journal (April 9, 1986), and the evaluation team feels that this effort was highly professional.

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

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

The majority of the advisor's efforts have been allocat prospective investor identification, promotion, and assistance.

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

As elsewhere, the quantitative results of PDAP on St. Lucia have been marginal. Several apparel, plastics, and electronics firms have inaugurated operations with the help of PDAP, but some have encountered major problems (primarily relating to reduced orders or government policies), thereby leading to fluctuations in output and work forces employed. However, with the growth of the Vieux Fort industrial estate (and free zone) and the introduction of new forms of manufacturing (e.g., electronics) with potential spillover effects, one could conclude that St. Lucia -- under certain conditions -- could experience something of a "take-off" period of non-traditional manufacturing.

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

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

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

ANTIGUA

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

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

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

The PDAP advisors on Antigua have developed good workir relations with government agencies, including easy access to high level officials. The advisors have not, however, been directly involved in policy reform, but rather have concentrat on breaking down barriers existing between the public and pri·

sectors, which have been considerable in recent years. An aura of distrust has existed between the public and privat. sectors, due largely to concerns over actual or eventual political power of various coalitions. The PDAP presence is not viewed as a "private sector organization," but rather as an agency trying to do a job, and has thus earned the trust of both sectors. The advisor's efforts to host incoming investors, smooth out red tape problems, and act as a "wet nurse" to new enterprises is seen as beneficial to all.

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

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

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

As in most cases, the advisors have focused their efforts at hosting incoming investors and providing follow-up services to existing firms. Little attention has been given to institutional development, in part due to the absence of a local investment promotion organization. The advisor has not been actively involved in investment policy reform, and the policy climate is described as relatively unchanged in recent years. However, those interviewed noted a pro-private enterprise shift in government attitudes.

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

ST. VINCENT AND THE GRENADINES

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

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

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

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

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

The DEVCO Chairman reports to the Finance Minister, who currently also holds the position of Prime Minister. Investment applications, however, are reviewed by the Minister of Trade and Industry, and are sent to the Cabinet for approval. DEVCO, therefore, has little direct or formal authority over investment approvals. This structure obviously limits DEVCO's effectiveness as an investment development institution.

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

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

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

Despite St. Vincent's poor macroeconomic performance, it does offer the lowest labor costs in the region. The minimum wage is U.S.$0.63 per hour for male workers and U.S.$0.48 per hour for female workers. Nonetheless, effective investment promotion and resultant job creation is constrained by a lack of factory space. The modest additional factory space expected to be completed by mid-year is already slated for full utilization by the expansion of existing investor operations. St. Vincent's largest employer, St. Vincent's Children's Wear, will occupy 20,000 square feet of the 30,000 square feet of new factory space, enabling it to increase its current full-time work force of 190 by as much as another 200 jobs, as well as to more fully utilize or expand its current cottage worker force of 1,200.

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

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

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