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Evaluation of the

PORTFOLIO OF RDO/C'S PRIVATE SECTOR OFFICE

SECOND PROGRAM REPORT

Final Report

Prepared for
USAID, RDO/C

by Louis Berger International, Inc.
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FINAL EVALUATION REPORT

I. INTRODUCTION

This Second Program Report is submitted under Contract Number 538-0119-C-00-6027 between the Agency for International Development and Louis Berger International, Inc. (LBII). Under this contract LBII has carried out evaluations of projects in the portfolio of RDO/C's Private Sector Office (PSO) and of PSO's program as a whole.

The Contract Scope of Work calls for two program reports, summarizing the results of evaluations carried out by the Contractor. It provides that:

> "Each program report will incorporate an analysis of the aggregate results of Project Evaluations and their implications for overall program performance."

This is the second of the two reports required.

This report consists of five sections, including this Introduction. Section II provides a summary evaluation of RDO/C's Private Sector Program, as represented by the project portfolio of its Private Sector Office.

Section III reviews the outcomes of LBII's evaluations of individual Private Sector Office projects and gives particular attention to their implications for the future.

Section IV analyzes RDO/C's Private Sector Program Strategy as articulated in the "Private Sector Strategy Update" included with the Mission's 1987 Annual Action Plan.

Section V presents some conclusions concerning the future of the Mission's Private Sector Program.

The Appendix to this report of some 95 pages in length contains a thorough analysis of the program and of lessons learned from the project evaluations. An explanatory list of abbreviations and acronyms used in this report is contained at the beginning of the Appendix. The focus of the Appendix is primarily retrospective. In a very fundamental sense, it is this Appendix, rather than the material presented in the text of the report, which most directly addresses the contractual requirements of LBII's Scope of Work.

The present report seeks to emphasize the prospective implications of the evaluations carried out by LBII. It is indelibly clear from the history of the Mission's Private Sector Program in the 1980's that forward-looking recommendations contained in evaluation reports cannot be safely substituted for the fundamentals of good project and program design. With that caveat firmly in mind, we have sought to present our findings in terms that are relevant to the present and the future.

II. PROGRAM PERFORMANCE OVERVIEW

The portfolio of private sector projects examined in this report includes some projects that have been quite successful, some projects that were quite unsuccessful, and a number which have had very mixed results. To the extent that these projects can be viewed as a unitary "private sector program," their cumulative qualitative contributions to the stability of the region and other intangibles appear to outweigh their measurable development impacts.

During the early 1980's, each of the projects in the Private Sector Office portfolio was affected in one way or another by pressure to move substantial amounts of resources into the Eastern Caribbean area quickly, as well as by the belief that such a rapid infusion would energize the private sector in ways that would transform the economies of the seven countries which constitute its main targets. In fact, funds were not moved in the quantity or with the speed expected, nor did the anticipated economic transformation take place.

The effort did strengthen the position of the business community in the region, contributed to desirable policy changes, and had a number of favorable economic development impacts. Where Caribbean business leaders have directly participated in project design and execution, the results have been impressive. The Mission's support of National Development Foundations in Eastern Caribbean countries has had excellent results. The innovative character of several of the projects supported by RDO/C represents a particularly attractive feature of the portfolio, but there has been a tendency to overload such projects with a multiplicity of functions and objectives. Conceivably, too, innovation has created more new institutions and institutional arrangements than the nations of the region can reasonably support in the long run.

Basic problems affecting portfolio performance have been the high costs of serving small island countries, limited market size, mismatches between the administrative styles of USAID and the private sector, limited numbers of experienced indigenous entrepreneurs, and unrealistic projections of results. Too often project designers knew at the start that projects were likely to fall far short of their targets. Too often inflated reporting fed an appetite for good news. Too often downward revisions of unrealistic expectations created disappointment and obscured solid project achievements.

Viewed in the aggregate over the past seven years, the diversification in the portfolio appears quite adequate. However, detailed analysis indicates a trend toward increasing reliance on grant funding and a practice of overloading individual projects with multiple objectives. Such a posture is understandable in circumstances where the overriding objectives are to build enthusiasm among diverse constituencies, mobilize a wide range of professional resources from outside the region, and move money quickly. However, it is a cause for concern in a period of reduced resource availabilities, heavy reliance on local management, and an increasing emphasis on the self-sufficiency and sustainability of indigenous institutions.

In general, the Mission portfolio and its strategic rationale appears overbalanced in the direction of new, high-risk projects for which ambitious goals have been established. The core strategy, as presented in RDO/C's 1987 Private Sector Strategy Update, focuses on institutional development, giving particular attention to the Small Enterprise Assistance (SEA) Project carried out by the Caribbean Association of Industry and Commerce (CAIC) and Eastern Caribbean Investment Promotion Service (ECIPS) Project, and to reducing socio-political fragmentation within the business community. Like many of the Project Papers which LBII reviewed in the course of individual evaluations, the Update appears to have been written for an AID/Washington audience with very high expectations. The institutions responsible for implementing the CAIC/SEA and the ECIPS projects have yet to prove themselves capable of reaching project targets. The strategy contained in the Update has not been fully understood, accepted, or applied within the Mission, by key implementing agencies, nor by the leadership of the Caribbean business community.

In 1988, the Mission should seek to establish a better balance between those projects (and components of projects) which have a record of success and those whose outcomes are less certain. Some projects should be streamlined to improve manageability. Clarification of the respective commitments of USAID, the business community, and the public sector in the Caribbean are very much in order. The Mission should improve the quality of the information which it receives on the performance of firms assisted by its projects. The staff of the Private Sector Office should increase the number of its direct contacts with businessmen at the firm level. Such initiatives could better enable the Mission's Private Sector Office to manage individual project and to adapt its program to the changing needs of its clientele.

III. PROJECT PERFORMANCE OVERVIEW

This section provides a brief summary of the evaluation findings of particular projects, giving particular emphasis to the future implications of these findings. Fuller descriptions are contained in the Appendix to this report. Projects are described under the following three categories: (A) most successful projects; (B) moderately successful projects; and (C) least successful projects.

A. MOST SUCCESSFUL PROJECTS

RDO/C's project assistance to the Caribbean Financial Services Corporation (CFSC), the Caribbean Project Development Facility (CPDF), and to the National Development Foundations (NDF's) was judged most successful.

1. Caribbean Financial Services Corporation--CFSC (Project No. 538--0084). CFSC was designed to provide medium to long term financing for the start-up or expansion of small to medium sized businesses in the Eastern Caribbean. The project created a viable, moderately innovative financial institution in a region where existing lending organizations have been reluctant to incur the risks of medium and long-term financing or have lacked the required needed responsiveness. The project clearly demonstrates the advantages of involving business leaders in the design and implementation of projects. That leadership committed itself to establishing a viable institution and wisely resisted pressures to move money simply for the sake of meeting objectives established in project design spending forecasts. CFSC did not implement a loan discount program included in a project design which failed to articulate and take into account caveats concerning foreign exchange risks identified in advance by consultants. Questions for the future include the following:

a. Will CFSC maintain its role as a provider of long term funding to near-commercial projects? Or will it gradually make the transition into the banking mainstream and focus increasingly on developing relatively high profit, relatively low risk commercial ventures?

b. Will CFSC be able to utilize the full amount of the funds which RDO/C has committed to it?

c. Will CFSC be willing to build up staff at middle management and senior management levels if it is presented with sound expansion opportunities in the future?

2. **Caribbean Project Development Facility** - CPDF (sponsored by the United Nations Development Program and carried out through the International Finance Corporation; Project No. 538-0060). CPDF was designed to assist entrepreneurs in the preparation of proposals for business start-up or expansion to submit to financing institutions. The evaluation found that both the clients and personnel from financial institutions who have reviewed proposals prepared with CPDF assistance, agreed that the CPDF services significantly improved prospective investors' chances of obtaining funding approval and/or accelerated the approval process. This project also focused on small and medium size businesses and, in some cases, referred clients to the CFSC. The key question for the future is whether USAID will wish to continue funding a project in which it is not the dominant partner and cannot dramatically influence or take credit for the project accomplishments.

3. **Dominica Small Enterprise Development Project** (carried out by the National Development Foundation of Dominica - NDFD; Project No. 538-0079), and

4. **National Development Foundation Assistance** Project (carried out by the Pan American Development Foundation; Project No. 538-0136).

The Dominica Small Enterprise Development Project (Project No. 538-0079) established a financing institution in Dominica for micro-enterprises. The National Development Foundation established a revolving fund which private commercial banks used to extend loans to microenterprises. The National Development Foundation Assistance Project (Project No. 538-0136) established National Development Foundations (NDFs) in Antigua, Barbados, St. Lucia, St. Vincent, and St. Kitts/Nevis for micro-enterprises, operated primarily by guaranteeing bank loans extended through private commercial banks.

Both the Dominica Small Enterprise Development Project and the National Development Foundation Assistance Project were successful in providing needed technical assistance/training and guaranteeing bank loans to micro-businesses that would not otherwise have been able to obtain access to the banking system or receive needed training, technical assistance, and business advice. In the short term, the NDFs have been relatively cost-effective and have maintained a manageable level of arrears--lower in most cases than the Development Finance Corporation portfolios examined in previous LBII evaluations. A potential long term problem, however, is the extent to which the NDF's will continue to receive a majority of their operating and loan funds from USAID and other donor agencies. As currently structured and operated, the NDFs cannot achieve financial self-sufficiency, in the sense of becoming totally independent of donations from international agencies, governments, and/or the private sector. In the long run, they must become more effective at raising funds from donors, or change the modus operandi which has brought them their initial success. The key question is whether these organizations can obtain the resources needed to perform their unique role well into the future and thus continue to focus their efforts on assisting microenterprises.

B. MODERATELY SUCCESSFUL PROJECTS:

5. **Private Sector Investment Assistance** Project (assistance to the Caribbean Association of Industry and Commerce - CAIC; Project No. 538-0043). This project was designed to revitalize CAIC as a regional business association. The revitalization was expected to integrate the efforts of the regional business community, to improve business conditions through lobbying and policy advocacy at the regional and national levels, to assist in the development of national business associations, and to serve as a channel for the provision of training and technical assistance to businesses in the Caribbean. The CAIC project has been credited with turning a near-moribund regional institution into an active and respected participant in regional economic and political forums. CAIC's accomplishments in the areas of policy advocacy, building of formal and informal public/private networks, changing the attitudes of its members, and creating a new image of the private sector in the Caribbean region were judged impressive.

CAIC's performance as a development institution has been uneven. While its provision of training services to members has been rated as consistently well above average, its delivery of technical assistance has received mixed reviews.

The evaluation found that the upward trend in membership had leveled off and quite probably reversed itself. It also found that the combination of policy advocacy and development functions coupled with the somewhat differing geographic priorities and constituents represented by these two functions has contributed to a confused financial strategy and a troubled administrative style. The central question for the future is whether CAIC can become the world's first institution to combine effectively the twin functions of policy advocacy and international development. Integration of the two functions quite probably will require streamlining of its USAID-funded functions and growth in organization's administrative capacities.

6. Project Development Assistance Program - PDAP I, PDAP II, and PDAP III. PDAP I and PDAP II were carried out by Coopers and Lybrand as Project No. 538-0042. PDAP III included in Investment Promotion and Export Development Project (Project No. 538-0119)- also was carried out by Coopers and Lybrand. PDAP I was designed to assist governments and business in the preparation of new development projects, and to promote foreign investment in the Eastern Caribbean. PDAP II placed a much greater emphasis on the investment promotion function and on targeted increases in employment in the region. PDAP III focussed on the building of indigenous investment promotion institutions.

The PDAP project was neither the resounding success nor the dismal failure suggested by the fluctuations in its reputation at various stages of the project. There were some achievements in the areas of improvement of investment climate, advisory assistance to both AID and host countries, and institution building. Expectations and disappointments concerning the project, stemmed in part from the project's inability to meet job and investment targets, most of which were set at unrealistically high levels. During the past year (Phase III), there was some progress toward establishing a regional investment promotion institution (Eastern Caribbean Investment Promotion Service--ECIPS), although the time frame itself was probably too short to provide ECIPS with the overlap it should have had with the Coopers and Lybrand during phases I and II. The central question for the future is whether the United States and the governments of the Eastern Caribbean countries will make the commitments necessary to launch and sustain an untested institution in a high profile field, where past successes have been largely unrecognized and past failures have been widely reported. PDAP unwisely deferred until the eleventh hour the question of what institution would succeed to the functions which the PDAP contractor carried out in the United States and for the region as a whole. RDO/C and the governments in the Eastern Caribbean should focus now on the question of how ECIPS will be supported in the future.

7. **Employment Investment Promotion II** - EIP II (Project No. 538-W-12 implemented by the Caribbean Development Bank) had two objectives: to provide financing for the development of publicly owned industrial estates and to provide financing for small to medium sized businesses through Development Finance Corporations. Both strategies were aimed at encouraging employment generating investment in the Eastern Caribbean. EIP II funded more than 300,000 square feet of factory shell space and provided loans through the DFCs for investment by small and medium-sized businesses. In the case of the factory shell program, the project generated new employment, although it must share some of the credit with PDAP. While the loan program served as needed source of financing for small-scale firms, many of the subloans are currently deeply in arrears. These results are reportedly attributable to a combination of difficult business conditions and a feeling on the part of borrowers that DFCs are lenient and can therefore be placed low on the list of repayment priorities. The question for the future is whether the functions of financing micro and small businesses presently being carried with greater success by the NDFs will eventually be assigned to the DFCs or otherwise made directly subject to government control.

8. **Small Enterprise Assistance Project** - SEAP (Project No. 538-0133, carried out by CAIC) was expected to carry out a variety of activities including providing support to the National Development Foundations, providing a channel for the delivery of training and technical assistance to small and medium sized businesses, assisting in the development of new financial services to small and medium sized businesses within the nexus of the existing banking sector, and encouraging linkages between the established business community and the more informal micro-enterprise sector.

As discussed, the NDF component of the SEA project has been quite successful in supporting micro-businesses in the region. The SEA project, however, has not made much progress with respect to its non-NDF functions. Attempts to foster integration between the formal, established business sector and the informal, micro-sector in each country through National Coordinating Committees

(NCCs) have not produced the results anticipated, except in countries such as Dominica where a tradition of collaboration already existed. In the original project design, the NCCs were "conditions precedent" to disbursement of USAID funds for training and technical assistance. Consequently, delays in the establishment of the NCCs have retarded the provision of technical assistance and training components. The NCC experience underlines the fundamental question of whether conditions precedent reasonably can be expected to bear the full weight of desirable but difficult socio-economic changes. Like PSIAP, the SEA project combines a multiplicity of activities, functions, and objectives. Each project separately and both projects in combination raise issues of manageability. These issues along with others are presently under review in a current reassessment of the SEA project.

9. **Caribbean Credit Union Development I** (Project No. 538-0035, carried out by the Caribbean Confederation of Credit Unions), and

10. **Caribbean Credit Union Development II** (Project No. 538-0135, also carried out by CCCU). This project was a follow-on to the Phase I project and had the same goals.

Caribbean Credit Union Development I was designed to facilitate the development of national credit union leagues and a regional confederation of credit unions as support institutions for the credit unions in the Caribbean. Such support institutions would provide channels of assistance (training, technical assistance, and financial and insurance services) to individual credit unions and thereby facilitate the mobilization of regional savings and their channeling to "productive and provident purposes." Caribbean Credit Union Development II of CCCU I.

During both CCCU I and CCCU II, the membership, savings and loans provided from the credit unions increased. However, it is difficult to attribute any of these successes to the projects. In a 1986 evaluation, in which LBII participated, the project was criticized for the lack of attention to the linkages between the credit unions and the national and regional institutions to which most of the assistance was channeled. The more recent 1987 evaluation by LBII concluded that the credit unions served as excellent sources of short term and working capital credits for micro and small businesses. Still, it was uncertain as to whether the inputs of the CCCU I and II project really had a great deal of impact on these achievements. Credit unions are institutions which have been able to serve micro and small businesses and remain self-sufficient in the process. During a period when issues of institutional sustainability have become particularly pertinent, their role in RDO/C's private sector program deserves further consideration.

11. The Caribbean Marketing Assistance Project - CMAP (Project No. 538-0102). CMAP was expected to create linkages between Caribbean business groupings and "partnership" business groupings in New York State. Through these partnerships, Caribbean businesses, especially micro and small enterprises would be assisted in marketing their products in the United States. CMAP was unable to achieve its objectives of increasing exports from the OECS/Barbados. The resources devoted to the project were much too little to achieve the goals set, and the project focus on micro and small businesses was inappropriate to the goal. Nevertheless, the project had some success in providing training and technical assistance to beneficiary enterprises, especially in product quality, which is important to any marketing effort.

C. LEAST SUCCESSFUL PROJECTS:

12. Agribusiness Expansion Project (carried out by the Latin American Agribusiness Development Corporation - LAAD; Project No. 538-0057). LAAD, a private agribusiness development financing institution, was to provide loans and equity investments in agribusiness projects in the Eastern Caribbean. LAAD found only four agribusiness projects to finance within RDO/C's area of interest, one of which failed. Most of the projects funds were used elsewhere. LAAD closed its Barbados office, the continued operation of which was treated by the Logframe as the measure of the achievement of the project's purpose.

The experience of the LAAD project, in combination with that of RDO/C's Regional Agribusiness Project (described below), suggests that the High Impact Agricultural Marketing and Production (HIAMP) project should be carefully monitored and regularly evaluated. The central question is whether enough investors will come forward to invest in new or expanded agribusiness activity to justify the magnitude of resources programmed for the project.

13. Regional Agribusiness Development Project (carried out by the Caribbean Development Bank - CDB; Project No. 538-T-007). This project was to provide financing, directly and through national Development Finance Corporations (DFCs) for food processing, agricultural input distribution, and other agribusiness projects. The objectives were to improve the markets for small farmer crops and generate employment in rural areas. Of the $6.3 million in loan funds disbursed by the Caribbean Development Bank, only $3.9 million (five subprojects) were directly pertinent to the loan criteria established in the Project Paper. Of the five subprojects, four failed or had serious financial difficulties. While the remaining funds were distributed in the form of loans to small farmers, (the intended ultimate beneficiaries of the project) most of these loans were not directed to the kinds of enterprises and purposes described in the project paper. The set of conditions attached to most lines of credit extended by the CDB to Development Finance Companies effectively prevented the use of loan funds for the purposes set forth in the Project Paper. The advantages represented by favorable interest rates attached to these lines of credit were not substantial enough to achieve their socio-economic purposes, but instead prevented the projects from achieving planned economic impacts. A similar phenomenon was to occur once again in connection with conditions precedent requiring formation of National Coordinating Committees included in the SEA project. Conditions precedent, by themselves often represent a weak reed on which to base socioeconomic change.

14. **Infrastructure for Productive Investment** - IPIP (carried out by the East Caribbean Central Bank; project No. 538-0088). IPIP was expected to provide financing through local commercial banks for the development of privately owned industrial estates in the Eastern Caribbean, and/or the erection of owner-occupier factory shells. The industrial estate program suffered from almost total lack of demand--from foreign investors in particular. Potential investors were not willing to construct on speculation in the face of the availability of public space which was being offered at subsidized rates. Demand for owner-occupied factory buildings was stronger than anticipated; the project funded 74,000 square feet of such space. Nevertheless, most requests for financing of owner-occupied space were turned down as bad risks. The IPIP project design inferred the demand for privately owned and operated industrial estates on the experience of then-existing projects including PDAP (which reported that foreign investors had turned down investment opportunities in the region because of lack of factory space). However, the willingness of private firms or individuals to invest in industrial estates was never established by means of a conventional market or feasibility study. The failure to conduct such a study was a mistake which ought not to be repeated for any large, innovative private sector project which premises its results on investor response.

IV. PROGRAM STRATEGY

This section consists of three subsections. Subsection A discusses the background of RDO/C's 1987 "Private Sector Strategy Update". Section B summarizes the core strategy contained in that document. Section C contains an assessment of the core strategy in the light of the evaluations carried out by Louis Berger International, Inc.

The Private Sector Strategy Update was written after LBII initiated its evaluation, design, and monitoring contract for the RDO/C. There is no separate requirement in LBII's Scope of Work for an assessment of the Private Sector Strategy Update (as distinguished from the program of the Private Sector Office). Nevertheless, because the PSO program and the Private Sector Strategy Update cover much common ground and because the Mission explicitly requested that LBII address the Strategy document, the Update is analyzed separately in this report. It should be emphasized that LBII undertook no independent research nor any specifically targeted data-gathering activities in connection with the Update. It conducted no special interviews with the authors of the document. We simply have drawn on what we have learned in the course of our project and program evaluations for the Private Sector Office and applied that body of knowledge and insights to the Update document where it has seemed relevant.

The Update announces a number of important and laudable objectives. It envisions significant changes in the behavior of major participants in the process which determines the economic, political, and social roles of the private sector in the Eastern Caribbean. The established business community is to increase its involvement in activities which assist small and micro enterprises. Governments are to pay more attention to private sector wishes in allocating public investment. Implementing agencies are to combine innovative institution-building tasks with service delivery. RDO/C itself is to respond flexibly to the needs of the private sector.

A. BACKGROUND

In February of 1987, RDO/C submitted a "Private Sector Strategy Update" as part of its Annual Action Plan presentation to USAID/Washington. The Update encompassed a total of nine then-current projects considered to be part of the Mission's "Private Sector Program." In fact, only six of these nine projects were administered by RDO/C's Private Sector Office. [1] Three of the projects covered by the Update-- Regional Skills Training (538-0073), Regional Development Training (538-0087), and the Regional Management Training (538-0148)-- were not PSO projects, and hence have not been evaluated by LBII under its contract with RDO/C.

The Introduction to the Update states:

> "The portfolio that RDO/C developed [before 1984] was based on a strategy of reducing the constraints to Eastern Caribbean export development, particularly in light manufacturing. Since 1984, lessons learned from the private sector program have led to an evolution, refinement and consolidation of our private sector strategy. The purpose of this paper is to describe how and why that evolution occurred, to articulate what our private sector strategy is, and what remains to be done with our program to implement that strategy."

The Private Sector Strategy Update contains a discussion of the Mission's private sector strategy and program in the early 1980's, a reassessment and revision of the strategy, a discussion of program modifications, identification of management implications of the strategy, and a listing of unresolved strategy issues. Appendices to the Update include a discussion of the institutional setting and structure of RDO/C's Private Sector Program, strategy indicators and benchmarks, funding allocations, and a project and constraint matrix.

B. CORE STRATEGY

The Private Sector Strategy Update sought to establish a fresh emphasis and new directions for a program which had evolved over a period of years, had been modified along the way, and had recently taken on some distinctive new characteristics. However, the Update does not contain a short, clear, definitive statement of what the new private sector strategy is. The document in fact

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[1] Investment Promotion and Export Development (IPED, Project No. 538-0119), Infrastructure for Productive Investment (IPIP, Project No. 538-0088), Caribbean Financial Services Corporation (CFSC, Project No. 538-0084), Private Sector Investment Assistance (CAIC, Project No. 538-0043), Small Business Assistance (SEA. Project No. 538-0133), and Accelerated Private Sector Assistance Project (CPDF, Project No. 538-0060).

is structured as a kind of panoramic tapestry which recapitulates, interweaves, and rearranges a number of major and minor themes associated with Mission's private sector activities. At the risk of oversimplification, however, the new strategy seems to boil down to the following core:

(1) The Mission's Private Sector program is now going to emphasize institutional objectives ("strengthening the private sector" in the region) rather than direct economic impacts (exports, jobs, increased productivity, balanced economic growth and the like).

(2) Within the private sector, the Caribbean Association of Industry and Commerce and its Small Enterprise Assistance Project are keys to putting this strategy in place.

(3) Within SEA, the National Coordinating Committees, formed in order to unify the business community, are critically important to the success of the strategy.

(4) RDO/C will provide support for public sector institutions (the Eastern Caribbean Investment Promotion Service and Industrial Development Corporations in individual countries) to carry out investment promotion activities formerly handled by the PDAP contractor.

(5) The Mission will react to the changing needs of the private sector and focus RDO/C's leadership role on building a structure of relationships that will enable the private sector to lead the course of economic development in the region.

(6) Mission management and key Division Chiefs will operate in program management rather than a portfolio management mode. Within RDO/C, a premium will be placed on internal communications and collaborative approaches to problem-solving.

C. ASSESSMENT OF THE STRATEGY

The 1987 Private Sector Strategy Update had three fundamental limitations. First, its wellsprings appear to have been project documents, consulting reports, Inspector General's audits, and developments of particular significance within the USAID administrative process, rather than first-hand knowledge of the people, motivations, and circumstances influencing the performance of private sector projects as they are carried out in the field day by day. Second, the Update presumed a degree of control over the real world that RDO/C simply does not have. Third, the Update was, at its core, a justification traditionally intended to satisfy an AID/Washington audience. Viewed from a short term perspective, it well may have accomplished that customary purpose. But the Update itself characterizes the new strategy as operational, and purports to establish a structure that will be responsive to the changing needs of the business community. Viewed as a game plan for obtaining results through implementing organizations, through the Eastern Caribbean private sector, and indeed through RDO/C's own administrative structure, the Update was seriously flawed. It was written in a kind of language that is not well understood within RDO/C's implementing agencies and in the Caribbean business community. Had the strategy embodied the collective wisdom of the Mission, the organizations implementing its programs, and the business community concerning the most productive use of limited resources; had its objectives been understood and accepted by persons responsible for achieving them; and had the strategy been formulated as a clear basic guideline that could be summarized on one page; the Update would have emerged as a better and substantively different and a much better document from the viewpoint of its operational impact on the private sector in the region.

The Update did not contain a formal assessment of uncertainty and risk as these factors affected the private sector strategy which it announced. Nor did it contain an appraisal of the respective capacities for changed behavior of targeted organizations. It did not squarely address the possibility that placing institutional achievements ahead of establishing credible levels of service delivery could cut the ground out from underneath the pivotal objectives of the SEA project-- because the business community and many others tend to judge institutions on basis of their track records for delivery.

LBII's evaluations produced considerable evidence that Mission projects have presented implementing organizations with more objectives, more activities, more innovation, and more changes in signal concerning priorities than these organizations reasonably could be expected to handle. Performance and cost-effectiveness could be improved through streamlining projects and employing program concepts which are more easily understood and applied by those responsible for carrying them out. Such streamlining by no means requires abandonment of important institutional or sociopolitical objectives, but it will require an effort to identify attainable steps forward that are realistically achievable by the persons and organizations to which implementation responsibilities are assigned.

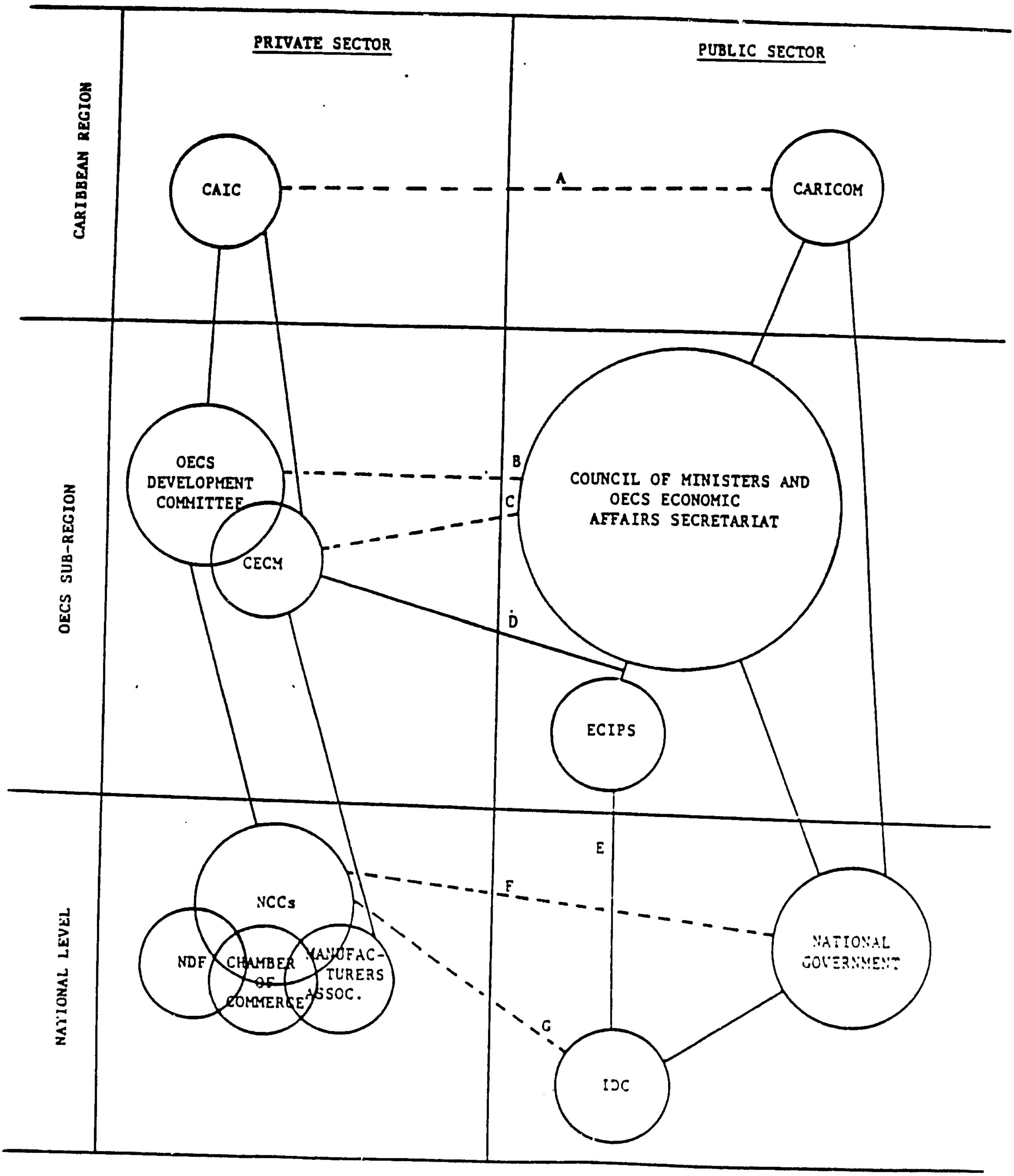
The following subsections discuss the emphasis on innovative institutional arrangements contained in the Update, the role of the private sector in strategy formulation, and concern with the socioeconomic structure of the business community.

1. Emphasis on Innovative Institutional Arrangements

The Update strategy brings the SEA and ECIPS projects to center stage and treats the innovative institutional arrangements designed into these two projects (as distinguished from impacts their services may have on firms and national economies) as the hallmark of the success of the Mission's Private Sector Program. This emphasis is graphically illustrated in Appendix A of the Update ("Institutional Setting and Structure of RDO/C's Private Sector Program") reproduced on the following page. In treating a set of institutional relationships as the central contribution of the Mission's Private Sector Program, the Update in effect places most of its chips on the newest and most untested aspects of the projects in its portfolio. Features of the Mission's program which have proven most successful in the past (e.g., CFSC, NDF assistance, CPDF) are subordinated or dissolve into a background dominated by institutional innovation.

At the time the Update was written, it may well have seemed to some persons within the Mission that a shift to an emphasis on institution-building would be a safe and prudent course given the RDO/C's jarring experiences with some of its ongoing impact-related projects. The embarrassment experienced by RDO/C when PDAP and other projects fell so far and so publicly short of their targets perhaps created a yearning for safer territory and for a longer time frame in which to demonstrate results. Conceivably, USAID's traditional interest and experience with institutional development seemed to offer a safe port in a storm. Ironically, however, the core strategy itself focussed on two extremely bold contributions: (1) the repair of socio-political fragmentation within the region's business community and (2) the orchestration of a comprehensive pattern of relationships between public and private sector institutions in a multi-country region replete with local differences and idiosyncrasies. The two objectives aim at socio-political engineering of a kind and on a scale which are hardly in the mainstream of USAID experience. Ironically, too, the strategy of emphasizing the newer and more imaginative aspects of RDO/C's Private Sector activities was articulated in a year when reduced funding levels were to minimize the likelihood that the Mission could shore up the key implementing organizations if they were to experience difficulties in executing these extraordinarily challenging

INSTITUTIONAL SETTING AND STRUCTURE OF
RDO/C'S PRIVATE SECTOR PROGRAM



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columns whose weight-bearing capacity has not yet been clearly demonstrated.

Ultimately, the organizations presently assisted by RDO/C must support themselves either through revenues derived from services or through support provided by Eastern Caribbean governments, international agencies, or from the business community. As a general matter, governments and other international agencies seem less inclined to support institutional innovation in its early stages than is USAID. The business community usually views issues of institutional development from a practical, results-oriented perspective. It may be expected to judge the performance of an RDO/C-assisted organization on the basis of what that organization delivers, how effectively it carries out its functions, and how much its services cost. Given a future characterized by limited RDO/C resources, an institutional strategy which focusses on sustainability-- and gives balanced attention to project and program impacts at the firm level-- seems more appropriate than one which puts institutional development ahead of service delivery.

2. Role of the Private Sector in Strategy Formulation

The Update states that the strategy will enhance the capacities of the private sector to influence the allocation of public sector investment and that RDO/C itself will respond flexibly to the private sector's changing needs. The Update contains an explicit disavowal of the Mission's intent to direct a private sector growth strategy:

> "For RDO/C to establish a blueprint for private sector growth, complete with production targets, would be to fall into the same trap which USAID worldwide is trying to convince LDC governments to avoid."

The Small Enterprise Assistance project is "to provide a structure that allows for greater private sector input to and control over donor resources directed to the private sector." The SEA project is to play linking, promoting, and supporting roles for other USAID projects, such as CFSC, IPIP, IPED, the Regional Management Training Pilot Project, the OAS Non-Formal Skills Training Project, and HIAMP.

All this sounds as if RDO/C is about to take, or at least strongly consider, the advice of the business community concerning the content and direction of its Private Sector Program. However, it is by no means clear in the Update that

RDO/C intended to forego a directive approach where its institutional goals or other important interests are at stake:

> Given the scope of the SEA project, the socio-political fragmentation issues it must address and the role the project structure plays as the cornerstone of our strategy to strengthen the private sector, we plan to take the necessary time to achieve **our** institutional objectives and not sacrifice them in undue haste for rapid impact at the firm level. [p. 11, emphasis supplied]

From the perspective of an outsider, the Private Sector Strategy Update sends out mixed messages concerning the role of business community in the formulation and execution of the Mission's private sector program. Did the Update signal RDO/C's serious intent to open up its process of making basic decisions concerning its Private Sector program? Would the Mission really consider modifying its basic program strategy, its project designs, or its resource allocation decisions along lines advocated by the business community? Did the Update instead underline the Mission's intent to orchestrate its own holistic vision of a better socioeconomic structure for the business community? A year later, the answers to these questions are still not clear. What does seem clear is that the Mission's process of interaction with the business community requires better definition. If RDO/C's private sector strategy document is to serve as a guide to practical action, the Mission should identify the areas in which it is open to change on the basis of responsible advice from the business community along with those areas which are not subject to dialogue.

3. Sociopolitical Structure of the Business Community

The Strategy Update treats an institutional accomplishment (the formation of National Coordinating Committees) as tantamount to, or at least on the critical path to, the achievement of a social and political objective (reduction of fragmentation within the business community). But the formation of new institutions are by no means a requisite to such changes in Caribbean microstates. There are at least five areas be in which the business community conceivably could make progress within the existing institutional structure. These include:

(1) Increased contributions of time, money, and/or assistance by established businessmen to organizations which serve small and microbusinesses.

(2) Effective alliances among businessmen and business organizations of all types to support changes in laws, regulations, and government practices affecting the business community.

(3) Greater equality in opportunities for business success among talented persons in all socioeconomic groups.

(4) Utilization of increased success and prosperity among smaller businesses as a basis for more effective representation of their interests.

(5) Assuring equitable decisions concerning the distribution of project resources financed by USAID.

There are some indications that the effort to establish National Coordinating Committees has bolstered an awareness within the business community of the need for progress in these areas, even though support for the NCC format itself did not materialize. RDO/C might well wish to solicit the views of the business leaders concerning methods which they believe best suited to achieving the kinds of socio-economic progress which RDO/C wishes to encourage and which is at the same time consistent with service delivery objectives.

V. CONCLUSION AND RECOMMENDATIONS

Innovation has been a distinguishing feature of the Private Sector Office Portfolio and of the Mission's Private Sector Program. Project designs and program strategies have been characterized by boldness, imagination, and an apparent confidence that major constraints to development in the Eastern Caribbean can be overcome. The Mission has been willing to take risks in backing new project concepts that many other development institutions normally would eschew. An amalgam of success, failure, and mixed results with its private sector projects has established RDO/C's "comparative advantage" as an innovator in the field of private enterprise development projects.

A Mission can most easily accept the downside risks associated with innovation when resources are plentiful. However, RDO/C is facing significantly reduced levels of funding for the next year and perhaps for some time to come. A central strategic question for the future is, "How can the Mission take advantage of its comparative advantage in innovation during a period of limited funding-- without placing its entire program in jeopardy through the possibility of a serious failure?"

In our view, the basic themes of a realistic strategy for the future should be those of **attainability** and **sustainability**. The strategy should focus on identification of achievable objectives, given the resources available, the capabilities and motivations of the people and organizations implementing the program, and the difficulties they face. As we see it, sustainability represents an anticipated outcome of energetic leadership and of an organizational track record of practical achievement.

We propose three basic guidelines for a forward-looking private sector strategy:

> **First, RDO/C should develop close working relationships with key managers of implementing organizations on the basis of realistic mutual commitments to performance.**

The performance of most Eastern Caribbean organizations is heavily influenced by the motivations and abilities of one or two key people at the top. A realistic strategy should focus on selecting, motivating, and supporting competent managers. RDO/C should take into account the strengths, limitations, and personal objectives of key managers of its implementing organizations as it deals with these organizations. Where necessary, the Mission should be prepared to adjust its own targets in order to present managers of implementing organizations with challenging but realistic goals. An astutely conceived and executed people-focussed strategy is more likely to succeed and is thus basically safer than one which imposes ambitious requirements on implementing organizations that these organizations cannot carry out.

Evaluation evidence strongly suggests that the unrealistic targets established in PSO project documents together with frequently changing signals concerning ongoing RDO/C expectations have had a debilitating effect on management discipline and have created an atmosphere of disillusionment and cynicism concerning the Mission's leadership. A more suitable strategy would provide implementing organizations and their leaders appropriate performance standards, stable objectives, and a reasonable amount of time in which to achieve them. Implementors then should be judged objectively on the basis of results. To the extent possible, successful performers should be given access to additional resources, while the resources available to less successful performers should be curtailed. By establishing and reinforcing reasonable standards of managerial success, the Mission can move its funds resources toward those projects whose achievements hold out the best prospects for sustainability, limit its commitments to projects likely to become perennially dependent on RDO/C, and, ideally, free up some funds for continued experimentation.

Second, the Mission should anticipate a cycle of growth and maturation in individual private sector projects as well as in its Private Sector portfolio as a whole.

RDO/C has designed some very complicated private sector projects from which it has expected rapid results. Implementing organizations have been required to accomplish a multiplicity of project objectives, handle a number of target groups, and become proficient in diverse areas of substantive expertise almost instantly. Project designs seemingly did not take into account the need for learning curves, or orderly patterns of growth. In the future, such projects should start with basic elements, and then add complexities as management demonstrates success. Where possible, existing projects should be simplified or streamlined.

RDO/C should maintain a portfolio which balances untested, innovative projects with those that have established successful track records. Given the prospects for future funding, the Mission's portfolio presently may be overbalanced on the side of untested projects: ECIPS, the non-NDF portions of SEA project, and perhaps HIAMP fit into this category, while only CFSC and NDF assistance represent clients in the current PSO portfolio which have demonstrated significant success. Successful projects should be supported, publicized, and examined for characteristics which can be emulated. Projects whose track records are less well established should be reexamined as soon as it is reasonable to make a fair judgement on their performance.

Within its portfolio, RDO/C also should maintain balance between equity and growth objectives, and, to the extent possible, among various measures of growth (e.g., in jobs, exports, productivity and the like). In fact, individual objectives often can be identified with particular target groups or particular types of projects. Microbusiness support fits equity objectives well. Objectives of expanding non-traditional exports strongly point to assisting medium and large businesses in the Caribbean, which have potential capabilities to serve external markets beyond the reach of most small businesses. Assembly, cut-and-sew, and other "enclave" industries linked to foreign firms by investment or subcontracts have demonstrated the greatest potentials for rapid employment creation.

The evaluations conducted by LBII showed no particular correlation between project success and the socioeconomic status of primary target groups. The moderately-upscale CFSC project (aimed at ventures with near-commercial prospects for financing) and the clearly down-scale NDF assistance projects (aimed at microbusinesses) both were successes, whereas IPIP substantially failed to reach its intended (upscale) foreign investor target group. Likewise, the evaluations do not support the proposition that any major private sector target group within the Eastern Caribbean cannot be served by a properly designed development project or cannot contribute some important development objective. What does emerge from the evaluations is a warning about attempting to load a single project with too many objectives and/or to many target groups.

Portfolio balance may be achieved through investment in several projects tailored to the needs of individual target groups. If a single project is to be given several target groups to serve or several objectives to accomplish, prudence requires the establishment of clear priorities in serving these groups.

Given the current state of knowledge and experience, it is conceivable that a wise course for the Mission to follow would be to sustain at least a minimum package of services for each of the business target groups which its program has currently undertaken to serve. As experience accumulates and as the portfolio matures, it may be possible to determine that some target groups can be more effectively served by PSO projects than others or that the development impacts being achieved by some projects merit special emphasis on these projects. It is also conceivable that the final judgement on the portfolio and the program will be that its performance reflected little more than the extent of which the various elements of the Caribbean business community ultimately became actively involved in and committed to individual project activities.

> Third, the Mission needs to obtain much improved information on what is happening to its private sector target groups through direct contacts with them and through the installation of improved project monitoring systems. Significant and continuing doses of grass roots reality are in order.

Effective execution of a performance-oriented Private Sector program requires first-hand knowledge of business conditions and of how RDO/C projects are affecting those whom they are intended to serve. It is critically important for the Mission, and for the staff of its Private Sector Office in particular, to have regular direct contacts with individual firms and entrepreneurs in the Caribbean private sector. Mission routine tends to focus Project Officers' efforts almost exclusively on implementing agencies, and on Mission and Washington administrative requirements. PSO ends up dealing with its main target groups almost exclusively through intermediaries. The ability of the Mission to set realistic targets and make timely adjustments in its program could be much enhanced if Mission personnel were to carry out periodic visits to businesses in the Eastern Caribbean. Such visits could and should be undertaken as part of a monitoring effort designed to document and validate successful interventions and to test the reliability of project data provided by implementing organizations.

RDO/C also should improve its communications with business leaders. The success of the CFSC project underlines the importance of collaboration with the leadership of the business community in the design and implementation of projects which can benefit from their knowledge and support. It is realistic to expect that such persons will have different priorities, perspectives, and operating styles than RDO/C officials-- and that conducting a dialogue will at times prove to be quite difficult. However, direct interaction with business leaders is essential to a healthy RDO/C Private Sector Program.

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In the past, program strategies and project designs assumed a capacity to change conditions in the Eastern Caribbean which the Mission simply did not have. These strategies and designs postulated a degree of control over the environment which in fact existed only on paper. Inflated targets, overly complicated projects, and day-to-day confusion among persons responsible for project implementation were by-products of this fundamental error. Habits of thinking and behavior formed during a period which favored grand designs and complex implementation techniques are now ripe for change.

A simpler and more modest approach to a private sector strategy in a year of retrenchment focuses attention on performance and sustainability. To the extent feasible, such a strategy would give each existing RDO/C implementing organization serving a significant business constituency a chance to demonstrate that it can serve that constituency well enough to sustain its functions given reductions in RDO/C funding. If the implementing organization does well-- and additional funding is available-- it should have a claim on Mission support for an expanded range of services. If project management does not do well, available funding should be transferred either to other existing claimants or to new organizations or activities. Such a strategy shifts the focus from the structure of the economies and societies of the Eastern Caribbean states to the energies and competence of implementors. It seeks to identify, nurture, and reward successful management. The recommended strategic approach is not a very sophisticated one, but it seems well suited to current realities.

APPENDIX

PROGRAM AND PROJECT ASSESSMENT

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LIST OF TERMS AND ABBREVIATIONS

ADL	Arthur D. Little, Inc.
AID	United States Agency for International Development
BDS	Barbados Dollars
CAIC	Caribbean Association of Industry & Commerce
CDB	Caribbean Development Bank
CIC	Caribbean Investment Corporation
C&L	Coopers & Lybrand
CCCU I	Caribbean Credit Union Development I Project
CCCU II	Caribbean Credit Union Development II Project
CFSC	Caribbean Financial Services Corporation
CMAP	Caribbean Marketing Assistance Project
CPDF	Caribbean Project Development Facility
DFC	Development Finance Corporation
ECIPS	Eastern Caribbean Investment Promotion Service
EIP II	Employment Investment Promotion II
HIAMP	High Impact Agricultural Marketing and Production
HRD	Human Resource Development
IPIP	Infrastructure for Productive Investment Project
LAAD	Latin American Agribusiness Development Corporation
LBII	Louis Berger International, Inc.
LDC	Lesser Developed Country
MDC	Moderately Developed Country
NCC	National Coordinating Committee
NDF	National Development Foundation
OECS	Organization of Eastern Caribbean States
PDAP	Project Development Assistance Program
PRE/USAID	Private Enterprise Development Bureau/United States Agency for International Development
PSIAP	Private Sector Investment Assistance Project
PSO	Private Sector Office, RDO/C
RDO/C	Regional Development Office/Caribbean (USAID Mission)
SEAP	Small Enterprise Assistance Project
SRI	Stanford Research Institute
WID	Women In Development, Ltd.

All currencies are expressed in US dollars unless otherwise noted. Approximate exchange rates used:

EC $2.70 = US$1.00
BDS$2.00 = US$1.00

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FINAL EVALUATION REPORT

I. INTRODUCTION

This program report annex is submitted under Contract Number 538-0119-C-00-6027 between the Agency for International Development (RDO/C) and Louis Berger International, Inc. (LBII). Under this contract LBII is carrying out evaluations of projects in the portfolio of RDO/C's Private Sector Office (PSO) and of PSO's program as a whole. LBII is also designing a project monitoring system for PSO and contributing to redesigns of private sector projects.

The Contract Scope of Work calls for two program reports, summarizing the results of evaluations carried out in each fiscal year. It provides that:

> "Each Report will incorporate an analysis of the aggregate results of Project Evaluations and their implications for overall program performance."

This report is the second of the two reports required. It encompasses project evaluations carried out in FY 1987 and FY 1988 as follows:

Project	Number	Report Date
SINGLE PROJECT EVALUATION:		FINAL REPORT
Private Sector Investment Assistance (CAIC)	538-0043	June, 1987
AGRIBUSINESS CLUSTER EVALUATION:		FINAL REPORT
Regional Agribusiness Development (CDB, 007)	538-T-007	June, 1987
Agribusiness Expansion Project (LAAD, 057)	538-0057	June, 1987
FINANCIAL CLUSTER EVALUATION:		FINAL REPORT
Caribbean Financial Services Corporation (CFSC)	538-0084	January, 1988
Infrastructure for Productive Investment (IPIP)	538-0088	January, 1988

Employment Investment Promotion II (EIP II)	538-W-012 538-0018	September, 1987
Caribbean Project Development Facility (CPDF)	538-0060	September, 1987
SINGLE PROJECT EVALUATION:		FINAL REPORT
Project Development Assistance (PDAP) (IPED)	538-0042 538-0119	January, 1988
SMALL ENTERPRISE CLUSTER EVALUATION:		FINAL REPORT
Dominica Small Enterprise Development Project	538-0079	January, 1988
Caribbean Marketing Assistance Project (CIMAP)	538-0102	January, 1988
Small Enterprise Assistance Project (SEA)	538-0133	January, 1988
Caribbean Credit Union Development I Project (CCCUI)	538-0035	January, 1988*
Caribbean Credit Union Development II Project (CCCUII)	538-0135	January, 1988*

This second program report annex is organized in three sections in addition to the present Introduction. Section II provides an overview of program performance. Section III summarizes the principal lessons learned from individual project evaluations. Section IV provides a detailed explanation of the methodology and quantitative data on which the present report is based.

* LBII first participated in a formal evaluation of CCCU in December 1986 which was conducted by another contractor. Since the 1986 evaluation was more concerned with the effects of USAID assistance than it was with the effectiveness of individual credit unions in supporting micro/small business, the latter question was addressed as part of the Small Enterprise Cluster Evaluation completed in December 1987.

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II. PROGRAM OVERVIEW

A. INTRODUCTION

This Program Overview consists of five subsections. Subsection B provides a summary of the program goals and implementing functions represented by the projects in the portfolio of RDO/C's Private Sector Office. Subsection C contains a program-related project analysis. Subsection D identifies and discusses the principal problems experienced by the portfolio. Subsection E presents conclusions.

B. PROGRAM FRAMEWORK

The projects in the Private Sector Office portfolio were designed individually, not as functionally related components of an integrated program. Although job creation was a serious concern of many projects in their early years, no single objective or goal in fact tied the program together. From time to time, the Mission has articulated program approaches and strategies which sought to embrace some or all of the PSO projects (and often other Mission projects as well)-- but these have been mostly conceptual. In recent years, the Private Sector Office has selected and reported on program monitoring indicators as part of RDO/C's Annual Action Plan process. However, at no time has a comprehensive framework been established to tie PSO projects into a formal PSO program structure.

For purposes of integrating the results of project and program evaluations, LBII retroactively created a program framework which can be applied to the projects in the Private Sector Office portfolio. This framework emerged from a comparative analysis of project design documents and budgetary information. The framework represents a condensation of approaches contained in two earlier LBII work products: a " Generic Scope of Work" (which established a standardized functional framework for evaluating PSO activities) and a Project Monitoring System Report (which placed information on project costs and effectiveness in a consistent program format). As described below, the program framework consists of three program goals (ends) and five implementing functions (means).

1. Program Goals

An analysis of RDO/C's project documentation indicates that three program goals have animated the Private Sector Office portfolio.

They are:

(a) To increase the contributions of privately owned business establishments to the economies of seven Eastern Caribbean countries (economic development goal).

(b) To improve the climate for private investment and expanded international trade in these countries (policy goal).

(c) To increase the capacities, efficiency, and sustainability of institutions serving the private sector in these countries (institutional goal).

The first goal, which represents the most fundamental program objective, is economic. Economic impacts envisioned include increased production, productivity, employment, exports, national income, and living standards. In the early years of the portfolio development there was a very heavy emphasis on employment. Presumably this emphasis reflected both concern with political stability and USAID's mandate to serve the poor. Later, attention shifted to improvement of balance of payments and to exports.

The second goal seeks change in public and governmental attitudes toward the private sector in order to improve the policy environment. To the same end, it aims at altering attitudes and behavior within the private sector itself. This second program goal is largely instrumental. An improved climate for private investment and international trade should result in expanded economic activity by removing disincentives and stimulating initiative.

The third goal is to enhance the capabilities of organizations which RDO/C has selected as delivery mechanisms for its private sector assistance activities. This third goal is almost entirely instrumental. It is concerned with the vitality of the institutional infrastructure needed to achieve the first two goals.

Since the second and third goals are really designed to support the first goal, they should ultimately merge into a single thrust toward expanded economic activity. In the short run, however, they are quite distinct and distinguishable.

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2. Implementing Functions

Five implementing functions have been identified as the principal means for achieving program goals:

(a) Credit and Finance

(b) Training and Technical Assistance

(c) Investment Promotion and Project Development

(d) Private Sector Role Enhancement and Policy Advocacy

(e) Staff Development and Financial Support of Implementing Organizations

The first three functions support the economic goal of the project (e.g., increased production, investment, employment, and exports) by raising the levels of activity and competence of individual firms. The fourth implementing function supports the program's policy goal through advocacy of changes in legislation and government procedures, by sensitizing the business community to its public responsibilities, and by communicating business viewpoints to a wide range of audiences. The fifth function provides training, equipment, facilities and overhead support to RDO/C's implementing organizations, in support of the program's institutional development goal.

C. PROGRAM-RELATED PROJECT ANALYSIS

This Subsection first lists and classifies PSO projects by program goal and function. It then provides a summary of project rankings employing ranking criteria derived from the "Generic Scope of Work." It then presents a classification of projects on a risk/innovation scale.

1. Program Goals and Functions of PSO Projects

This report focuses on a group of projects for which the RDO/C's Private Sector Office and its predecessors had full or partial responsibility during the 1980's. The projects, together with the goals and functions that relate them to the program framework described in the previous subsection, are as follows:

PROJECT	PRIMARY PROGRAM GOALS	PRIMARY PROGRAM FUNCTIONS
Regional Agribusiness Development (CDB) (538-T-007)	1. ECONOMIC	1. FINANCE
Agribusiness Expansion (LAAD) (538-0057)	1. ECONOMIC	1. FINANCE
Employment Investment Promotion II (538-W-012,538-0018)	1. ECONOMIC	1. FINANCE
Project Development Assistance I, II, III (538-0042,538-0119*)	1. ECONOMIC 2. POLICY 3. INSTITUTIONAL	1. INVEST. PROM. 2. INSTIT. DEV.
Caribbean Credit Union Development I, II (538-0035,538-135)	1. INSTITUTIONAL	1. INSTIT. DEV. 2. T.A./TRAINING
Private Sector Investment Assistance (CAIC) (538-0043**)	1. POLICY 2. ECONOMIC 3. INSTITUTIONAL	1. POLICY ADVOC. 2. INVEST. PROM. 3. T.A./TRAINING 4. INSTIT. DEV.
Caribbean Project Development Facility (538-0060)	1. ECONOMIC	1. INVEST. PROM./ PROJECT DEV.
Dominica Small Enterprise Development (538-0079)	1. ECONOMIC	1. FINANCE 2. T.A./TRAINING
Caribbean Financial Services Corporation (538-0084)	1. ECONOMIC 2. INSTITUTIONAL	1. FINANCE
Infrastructure for Productive Investment (538-0088,538-0119*)	1. ECONOMIC	1. FINANCE

PROJECT	PRIMARY PROGRAM GOALS	PRIMARY PROGRAM FUNCTIONS
Caribbean Marketing Assistance (538-0102)	1. ECONOMIC 2. INSTITUTIONAL	1. T.A./TRAINING 2. INSTIT. DEV.
National Development Foundation Assistance (538-0136)	1. INSTITUTIONAL 2. ECONOMIC	1. FINANCE 2. INSTIT. DEV. 3. T.A./TRAINING
Small Enterprise Assistance (538-0133)	1. INSTITUTIONAL 2. ECONOMIC	1. FINANCE 2. INSTIT. DEV. 3. T.A./TRAINING

* Funding from the Investment Promotion and Export Development Project, Number 538-0119

** Merged into the Small Enterprise Assistance Project in July of 1987.

The program analysis contained in this report (and particularly the data on disbursements) covers the period from January 1, 1980 through July 31, 1987. Although the Regional Agribusiness Project was formally undertaken in 1979 and Emplcyment Investment Promotion also started in 1979, disbursements did not actually start to be approved on any significant scale until 1980. In a few instances some expenditures were approved towards the end of 1979, but were not actually disbursed until 1980.

2. Summary Project Rankings

A summary project ranking has been prepared by combining the results of two separate assessments. The first is based on an application of LBII's "Generic Scope of Work" (which established a standardized functional framework for evaluating PSO project activities). The second assessment utilizes the four AID evaluation criteria of impact, relevance, efficiency, and sustainability as a basis for ranking. A detailed description of the methodology is contained in Section IV of this report. The summary project rankings are as follows:

PROJECT	REFERENCE	RANK
Caribbean Financial Services Corporation	538-0084	1
National Development Foundation Assistance/ Dominica SED/SEA (NDF Component Only)	538-0136, 538-079, 538-0133	2
Caribbean Project Development Facility	538-0060	3
Employment Investment Promotion II	538-W-012, 538-0018	4
Private Sector Investment Assistance (CAIC)	538-0043	5
Caribbean Credit Union Development I/II Projects	538-035/0135	6*
Project Development Assistance I, II, III	538-0042, 538-0119*	7
Small Enterprise Assistance Project (non-NDF components only)	538-0133	8

*This ranking primarily reflects an assessment of the performance of individual credit unions in supporting micro/small businesses rather than the effects of AID assistance as such.

Caribbean Marketing Assistance Project (CMAP)	538-0102	9
Regional Agribusiness Development (LAAD)	538-T-007	10
Agribusiness Expansion (CDB)	538-0057	11
Infrastructure for Productive Investment	538-0088, 538-0119	12

The methodology used to establish these rankings is discussed in Section IV of this report. Brief summaries of each project evaluation are contained in Section III.

3. Innovation and Sustainability

The portfolio has run the gamut from rather conventional to highly innovative projects. A classification of the these projects is presented in the following tabulation.

PROJECT	RANK	TOTAL DISBURSEMENTS (As of 7/31/87)	TYPE
GROUP I: HIGHLY INNOVATIVE PROJECTS			
Private Sector Investment Assistance (CAIC) (538-0043)	5	$3,300,000	GRANT
Infrastructure for Productive Investment (538-0088,538-0119)	12	$1,700,612	LOAN/ GRANT
Small Enterprise Project (non-NDF components) (538-0133)	8	$993,284	GRANT
Caribbean Marketing Assistance Project (538-0102)	9	$351,481	GRANT
TOTAL GROUP I: A. GRANTS:AMOUNT AND %		$5,010,547	79%
B. LOANS:AMOUNT AND %		$1,334,830	21%

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GROUP II: MODERATELY INNOVATIVE PROJECTS			
Caribbean Financial Services Corporation (538-0084)	1	$4,080,634	LOAN/ GRANT
National Foundation Assistance/Dominica SED/ SEA (NDF component) (538-0136/079/0133)	2	$2,378,837	GRANT
Caribbean Project Development Facility (538-0060)	3	$1,376,461	GRANT
Project Development Assistance I, II, III (538-0042,538-0119)	7	$13,395,972	GRANT
TOTAL GROUP II: A. GRANTS:AMOUNT AND %		$17,186,924	81%
B. LOANS: AMOUNT AND %		$4,045,000	19%

PROJECT	RANK	TOTAL DISBURSEMENTS (As of 7/31/87)	TYPE
GROUP III: LARGELY CONVENTIONAL PROJECTS			
Employment Investment Promotion II (538-W-012,538-0018)	4	$8,105,093	LOAN/ GRANT
Caribbean Credit Union Development I, II (538-035,538-0135)	6	$1,808,417	GRANT
Agribusiness Expansion (LAAD) (538-T-057)	10	$5,522,635	LOAN
Regional Agribusiness Development (CDB) (538-007)	11	$6,749,000	LOAN/ GRANT
TOTAL GROUP III: A. GRANTS:AMOUNT AND %		$3,631,358	16%
B. LOANS: AMOUNT AND %		$18,553,787	84%

TOTAL ALL GROUPS:	A. GRANTS: AMOUNT AND %	$25,828,829	52.0%
	B. LOANS: AMOUNT AND %	$23,933,617	48.0%

Viewed retrospectively, the portfolio appears to have a reasonable aggregate balance, considering the trade-offs between innovative and conventional design. Considered as groups, the more innovative projects place heavier reliance on grant funding than do the more conventional projects. The analysis fits the mold of a profit-versus-risk portfolio analysis. Though there are very notable exceptions, innovative grant-funded projects strive for high impact and for breakthroughs often at the risk of creating dependencies. Loan funded projects are those which are more likely to be associated with sustainability, but may produce distinctly less exciting results.

It should be noted that all the projects shown in the "Largely Conventional" category now have come to an end. Of PSO's ongoing projects, only CFSC is principally loan-oriented. Ironically, the balance has shifted strongly toward grant funding at a time when sustainability issues are growing in importance.

4. Analysis of Linkages among Projects

From time to time, the Mission has articulated program approaches based in substantial measure on identifying ostensible linkages among PSO projects. While the effort has been largely theoretical, some significant operational relationships among subgroups of PSO projects do in fact exist.

Close working relationships developed between the industrial estate portion of the EIP II Project (538-0018) and the investment promotion portion of PDAP (538-0042, 538-0019). EIP II financed industrial estates operated by Industrial Development Corporations with which the PDAP contractor had important relationships. Expansion and occupancy of these estates served the mutual interests of both implementing agencies. Close working relationships did not develop between the industrial estate activities of IPIP (538-0088) and PDAP despite the initial expectation that PDAP would be a "marketing arm" for the IPIP project. IPIP was premised on expectations that government-run industrial estates would raise their rates to cover costs, that they would not be able to meet the demand for space, and that overseas investors would step in to fill the gap. When these expectations were not fulfilled, the IPIP-PDAP linkage became untenable.

The Caribbean Financial Services Corporation (538-0084) financed a number of projects put together with the assistance of the Caribbean Project Development Facility (538-0060). As in the case of EIP II and PDAP, the two projects have complemented each other and their managers have worked together in the best interests of each.

A relationship between policy advocacy and regional training functions (PSIAP, Project 538-0043) and small enterprise assistance functions (538-0133) arose from co-location of these functions within the Caribbean Association of Industry and Commerce (CAIC), and eventually from the merger of the two projects.

CAIC (538-0043, 538-0133) and CFSC (538-0084) are related by interlocking board memberships, but no substantial functional linkages between the projects of the two organizations are evident.

5. Employment Created

Table IV at the end of Section IV of this report provides estimates of jobs created by the projects in the PSO portfolio along with associated project disbursements per job. Since new employment has been a common objective of many projects and is associated with increasing economic activity, it can be used as one surrogate for project impact. Employment outcomes in the OECS for key projects may be summarized as follows.

UP

Project	Estimated Jobs Created	Disbursement "Cost" per Job
PDAP	2,736[1]	$4,896
EIP II	1,956[1]	$2,155
CFSC	444	$9,191
SEA	373[2]	$6,377[2]
CCCUI/II	38(2)	$27,887(2)
CPDF	179	$3,174
IPIP	150	$11,337
LAAD 057	126	$8,238
CDB 007	118	$27,220

For those projects in the portfolio for which job estimates can be estimated, the total number of jobs created was 6,120. Disbursements associated with these jobs were $36,279,667. Average disbursements per job were $5,928. As noted in the following subsection, the disbursement "costs" shown do not represent the total cost of job creation. Comparisons between projects should be made with considerable caution because (1) the projects ran for different lengths of time, (2) projects involving substantial investments may be capital intensive and thus may not show up well, and (3) the quality and tenure of employment in capital intensive projects may be better than those that are less capital intensive.

D. PRINCIPAL PROBLEMS

This subsection deals with four problems which have been characteristic of the program as a whole: (1) overcommitment of funds; (2) unimpressive economic impact; and (3) goal dichotomies and (4) functional overload. These problems are addressed in turn below.

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[1] This total is less than the total provided in the PDAP evaluation. In order to avoid "double counting" a total of 618 jobs that were included in both the PDAP and EIP II evaluations were, instead, divided evenly between the two projects. Therefore, both projects ended up with 309 less jobs created then originally reported.

[2] No estimates for "jobs created" were provided in the SEA cluster evaluation. Still , "guestimates" were derived from the information provided on "jobs affected". Specifically, it was assumed that 15% of the "jobs affected" were "jobs created".

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1. Overcommitment of Funds

Considering the portfolio as a whole, planned expenditures for pertinent projects for the period January 1, 1980 - July 31, 1987 were on the order of $75,000,000 . Actual disbursements for planned purposes were about $50,000,000. In addition, about $2.4 million of the funds of the Regional Agribusiness Development Project (originally intended to finance food processing, marketing, and other agribusiness projects) were instead channelled into activities not consistent with the original intent of the project-- small farmer loans.

If the original spending targets are taken seriously, the overall pattern suggests some combination of (1) limitation in the capacity of the private sector target group in the Eastern Caribbean to absorb project services; (2) pervasive errors in project design, and/or (3) poor management.

Table I presents a comparison between planned and actual expenditures. Four projects which together accounted for close to $23 million not expended for planned purposes, throw considerable light on the spending shortfall issue:

PROJECT	SHORTFALL
Infrastructure for Productive Investment	$10,700,000
Caribbean Financial Services Corporation	$ 6,800,000
Small Enterprise Assistance Project	$ 2,850,000
Regional Agribusiness Development	$ 2,400,000*
Four Project Shortfall:	$22,750,000

* This amount was disbursed for purposes of small farmer loans, an objective not envisioned in the project design.

The implications of these shortfalls have been quite different from project to project. The design of the Infrastructure for Productive Investment Project (IPIP) was completed without a proper market study to test the adequacy of demand. The project was terminated in large part because the anticipated demand did not materialize.

A study carried out in connection with the design of the Caribbean Financial Services Corporation Project warned that CFSC would not be able to market discounting and other services to the commercial banking community unless exchange rate risk problems could be overcome. These problems and changes in the commercial bank requirements for liquidity foreclosed an anticipated special market, while CFCS's direct lending activities proceeded ahead of schedule.

The evaluation of the Small Enterprise Assistance Project has not been completed and it is too early judge the causes and implications of the shortfall.

As in the case of CFSC, the designers of the Regional Agribusiness Development Project probably knew that it would be very difficult for the project to absorb the level of resources allotted to it.

The spending shortfall is in some respects unique to the situation which prevailed in the Caribbean in the early 1980's. However, the same influences operate in other situations in which rapid implementation of high-impact programs is mandated. Such imperatives aside, however, the USAID project design system itself tends to encourage very optimistic projections in project design documents. As Missions compete for scarce resources, there are inevitable pressures to present funding proposals in their best light.

2. Unimpressive Economic Impact

The most generally available data on the development impact of the portfolio is that pertaining to employment. As noted earlier, projects for which such data is available have disbursed slightly over $36 million in the OECS states during the 1980's. Some 6,100 jobs have been created in the OECS, an average disbursement cost of about $5,900 per job. Those projects which rely primarily on loans helped to create about 2,800 jobs with disbursements of about $5,100 per job. Projects relying primarily on grants helped to create about 3.300 jobs involving average disbursements of $6,600 per job.

The term "helped to create" is used advisedly, since job creation requires public and private expenditures other than those made by USAID-assisted projects. A classic case is that of investment promotion. In addition to the kinds of private investment services provided by PDAP (Project Development Assistance Project) and ECIPS (Eastern Caribbean Investment Promotion Services), each government may provide funds for an industrial development corporation, industrial estates, additional loads on public infrastructure resulting from private investment, security

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services, and the like. Foreign or domestic sources must provide investment in inventories and often in equipment and some facilities as well. Overall, it is estimated that such expenditures raise the costs of job creation to two to three times the estimated disbursements for the PSO portfolio. Thus the total average cost per job is estimated at around $13,300 (see Section IV for more details). Given the fact that many of the jobs created were in industries such as garments and electronic assembly that have relatively low investment requirements, the cost performance of the portfolio as a whole in the area of job creation appears undistinguished.

3. Goal Dichotomies

Individual PSO projects and the program as a whole have been affected by important goal-level dichotomies. Such dichotomies are familiar characteristics of the programs of public and private organizations, large and small. Defining these issues at the program-goal level provides a perspective on project results as well as on the underlying structure of the PSO portfolio.

The familiar choice between growth and equity objectives has affected the pursuit of the economic development goal. It is unrealistic to expect that any single development project can optimize growth and equity objectives simultaneously. Yet some solid successes by CFSC (Performance Ranking 1), CPDF (Performance Ranking 2), and CAIC-PSIAP (Performance Ranking 4) have been clouded by concern within the Mission that these projects have achieved results in close association with a wealthy and influential business leadership group (while USAID's mandated target group is the poorest of the poor). Conversely, serious doubts have been expressed concerning the contributions to national and regional economic growth of microbusinesses and small businesses-- and concerning the ultimate self-sufficiency of the USAID-funded implementing organizations which provide support to these businesses. Where project design imperatives mandate the graduation to commercial sources of target group members who become able to pay market rates for loans and technical assistance, insistence that the implementing organization meet commercial standards of self-sufficiency can defeat equity objectives.

The PSO portfolio combines project activities which have high leverage strategies (such as investment and export promotion, which seek to affect major business decisions and commitments at the margin) with projects reflecting low leverage strategies (such as providing training and technical assistance to individual businessmen.) Projects relying on high leverage pose attribution problems. It is often difficult to determine whether they contribute the winning margin or ride free on the efforts of others. The impacts of low leverage strategies are less dramatic but generally pose fewer attribution problems.

At the policy goal level, RDO/C has given primary emphasis to measures which support expansion of exports to industrialized countries outside the Caribbean region, while the Caribbean business community focuses on reducing barriers to regional trade. Support for policy advocacy holds out the possibility of very substantial impact for a relatively small investment, since (1) it seeks to transform the environment in ways that will encourage independent investment and initiative and (2) it seeks to leverage efforts made by others to bring about change. However, since many factors influence the formation of national and regional laws and regulations, the problem of attributing change to USAID-assisted policy advocacy is very significant. Like investment promotion (a high leverage strategy applied to achieving economic objectives), policy advocacy could represent the small increment which tipped the balance and won the day, but such circumstances are difficult to identify either before or after the fact.

The pursuit of institutional goals has been complicated by a fundamental mismatch between the institutional development objective of the program (encouraging the independence and self-sufficiency of implementing organizations), on the one hand, and RDO/C's administrative responsibility as a key link in the chain of accountability and control of U.S. Government funds and project assistance, on the other. These two objectives of self-sufficiency and control can be brought into reasonable balance, but they cannot be optimized simultaneously. RDO/C has used regional business and cooperative associations, profit-making project financing institutions, consulting firms, and institutions controlled by the public sector as implementing organizations.

There have been a number of problems in the relationships between RDO/C and those implementing regional associations (e.g., CAIC and CCCU) which have strong and independent leadership and/or alternative sources of funds. Although the pattern of USAID funding clearly has been very important to both implementing associations, sustainability issues have not been squarely and collaboratively addressed.

Profit-making financial services organizations implementing USAID Caribbean programs (e.g., CFSC and LAAD) generally have sought to maintain good relations with RDO/C, even in the face of some significant difficulties. On the other hand, they have not permitted themselves to be "micro-managed" by RDO/C. Instead, they have quietly and firmly pursued internally established business policies designed to assure their continuity and survival.

Where RDO/C has used consulting firms as implementing organizations (PDAP and HIAMP), the highest degree of flexibility and responsiveness to RDO/C guidance and instructions appears to have been achieved. In the case of PDAP, this flexibility was accompanied by relatively high costs and shared responsibility for some unsatisfactory results in the early years of the program. Institutional successors to the consulting firm were not identified until the eleventh hour and equipping successor institutions to perform the functions of the consulting firm were delayed too long.

Publicly owned institutions tend to survive, even though the project functions which they implement may atrophy when outside funding stops. The Caribbean Development Bank undertook no new private sector agribusiness loan activities when the funding from the RDO/C's Regional Agribusiness Project were exhausted. CDB reduced its level of financing of small and medium-sized businesses through national Development Finance Corporations when EIP II was completed. It has continued to finance Industrial Estates as it did before EIP II. With the termination of the Infrastructure for Productive Investment Project, the Eastern Caribbean Central Bank is most unlikely to continue its financing of privately owned industrial estates and buildings through the commercial banking system in the Eastern Caribbean. Overall, the viability of the implementing institutions was not seriously affected by the project.

4. Functional Overload

The PSO portfolio has included some very complex projects, notably PSIAP (CAIC), PDAP, and SEA, each of them innovative in intent and heavily grant funded. PSIAP funded a multiplicity of activities (organizational revitalization, policy conferences and papers, training, technical assistance, public information, local affiliate development, programs for adolescents aspiring to business careers, and a computerized information network to communicate investment and marketing opportunities.) PDAP started as a very flexible instrument for project development, then focussed narrowly on direct investment promotion, then balanced its efforts between investment promotion and institution-building. All the while, it served as a kind of informal surrogate field establishment for the Mission in the OECS states. The SEA project has undertaken not only to serve micro and small businesses in the OECS, but also to assist medium-scale business,

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to unify the business community, and to serve as the main implementing mechanism for RDO/C's private sector strategy.

The conceptual and functional complexity of these projects gives them a flexibility and a degree of internal diversification that perhaps raises the likelihood that some aspects of the project will succeed. It is possible that including many different themes in a single package makes the package more attractive to USAID's own internal constituencies. In the short-run, this practice may have simplified RDO/C's burdens, since fewer project papers must be written and fewer projects must be monitored when many different colored eggs are put into a few baskets. The alternative of breaking the projects down into a greater number of functionally simple units has its own dangers and liabilities. Nevertheless, it seems clear that RDO/C's complex projects have suffered from a "functional overload" that has strained the management capabilities of implementing organizations and quite probably reduced the efficiency and effectiveness of service delivery. The more successful of RDO/C's projects appear to be those whose project designs, circumstances, and internal operating styles permitted them to "keep it simple."

E. CONCLUSION

The projects which have been evaluated thus far exhibit a variable pattern of success, failure, and mixed performance which is typical of most development programs. Underlying this variable pattern has been the communication of clear U.S. commitment to the region and to the role of the private sector in its development. There has been a commitment to innovation and a willingness to lead the way. The projects that have been most successful have involved business leaders in their design and/or have been kept functionally simple. The balance between loans and grants in the portfolio has been satisfactory in the past, but well could be a problem for the future.

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III. PROJECT LESSONS LEARNED

A. INTRODUCTION

This section summarizes findings of general application that emerged during the course of eight project evaluations conducted by Louis Berger International, Inc. Subsection B sets forth lessons learned from the evaluation of the Private Sector Investment Assistance Project implemented by the Caribbean Association of Industry and Commerce. Section C covers the Agribusiness Cluster Evaluation which assessed the Regional Agribusiness Development Project implemented by the Caribbean Development Bank (CDB) and the Agribusiness Expansion Project carried out by the Latin American Agribusiness Development Corporation (LAAD). Section D deals with the Financial Cluster which examined Employment Investment II (EIP II, implemented through the CDB), Infrastructure for Productive Investment (IPIP, implemented through Eastern Caribbean Central Bank), the Caribbean Project Development Facility (CPDF), and the Caribbean Financial Services Corporation (CFSC). Section E covers the evaluation of PDAP.

B. PRIVATE SECTOR INVESTMENT ASSISTANCE PROJECT

The Caribbean Association of Industry and Commerce (CAIC) was formed in the 1940's as the Federation of West Indian Chambers of Commerce. Since its inception, it has been a regional organization representing private business. In its early days, it tended to represent the local business establishment of old, white plantation families, a traditional power base of considerable importance before independence. The organization was reconstituted as CAIC in 1955.

During the 1960's and 1970's, the presidency of CAIC moved from island to island. Each president made use of his own company facilities to carry out CAIC affairs. There was no permanent office or secretariat. As far as most members were concerned, CAIC existed more in name than in reality. It had no program, few funds, little or no influence in the public arena, and little in the way of services. In 1980, Caribbean business leaders and RDO/C agreed to collaborate in a program of revitalization of CAIC, under which USAID provided grant support in the amount of $400,000.

The purpose of the project was to "strengthen the capacity of CAIC to stimulate employment and investment in the English-

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speaking Caribbean." However, USAID did not expect quantifiably measurable economic impacts to result from the first tranche of funding. Rather, it expected that assistance to CAIC would ameliorate key institutional constraints. The verifiable indicators presented in the Project Paper did not seek to measure production and productivity or improvement of the economic base of the region. Instead, they focussed on involvement of Board Members, success in mobilizing financial resources, recruitment of an Executive Director, effective launching of departments and departmental programs, and other evidence of institutional vitality. In effect, the project was to be held accountable not for achieving economic development objectives, but for revitalizing CAIC.

RDO/C subsequently approved more than $3 million in additional funding under PSIAP, but the Logframe for the project was not rewritten until PSIAP was merged into SEA in mid-1987 (after the evaluation was completed). In 1984, CAIC submitted a "PVO Field Grant Proposal" for three years of funding. This proposal contained a fairly elaborate Work Plan and LogFrame.

Unlike the LogFrame contained in the original Project Paper, the Logical Framework contained in this marketing document set very specific economic development and departmental targets. These targets, established with consulting assistance, projected truly heroic levels of accomplishment. They included as measures of goal achievement a 25% rise in private sector levels of investment, 15% rise in employment, and 20% increase in exports over the planning period.

The Training Department was to carry out in-plant training for 80 manufacturing establishments resulting in trained supervisors for all participating businesses by 198?. In addition, it was to conduct 24 small business development programs, 12 plant management programs (as a result of which, all plants would have better layout and production flows), ten top management programs (attitudes of top managers would be changed) seven human resource development workshops (each territory would have at least six fully trained HRD persons by 1987 who would design and administer training programs), nine tourism development activities, (25% of all small and medium-sized tourism operations would have at least 50% of their staff well-trained). All this, plus three evaluations, for only BDS $361,500 (about U.S. $180,750).

The stunning targets established in this grant proposal were not atypical of other successful proposals submitted to RDO/C at the time. As of the time of the LBII evaluation, these were the only LogFrame and Work Plan documents pertaining to additional

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funding to be found in RDO/C files. The evaluation team found that neither the original LogFrame prepared in 1980 nor the LogFrame contained in the proposal submitted in 1984 provided an adequate basis for assessing PSIAP.

The team concluded that the project had been a distinct, but qualified success:

> CAIC has carried out two major functions: advocacy of the interest of its constituency and development activities for its business membership. As a business association, CAIC's accomplishments in the areas of policy advocacy, building of formal and informal public/private networks, changing the attitudes of its members, and creating a new image of the private sector in the Caribbean region have been impressive. CAIC's performance as a development institution has been a mixed one. Its provision of training services to its members in the OECS countries has been rated as well above average by most recipients. CAIC's technical assistance received more criticism, but some of the clearest examples of positive economic development impact were associated with this service. The utilization of the Caribbean Basin Information Network, for which CAIC has regional responsibility has been most unimpressive. The Local Affiliate Development Program has provided a needed stimulus for business organizations in a number of OECS states where grass-roots leadership has been present.
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> Until very recently, neither CAIC nor USAID has squarely faced up to the dilemmas posed by the intermixing of advocacy and development functions in CAIC, the differing geographic priorities of the two organizations, and their differing constituencies. Postponement of direct attention to these underlying problems has contributed to a confused financial strategy and a troubled administrative style. CAIC's management and organization structure has been designed and operated on a public sector "secretariat" model. Though the quality of the CAIC professional staff is generally well above average, there have been significant financial and administrative problems, and management has had difficulty in complying with USAID procedures. The growth in CAIC membership that occurred in the early years of revitalization has levelled off and quite probably reversed itself.
>
> CAIC should develop a strategy for expanding membership and membership commitment, particularly in the MDC's from which it derives its most significant financial support. Conceivably, such a strategy could bring in new substantial

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contributors and broaden CAIC's socioeconomic base in these countries at the same time. CAIC's primary constituency necessarily has some priorities and objectives which are different from those which are typical of international development institutions. However, CAIC's enlightened vision of its capacity to influence public policy in directions which enhance economic growth, and its ability to involve the business community in development activities make it a natural partner for USAID in specific areas of mutual interest. Assuming agreement on common goals for the future, RDO/C's funding of CAIC should continue.

Lessons of general application to other USAID projects--as articulated in LBII's evaluation of PSIAP-- are set forth below.

1. A business association can transform the image of the private sector in its region and enhance its sociopolitical impact by promoting unity in the business community, by committing itself to enlightened causes, and by presenting reasoned analysis in support of its positions.

The Caribbean of the 1970s was, in many ways, an inhospitable environment for the region's private sector. The forces of nationalism curbed efforts toward regional cooperation, while populism and various strains of socialism were in many ways hostile to "big business" or anyone who appeared to aspire to such. Until the late 1970s, the feelings of hostility were mutual, and the large, established private sector firms made little effort to cooperate with the public sector, confer with labor, promote business within the public eye, or even to encourage struggling new entrepreneurs.

In the face of a perceived, growing danger to the private sector in the region, (a concern shared by the United States Government), the core members of a near-moribund CAIC, with the support of key USAID officials, decided to revitalize the regional business organization and work to improve the business climate. These business leaders recognized the need to demonstrate the willingness and ability of the private sector to make positive contributions to their societies in order to enlist the cooperation of the public sector and the public at large in improving the economic environment. They therefore undertook a process of "revitalization" which included efforts to broaden the base of the CAIC's constituency by welcoming and encouraging new entrepreneurs in manufacturing and other smaller businesses; constructive dialogue with public sector institutions at both the regional and national levels; public relations efforts working through the printed press, radio, and television; and cooperation with labor representatives, especially at the regional level.

As a result, it does appear that the public at large is more supportive of the private sector, and that new public policies in many Caribbean counties have been more favorable to private enterprise and have moved in the direction of market-led solutions to national and regional economic problems (two specific examples noted below). It is the opinion of most people interviewed by the evaluation team in the Caribbean that the prospects for socioeconomic stability and more market-oriented policies in the region have been greatly enhanced.

2. Policy advocacy, carried out by business associations, has a significant potential for favorably altering the development environment, and, within proper limits, deserves USAID support.

CAIC has successfully lobbied in favor of tax reform, the mitigation of intra-regional trade barriers and a reduction of the regulatory burden facing private enterprise. These are positions that USAID advocates in other parts of the world, frequently without significant or effective local support. To the extent that there are further successes in CAIC's policy advocacy efforts, the groundwork may be laid for higher productivity, investment, employment, and foreign exchange earnings for the Caribbean.

In effect, the constituency of CAIC corresponds to the "moderate" or "middle-class" leadership so often sought in regions of key concern to the United States. Where USAID finds enlightened, moderate, private sector leadership intent on working positively with other components of society, there is a strong case for support for the policy advocacy efforts in areas where the interests of development can be advanced. Conceivably that assistance could be viewed as a supplement to and a reinforcement for Mission policy dialogues of the countries involved.

3. A business association carrying out conventional development functions should keep those functions organizationally separate from its advocacy activities.

Policy advocacy functions and business promotion functions normally require distinctly differing professional temperaments and qualifying experience, as well as management styles and budgetary considerations. Policy advocacy is essentially a form of political and ideational combat, requiring intellectual and conceptual skill, access to centers of power, and ability to crystalize public opinion. Investment and export promotion are forms of brokerage, requiring practical knowledge of business, personal salesmanship, and an orientation to tangible results.

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One organization certainly can perform both functions, but it should have separate department managers and different management policies for the two sets of activities.

4. A strategic planning document for a USAID funded business association should include a comprehensive financial plan, including all sources and expenditures of funds.

The purpose of such a plan is to ensure that project objectives are supported by a realistic budget, with assured funds for priority items. Expenditures should be estimated in detail for each scheduled activity (matched to the established target objectives) as well as for general overhead expenses for the organization. Anticipated sources of funds should be matched with priority activities, lower priority objectives can be paired with less certain funds, essential overheads should be assured of being covered.

The evaluation team agrees with the comments of CAIC's Executive Director that its Board is not accountable to USAID for the use of its own subscription income or for funds from other donors. However, as CAIC's largest single source of funds, USAID has an understandable interest in CAIC's overall financial viability and in, for instance, its ability to cover its overheads as well as its program activities.

5. Grantee funding proposals are marketing documents. They are not proper vehicles for presenting the kind of strategic planning and target setting which an organization needs for performance appraisal and for ongoing management purposes. Under no circumstances should a grantee proposal be regarded as a substitute or surrogate for USAID project documentation.

CAIC has fallen far short of achieving the quantitative targets established in departmental logical frameworks submitted in connection with its 1984 funding proposal to USAID. However, these targets were formulated in a "selling" environment, and were very unrealistic. Incorporating departmental targets (properly a tool of internal management concerned with attainable improvements) in a funding proposal (a document intended to persuade and impress donors) erodes the spirit of self-discipline and accountability which should characterize the target setting process.

6. Difficulties in grantee compliance with regulations should be anticipated at the start of USAID's private sector projects and preventative measures should be taken at that time.

Failure to comply with regulations is a problem which is endemic to relationships between government and the private sector, and USAID's private sector projects are no exception. Businessmen and private sector organizations do not like regulations, particularly where such regulations add uncertainty, expense, and inconvenience to normal business and association practices-- as USAID's regulations certainly do. Businessman and business associations undoubtedly are capable of complying with special requirements and detailed procedures (they do this periodically for their own bankers and governments), but they typically will do as little as possible-- and will seldom comply with complicated procedures if it does not appear to be necessary to do so. Given the infrequent and episodic nature of USAID audits, and apparent absence of pressure from USAID Project Officers, grantees can misjudge the extent of the administrative adjustments they must make and the organizational resources they must commit to compliance with USAID regulations. They may also misjudge the seriousness with which their funding source will ultimately view lapses in this area.

The likelihood of misunderstanding of requirements and/or miscalculation by grantees concerning the consequences of noncompliance are compounded by five factors internal to USAID. First, USAID guidance warns the Project Officer against assuming the role of an auditor, and against overzealous and intrusive checking on the details of the grantee's management. Second, the Controller's department has neither the resources nor the responsibility for auditing the grantee or advising grantee administrative personnel on compliance problems. Third, Project Officers generally do not have the expertise to p... rm either of these roles. Fourth, Mission management often is reluctant to devote project resources to building the administrative capabilities of grantees, as distinguished from capabilities more directly related to achieving project purposes. Fifth, a process of formal certification of the adequacy of grantee accounting systems as a part of the project authorization process may cloak a lack of capacity to apply USAID regulations.

This problem can be mitigated by (1) frank face-to-face explanation to key Board Members and the senior executive officer that-- however burdensome they may seem-- USAID regulations must be complied with, and that failures in compliance will affect future USAID funding decisions; (2) recognition by USAID in the project design stage that both USAID and the grantee both may pay a heavy price if the latter attempts to cut corners on administrative staff in order to focus most of its resources on project accomplishment; (3) use of special measures such as incorporating a check on USAID compliance into the grantee's regular commercial audits, development of user-friendly

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literature on documentation and administrative requirements for members; on-the-job training for grantee personnel in the USAID Controller's Office, and delegation to the Project Officer of special responsibilities with respect to regulatory compliance. Businessmen and their associations are used to hard bargaining and frank discussion. Putting anticipated problems of regulatory compliance squarely on the table at the start of the relationship need not impair USAID's standing in the eyes of its private sector grantee. Indeed, that standing may be much improved.

C. AGRIBUSINESS CLUSTER EVALUATION

In January, 1987, Louis Berger International, Inc. undertook the evaluation of two agribusiness development projects financed by USAID's Regional Development Office/Caribbean. The two projects were (1) the Regional Agribusiness Development Project (USAID Project 538-T-007) implemented by the Caribbean Development Bank (CDB) and (2) the Agribusiness Expansion Project (USAID Project No. 538-0057) carried out by the Latin American Agribusiness Development Corporation (LAAD). The CDB project is referred to as "007" and the LAAD project "057."

Under the 007 project, CDB disbursed a total of $6,299,000, starting in December of 1979. Of this amount, $5,605,000 was disbursed within the OECS states and Barbados, the primary geographic focus of the present evaluation. The remaining $694,000 was disbursed to the British Virgin Islands, an area outside the primary geographic focus of the evaluation. Only one CDB sub-project, Windward Island Tropical Plants in St. Lucia (loan disbursements of $254,000), was privately owned.

Under the 057 project, LAAD disbursed a total of $5,628,000 starting in 1980. Of this amount, $1,038,000 was disbursed within the OECS states and Barbados to four privately owned businesses.

1. Regional Agribusiness Development Project (007)

The Regional Agribusiness Project (543-T-007) implemented by the Caribbean Development Bank was designed principally to address problems in market structure for small farmer crops. The Project Paper stated:

> "The existing market structure is considered to be possibly the most significant single constraint to increasing small farmer production and incomes in the Region."

The project was expected to reduce this constraint mainly by increasing investment in agribusiness enterprises. Loans and equity investments by CDB and loans by regional and national development finance institutions were to be made in a geographic area that was defined to include Barbados and the Lesser Developed Countries (LDCs) of Antigua/Barbuda, Belize, Dominica, Grenada, Montserrat, St. Kitts/Nevis/Anguilla, St. Lucia, and St. Vincent.

It was anticipated that food processing enterprises would account for the majority of the investments under the 007 project. However, two other types of enterprises also were eligible for financing, those which reduce the cost of small farmer inputs (e.g., fertilizer mixing, farm implement manufacturing) and those which increase employment opportunities for rural workers in labor intensive enterprises.

The Caribbean Development Bank had primary responsibility for carrying out the project. An "Agribusiness Development Fund" was established within the Bank's Special Fund operations. CDB had responsibility for promotion of an Agribusiness Development Program, identification of eligible sub-projects, preinvestment studies, project appraisals, approval of loan applications, coordination of technical assistance to enterprises, and sub-project follow-up. The Caribbean Investment Corporation (CIC) and the national Development Finance Corporation (DFCs) were to serve as financial intermediaries and were to make loans under US $100,000 commensurate with their capabilities under the surveillance of the CDB.

The Agribusiness Development Fund was to be complemented by a US $450,000 grant to be used by the CDB in commissioning adaptive research technologies appropriate to the Region's resource base and end markets.

2. <u>Agribusiness Expansion Project (057)</u>

The goal of the 057 project, implemented by LAAD in 1980, was "to improve the standard of living of the Caribbean poor." The project's sub-goal has been "to stimulate economic and agricultural growth and create employment." The purpose has been "to initiate and expand private agribusiness investments in the Caribbean." The purpose was to be achieved by identifying deficiencies and constraints in agricultural production, processing, distribution and marketing systems and by applying capital, management and technical expertise to improve the functioning of those systems.

In terms of impact, the project was to: 1) provide additional employment opportunities, particularly for rural small farmers and unskilled or semi-skilled rural labor in agroindustries; 2) increase incomes to members of the above target groups; 3) increase production and productivity; 4) expand marketing opportunities; 5) facilitate new product development; 6) increase foreign exchange earnings.

The primary beneficiaries of the proposed project, the rural poor in the areas where LAAD operates, were expected to include both men and women and be composed of both small farmers and landless workers. Operators of mini-agribusinesses would establish operations which would have direct impact (through employment) and indirect impact (through linkages to production) on low income families. Sub-project activities were to encourage small farmers in the area to increase or diversify production in order to supply raw materials to processing facilities or related marketing entities, such as cold storage or packaging plants. Landless workers, or farmers whose landholdings are inadequate for reasons of size, quality, or location, would find employment in production or processing operations.

At the time of the project agreement, it was estimated that about 44 sub-projects in the Caribbean basin (including 17 in the OECS and Barbados), in the areas of food production, agricultural inputs, processing, packaging, storage and transportation would be financed in the Caribbean during the four year AID loan.

In addition to the co-financing feature of the project, other major aspects included: additional staff and establishment of a new LAAD office in the Eastern Caribbean to facilitate project identification and development; an expanded role for LAAD in terms of providing more comprehensive financing packages, and extended marketing services and export related services, for example, through linkages with US or regional purchasers. Emphasis was to be placed on those sub-projects which would promote trade or contribute to exports for the LDCs. Special priority was to be given to investment opportunities involving the export of non-traditional agricultural-based products to regional and international markets.

3. Assessment

On the basis of the evaluation evidence, the evaluation team found the benefits of the 007 project failed to exceed its costs. Of the $3.9 million invested in agribusiness sub-projects, only one sub-project, the Windward Islands Tropical Plants, Ltd. (providing about 75 full time job equivalents), is currently self-sustaining. The rest have either closed down, or have been unable to cover their operating costs, and therefore have not been self-sustaining. The $2.4 million of resources for the DFCs reprogrammed from agribusiness lending ostensibly to small farmer credit programs have not been fully utilized in those CDB-approved agricultural lending programs on a sustained basis. Utilization of resources in the agricultural lending programs after initial disbursements (including both 007 funds and other resources) for subloans has been only roughly half, indicating there was insufficient demand for the reprogrammed funds. Arrears on subloans in the agricultural lending programs have been put to good financial and economic use, there is little evidence that the DFC loans have contributed to project objectives (improving markets for small farmer production, reducing costs of small farmer inputs, or generating rural employment).

The 057 project, although establishing or expanding several agribusiness ventures in the Caribbean, found only four agribusiness projects to finance in RDO/C's area of interest, one of which has failed. It appears the LAAD succeeded in negotiating a broad list of eligible countries, including several outside RDO/C's area of interest, which took ultimately over 80% of the project funds.

It therefore appears that the underlying assumption of the two projects, that the provision of credit for agribusiness would release a key constraint and result in the establishment of significant numbers of new agribusiness ventures (principally engaged in agro-processing), proved to be unfounded. Although USAID provided $12.5 million for agribusiness credit, as of 1987 there were only three new or expanded viable agribusiness enterprises in RDO/C's area of interest, each of which appear to have had the potential for successful solicitation of commercial credit. The disappointing results of the two projects suggest that there are binding constraints to agribusiness in the Eastern Caribbean-- other than credit-- which frustrated project efforts.

A particularly onerous mistake on the part of the 007 project was the assumption that the provision of agribusiness credit on (slightly) concessionary terms would result in sufficient numbers of applications that potential projects could be screened through a variety of provisions, conditions, and restrictions designed to ensure "direct small farmer participation in agribusiness." The evaluation evidence suggests that the accumulation of restrictions as the funds passed through USAID, CDB , and the DFCs on their way to the ultimate borrowers severely hampered the ability of the lending institutions (CDB and the DFCs) to disburse funds for their originally intended use, and played a major role in the disappointing results of the project.

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The failure to evaluate both agribusiness projects as called for in their respective loan agreements may have resulted in lost time and resources as far as the agribusiness sector was concerned. An earlier evaluation of the 007 project should have led to earlier attempts at a different approach to support agribusiness. There could have been modification of the above-mentioned restrictions on lending from 007 resources, and/or a more significant departure from traditional project design for the 057 project. An earlier thorough evaluation of 057 might have hastened the advent of HIAMP, or led to a decision to loosen RDO/C's commitment to the agribusiness sector in the Eastern Caribbean, due to the numerous binding or inherent constraints on the sector which donor agencies are powerless to relieve.

Principal recommendations and lessons of general significance were as follows:

1. **RDO/C and CDB should reconcile their agribusiness financing program objectives for the OECS with their respective institutional attitudes toward risk.**

Financing agribusiness in the OECS states is not a field for the fearful. Agribusiness is risky business, particularly on small islands with weather, water and soil problems. Careful and judicious policies have an important place in the field of development finance, but they are not really congruent with achieving bold objectives in the face of previously intransigent constraints. Where collaborative undertakings between two cautious institutions are involved, protective devices affecting sub-projects easily can proliferate in response to real or fancied dangers. Under such circumstances, each institution needs to be realistic about how much safety it really requires. If institutional requirements for safety basically preclude commitments to hazardous ventures, and the achievement of program objectives require commitment to such ventures, then either the safety requirements or the program objectives must be changed.

The designers of the 007 project recognized the difficulties of creating financially self-sustaining nontraditional agri-businesses in the OECS states. However, the project design did not squarely face the problem of risk. The project did indeed permit the CDB to devote up to $1.3 million of the AID loan to equity financing, which was to be used to sweeten marginal situations and accomplish a certain amount of social engineering. However, USAID's financial position was protected by its status as a creditor. In effect, RDO/C was saying to a regional development banking institution with a history of solid achievement but basically traditional achievements: "Lets _you_ take an equity risk on the chanciest aspects of agribusiness in

the OECS states," a type of activity that was both perilous and new to CDB.

In retrospect, it does not seem surprising that CDB made no equity investment of any kind. Nor is it surprising that CDB did not greatly increase its exposure profile in making a few direct subloans to relatively large agribusiness enterprises. The limited number of credits which it did extend to agribusinesses were to three parastatal enterprises backed by governments (which in turn have traditionally been sustained by donors) and to one enterprise owned and managed by very well-connected and substantial private interests. Subsequent events demonstrated that, in giving the bulk of its enterprise loans to parastatals, the CDB in fact chose its own financial security (government guarantees) over efficiency in the marketplace.

When CDB had difficulty finding a sufficient number of acceptable agribusiness projects of any kind, 007 funds were dedicated to institutionally "safe" DFC small farmer lending programs-- an area in which problems in loan selection and administration would be subject to much less potential criticism than in lending to enterprises. The intention of the 007 project design to develop the capacity of DFCs to finance agribusiness enterprises was defeated before the activity got underway. The cumulative effects of USAID and CDB restrictions and covenants made achievement of this project objective impossible.

In extending the 057 loan to LAAD, USAID hoped that substantial resources would be put into the OECS states, but the loan terms were structured in such a way that LAAD could invest most resources in countries with fewer fundamental limitations to agribusiness than those present in the OECS states-- and indeed it did. The performance of the enterprises which LAAD financed in the OECS was better than that of CDB. But LAAD's program in the OECS was basically a failure for lack of sufficient volume, and LAAD closed its regional office. Once again, RDO/C's project design basically said, "Let's you take a risk on agribusiness in the OECS." LAAD chose to take most of its risk elsewhere.

It has been argued by some observers that the lesson of the LAAD project is that there does not exist in the OECS a sufficient coterie of entrepreneurs who are willing and able to make agribusiness investments: that the problem lies as much in the area of human resources as in the physical characteristics of the region. It was not so much that LAAD was unwilling to undertake risks in the OECS-- so the argument goes-- it was rather that there were not many local businessmen who wished to take the plunge-- and that those few venturers who did have the needed combination of resources and enterprise were not willing to share

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ownership with outside investors. RDO/C's High Impact Agricultural Marketing and Production Project (HIAMP), currently in its start-up phase, will put such contentions much more rigorously to the test than did LAAD.

2. Project officers and loan approval committees should work closely with potential sub-borrowers to devise a realistic set of targets against which sub-project performance can be measured. While target inflation may be an inherent aspect of project and sub-project proposals, post approval targets should be set realistically, giving due regard to typical degrees of agribusiness risk and the cost of that risk.

All the sub-projects evaluated had difficulty meeting the targets set for them at the time of the pre-funding analysis. In most cases, the shortfall had less to do with the capabilities of the implementors, and much more to do with inflated forecasts. The problem of inflated forecasts has plagued many RDO/C private sector projects, and is clearly related to the "selling job" required for donor funding. A retrospective assessment indicates that "sensitivity analyses" of anticipated subproject rates of return usually failed to encompass the range of fluctuation in prices and outputs that are characteristics of agribusiness. Embedded in the sophisticated veneer of sub-project appraisals have been some credulous assumptions concerning the predictability of prices and costs, and concerning the magnitudes of the risks associated with agribusiness projects. The appraisals lack a fundamental sense of reality, and an understanding of the dangers and opportunities for investors--and for every institution associated with the agribusiness financing process.

3. Those agribusiness sub-projects which had the highest levels of commercial viability also provided the most significant and sustained benefits to the economies of their nations. Those sub-projects which were not commercially viable have provided disappointingly few economic benefits.

On the basis of the evaluation evidence, it is clear that those agribusiness ventures financed by 007/057 which have been commercially viable are also those which have provided the sought for economic benefits in the form of employment, exports, and increasing the standards of living of the poor. Those agribusinesses which have not been commercially viable have not been able to deliver significant benefits to the target group. The most commercially successful project has been the largest purchaser from small farmers. The creators of the largest amounts of employment are the three most commercially successful projects. The com ercially successful sub-projects have provided

the highest levels of quantifiable benefits to intended project beneficiaries.

4. Privately owned agribusiness projects have been distinctly more successful than government-owned projects, but some of the private projects reviewed experienced financial difficulties.

The three most successful projects examined during the evaluation were all privately owned. None of the public sector agribusiness subprojects could be described as successful. LAAD was more private-sector oriented than CDB, which may help to account for their relatively higher success rate in agribusiness, although they, too found it difficult to find viable projects in the Eastern Caribbean. It appears that CDB was hampered in part by its public sector outlook which, in combination with the onerous USAID loan conditions, led CDB's loan officers to avoid the private sector almost completely.

5. Loans to parastatal enterprises covered by Government guarantees cannot be assumed to be ultimately "safe" loans.

The CDB placed $3.0 million in three parastatal agribusiness sub-projects, none of which demonstrated self-sufficiency. The responsible governments are repaying their loans to CDB, and CDB is repaying its loan to USAID. However, the productive resources in which the loans have been invested have been underemployed or dissipated. One failed and was closed, and the other two would require major restructuring and new resources in order to achieve viability. In the end, the loans must be repaid. Wasted resources must be paid for by the economies of the nations whose governments guaranteed the loans and/or by those donors (including USAID) who continue to provide assistance to the economies of these countries.

6. The most successful agribusiness sub-projects in the Eastern Caribbean under 007/057 have all been exporting products to market niches in industrialized countries.

The successful projects among the two portfolios were all oriented toward an export market niche. A "niche" requires only a modest scale of inputs: Windward Island Aloe produces on about 70 acres, Windward Island Tropical Plants produces on 30 acres, and Eastern Caribbean Agencies collects production from roughly 1000 - 2000 acres of mostly small plots (averaging about two acres each) scattered throughout St. Vincent, St. Lucia, Barbados, and Jamaica. The export markets of North America and Europe provide a scope which is larger by many orders of magnitude than the markets of the Eastern Caribbean. The potential promise of the Montserrat Sea Island Cotton Company, too, lies in just such a niche in the export market.

D. Financial Cluster

This cluster evaluation was devoted to the assessment of four of RDO/C's financially oriented private sector projects. Each of the four projects either provides finance to entrepreneurs for direct productive investment, provides finance for the construction of factory shells, and/or assists entrepreneurs in the preparation of proposal for financing. The four projects are: the Caribbean Financial Services Corporation (CFSC, 538-0084), the Infrastructure for Productive Investment Project (IPIP, 538-0088), Employment Investment Promotion II and the Private Sector Assistance Project (538-0060) carried out by the Caribbean Project Development Facility (CPDF).

The **Caribbean Financial Services Corporation** (CFSC), which has received loan funds from RDO/C for lending to the private sector in the English speaking Caribbean, has succeeded in building up a $6 million portfolio of term loans to 32 medium-scale business ventures, many of whom probably could not have arranged such financing elsewhere. CFSC began three years ago very cautiously, but has since increased its pace of lending by providing loans to a number of business start-ups. Plans to discount commercial bank loans have not materialized, due to lack of demand. Since lending takes place in US dollars, currency devaluation risks have dampened potential demand for both direct loans and discounts. On balance, the evaluation team judged the CFSC project to be quite successful. A controversial IG audit was highly critical of CFSC and has strained relations between USAID and the Caribbean business community. RDO/C and CFSC have made strides in rebuilding relationships between the two organizations.

The **Infrastructure for Productive Investment Project** (IPIP), which received loan funds from RDO/C for investment in construction of industrial estates and factory shells, has been largely unsuccessful. Funds were to be channelled through the East Caribbean Central bank, and thence through commercial banks to individual investors. The resulting availability of factory space was to meet demand from foreign investors in particular. The industrial estate program suffered from an almost total lack of demand: potential investors were not willing to construct on speculation in the face of competition from public space available at subsidized rates. Demand for funds for the construction of owner-occupier factory shells was stronger than anticipated, and the project funded 30,000 square feet of space, but most requests were turned down by commercial banks as bad risks.

The **Employment Investment Promotion II Project (EIP II)**, which was carried out by the CDB, utilized loan funds from RDO/C for onlending to national Development Finance Corporations to finance factory shells and industrial credits for small and medium scale firms. The purpose was to stimulate investment by such firms and thereby to increase production and employment in the region. The project funded about 290,000 square feet of space in the OECS, much of which is occupied by firms engaged in assembly operations producing for the US export market (many of whom are foreign investors) who provide employment for over 2000 people. The project also provided $850,000 in industrial credits in the OECS. On the one hand, it appears that such funds are often the only source of financing for small-scale firms, many of which are viable, though often struggling enterprises. On the other hand, many of the subloans financed by EIP II are deeply in arrears, reportedly due to a combination of difficult business conditions and a feeling on the part of borrowers that DFCs are lenient and can therefore be placed low on the list of repayment priorities.

The Caribbean Project Development Facility (CPDF), which received USAID grant funds under the "Accelerated Private Sector Assistance" Project has been largely successful in its efforts to increase the supply of bankable projects in the Caribbean, although at relatively high unit cost. The CPDF, which was initiated by the UNDP and has been executed by the IFC, has provided a variety of services to a large number of medium-scale entrepreneurs, including, most importantly, assistance in the preparation of business proposals to be submitted to financing agencies and in subsequent negotiations of financing terms. Other services provided have included general business advice and arranging technical assistance for Caribbean business ventures. It appears that CPDF has made a significant difference in bringing sound business ideas from the conceptual stage through the funding stage, and that CPDF proposals have demonstrable market value and a favorable benefit cost ratio. CPDF has written 26 project proposals for the OECS/Barbados, of which nine have been funded.

Principal recommendations and lessons learned of general application are as follows:

1. Provision of long term credit for direct lending to industrial, commercial, and service establishments has found a ready market in RDO/C's target area, and has led to significant development impacts. Availability of credit of this kind was found to be a necessary but not a sufficient condition for new investment and economic development.

Entrepreneurs reported that the CFSC and EIP II loans were critical to the establishment or expansion of their business; and reported that they were unable to raise financing at commercial banks. CFSC was also described as more responsive and flexible than CDB and the DFCs, and capable of handling larger loans than the DFCs.

However, investment prospects in the OECS and Barbados are still limited under current conditions. Constraints reported in the past by financiers included a lack of sound, bankable business proposals. This constraint has been and is being addressed by CPDF, and the combination of CPDF and CFSC (and other financing agencies) has been effective in increasing the supply of funded projects in the Eastern Caribbean. Other constraints which remain largely unaddressed include a lack of equity financing, a lack of entrepreneurial and management skills in many of the OECS territories, the small size of local markets and lack of access to extra-regional markets, and a wide variety of government-imposed constraints or disincentives to business growth (which can be waived, but only after time-consuming petitioning). The impact of the availability of long term financing will continue to be limited as long as the above-listed constraints exist.

2. In some cases substantial resources were obligated to projects that were poorly designed or based upon unwarranted assumptions.

IPIP was based upon two assumptions which proved to be unfounded: 1) that the investment climate in the OECS would be so attractive as to encourage a major demand for industrial space from foreign investors; and 2) that there existed a demand from private foreign investors for funds to invest in factory shells which they could build more quickly and more cheaply than those constructed by the public sector. It is true that these assumptions were made in a climate of widespread general optimism, but both assumptions could and should have been thoroughly tested before obligating $10 million dollars to a project dependent upon their validity.

In the case of CFSC, $5 million was provided to discount commercial bank loans, despite evidence that there would be little or no demand for these funds on the conditions under which they were being offered.

3. The likelihood that donor-funded private sector projects will be successful can be substantially increased when local business leaders are involved in the design and execution of these projects. However, local businessmen may be much more concerned with the efficiency, sustainability, and conventional

achievements of the institutions which they control than they are with experimentation, social equity, and with USAID objectives which they do not necessarily share.

When capable business leaders directly involve themselves in USAID-funded private sector projects, it is likely that implementing institutions which they guide will be relatively well run, cost effective, and customer-oriented. Business leaders may be expected to focus on the achievement of development objectives in the practical and conventional terms of more investment, more exports, more jobs, good repayment records, adequate profitability - and to seek these results by the means in which and through the people in whom they have the most confidence. They may be unwilling to experiment with activities and strategies that have not yet been proven in their region. They ma treat some USAID concerns as "ideological" and others as inspired more by a desire for favorable publicity than results. They may be particularly intransigent where recommendations for change are seen to come from persons lacking in business experience and in willingness to take responsibility for consequences. In these respects, organizations supported by local business leaders may be among the least malleable and pliable of the implementing institutions with which USAID deals.

In short, businessmen can be expected to behave like businessmen.

4. If local curren y devaluation occurs, loans denominated in U.S. dollars can be detrimental to projects which do not earn foreign exchange directly or for which prices cannot be effectively adjusted to service foreign debt.

This basic principle of international commercial lending should not be ignored because a project is directed to development or because the funding agency has no easy access to local currencies.

Also, demand for funds offered by credit projects is restricted by fear of devaluation. While expectations of currency adjustments varied from borrower to borrower, they were least taken into consideration by less experienced sponsors of start-up projects, which are also those least able to bear the burden. T.ie real target projects--those with no alternative source of funding--are rendered even more vulnerable.

From a development standpoint and in order to minimize at least one of the many risks not subject to control by project sponsors, it would be desirable to fund in local currency at least those portions of projects not involving imports. When local currencies are not directly available to USAID, they can often be raised through guarantees, currency swaps, and other techniques which USAID can facilitate.

5. It is preferable to contribute resources to development projects in such a way as to increase the mobilization of domestic resources and not contribute to continued dependence upon donor or international external funding.

Opportunities to encourage local funding were overlooked in the design of several cluster projects. Funding could be provided by public and private pension plans and social insurance funds, private insurance companies, trust companies and other institutions public and private which have a need for low risk, long term assets. These institutions could be encouraged to deposit in CFSC by a USAID guarantee or equivalent (mechanisms have been arranged in other countries to avoid conflict with regulations prohibiting direct guarantees by USAID). These arrangements would result in higher nominal interest rates than those now charged on the USAID loans, but the effective rates may be lower when taking devaluation risk into account. Such arrangements, including a number of possible variations, would be the classical first steps in introducing a new borrower to the markets, which in themselves need development and new instruments. As depositor/lenders become familiar with the new borrower's instruments, it is possible to introduce changes which will reduce or eliminate dependence upon USAID support, mobilizing domestic financial resources. Other techniques for leveraging the impact of USAID funding include the use of quasi-equity to support other borrowings.

Productive as the straight lending for repass to projects can be, the impact is only dollar for dollar and does not contribute to a self-sustainable project. Introduction of these additional approaches, while not easily accomplished can eventually result in greater leverage of USAID funding, some contribution to the development of local financial and capital markets, and the increased likelihood of creating a financial institution which will not be wholly dependent upon USAID funds. Not only is the project more self-sustaining, the countries are encouraged to maximize usage of their own resources for development and self-reliance.

Different funding strategies for IPIP and CFSC might have resulted in even greater productivity of USAID funds. In the case of CFSC it is not too late to introduce project changes.

6. **Best project results are achieved by precisely targeting project objectives, limiting these if necessary to insure their coherence and consistency with those of the implementing agency. To achieve overall program balance, a portfolio of projects can be designed, each focused on different developmental goals.**

A program may include a spectrum of strategies ranging from "growth oriented" at one end to "equity oriented" at the other; projects are of necessity more limited in scope, and no single one of them is likely to be capable of meeting the demands of the complete spectrum.

A growth oriented strategy places emphasis on "success" in terms of business growth, employment, export earnings, an early achievement of self-sustainability; an equity oriented strategy emphasizes improvement in the distribution of opportunities and productive resources, seeking out those who need assistance. The growth strategy runs the risk of disappointing those who believe they are deserving of assistance and of wasting resources on those who may not need assistance; the equity strategy runs the risk of poor performance in terms of bottom line indicators, and of developing a psychology of dependence upon continuing artificial support. It appears, however, that it does not work well for a single project to attempt to pursue both strategies with equal vigor.

The evaluation evidence suggests that a well designed project, with an established strategy fully utilizing the strengths of the implementing agency can achieve notable successes. Good examples are CFSC, CPDF and the EIP II factory shell program. Because USAID is providing subsidized funding, it is only reasonable to expect an implementing agency to be somewhat versatile and tolerant of the ambiguities inherent in requests to contribute to the two sometimes inconsistent goals. Limits to this tolerance must be carefully observed, and implementing agencies should not be asked to make fundamental changes in their own goals, methods and predispositions for AID convenience. Projects requiring the implementing agency to act out of character are more likely to lead to mutual frustration than accomplishment.

7. **Both project design and evaluation would benefit from better impact indicators and measures of achievement.**

These indicators would also contribute to more accurate comparison of project effectiveness and improved future allocation of resources. Projects were sometimes justified upon expected impacts that were unrealistic or improbable, and often not subject to measurement. In some instances the theoretical bases for assumptions were weak or not well reasoned, and not given the design attention merited by the considerable sums involved. Exaggerated forecasts of employment, income, and foreign exchange impacts in several cluster projects are examples of this deficiency.

8. The design of private sector projects involving the disbursements of USAID loan funds should be based on market surveys/feasibility studies which are up to private sector standards for investment decision-making.

Before undertaking a major investment commitment, any private sector, for-profit institution will undertake a market survey or feasibility study which will rigorously test the initial assumptions of any potential project. Potential customers are queried extensively as to their needs, preferences, budgets, and alternative sources of supply. Potential suppliers are assessed on quantity and quality of supplies, consistency, timing of deliveries, and costs. Such studies are not a casual undertaking, and warning signals uncovered in the process are taken very seriously.

The two most heavily private sector-oriented projects considered by this evaluation were CFSC and IPIP, both of which involved not only a private sector clientele, but private sector implementing agencies as well. In the case of CFSC, a thorough market survey was undertaken during the design process. The study determined, among other things, that there was a potential demand on the part of commercial banks in some countries for discounting facilities, as long as there was a shortage of liquidity in the system and assuming the banks would not be required to bear the foreign exchange risk. In spite of the qualifications and warning, the CFSC project as presented in the project paper and stipulated in the loan agreement, was expected to disburse the largest part of its portfolio in the form of commercial bank discounts, with the commercial banks bearing the foreign exchange risk. As a result, there has been no demand whatsoever for the discount service, and funds earmarked for this purpose have gone unutilized.

The IPIP project was designed to provide loan financing for privately owned and operated industrial estates. The demand for such funds was inferred on the basis of the experience of existing projects, including PDAP, which reported that foreign investors turned down investment opportunities in the region due to a lack of factory space. Aside from these observations, there was little in the nature of a market survey on which to base the IPIP design. Over $10 million in project funds were obligated which were never disbursed.

USAID only "authorizes" and "obligates" funds for new projects, and has more rigorous screening requirements built into its system before disbursements can take place (e.g., through the risk borne by the private sector implementing agencies). In this sense, USAID is not actually investing resources prematurely or injudiciously. However, funds authorized or obligated for one project cannot be disbursed by another, and it generally takes two to four years before unutilizeable project funds can be de-obligated or re-obligated to other projects. In this sense, there is a clear development opportunity cost to the obligated funds, and a compelling reason for USAID to base its obligations on more rigorous analyses taken more seriously than has been the case in the past.

E. Project Development Assistance Project

The Project Development Assistance Project (PDAP) was originally designed to provide assistance to the governments and private sector of the Eastern Caribbean to identify, design, and implement development projects which promoted productive employment, with later design emphasis on investment promotion and then on institutional development.

The evaluation team concluded that PDAP was neither the resounding success nor the dismal failure suggested by the fluctuations in its reputation at various stages of the project. They found some noteworthy achievements in the areas of improvement of investment climate, institution building and advisory assistance to both AID and host countries, not the least of which involved a modest step toward regional cooperation. Principal conclusions and lessons learned were as follows:

1. **Job and investment targets:** Despite the multiple objectives of PDAP, job creation targets (for PDAP II in particular) became the most visible measure of its effectiveness. Targets were not carefully or professionally established, and their lack of realism may have been responsible for misallocation of effort and exaggeration in reporting results.

In a climate in which inflation of targets and claims of performance became commonplace, project officers and implementors alike lost sight of two important verities:

a) the impact of all promotional activities is relatively small in relation to other factors involved in the investment decision process.

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b) promotion agencies seldom are principally responsible for new investments and associated employment or the lack thereof.(3)

Neither RDO/C nor Coopers and Lybrand should have entered into a contract containing targets which they both knew (or should have known) to be unrealistic and largely beyond their control. More useful targets would have been the number of investor contacts generated, meetings with individual prospective investors and reconnaissance visits, all of which are more controllable and responsibility for which the contractor could have reasonably assumed.

The employment targets established were quantifiable but inappropriate "goal level" measures of a process requiring more subtle evaluation. Ironically, USAID's effort to adapt private sector techniques such as "management by objectives" also imported the limitations and distortions implicit in trying to measure progress toward long term goals with short term, quantitative measures. The establishment of job creation targets as the main "objective, quantifiable indicator" may be to economic development what quarterly corporate profit reports and stock prices are to building an innovative, resilient company capable of meeting the challenges of a dynamic world economy.

2. The basic PDAP investment promotion model is most appropriate for the OECS:

a. Resident advisors in each country to contribute to institution building, improvement in investment climate, and specific assistance to potential and existing investors.

b. An investment promotion/ investor identification function located in the country from which most investment is anticipated.

c. A regionally based coordination office.

d. The above-listed services and staff to be provided by a private sector firm with extensive experience and contacts in the OECS and abroad and the capability to establish rapport and investor confidence.

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(3) SRI International, "An Assessment of Investment Promotion Activities", January, 1984. Prepared for PRE/USAID.

Implementation might have been more effective if:

a. The investor identification function had been more targeted and focused at the outset.

b. At the country advisor level, earlier and greater emphasis had been given to institution building rather than actual investment promotion, (which itself should have been more oriented to training and demonstration effect);

c. Job targets had been more realistic. The more exaggerated job creation objectives became, the more advisors assumed responsibility for implementation, undermining establishment of self sufficiency;

d. The project had emphasized development of country capabilities in investment promotion sooner rather than later, including earlier identification of the successor organization to the C/L Washington investor promotion service.

3. **No single investment promotion strategy is likely to be generally successful throughout the developing world.** Strategies which are successful in a particular time and place can become ineffective as competitors enter the market and conditions change. Given the size and location of the countries in the Caribbean, a strategy of identifying market niches that can be filled by relatively small but flexible and responsive manufacturing and subcontracting operations able to benefit from the region's preferred market access seems most suitable for the present. Although it is generally true that most opportunities for rapid employment creation have been in the electronics and garment industries, others which might benefit from the regional advantages conferred on goods with light weight, high value and labor content may include jewelry and dental products.

4. **PDAP advisors performed a variety of services and functions for RDO/C which were not formally included in C&L's scope of work.** It is difficult to quantify the time involved and the effect upon the contractor's achievements. At the same time, there is agreement within RDO/C that some of these services contributed significantly to RDO/C effectiveness, which was limited by the lack of full-time representation in each country. Use of the advisors in this fashion was convenient, productive and cost effective. However, the failure to formally recognize and quantify this effort may have resulted in an understatement of the cost-effectiveness of the project.

5. At its best, investment promotion communicates valuable information which enables investors to match their needs with the comparative advantages of the promoted countries. But there are limits to the influence of such information (except in rare instances, it is likely to be marginal to the investment decision) and to the benefits which its provision can convey on any given country. When an investment promotion scheme premises transforming results, it should be very closely scrutinized.

6. Quantitative targets to measure project achievements should be realistic in terms of basic trends and in terms of the intervention's ability to affect the environment. Unrealistic and exaggerated targets are likely to result in similar deficiencies in reported achievements, and often in cynicism regarding accountability. Especially in PDAP II, not only did inflated job targets apparently divert attention from important institution building objectives, there was little quantification of these other expected achievements, exacerbating the imbalance.

Although an extreme case, the exaggerated targets contracted for PDAP II were not unique in USAID experience. They can be seen as the result of a combination of forces driving contractors and missions to win control over development resources. Such target exaggeration has been noted to some degree in virtually every project evaluated among the RDO/C private sector portfolio, and has led to similar distortions in project effort and reporting.

7. When quantified results are important in assessment of contractor and project achievements, there should be a monitoring system for timely and <u>independent</u> verification of reports.

8. PDAP had its greatest successes in those countries whose governments and business communities were already most favorably oriented toward foreign investment from the time the project began.

9. Regional operations in an archipelago are geographically determined to be more expensive than in larger countries where economies of scale can be achieved. This additional challenge faced by the countries in the region seeking development should not be ignored by USAID when comparing the cost effectiveness of its efforts here with those in other countries. Development programs in the OECS are going to cost more due to this factor, and yardsticks should be adjusted accordingly.

10. Worldwide experience with respect to investment promotion examined in this evaluation reveals no unambiguous patterns with respect to public/private sector approaches. Nevertheless, the clearest evidence of success appears to exist in those cases

where (1) there has been close collaboration between public and private sectors and (2) the successful activity entered the competition for investors with an approach that was new at the time it was introduced. The least successful undertakings appear to be those which (1) entered the competition with "copycat" models at a relatively late stage in the development of the market; (2) lacked the active involvement of the private sector in the design and implementation of the program and (3) required coordination among a variety of public institutions with independent power bases within a single country.

11. LBII's analysis of RDO/C's private sector program indicates that PDAP, in combination with EIP II's financing of industrial estates, created more jobs than any other project in the inventory of the Private Sector Office-- though the PDAP portion certainly was very expensive. The fundamental issue for the long term is whether the OECS states, the United States, or both together believe that the job creation achievements that can be reasonably expected of ECIPS will be worth the sustained investment of their own resources in the activity. The basic lessons to be learned from PDAP which should be applied to ECIPS are two-fold. First, an investment promotion project requires careful monitoring. Such monitoring, in turn, may well engender early adjustments, in order to keep the project on target. The second basic lesson is that the question of what is going to happen at the end of the project needs to be addressed early and often by both RDO/C and the implementing agency. For organizations accustomed to leaving leave well enough alone and deferring future commitments until the eleventh hour such a prescription can indeed represent stiff medicine.

F. Small Enterprise Cluster Evaluation

The "Small Enterprise Cluster" evaluation was devoted to the assessment of six of RDO/C's "small enterprise" private sector projects. Each of the projects has assisted micro or small to medium enterprises with credit, training, technical assistance, and/or business/ marketing advice. The six projects are: Dominica Small Enterprise Development Project (538-0079), National Foundation Assistance Project (538-0136), the Small Enterprise Assistance Project (SEAP, 538-0133), Caribbean Credit Union Development - Phases I and II (538-0035 and 538-0135, respectively) and the Caribbean Marketing Assistance Project (CMAP, 538-0102). The overall conclusions of the evaluation were as follows:

1. The projects supporting the NDFs and WID have been successful in creating effective credit/training institutions to provide assistance to the micro-business sector. The NDFs and WID

between them have produced a steady stream of success stories: of struggling, sub-viable micro-sector entrepreneurs who utilized credits to expand to the scale required for viability. By providing business advice and "hand-holding" along with credits, the NDFs and WID have helped many entrepreneurs acquire basic bookkeeping and business management skills, which (along with simple frequent contact with clients and the ability to provide timely trouble-shooting assistance) appear to have kept arrears to a minimum for these institutions. The arrears of the NDFs/WID compare favorably with commercial financial institutions and have dramatically outperformed most DFCs operating in the OECS/Barbados.

2. The SEA project has been an effective source of support to the NDFs and WID. However, accomplishments of SEAP beyond this have been meager. The provision of training and technical assistance has been limited, and has had to proceed in most countries without the guidance of a National Coordinating Committee. The formation of the NCCs has proven to be much more difficult than anticipated. The Dominica NCC was based on a pre-existing, informal grouping, and yet found it very difficult to formalize. Other countries, with less of a history of inter-sectoral cooperation, have found it much more difficult to create such institutions. Experimental programs expected to provide venture capital and new sources of loan financing for small and medium sized enterprises have not yet been undertaken.

3. The Credit Unions, utilizing internally generated resources exclusively, have a portfolio of productive loans in the OECS which is 50% larger than that of the NDFs. In particular, they fulfill the working capital requirements of their small business membership in the region, and are often responsive enough to provide the equivalent of overdraft facilities for the informal sector. However, the credit union's primary function still lies with the provision of consumer credit and housing loans, which are repaid out of the salaries of the borrowers. Generally, credit union staff lack project appraisal skills and can offer little in the way of business advice to their clients. They appear to be more willing to lend for short term purposes than for long term purposes.

4. CMAP was poorly conceived and designed, and its results were meager. It's goal (increased Caribbean exports to the U.S.) and its target beneficiary group (micro and small business) were incompatible. The resources provided were insufficient to achieve the objectives set. There was too great a reliance on "voluntary" and part time effort to achieve marketing results which require a considerable level of effort, supported by a heavy application of resources and expertise. However, CMAP did provide useful

technical assistance to improve the general marketability of goods and services produced by small businesses in the area. Many interviewees expressed a continuing need for export marketing assistance, and a dissatisfaction with the marketing assistance available through existing channels (including the SEA project).

5. Project designs should not rely heavily on "voluntary" activity to accomplish ambitious goals.

The disappointing performance of the CMAP project was due in large part to the assumption that part time, voluntary activity on the part of individuals in small U.S. cities and small Caribbean islands would permit Caribbean micro-business to penetrate the U.S. market and bring about a significant increase in Caribbean exports to the U.S. Voluntary activity can be very useful in advisory and coordinating functions. However, even for such limited purposes, the number of successful businesspeople in the Caribbean who carry prestige within the community, have practical ideas to offer and resources to back them and limited. The subset of such individuals who are also interested in promoting development and who have time to devote to Board of Advisors/Directors responsibilities (and heavy and time-consuming responsibilities they usually are!) is extremely limited. Aside from running their own businesses in a period of regional economic decline, many committed businesspeople are asked to sit on the Boards of their national business association, regional business groupings, political committees, local educational institutions, philanthropic societies, churches, and now National Coordinating Committees. Although it is always worthwhile to seek out new talent and new sources of innovative support for donor activities, donor assistance to needy entrepreneurs (who have the least time and resources to devote to any activities outside their own struggling enterprises) should not be held up indefinitely by the search for active members for new advisory committees.

IV. DETAILED PROGRAM ANALYSIS

A. INTRODUCTION

The analysis presented in this section focuses on the analysis of tradeoffs. In the case of the PSO portfolio, the tradeoffs involve the relationship between project investments and expected economic impact achievement in terms of employment, investment and foreign exchange generated. Couched in AID terminology, a healthy PSO portfolio is one that achieves a balance between **impact** and the long-term **sustainability** of the institutions and enterprises that contribute to the impact achievements. Other criteria that are important and should be included are the overall **relevance** and **efficiency** with which project services are provided. Together, these four criteria provide a basis for assessing the overall effectiveness and health of the PSO portfolio.

This section contains an analysis of these four principal PSO portfolio effectiveness indicators. The analysis is divided into three areas. Subsection B provides an overall commentary on the composition of the portfolio and an assessment on the extent to which the portfolio is well diversified. Subsection C then examines more closely the two principal criteria: impact and sustainability. Subsection D presents an overall evaluation on the effectiveness and health of the PSO portfolio. This comprehensive assessment is approached from two perspectives. The first approach focuses on the Generic Scope of Work purpose elements examined in the project evaluations completed to date. The second approach examines the PSO portfolio from the perspective of the guidelines outlined in the AID Handbook on Evaluation. Specifically, this second analysis assesses the overall balance of the portfolio in terms of its level of success in achieving impact, relevance, efficiency and sustainability.

B. COMPOSITION OF THE PORTFOLIO

Tables I through III presented at the end of this section show the overall composition of the PSO portfolio in considerable detail. On an aggregated level (for the period 1980-1987) the PSO portfolio appears to be fairly well diversified in terms of the allocation of project investments between loans and grants and among various OECS countries, functional and target group categories. Upon closer inspection, however, the quality and sustainability of this diversification is questionable. Increasingly over the last few years, the PSO has focused more on grant disbursements and sought to combine several functional objectives into a few large projects. While this consolidation of disbursements may provide some short-term relief from having to prepare time consuming project design papers and monitoring many projects, there are some potential long-term liabilities attached to this consolidation process.

1. Country Diversification

For the most part the PSO portfolio was successful in disbursing money to the targeted OECS countries. As shown in Table IIA, close to 70% of total disbursements went to the OECS region. In fact, in 9 projects total disbursements to the OECS averaged more than 90% of total project funds. Only in the cases of the LAAD project (057), the Caribbean Credit Union project (035), CAIC (043), and CPDF (060) were disbursements less than 70%. In the case of the LAAD project, AID efforts to sustain a LAAD office in Barbados and develop agribusiness projects in the OECS were unsuccessful. Only about 20% of total disbursements reached the OECS. In the cases of the CCCU and CAIC projects, the emphasis from the beginning of the project was to develop regional credit union and policy advocacy capabilities. Under this strategic umbrella, the OECS was considered a part of the Caribbean regional development goal but not singled out as the principal beneficiary. Finally, for the CPDF project, AID joined with several other lending agencies in financing the project. Consequently, it did not have any significant leverage to focus CPDF's services on the OECS.

Inside the OECS region, disbursements seemed to be suitably divided among the OECS member countries. Total allocated costs by country ranged from a little over $1 million in Montserrat (the smallest population) to $5.7 million in St. Vincent (the second largest population). On a per capita basis, most of the OECS member countries averaged between $35 and $55. The only countries outside this range were Montserrat which averaged $87 and Grenada which averaged $21. In case of Grenada this low per capita disbursement average is most likely attributable to the fact that Grenada benefited from other projects that were not considered a part of this PSO portfolio evaluation. While not an OECS member, Barbados ended up receiving close to $5 million, which was second only to the disbursements allocated to St. Vincent.

2. Balance Between Loans and Grants

During the period considered, the PSO portfolio was evenly divided between "loan" projects and "grant" projects. As shown in Table IIC, 49.5% of total disbursements were for loans, while 50.5% went towards grant disbursements. This balanced division, however, only exists when the portfolio is analyzed for the aggregated period 1980-1987. On a year by year basis, the ratio between grants and loans changed significantly. Beginning in 1980, loan disbursements represented close to 90% of total disbursements with $1.9 million going towards loans and $0.2 million going towards grants. By 1982 loan disbursements were only $0.66 million more than grant disbursements. Thereafter, grant disbursements accounted for a greater percentage of total disbursements than loan disbursements except in 1985 when the two were equal. By the end of the period, grants had risen from less than 12% of the total to close to 80% of the total.

In terms of the delivery of loan funds to the OECS countries, the allocation of PSO costs appears to be well divided among three or four institutions. As shown in Table IIIB, $16 million in loan funds was lent to OECS member countries through a variety of institutions. Out of that total, the Caribbean Development Bank accounted for 41%, CFSC disbursed 25%, and the Development Finance Corporations and National Development Foundations accounted for about 10%. This evenly distributed dependence on several intermediary institutions was not maintained on an annual basis. In fact, during the first five years (1980-1984), between 70% and 90% of all loan funds were disbursed through the CDB and/or Development Finance Corporations. During the last three years, the CFSC accounted for between 35% and 80%. This tendency to rely on one or two institutions does not necessarily decrease the likelihood of successes. From a portfolio perspective, however, the concentration of annual disbursements in one institution does run the risk of the PSO becoming unnecessarily dependent on one institution. Instead of being judged on the basis of what three or four lending institutions are able to do, the overall success of loan-related portfolio becomes dangerously dependent upon the skills and success of one or two institutions.

In terms of grant disbursements, it appears that the RDO/C has also concentrated a large percentage of expenditures on consulting firm services under the PDAP contract. On an annual basis, the PDAP disbursements comprise 50-60% of total grant disbursements. The next largest share of grant disbursements went through the regional institutions like CAIC and CCCU (about 25%) followed by the multi-lateral organizations such as CDB (less than 15%) and the National Development Foundations (less than 10%).

3. Target Group Diversification

A review of the allocation of PSO disbursements by target group category seems to support the thesis that on an aggregated basis the portfolio is well-diversified. As shown in Table IIC, the disbursement of AID loan funds went from 10.1% for large-size firms (firms with more than $5 million in assets or more than 150 employees) to close to 40% for medium-size firms (firms with between $0.25 million and $5 million in assets or between 50 and 150 employees). Other recipients included micro-enterprises (15%), small-size firms (22.6%) and foreign investors (12.7%).

Once one examines the quality of disbursements and diversification in each target group category, however, the foundation upon which the well-diversified portfolio argument rests becomes less stable. For example, out of the $2.6 million lent towards large-size firms, $2.2 million or 86% of the funds financed the rehabilitation of the now defunct government-owned St. Vincent sugar factory. In the case of the micro-enterprise/small farmer category, 63% of the $3.8 million disbursements went to small farmers who were really outside the intended scope of the CDB 007 project which supplied the funds. In general, the target group categories with the most diversified sources of project funding include the medium-size and small-size firms. In each of these categories, there were four or more projects disbursing towards those beneficiaries. The other three categories--foreign investors, large-size firms, and micro-enterprises/small farmers-- all depended on two or fewer sources of funding. As shown in the case of the large-size firms, this concentration of funding can lead to greater risks of the entire category being considered a failure or resulting in low impact benefits.

4. Functional Diversification

Table IIB allocates project disbursements by function. The principal functional categories are: training/technical assistance, finance, investment promotion/project development, policy advocacy and development, and institutional development/project overhead. Corresponding to the general breakdown between loans and grants, the finance category (working capital, long-term credit, equity, etc.' comprised a little more than 50% of total disbursements. The next largest disbursements by functional category were investment promotion/project development (22%), training/technical assistance (13%) and institutional development/project overhead (13%). Finally, the category of policy advocacy and development which was included in the CAIC project consisted of about $.5 million or a little more than 1% of total disbursements.

It appears that a little less than half the projects focused exclusively on one functional area. In the regional agribusiness projects (007 and 057), EIPII, CPDF, CFSC and IPIP there was one functional area that comprised 75% or more of total project disbursements. In all those projects, with the exception of CPDF, the targeted functional area was finance or loans to target group beneficiaries. Later on in the evaluation period, and especially during the last couple of years, the focus of each project has been on two or more functional areas. Beginning with the CCCUII project and continuing with the SEA projects, there is a trend towards allocating disbursements between training/technical assistance, institutional development and finance. In the case of PDAP the disbursements focus on investment promotion and institutional development.

The trend towards disbursing on two or more functions seems to parallel the movement away from loan disbursements towards grant disbursements. Stated another way, as the percentage of grant disbursements has increased over the last few years the emphasis and percentage of disbursements going towards non-finance related functions has increased. This trend is revealed on an aggregated level when one compares overall planned disbursements by function to actual disbursements. Originally, the planned portfolio consisted of 61% of disbursements going towards finance and credit. In the actual disbursement scenario, however, loan-related (finance) disbursements only accounted for 51% of total disbursements. For all the other non-finance related categories, the actual percentage of total disbursements was higher than the planned percentage. For each functional category, excluding the finance category, the actual disbursements as a percentage of planned disbursements was 75% or more. In the case of the finance category, actual disbursements only accounted for 56% of the $45.7 million planned.

5. Conclusion

Eventually, the increasing emphasis on grant disbursements as opposed to loan disbursements raises questions about the long-term sustainability and manageability of the PSO portfolio. As AID disburses more money for institutional development and providing technical assistance and training, there is the risk that the newly developed institutions and training programs will become overly or completely dependent on AID money. Along with this sustainability issue, there are potential managerial and monitoring issues associated with the movement away from "single objective/loan-related" disbursements towards "multiple objective/grant-related" disbursements. While it may appear easier on the surface to monitor a few rather than many projects, the more complex projects become more difficult to assess as well as to manage.

C. ANALYSIS OF IMPACT AND SUSTAINABILITY

This subsection examines the tradeoffs between project impact and sustainability.

1. Impact

The most significant "return" of a portfolio like the PSO portfolio is the impact that project investments have on the OECS region in terms of providing increased employment and investment opportunities. Ideally, the measurement of this impact should incorporate several indicators including the number of jobs created, and the amount of new investment and foreign exchange generated. Unfortunately, information on all these indicators is not readily available. In most of the evaluations carried out, the most common denominator on impact has been the number of jobs created and an estimated level of total investment associated with each project. The analysis in this section, therefore, focuses on those two categories--total investment and jobs created.

a. Total Investment

Tables I and IV provide information on estimated total investment and jobs created for each project. As shown in Table I, the total estimated investment for the PSO portfolio amounts to close to $130 million or 2.6 times the AID disbursement total of $49.7 million. Due to the strong performance of the PDAP (about $34 million total investment) and CPDF ($23 million total investment) projects, the percentage of grant-related total investment was 58%. Those projects focusing on small to large-size firms (PDAP, CFSC, and CPDF) were more capital intensive while the micro-enterprise and institutional development projects received less private sector investment. For the most part, the projects had a total estimated investment ranging from two to three times the AID project disbursement total.

Table 1 provides a summary of estimated total investment which includes private sector investment as well as investments by and other donor agencies. Table IV also focuses on investments, but only those made by AID. More specifically, Table IV attempts to relate AID disbursements to the number of jobs created. Out of the close to $50.0 million disbursed by the RDO/C, $36.3 million can be linked directly to investments and jobs created in the OECS region exclusively. Other disbursements for regional activities, like CAIC, and investments in non-OECS countries are not included in this total.

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Finally, a third approach for reviewing investment, particularly those investments in the OECS, is to divide the investments into two categories--USAID grant disbursements and estimated private sector investment which would include loans provided by AID as well as other equity investment by the private sector. This methodology is presented in the table below in terms of minimum and maximum investment. Since, the evaluation team was never able to fully receive exact estimates on private sector investment, it was felt that a mini-max analysis would provide a reasonable "order of magnitude" estimate, without assuming any unsubstantiated degree of accuracy.

ESTIMATED APPLICABLE INVESTMENT IN THE OECS
(IN U.S. $ MILLIONS)

PROJECT	USAID GRANT DISBURSEMENT	PRIVATE SECTOR INVEST. ESTIMATED MAXIMUM (1)	ESTIMATED MINIMUM (1)
A. LOANS:			
1. 007	0	9.8	9.8
2. 057	0	2.1	2.1
3. ElPII	0	8.5	4.2
4. CFSC	0	9.4	9.4
5. IPIP	0	3.2	3.2
B. GRANTS:			
1. CCCUII	1.0	0.2	0.1
2. PDAP	13.4	33.4	13.7
3. CAIC	N.A.	N.A.	N.A.
4. CPDF	0.6	8.1	8.1
5. CIMAP	N.A.	N.A	N.A.
6. SEA (NON-NDF)	N.A.	N.A.	N.A.
7. NDFs	2.4	1.1	.8
TOTAL:	17.4	75.8	51.4

(1) In those projects in which investment totals are provided in the specific project evaluation, the maximum and minimum investment totals are the same. Otherwise, totals are provided based on maximum and minimum estimates.

(2) N.A. -- Indicates that the project had no applicable disbursements or jobs created, and was therefore excluded from the sum totals.

As shown in the table, the maximum total investment (both private sector and AID grants) for the OECS region is more than $93.0 million ($17.4 plus $75.8 million), while the estimated minimum applicable investment total is close to $69.0 million.

These final investment estimates for the OECS region range from 53% to 72% of the estimated total investment for all of the PSO portfolio (OECS and non-OECS region) provided in Table I. Similarly, the $36.3 million total of applicable AID disbursements (both loans and grants) for the OECS region presented in Table IV is about 73% of total disbursements of $49.8 million for the entire PSO portfolio. Just as the investment multiplier for AID disbursements in all the PSO portfolio was estimated to be between two and three ($130.3 million/$49.8 million= 2.61 specifically), it appears that for the OECS region the ratio of applicable investments and AID disbursements is between two and three (minimum case= $69.0 million/$36.3 million= 1.9; maximum case= $93.2 million/$36.3 million= 2.6).

It should be noted that while all these investment figures provide "order of magnitude" estimates, they still do not include investments made by local governments. For example, none of the costs associated with national government subsidies in terms of the development of industrial estates and tax concessions have been included in the final investment total. In addition, there has been no provision made for investments in public utilities, services and employee training programs. As a result of these "intangibles", any of the investment totals presented in this section could be viewed as conservative or even understated estimates.

b. Employment Generation

i. Methodology Used for Estimating Employment Generation

The main indicators used for estimating the impact of all the project related investments was jobs affected and jobs created. As pointed out in the "Project Monitoring System Report" presented by LBII in October, 1987,(4) these two categories are used to establish a maximum attributable number of jobs associated with a project ("jobs affected"), and to then compare the "jobs created" or "new jobs claimed" to this upper limit. "Jobs affected" would be the total number of employees associated with a business that received assistance from AID. For example,

(5)"Project Monitoring System", Louis Berger International Inc., October 1987.

in the case of micro-enterprise assistance, all the apprentices and laborers of a business which received assistance would be considered "affected". On the other hand, in order to be considered a "job created", the assistance provided must prove to be significant and be considered essential to expanding or developing a business. In the case of financial assistance, the assistance must provide more than 25% of the funds used to develop the business or new line of operations. For any other kinds of assistance, a job would be considered created if the assistance provided was considered significant or essential for hiring new laborers. In cases where the assistance was viewed as useful but not especially significant in terms of saving the businessmen a substantial amount of time or facilitating his investment, the jobs are not attributed to the project.

Ideally, the final tabulation of jobs created should be done in terms of "job person years" created. Unfortunately, for the purpose of this analysis there was no generally applicable information available to make such an estimate. Therefore, as shown in Table IV, the only categories used are jobs affected and created. It is assumed on a very optimistic basis that any of the jobs created are permanent jobs created. While this was most certainly not the case, it is partially offset by the fact that in some projects new jobs may have started after the evidence was gathered and/or old jobs may have been in existence for a few years and then eliminated a short while before the evaluation was carried out.

The data presented is compiled from completed evaluations. It should be noted that in the case of PDAP, EIPII and CFSC the number of jobs affected and created is lower than those figures presented in individual evaluations. Some of the jobs attributed to the PDAP and CFSC projects are also attributed to the EIPII and CPDF projects. Therefore, in order to eliminate double counting of jobs created for the entire portfolio, each of the individual project tallies was reduced. Finally, in the case of the micro-enterprise projects estimates of "jobs created" were derived from the "jobs affected" information provided in the Small Enterprise Cluster evaluation. Since there was no information provided on "jobs created", it was estimated that on average 15% of the "jobs affected" could be considered "jobs created". This number while somewhat arbitrary is still considered reasonable given the relatively low impact nature (in terms of generating new investment and employment opportunities) of micro-enterprises in general.

ii. Estimated Jobs Affected and Jobs Created

Overall, the PSO portfolio achieved a moderate degree of impact in terms of "jobs affected" and "jobs created". But these achievements still fell far short of the goals established in the original project papers, particularly in the case of PDAP. As shown in Table IV the total number of jobs affected and created respectively were 8,520 and 6,120. In the case of PDAP alone, some 12,000 jobs were expected to be generated from the investment promotion efforts. Instead, as of the end of October 1987, the level of employment generated at the peak level was less than 3,500. The number of jobs still in existence and attributed to the PDAP efforts was slightly more than 2,700 jobs. The PDAP project alone accounted for more than 40% of the jobs created in the PSO portfolio. Together with the EIPII projects, the number of jobs created was close to 4,700 or more than 75% of the portfolio total.

When classified by industry, the most number of jobs created were in the garments and electronic assembly industries. As shown in the table below, more than 3,800 or about 60% of the jobs created were in these two industries. The next highest employment generating industries were "other industry" (422), micro-businesses (411) and agro-industrial ventures (402).

INDUSTRY	ESTIMATED JOBS CREATED (1)
1. TEXTILE/APPAREL	2,323
2. ELECTRONICS ASSEMBLY	1,493
3. OTHER INDUSTRY (SOUVENIRS,STEEL,PRE-FABRICATED HOUSING,ETC.)	422
4. MICRO BUSINESS	411
5. AGRO-INDUSTRY	402
6. TOURISM/HOTELS	276
7. CONSTRUCTION	261
8. SPORTING GOODS	182
9. FURNITURE/WOODWORKING	118
10. BEVERAGES	100
TOTAL:	6,120
MINIMUM # OF JOBS CREATED: (15% LESS THAN ESTIMATE)	5,202
MAXIMUM # OF JOBS CREATED: (15% MORE THAN ESTIMATE)	7,038

(1) TAKEN FROM TABLE IV OF THE PROGRAM PAPER APPENDIX

The total number of jobs created and therefore attributed to the PSO portfolio was around 6,100. This number represents an estimate,however, and could probably fluctuate by about 15%. As such, a "maximum" number of jobs created could be 15% above the estimated total, or 7,038 jobs. The minimum number of jobs created, on the other hand, could be about 15% below the estimate total, or 5,202 jobs.

c. Analysis of Results

i. AID Disbursement Cost Per Job Created

The PSO portfolio experienced moderate, but by no means cost-effective, success in creating new jobs in the region. As already mentioned, on an aggregated level, the total number of jobs affected and created came to 8,520 and 6,120 respectively. In terms of an average disbursement cost per job affected and job created, the averages totaled about $4,260 for jobs affected and more than $5,928 for jobs created.

When a comparison between loan and grant funds is carried out, it appears that loan disbursements generally resulted in lower disbursement costs/ jobs created than grant-related disbursements. While loan disbursements per job created averaged about $5,000, grant disbursements per job created came out to about $6,000. When a cost per business affected ratio is also included in the analysis, it appears that the loan disbursements are geared more towards capital intensive, larger firms which have a greater potential for generating more employment and exports. On average, loan disbursements per business affected came to more than $141,000 while grant-related averages totaled a little over $22,000 per business affected.

On a project by project comparison basis it appears that some projects or groups of projects are more efficient or more effective at creating jobs. Specifically, there are four groups of projects that can be compared: 1) Regional Agribusiness Development projects 007 and 057, 2) EIPII and PDAP, 3) CFSC and CPDF and, 4) SEA and other Micro-enterprise projects. Interestingly enough, there is a rough inverse relationship between the total "disbursement cost per job created" for each of these four clusters and the allocated "overhead cost (institutional development/project overhead costs assigned in

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Table IIB) per job created". Below is a table summarizing these ratios:

PROJECT CLUSTER	TOTAL DISBURSEMENT COST PER JOB CREATED	TOTAL ADMINISTRATIVE* COST PER JOB CREATED
1. 007/057	$17,418	$0
2. CFSC/CPDF	$7,866	$349
3. SEA/NFA's	$6,586	$1,436
4. EIPII/PDAP	$3,753	$673

* Only includes AID funds used to cover administrative costs. It does not include any subsidies.

In order to fully assess the significance of costs associated with jobs created, one needs to review both cost ratios. It appears that as the disbursements shift from loan-related disbursements (007/057 and CFSC/CPDF) to grant-related disbursements (SEA/NFA's and EIPII/PDAP) there is a tradeoff between efficiency or sustainability as measured in terms of overhead costs/job created and overall efficient use of AID funds as measured in terms of total disbursement costs/job created. Loan disbursements tend to be more capital intensive and therefore result in higher cost averages than the more labor intensive grant-disbursements. At the same time, however, the loan disbursements seem to result in less overhead costs or costs that could ultimately not be sustained by AID assistance. In the following section, the issue of risk associated with the sustainability of the PSO portfolio is discussed.

ii. Total Investment Cost Per Job Created

Perhaps a more significant ratio is the average total investment (AID disbursements and Private Sector Investments) per job created. Using the mini-max information provided in section "a" on investment and "b" on jobs created, it is possible to calculate a mini-max range of investment cost/job created ratios. In the table below, ratios are provided for the "maximum case" (maximum investment/minimum number of jobs created), "minimum case" (minimum investment/maximum number of jobs created) and an "average case" (average estimated investment/jobs created):

MINI-MAX INVESTMENT PER JOB CREATED ANALYSIS

1. MINIMUM CASE: Minimum Investment/Maximum # of Jobs Created:

   $69.1 million/7,038 jobs = $9,825

2. MAXIMUM CASE: Maximum Investment/Minimum # of Jobs Created:

   $ 93.6 million/5,202 jobs = $17,990

3. AVERAGE CASE: Average Investment/Original Estimate of Jobs Created:

   $81.4 million/6,120 jobs = $13,295

These per job investment cost estimates appear to be somewhat high, especially when one considers the fact that more than 60% of the jobs created are in relatively low capital intensive industries like garments and electronics assembly. The table below presents average investment costs/employee ratios for a variety of industries taken from an Arthur D. Little 1984 evaluation of USAID/CDB on-lending programs (column A) and the U.S. Department of Commerce 1985 survey of investment in the U.S. (column B):

INDUSTRY	(A) INVESTMENT $/ EMPLOYEE	(B) INVESTMENT $/ EMPLOYEE
1. TEXTILES/APPAREL	745	4,070
2. ELECTRONIC ASSEMBLY	2,139	7,483
3. OTHER INDUSTRY:	13,263	12,000-150,000
4. MICRO-BUSINESSES:	N.A.	N.A.
5. AGRO-INDUSTRY	4,442	30,442
6. TOURISM/HOTELS	27,804	N. .
7. CONSTRUCTION	N.A.	N.A.
8. SPORTING GOODS	N.A.	13,972

9. **FURNITURE/WOODWORKING**	6,861	14,491
10. **BEVERAGES**	N.A.	66,182

FOOTNOTES:

(A) TAKEN FROM AN ARTHUR D. LITTLE EVALUATION: "CDB/USAID PRIVATE SECTOR ON-LENDING PROGRAMS",1984.

(B) TAKEN FROM THE DEPARTMENT OF COMMERCE "1985 ANNUAL SURVEY OF MANUFACTURES." THE INVESTMENT COSTS ARE ONLY FOR MACHINERY AND EQUIPMENT AND DO NOT INCLUDE BUILDINGS AND LAND. IT WAS ASSUMED THAT MOST OVERSEAS INVESTMENTS WOULD BE DIRECTED TOWARDS INDUSTRIAL ESTATES IN WHICH THERE IS NO NEED TO INVEST IN BUILDINGS OR OTHER STRUCTURES.

N.A.--NOT AVAILABLE

These two columns may be considered as a mini-max range of investment estimates as well. The U.S. Annual Survey of Manufactures figures could be considered to represent upper range estimates, since they focus exclusively on U.S. domestic investment where recent trends seem to point toward investments in more efficient, high technology. The ADL study, on the otherhand, seems to present investment totals that are on average 20-50% of the U.S. totals. Of course, in some cases the industry averages from the two sources may not be completely comparable. Still, for the purposes of this analysis it is assumed that the ADL figures would represent what could be considered the lower end of the investment spectrum.

Given the above investment estimates by industry, it still appears that the overall investment cost/employee ratios estimated for the PSO portfolio appear to be high. The "minimum case" ratio of more than $9,800 is higher than all the estimates in the ADL study except for the tourism/hotel and other industry averages, which together only accounted for about 10% of the total jobs created. The "maximum case" ratio of close to $18,000 is higher than all of the industry averages from the U.S. Annual Survey of Manufactures, except for agro-industry and beverages (the "other industry" ratio is difficult to use for comparative analysis since it represents a range of estimates, most of which are for industries that do not exist on any large scale in the Caribbean.).

When one considers that more than 60% of the jobs created in the OECS are labor intensive industries like garments and electronics assembly, the "minimum case" ratio is high when compared to both the ADL and U.S. Annual Survey data. Specifically, the $9,800 figure is more than four times the ratio provided in the ADL report for electronics assembly, and more than $2,000 more than the estimate derived from the U.S. Annual Survey. If one were to use the "average case" or "maximum case" ratios, the amount by which the PSO portfolio ratios would exceed those provided by ADL and the U.S. Annual Survey would be even more pronounced.

Finally it should be noted that the investment ratios for the PSO portfolio would be even higher if one were to calculate the investments made by national governments in terms of subsidies, services, and training programs provided. Furthermore, the mini-max analysis does not include investments made by other donor agencies. While in some projects, such investments are non-existent (PDAP for example), in others they represent a relatively large percentage of total funding (CPDF in particular).

2. Sustainability

In the PSO portfolio, the primary risk involves being locked into sustaining the project costs of institutions that make marginal contributions to development as one horn of a dilemma, or acknowledging the loss of prior investments in such institutions as they collapse without USAID assistance. In the preceding section, there was some discussion on the extent to which AID investments resulted in productive, job generating investments. This section now examines the extent to which the PSO portfolio has or will contribute to the establishment of sustainable institutions.

From the perspective of an international development institution, one of the least risky types of disbursements are loans to intermediary institutions like the Caribbean Development Bank and the Development Finance Corporations. From a political and financial point of view, such AID loan disbursements are relatively "risk-free" since there is a high probability that the intermediary institution will make the necessary repayments. But this assessment of risk presents a false sense of security and indication of sustainability. While from an AID perspective the loan disbursements may be relatively "risk-free", from the intermediary institutional perspective the subsequent disbursement of funds to beneficiaries presents a variety of risks.

As shown in Table IIID, the amount of total systematic arrears ($3.1 million) for all loan disbursements by intermediary institutions to beneficiaries is more than three times higher than total repayments ($0.9 million). The institutions with the most severe arrears problems are the governments that borrow from the CDB for public projects and the Development Finance Corporations. Together these two types of public sector agencies account for more than 95% of total identified arrears with the government parastatals accounting for $2.2 million and the DFC's clients contributing another $0.8 million to the total. At the other extreme are the two private sector lending institutions, LAAD and CFSC, which together accounted for less than 5% of the total portfolio arrears.

The issue of risk and sustainability associated with grant disbursements is probably more serious than those associated with loan disbursements. Unlike the loan disbursements, the grant disbursements carry with them the potential of becoming long and drawn out financial liabilities for the RDO/C. When AID commits itself to establishing a new institution (like an NDF) or developing institutional capabilities (training/technical assistance and policy advocacy), it creates an expectation that it will continue financing the institution until it has had a reasonable chance to become self-sufficient (through fees collected or revenue generated) or institutionally self-sustaining by developing grantsmanship skills.

At present, the trend toward disbursing more for grants than loans portends the possibility that the PSO portfolio will increasingly create dependencies. The most common functions associated with grant disbursements are training/technical assistance and strengthening the administrative capabilities (institutional development goals) of the implementing agencies. As shown in Table IIIC, the amount of funds disbursed toward these two categories as a percentage of total annual disbursements has grown from 11% in 1980 to 31% in 1987. Similarly, the amount of money going toward investment promotion (a grant disbursement) has grown from less than 1% of total annual disbursements in 1980 and 1981 to more than 25% in 1986 and 1987. Another indicator of increasing financial liability is the increase in project overhead costs. Since 1980 the amount of project overhead has increased from 2.5% of total annual disbursements to 10.5% in 1987.

In theory, the development of training/technical assistance, investment promotion and administrative capabilities are potentially self-sustaining. But the time frame over which AID funds are replaced by outside funds and/or fees collected for the services provided is normally longer than a typical 3-5 year project horizon. As a result, the PSO will probably have to face the possibility of either continuing the funding of a large percentage of the program or shifting its resources toward other ventures. The issue of extended grant funding was faced by the

Mission in the case of PDAP and will be faced again as the ECIPS project period draws to a close. In the future, the same decision will have to be made regarding the financing of the SEA projects. At present, AID provides 40-50% of the National Development Foundation's budgets. Such a large percentage presents the very real risk that at some point the programs may have to either be scaled down or eliminated.

C. COMPREHENSIVE ANALYSIS OF THE PSO PORTFOLIO

This section seeks to assess the overall effectiveness and health of the PSO portfolio. Building on the trends identified in Section II, this section examines the overall portfolio in terms of its effectiveness in achieving common purposes and goals. The analysis proceeds from two perspectives. The first perspective emphasizes the Generic Scope of Work and draws upon the completed evaluation findings of the following projects: CDB agribusiness (007), LAAD (057), EIPII, PDAP, CFSC,IPIP, CPDF, and CAIC. For each of the purposes presented in the project paper for each project, a ranking is assigned measuring the extent to which that purpose was accomplished. The individual rankings are then aggregated for each project and by overall goal category--Economic Development, Institutional Development, and Policy Advocacy--and a composite picture of the portfolio is presented in Table V.

The other analytical perspective presented focuses more on ranking the projects according to AID evaluation guidelines. The evaluative indicators are "impact", "relevance", "efficiency" and "sustainability". For each of the projects a rank is provided indicating the extent to which a project was successful in achieving acceptable levels of impact, relevance, efficiency and sustainability. Each of these individual rankings is then aggregated to provide a composite picture on the portfolio's health in each of these categories. These individual rankings and overall composite picture are provided in Tables VI and VII.

A discussion on each of these portfolio perspectives and the methodology used for compiling the aggregated ranking of all the projects is presented below. The first sub-section presents the portfolio analysis based on the Generic Scope of Work purpose and goal indicators and the evaluations completed. The second sub-section examines the portfolio from AID evaluative guidelines and assesses the overall balance among impact, relevance, efficiency and sustainablity indicators. Finally, the third sub-section presents a conclusion comparing the results of the two analytical approaches.

1. Portfolio Evaluation Based on Generic Scope of Work

a. Methodology Used

Table V presents a composite picture of the findings from the evaluations completed to date. In each of the evaluations a generic scope of work was included with which the evaluators tried to trace and measure the extent to which a project was able to achieve project purposes as outlined in the project design paper. The table lists all the project purpose elements mentioned in each project. These purpose elements are organized under two more general categories. First, in accordance with AID goal related objectives, the purposes are organized under separate general AID developmental goals: Economic Development, Institutional Development, and Policy Development. Under each of these goal categories, the project purposes are then organized according to specific functional categories. For the economic development goal category, the functional categories are finance, investment promotion and training/technical assistance. For the institutional and policy development goals, the functional categories are simply institutional development and policy advocacy and development. These functional categories correspond to the categories presented in Table IIB.

With all the project purpose elements listed for each project aggregated under goal and functional categories, it is then possible to identify and rank each project's level of success for each of the purpose element categories. In the case of EIPII there are seven purpose elements identified in the Generic Scope of Work of the individual project evaluation--6 under the "Economic Development" category and 1 under the "Institutional Development" category. In the case of the CFSC project, six purpose elements--5 in the "Economic Development" category and 1 in the "Institutional Development" category--are identified.

Once all the purpose element objectives of each of the evaluated projects is identified, a rank is assigned to each element indicating the extent to which the element was evaluated to be successfully achieved. The attribution scale used runs from 1 to 5, with 1 being considered "excellent and/or more than 80% accomplished" and 5 being viewed as "poor and/or never accomplished". In between the two extreme ranks are the following: 2--"above average or between 60-80% accomplished", 3--"Average and/or between 40-60% accomplished", and 4--"Below average and/or between 20-40% accomplished". Again, the basis for providing the ranking originates from the findings presented in each of the completed evaluations. It may be argued that assigning a numerical ranking to these purpose elements may be an inaccurate or artificial means of converting qualified assessments into quantified rankings. While there is clearly a strong subjective element in this approach, it still is useful in providing a preliminary order of magnitude basis for comparing purpose and goal achievements across project lines.

After all the purpose elements in each of the projects are ranked, an aggregated mean ranking is provided for each project, purpose element, goal and functional category. For example, in the case of the EIPII project, all of the purpose element ranks are added up (adding vertically) and divided by 7 (since there are seven purpose elements included in the EIPII project). Using this methodology, the overall mean rank for the EIPII project is 2.57. In the case of calculating a mean rank for each purpose element the same procedure is followed. For example, for the purpose element "to provide long term financing for businesses", the four rankings provided for this element in the Regional Agribusiness Development projects, the EIPII project, CFSC, and IPIP are all added up (moving across horizontally) and divided by 4. Finally, the same arithmetic mean calculation is carried out for each of the goals -- Economic Development, Institutional Development and Policy Development-- and functional (technical assistance, policy advocacy, etc.) categories as well.

b. Analysis of Table V

Based on the rankings assigned to each of the purpose elements for each of the seven evaluated projects, a number of conclusions can be drawn. At the goal level, it appears that the twelve ranked projects were more successful at achieving policy objectives than in generating significant economic or institutional impact. As summarized in the table, the following aggregated rankings were achieved for each of the three goals:

GOAL	RANK
Policy Development	2.33
Economic Development	3.10
Institutional Development	3.11

* Ranking system ranges from a poor rating of "5" to an excellent ranking of "1". A rank of "3" would be considered average, or would represent a level of achievement that was mediocre and/or still problematic.

The CAIC project was influential in making the "policy development" the most successful goal-related accomplishment. More than any other project this project was able to promote private sector interests and encourage dialogue between the governmental bodies and the business community. In addition, the PDAP project played a significant part in promoting this government-private sector dialogue. As a result of the PDAP project, government officials took a greater interest in promoting and working with foreign investors.

Unfortunately, neither the CAIC project nor the PDAP project was as successful in transforming the policy dialogue into substantial economic benefits. In fact, for all the evaluated projects, the overall ranking for the economic development category was a mediocre 3.10. Of course, within that aggregated ranking there were a few above average performances. The CFSC, NDF and CPDF projects all received ranks between 1.2 and 1.9 for achieving economic development goals. For the most part, the portfolio seemed to achieve some above average achievements in the provision of technical assistance and training. Similar to the overall ranking assigned to "Policy Development" , the aggregated ranking for technical assistance/training came to 2.41. This relatively high ranking was due mostly to the success of the CPDF project in assisting entrepreneurs in preparing business proposals. Besides training, the portfolio also registered some successes in encouraging local investment and providing long-term financing. Specifically, both the CFSC and EIPII projects received ranks of "1's" and "2's" in those two purpose categories.

The accomplishments of the portfolio in encouraging local investment and entrepreneurship, however, were offset by less successful achievements in all the other purpose areas of the Economic Development goal. Particularly, the Regional Agribusiness Development projects and the IPIP project were considered failures in terms of having any significant economic impact. Regarding the PDAP project there were some significant achievements made in attracting foreign investment, but the overall levels of investment never came close to the levels anticipated at the outset of the project.

The final area of development were those efforts directed towards Institutional Development. This category was ranked just below the Economic Development category, even though the aggregate ranking was excessively decreased by the failures of the Regional Agribusiness Development and IPIP projects to establish financial institutions. It should be noted that the portfolio did achieve some very significant institutional development successes with regards to the CFSC,NDF and CAIC projects. Almost singlehandedly, the PSO assistance resulted in the development of institutions that are now viable suppliers of long-term funds for medium/small-size businesses (CFSC) and micro-enterprises

(NDF's), as well as reasonably effective policy advocacy institutions for the private sector (CAIC).

More dubious were the PSO efforts at developing investment promotion institutions. Over the last few years, the PDAP project has been able to establish some relatively strong local investment promotion institutions in only two out of six OECS islands. By the date of the completion of the evaluation, the sustainability or effectiveness of the other four institutions remained tenuous.

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2. Portfolio Analysis Based on AID Evaluation Indicators

A second approach for evaluating the PSO portfolio is to assess each project's success in achieving some level of impact, relevance, efficiency and sustainability. In short, all these criteria provide some insight on each project's effectiveness. On an aggregated basis, as well, an evaluation of all these variables allows one to assess the overall health of the PSO portfolio.

a. Methodology Used

This second analytical approach is presented in Tables VI and VII, which provides a composite picture of the PSO portfolio. While in Table V the key criteria evaluated and ranked focused on project purpose elements, the criteria in Tables VI and VII are more closely tied to AID evaluative guidelines. Specifically, the principal evaluative categories outlined in the AID Evaluation Handbook are: impact, relevance, efficiency, effectiveness and sustainability.

An important assumption made is that the overall effectiveness (one of the AID evaluative criterion) of any project and portfolio is primarily dependent on each project's ability to register high marks in the other four categories (impact, relevance, efficiency, and sustainability). Therefore, a set of indicators is selected for each project that provide some insight on each of the four categories. On the basis of the rankings attached to each of these four categories, an overall rank is provided on the "health" or overall effectiveness of each project and the portfolio in general.

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b. Indicators Selected

In each of the four categories, one or two indicators are examined. In many cases, the indicators selected are similar across projects, and are meant to provide some commensurability. Below is a table outlining the specific indicators:

CATEGORY	INDICATORS USED
A. "IMPACT"	1. Disbursement cost/jobs affected 2. Disbursement cost/jobs created
B. "RELEVANCE"	1. Some indication that the project is having an impact on the intended target group. Possible indicators include: a. Number of assisted businesses still in existence b. Percentage of industrial estates occupied c. Increase in membership d. Number of "graduates" from a subsidized program to a regular market rate program 2. Percentage of AID disbursements that actually go to the OECS region
C. "EFFICIENCY"	1. Cost per major output of the project including: a. cost/venture undertaken b. cost/proposal c. cost/trainee 2. Operating expenses/income (%)
D. "SUSTAINABILITY"	1. Percentage of loans outstanding in arrears 2. Extent to which AID financing supports an institution's budget (%)

Information on these indicators is provided for each of the projects in the PSO portfolio. While not completely commensurable, the indicators do allow one to begin comparing each project's progress in the four areas. The primary sources of information for analyzing these categories were the completed evaluations and monitoring reports.

c. Assigning a Ranking

Once the information is selected a rank is given to each of the indicators and for each of the four evaluative categories. The scale used for ranking is 1, 2, or 3. At the top of the range is a "1" which indicates that the indicator is good or above average. A "2" is for those indicators that appear to be average and/or somewhat problematic. Finally, a "3" is designated when an indicator reveals serious problems and/or below average performance. As in the case of the Generic Scope of Work composite analysis (Table V), the assigning of a rank for each of the indicators can be difficult. In general, the criteria for assigning a rank varies from indicator to indicator and category to category. Still, the rankings are merely intended to provide some framework for comparing projects and are not meant to be considered absolute or comprehensive.

For the "IMPACT" category, the ranking of the cost per job affected and created ratios is internally generated and derived from comparing the individual project ratio to the aggregate portfolio average. Any project that has a ratio that is within $1,000 (above and below) of the portfolio average is considered "average" and receives a "2". Ratios that are more than $1,000 above the average are considered below average and assigned a rank of "3". Conversely, those ratios that are more than $1,000 below the average are designated as "1" and considered above average.

In the case of the "RELEVANCE" category the key criteria ranked are the number of "success stories" at the firm-level and the percentage of AID disbursements that are directly attributable to the OECS region. For the first indicator, an indication of target group related success stories, a "1" is assigned to those projects in which 3 or more firms per year have received significant assistance and are profitable. In the cases of credit unions and policy advocacy groups (like CAIC) the indication of success would be an upward trend in membership levels. In those projects where the number of success stories is between 1 and 3 per year, or where the membership trends are stable a ranking of "2" would be assigned. Finally, in the projects where the number of success stories is less than 1 or the membership trends are decreasing the ranking would be a "3". Regarding the second indicator, percentage of AID disbursements to the OECS, the same internally generated ranking system as that used for the "IMPACT" category would be used. Any project that is within 10% (above or below) the 68% average for the portfolio would be considered average and receive a "2". Above the 10% band would be a "1" and below the 10% range would be considered a "3".

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Regarding the "EFFICIENCY" category, all the rankings are derived either from comparing the ratio to the portfolio average, or comparing the indicator to what the expected goal presented in the project paper. For all of the cost per output ratios, the basis for measuring is the portfolio average. In the case of expense/income ratios the measuring stick is the ratios anticipated in the project design paper. In those projects where the actual ratios are about the same or better than the planned ratios, the ranking would be a "1". Anything below the planned ratio would then be a "2" or "3" depending on the likelihood that the planned ratio would eventually be achieved.

Finally for the "SUSTAINABILITY" indicators a variety of attribution scales are used. In the case of the financial institutions, the primary indicator is the amount of arrears as a percentage of total loans outstanding. If the arrears percentage was below 10% the ranking was a "1", between 10% and 25% would be a "2" and above 25% would be a "3". In the case of the national development foundations, the key indicator is the amount of AID disbursements as a percentage of each foundation's total budget. Between 20% and 40% was considered average or a "2" while anything above 40% was considered problematical and assigned a "3". A ranking of "1" would be assigned to any institution that received less than 20% of its total funds from AID. In the case of the Caribbean Credit Unions and CAIC a key indicator was the amount of fees or service derived income as a percentage of total expenses. In those cases, an improvement in the ratio (of more than 5%) was assigned a "1". A worsening in the ratio by more than 5% was considered a "3" and anything in between was designated a "2". Finally, in the case of PDAP the only basis for evaluating the sustainability of the project was the qualitative findings presented in the Berger evaluation. The final assessment was that "2 out of 6" local institutions were considered very strong. This percentage appeared less than average but not necessarily a final indicator of a lack of sustainability. As a result, a ranking of "2.5" was assigned which placed it below average but not at the crisis red flag level of a "3".

Besides the "2.5" ranking assigned to the "SUSTAINABILITY" category for the PDAP project, there are other "2.5" rankings that result from taking a weighted average of two or more indicators in any one category. For example, in each of the "IMPACT" categories the cost per job created indicator is assigned a weight of .75 while the cost per job affected assigned a .25 weight. Therefore, as in the case of the SEA project, a ranking of "1" is assigned to the cost/job affected indicator and a "3" to the cost/job created indicator. The weighted average, therefore, is (3 x.75 + 1 x.25) or "2.5". Similarly, in the

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"RELEVANCE" category, the indicator of success stories is weighed more heavily (.75) than the percentage of AID disbursements going to the OECS (.25). In each of these categories, it is assumed that the more heavily weighted indicator (cost/job created and number of success stories) is more significant. On the other hand, in the case of the "EFFICIENCY" and "SUSTAINABILITY" categories all the indicators within each category are considered equal in importance. Therefore, in those instances where there are two indicators, each of the indicators is assigned a weight of .5.

d. Developing an Aggregate Portfolio Ranking

After all the indicators in each of the projects are assigned a ranking, it is then possible to develop a composite portfolio picture or aggregated ranking in each of the four categories. Table VII presents weighted rankings for each of the individual project category rankings. For each project the originally assigned ranking presented in Table VI, is weighted or discounted according to the amount of disbursements a project represents as a percentage of the total portfolio disbursement amount. In this way a "2" ranking assigned to the "IMPACT" category of the PDAP project (with more than $13 million in disbursements) is weighted more heavily than a "2" ranking assigned to the "IMPACT" category in the Caribbean Marketing Assistance project (with less than $.4 million in disbursements).

Table VII approaches the development of composite rankings for the portfolio from four different perspectives. The first perspective is the most global and is referred to as the "Total Portfolio" approach. From this perspective, the rankings of each project's category are weighted or discounted according to the percentage amount that a project's disbursements represents of the total portfolio disbursement figure (more than $49 million dollars). For example, in the case of the EIPII project, total applicable disbursements amount to $8.1 million which accounts for 17% of total portfolio disbursements. Therefore, the originally assigned ranking of "1" in the "IMPACT" category is assigned a weighted ranking of 1 x .17 or .17. For the "RELEVANCE" category, the weighted ranking would be 1.25 x .17 or .21. After all the category rankings in each of the projects is assigned a weighted ranking, the aggregate ranking is compiled by adding up all the weighted rankings. As shown in the summary of Table VII, the aggregated ranking is:

IMPACT	RELEVANCE	EFFICIENCY	SUSTAINABILITY
1.96	1.65	2.12	2.18

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Another more detailed perspective from which to analyze and aggregate the project rankings is to compare loan disbursements to grant disbursements. This "Loan/Grant" approach requires developing a new set of weighted rankings. For example, in the case of EIPII, total project disbursements amount to 34% of total loan disbursements in the PSO portfolio. Therefore, all of the originally assigned rankings should be discounted by .34, instead of .17 which was used in the "Total Portfolio" approach. Once weighted rankings are assigned to each of the projects, the aggregated ranking is compiled by first adding up all the weighted rankings of the loan-related projects, and then separately adding up the weighted rankings for the grant-related projects. In this manner, it is possible to compare the performance of loan disbursements to grant disbursements in each of the evaluative categories. Again, the summary section in Table VII provides the aggregate rankings which are summarized below:

	IMPACT	RELEVANCE	EFFICIENCY	SUSTAINABILITY
Loan Projects:	2.32	1.98	1.97	1.85
Grant Projects:	1.61	1.32	2.26	2.52

A third approach for analyzing the PSO portfolio focuses on comparing those projects that favor growth oriented development goals , with those projects that emphasize equity oriented development goals. This "Growth/Equity" perspective basically clumps all those projects not designated as focusing on small to micro-enterprises as "growth" projects. Similar to the other two approaches, weighted rankings are assigned to each project according to each project's percentage contribution to either the "growth" or "equity" cluster of projects. The final aggregation of rankings by these categories reveals the following:

	IMPACT	RELEVANCE	EFFICIENCY	SUSTAINABILITY
Growth Projects:	1.91	1.63	2.15	2.15
Equity Projects:	2.38	1.76	1.90	2.41

Finally, a more detailed examination of the Growth/Equity analysis is presented in the table and is designated the "Project Cluster" approach. In this analysis, five clusters of projects are identified: 1) Regional Agribusiness Development projects (007/057), 2) EIPII and PDAP, 3)CFSC and CPDF, 4) SEA and other Micro-enterprise projects, 5) CAIC. The same methodology used for assigning weighted rankings for the other two approaches is applied in this analysis as well. Under this approach the following results are attained:

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	IMPACT	RELEVANCE	EFFICIENCY	SUSTAINABILITY
REG.AGRIB.:	3.00	2.78	3.00	1.88
EIPII/PDAP:	1.16	1.09	1.93	2.31
CFSC/CPDF:	2.49	1.49	1.25	1.25
SEA/NFA's:	2.38	1.76	1.90	2.41
CAIC:	2.00	1.50	2.00	3.00

e. Analysis of the Aggregated Portfolio Rankings

A first-cut analysis on the quality of the PSO portfolio reveals that the two areas ranked highest in the portfolio were impact and relevance. From the "Total Portfolio" perspective, both these indicators are ranked at 1.95 and 1.65 indicating that they are slightly above average. On the other hand, the portfolio does seem to be facing some problems in establishing efficient, sustainable institutions. Stated another way, it appears that the PSO portfolio is striking a positive response from its targeted group of countries and beneficiaries, but that it is not achieving the impact or sustainability originally envisioned. As a result, overall efficiency in the delivery of outputs and development of new business investments is less than optimal, supporting the argument that while some successes are being achieved, investment economies of scale are not yet realized.

Upon closer inspection, it is clear that the most significant contributors to the portfolio's achievement of employment impact in the area are the EIPII/PDAP cluster group. While all the other cluster groups received a ranking between 2 and 3 for the "IMPACT" category, the EIPII/PDAP group was assessed a 1.16. This is not surprising since these two projects accounted for more than 70% of total jobs created in the portfolio. Still, the EIPII/PDAP only accounted for less than 50% of total disbursements and consequently, the inability of the other projects to achieve similar levels of impact resulted in the overall portfolio receiving a mediocre ranking. Furthermore, the success of the EIPII/PDAP projects in having some impact is offset by the fact that the ranking of 2.31 assigned to the sustainability category raises questions about the long-term viability of investment promotion efforts.

In fact, as pointed out in Section II the whole issue of sustainability represents the gravest risk to the PSO portfolio. For grant disbursements, in particular, the issue of sustainability is one of the more serious problems in the portfolio. The most serious issue involves the extent to which AID will be able to continue financing 40 to 60% of the NDF's budget, the viability of having CAIC implement the SEA project, and the ability of the institutions established under ECIPS to effectively promote investment in the OECS.

In the midst of the long and dark shadow of the sustainability issue, there are a couple of bright spots. Specifically, the two private sector institutions, LAAD and CFSC, received the highest sustainability rankings in the portfolio. Particulary, the CFSC/CPDF cluster, as shown in Table VII, ranked well above the average, due primarily to the CFSC's deliberate and cautious lending policy. From a cluster perspective, a comparison of the results among the various clusters would suggest that the most viable and reliable beneficiaries to lend to are the small to medium-size firms which CFSC largely targets. As the projects focus more on the larger or micro-size firms (as is the case in the other cluster groups),it appears that the sustainability and viability of the loans and lending institutions becomes more problematic.

In terms of overall relevance, the most "relevant" projects appear to be the grant disbursement projects. At the growth-oriented end of the development spectrum, the PDAP project enjoyed moderate success in bringing firms to the OECS region. Together with the EIPII project the overall ranking of 1.09 indicates that the projects did serve a useful purpose and that there was a reasonable amount of demand for project services. The next most relevant cluster of projects were the NDF development projects which enjoyed a modicum of success in providing needed financial and technical assistance. These activities, however, have not yet realized their full potential. Particularly, implementation of the non-NDF training and technical assistance component of the SEA project has been slowed due to delays in developing National Coordinating Committees which were a condition precedent of the project. Still, as a beginning effort, it appears that the SEA/NDF projects, and equity projects in general, have been relevant and appropriately directed toward the targeted countries and target groups.

C. CONCLUSION: COMPARISON OF THE TWO PORTFOLIO ANALYSES

Together the two analytical methodologies used for assessing the PSO portfolio provide different but overlapping insights. While the first perspective provides insight on the portfolio's success in achieving goal and purpose-related objectives, the second perspective looks at the overall cost-effectiveness associated with these goal and purpose-related accomplishments. For the most part the methodologies result in a similar ranking of the projects in the PSO portfolio. Below is a comparison of project rankings derived from the two methodologies:

PROJECT	RANK: METHODOLOGY #1	METHODOLOGY #2
CFSC	1	2
CCCU	2*	10
NDF/WID/SEA	3	2
CPDF	4	4
CAIC	5	6
EIPII	6	1
PDAP	7	5
SEA (non-NDF)	8	7
CIMAP	9	9
LAAD(057)	10	8
CDB(007)	11	11
IPIP	12	12

As shown in this table, most of the projects either have the same ranking in both analyses or are within one or two positions in each of the rankings systems. The single exceptions are the EIPII and CCCU projects. The EIPII received the top overall ranking in methodology #2, primarily because of its success in achieving a high level of impact. Along with the PDAP project, the EIPII was the largest contributor to job creation in the region. Furthermore, the relatively low arrears rate and high occupancy rates of the industrial estates associated with the project suggest that the accomplishments were relevant and sustainable.Conversely, the impact accomplishments of the CCCU project at the credit union level appeared to be minimal. As a result, it only received an average ranking of "2.75" in the "IMPACT" category.

* This ranking only looks at the CCCU's effectiveness in supporting micro/small businesses rather than the effects of AID assistance as such. Consequently, the ranking is viewed as non-comprehensive and, perhaps, misleadingly high.

As for the other projects there seems to be a fairly close correlation between a project's goal and purpose-related achievements (methodology #1), and its overall impact and sustainability achievements (focus of methodology #2). This correlation suggests that cost-effectiveness improves or is tied to a projects' ability to achieve goals and purposes. A possible corollary to this is that as a project achieves its goals and purposes, its overall cost-effectiveness improves. This is not surprising since often times the primary purposes of a project focus on objectives related to sustainability and cost-effectiveness.

Once all the projects are judged according to the methodology #1 criteria and the criteria of methodology #2, a final ranking of the projects is possible. Specifically, an "aggregate" ranking for the projects is compiled by adding up the rankings from the two methodologies for each project and dividing by 2. Using this methodology, the rankings follow closely those derived from methodology #1, although the NDF and EIPII projects moved up, while the CCCU project moved down. Below is a table which summarizes the "combined ranking" of projects:

PROJECT	OVERALL RANK IN PORTFOLIO
CFSC	1
NDF	2
CPDF	3
EIPII	4
CAIC	5
CCCU	6*
PDAP	7
SEA	8
CIMAP	9
LAAD(057)	10
CDB (007)	11
IPIP	12

* This ranking focuses primarily on CCCU's effectiveness in supporting micro/small businesses rather than the effect of AID assistance as such.

This final ranking of the projects provides some insights on the tradeoffs that the PSO will have to consider in the future. For example, the success of the CFSC project reveals the effectiveness of including private sector businessmen in the development process. This participation by the private sector, however, runs the risk of AID having to respond, in a more direct manner, to any criticism or frustrations the private sector participants may have. Another tradeoff involves the development of single or multi-objective projects. The CFSC project's success in developing a viable institution based on the achievement of a limited set of objectives indicates the desirability of developing single-goal and single-functional objectives. This focus on single-objectives, however, does carry with it some risks. Specifically, if the one or two objectives of the project become unachievable it is much easier to point to a project as a failure. This was exactly the case in the IPIP project. While from an economic viewpoint, it may be more desirable to be able to quickly monitor a project and allocate resources accordingly, from a political or institutional viewpoint such decisive monitoring may be untenable.

Another possible tradeoff which PSO may have to consider in the future concerns the type of investment it seeks to encourage. For the most part, the PSO portfolio was most successful in developing regional/local investment and encouraging regional economic integration. For example, the CFSC and CPDF clients were mostly small to medium-size local entrepreneurs. The NDF's clientele were all micro-businessmen. Farther up the business size spectrum,were the project beneficiaries of EIPII of which most were small to large-size regional investors.

Corresponding to this success in promoting non-foreign investments, was the portfolio's success in developing niche markets rather than major export markets. However, while these investments have been significant, they still have not allowed the portfolio to achieve the level of employment generation and investments originally envisioned.

TABLE I

GLOBAL DISBURSEMENTS AND TOTAL INVESTMENT FOR THE PERIOD 1980-1987

PROJECT	YEAR STARTED	YEAR ENDED		TOTAL PLANNED DISBURSEMENTS	TOTAL PLANNED FEAR DISBURSEMENTS BY 7/31/87	TOTAL ACTUAL DISBURSEMENTS	% OF ACTUAL DISB./ TOTAL ORIGINAL DISBURSEMENTS	% OF ACTUAL DISB./ TOTAL PLANNED D BY 7/31/87	ESTIMATED TOTAL INVESTMENT	% OF TOTAL INVEST./ TOTAL AID DISB.
1. 007--CDB	[illegible]	1986		6,950,000	6,950,000	6,749,[illegible]	97	97	[illegible]	1.[illegible]
2. 057--IAAD	1980	1987		6,000,000	6,000,000	5,522,63[illegible]	92	92	16,955,[illegible]	2.91
3. 012/019--EIPII	1979	1985		9,800,000	9,800,000	8,105,093	83	83	[illegible]	1.5[illegible]
4. 026/0135--CCCU II	1980	1985		2,021,000	2,021,000	1,808,418	[illegible]	89	[illegible]	4.[illegible]
5. 042--FDAP	1980	1984		6,686,000	6,686,000	6,583,900	99	98		
0119--FDAPII	1984	1987		9,356,786	8,576,687	6,812,972	73	79		
(INCLUDED IN IFED PROJECT)										
				16,042,786	15,262,687	13,395,972	84	89	[illegible],924,6[illegible]	[illegible]
6. 043--CAIC	1981	1987		[illegible]	3,500,000	3,300,000	94	94	5,780,[illegible]	1.7[illegible]
7. 060--CPDF	1982	1987		2,000,000	1,909,090	1,376,461	69	72	[illegible]	[illegible]
8. 079--DOMINICA SER	198[illegible]	1985		417,000	417,000	408,381	98	98	766,787	1.88
9. 084--CFSC[a]	198[illegible]	198[illegible]	ORIGINAL	12,400,000	10,818,701 (USING REVIS. II)	4,080,654	33	[illegible]	[illegible]	[illegible]
			REVISION I	17,355,000						
			REVISION II	15,935,000						
10. 098--IFIP	198[illegible]	1987	ORIGINAL	12,000,000	12,000,000 (USING REVIS. I)	1,334,830	11	11	[illegible],241,[illegible]	
			REVISION I	6,000,000						
			(IFED)	721,635	521,000	365,787	51	[illegible]	365,787	
				12,721,635	12,521,000	1,700,617	13	14	[illegible],606,782	[illegible]
11. 0102--CARIB. MKT. ASSIST	1984	1986	ORIGINAL	70,000	390,000 (USING REVIS. II)	351,481	502	90	804,921	[illegible]
			REVISION I	270,000						
			REVISION III	390,000						
12. 0133--SEA	1986	1991	ORIGINAL	2,630,000	5,300,000 (USING REVIS. II)	2,443,[illegible]28	93	46	2,686,817	1.10
			REVISION I	5,320,000						
			REVISION II	11,850,000						
13. 0136--NFA	1985	1986		520,000	520,000	520,000	100	100	1,232,000	2.37
TOTAL:				75,072,021	75,409,478	49,762,145	66	66	[illegible],73,78[illegible]	2.62

SOURCES: 1. RDO/C MISSION ACCOUNTING CONTROL SYSTEM (MACS) PIPELINE SUMMARY 7/31/87
2. LBII EVALUATIONS FOR REGIONAL AGRIBUSINESS DEVELOPMENT (007/0571, CAIC, CCCU, AND THE FINANCIAL CLUSTER PROJECTS (EIPII,CPDF,CFSC,AND IFIP)
3. TOTAL INVESTMENT ESTIMATES COLLECTED FROM INFORMATION IN THE SRI FDAP EVALUATION IN 4/86 AND THE A.D. LITTLE "EVALUATION OF THE CDB/AID PRIVATE SECTOR ON-LENDING PROGRAM" DONE IN 1/85.

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TABLE 11A

AGGREGATED CASH OUTFLOWS BY COUNTRY FOR THE PERIOD 1980-1987

PROJECT	ST. KITTS	ST. VINCENT	DOMINICA	ANTIGUA	GRENADA	ST. LUCIA	MONTSERRAT	OECS REGION	BARBADOS	OTHER	OECS W. BARBADOS TOTAL	% OF TOTAL	OECS W OUT BARBADOS TOTAL	% OF TOTAL	TOTAL	% OF TOTAL
1. 007--EDF		2.577.000	176.000	260.000	403.000	663.000	644.000	450.000	88.000	94.000	6.955.[illegible]	[illegible]	5.173.000	77	6.749.000	14
2. 057--[illegible]		635.000	215.000						192.000	4.494.625	1.038.[illegible]	[illegible]	850.000	15	5.532.[illegible]	11
3. 012/018--EIPII	157.750	1.175.000	1.515.750	183.000	217.750	1.114.750	241.000	502.941		2.57[illegible]	5.[illegible].941	[illegible]	3.5[illegible].941	68	9.1[illegible]	16
4. 035/035--CCCUI.II	25.345	43.762	110.208	68.543	43.648	18.681	25.515	629.41[illegible]	[illegible].031	762.665	1.[illegible]	56	965.712	5[illegible]	1.969.41[illegible]	4
5. 042--FDAP IPED PHASE I	915.54[illegible]	1.126.87[illegible]	784.515	691.559	343.822	1.303.[illegible]65	54.735	6.544.172	954.24[illegible]	677.449	11.[illegible]	[illegible]	11.[illegible]64.681	66	13.795.9[illegible]	[illegible]
6. 047--RETAP CAIC								204.600	1.115.400	1.380.[illegible]	1.320.000	[illegible]	204.600	6	[illegible]	[illegible]
7. [illegible]--CPDF	31.819	31.249	97.396	131.694	169.245	43.698	43.698		169.245	368.7[illegible]	[illegible]	[illegible]	458.8[illegible]	[illegible]	1.376.4[illegible]	
8. 073--DOMINICA SEC			408.781								408.7[illegible]	1[illegible]	408.781	[illegible]	4[illegible].781	1
9. 084--CFSC	350.000			950.000	350.000	1.275.000		25.654	1.120.000	[illegible]	4.0[illegible].654	100	[illegible]	[illegible]	4.[illegible].654	8
10. 088--IFIP				684.830	650.000			365.782			1.700.612	100	1.700.61[illegible]	100	1.700.612	[illegible]
11. 0102--CARIBBEAN MRKING. ASSIST.			117.160			117.160			117.160		351.480	100	234.320	[illegible]	351.480	[illegible]
12. 0133--SEA	[illegible]	4.4[illegible]	143.825	111.536		166.658		1.590.980	278.698		2.443.[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5
13. 0136--NFA	[illegible]	5[illegible].000		110.000		50.000		60.000	150.000		[illegible]	100	[illegible]	71	[illegible]	1
TOTAL:																
A. TOTAL	1.[illegible]18.[illegible]	5.683.[illegible]41	3.558.636	3.190.862	2.117.465	4,762,022	1,008,948	10,783,539	4,954,786	11,983,888	37,778,556	76	32,823,770	66	49,762,444	100
B. % OF TOTAL	3	11	7	6	4	10	2	22	10	24	76		66			

SOURCES: 1. RDO/C PROJECT AND ACCOUNTING FILES
2. STANFORD RESEARCH INSTITUTE (SRI) CHARLES BLANKSTEIN EVALUATION OF FDAP IN 4/86
3. [illegible] EVALUATIONS ON REGIONAL AGRIBUSINESS DEVELOPMENT (007/057), CCCUI/II, CAIC, AND THE FINANCIAL CLUSTER PROJECTS (EIPII, CPDF, CFSC, AND IFIP)

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AGGREGATED CASH FLOWS BY FUNCTIONAL CATEGORY FOR THE PERIOD 1980-1987

PROJECT		TRAINING/ TECH. ASSIST.	FINANCE	INVEST. PROMOTION/ PROJECT DEVELOP.	POLICY ADVOCACY AND DEVELOPMENT	INSTITUTIONAL DEVELOP./ PROJECT OVERHEAD	TOTAL
1. 007--RDP	A. PLANNED	450,000	6,500,000				6,950,000
	B. ACTUAL	450,000	6,299,000				6,749,000
2. 057--LAAD	A. PLANNED		6,000,000				6,000,000
	B. ACTUAL		5,522,635				5,522,635
3. 012/018--EIPII	A. PLANNED	1,400,000	8,400,000				9,800,000
	B. ACTUAL	1,372,941	6,732,152				8,105,093
4. 075/0135--CCCUI/II	A. PLANNED	887,168				1,133,832	2,021,000
	B. ACTUAL	748,823				1,059,594	1,808,417
5. 042--PDAP/PDAPII (IFED)	A. PLANNED	1,239,252		10,905,894		3,117,540	15,262,686
	B. ACTUAL	993,444		9,245,860		3,156,668	13,395,972
6. 043--PSIAP/CAIC	A. PLANNED	1,284,657		563,688	558,500	1,093,155	3,500,000
	B. ACTUAL	1,284,657		563,688	558,500	893,155	3,300,000
7. 064--CFDF	A. PLANNED	209,315		1,447,768		252,006	1,909,089
	B. ACTUAL	150,917		1,043,845		181,699	1,375,461
8. 079--DOMINICA SED	A. PLANNED	76,000	309,000			32,000	417,000
	B. ACTUAL	92,555	285,540			30,288	408,383
9. 084--CFSC	A. REVISED PLANNED	93,544	10,674,788			50,370	10,818,702
	B. ACTUAL		4,045,000			35,654	4,080,654
10. 088--IPIP/IPIP T.A. (IFED)	A. REVISED PLANNED	521,000	12,000,000				12,521,000
	B. ACTUAL	365,782	1,334,830				1,7[illegible],612
11. 0102--CARIB. MRKT. ASSIST.	A. REVISED PLANNED	92,7[illegible]				297,237	390,000
	B. ACTUAL	111,64[illegible]				239,833	351,480
12. 0123--SEA	A. PLANNED	1,503,232	1,466,110			2,330,658	5,300,000
	B. ACTUAL	903,723	972,317			667,658	2,443,738
13. 0136--NFA	A. PLANNED	100,000	330,000			90,000	520,000
	B. ACTUAL	100,000	330,000			90,000	520,000
TOTAL:							
A. PLANNED		7,856,931	45,679,898	12,917,350	558,500	8,396,798	75,409,477
% OF TOTAL		10	61	17	1	11	100
B. ACTUAL		6,474,489	25,521,474	10,853,393	558,500	6,354,589	49,762,445
% OF TOTAL		13	51	22	1	13	100
C. % ACTUAL/PLANNED		82	56	84	100	76	66

SOURCES: 1. RDO/C PROJECT AND ACCOUNTING FILES
2. LBII EVALUATIONS FOR REGIONAL AGRIBUSINESS DEVELOPMENT (007/057), CCCUI/II, CAIC, AND THE FINANCIAL CLUSTER PROJECTS (EIPII,CFDF,CFSC,AND IPIP)
3. RDO/C PROJECT DESIGN AND AGREEMENT/AMENDMENT PAPERS FOR ALL THE PROJECTS

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TABLE IIC

AGGREGATED CASH OUTFLOWS (IN US $) BY TARGET GROUP RECIPIENT (LOANS) AND DELIVERY INSTITUTION (GRANTS) FOR THE PERIOD 1980-1987

PROJECT	TYPE OF TARGET GROUP RECIPIENTS:	LOANS (INCLUDING NDF GRANT FUNDS LOANED TO MICRO-ENTERPRISES) FOREIGN INVESTORS	LARGE FIRMS	MEDIUM FIRMS	SMALL FIRMS	MICRO FIRMS/ SMALL FARMERS	SUB-TOTAL	TYPE OF DELIVERY INSTITUTION:	GRANTS MULTI-LATERAL	REGIONAL	NATIONAL	CONSULTANTS	SUB-TOTAL	PROJECT TOTAL
1. 007--CCE			2.207.000	1.592.000	107.000	2,393.000	6.299.000		450.000				450.000	6.749.000
2. 057--LDE				5.094.635	428.000		5.522.635							5.522.635
3. 012/016--EIPII		3.205.396	356.155	395.600	2,775.000		6.732.151		1.372.941				1.372.941	8.105.092
4. 035/0135--CCCU II										[illegible]	[illegible]		1.866.418	1.866.418
5. 042--FDAP 0119--IPED FDAP II												13,395,972	13,395,972	13,395,972
6. 043--CAIC										3,300,000			3,300,000	3,300,000
7. 060--CFDF									1.376.461				1.376.461	1.376.461
8. 079--DOMINICA SED						285,539	285,539				122,842		122,842	408,381
9. 084--CFSC				1,770,000	2,275,000		4,045,000					35,654	35,654	4,080,654
10. 088--IPIP				1.204.830	130,000		1.334,830			365.782			365.782	1.700.612
11. 0102--CARIB. MKT. ASSIST.										351.480			351.480	351.480
12. 013[illegible]--SEA						858,653	858,653			1.197.703		387.382	1.585.085	2.443.738
13. 0136--[illegible]						258.447	258.447				261.553		261.553	520,000
TOTAL:		3,205,396	2.563.155	10,057,065	5,715.000	3,795,639	25,336,255		3.199.402	6.381.186	1.026.592	13.819.008	24.4[illegible].188	4[illegible].441
PERCENTAGE OF SUB-TOTAL:		6	5	20	11	8	51		6	13	2	28	49	

SOURCES: 1. RDO/C PROJECT AND ACCOUNTING FILES
2. EBTI EVALUATIONS FOR REGIONAL AGRIBUSINESS DEVELOPMENT (007/057), CAIC, CCCU, AND THE FINANCIAL CLUSTER (EIPII,CFDF,CFSC,AND IPIP)

TABLE IIIA

ANNUAL CASH OUTFLOWS (IN US $) BY GRANT AND LOAN FOR THE PERIOD 1980-1987

TYPE OF DISBURSEMENT	1980	1981	1982	1983	1984	1985	1986	1987	TOTAL
A. GRANT:	245.357	539.813	2.912.389	3.862.015	3.618.936	3.159.194	5.958.267	5.167.076	25.828.830
1. 010/REG. AGRIB. DEVEL.	45.357	39.643	90.000	35.000	120.000	120.000			450.000
2. 015 EIPII	40.000	54.000	512.000	184.000	239.000	56.000	247.941		1,372.941
3. 075/0135 FEDUT/II	160.000	186.170	340.915	340.915	229.000	229.000	322.418		1.808.418
4. 042/0119 FDAF/IPED			1,538.065	2,285.100	1.959.216	1,627.815	2.987.271	2.988.504	13.395.972
5. 043/CAIC		220.000	279.000	687.000	614.000	400.000	910.000	190.000	3.500.000
6. 066/CPDF			152.409	165.000	197.720	172.824	322.374	366.134	1.376.461
7. 079/DOMINICA SED				127.000	138.000	143.383			408.383
8. 084/CFSC								35.654	35.654
9. 0102/CARIB. MGTNG. ASSIST.				38.000	112.000	75.000	126.481		251.481
10. 0133/SFA							856.951	1.386.784	2.447.238
11. 0126/NEA						335.172	184.828		520.000
12. IFIP (0117) DISB.								365.782	365.782
B. LOAN:	1.921.165	5,143.835	3.773.000	3,250.000	2,643,000	3,400.635	2.317.152	1.484.830	23.933.617
1. 007/057 REG. AGRIB. DEVEL.	593.000	4.272.000	2.161.000	1.962.000	1,428,000	1,055,635	259.000		11.821.635
2. 012/EIPII	1.225.165	871.935	1.612.000	1,288.000	700,000	570,000	462.152		6.772.152
3. 084/CFSC					515,000	1,775,000	1.075.000	680.000	4,045.000
4. 088/IPIP							530.000	804.830	1.334.830
TOTAL:	2.166.522	5.683,648	6.685.389	7,112.015	6.261.936	6,559.829	8.275.419	6.651.906	49.762.447

SOURCES: 1. RDO/C PROJECT IMPLEMENTATION STATUS REPORTS AND QUARTERLY REPORTS FOR ALL THE PROJECTS
2. RDO/C ACCOUNTING FILES

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TABLE IIIB

ANNUAL DISBURSEMENTS OF AID LOAN FUNDS BY LENDING INSTITUTION
(FOR THE PERIOD 1980-1987)

LENDING INSTITUTIONS	1980	1981	1982	1983	1984	1985	1986	1987	TOTAL	% OF OECS TOTAL
A. DEVELOPMENT FINANCE CORPORATIONS	1.673.260	1.042.260	161.260	161,260	161.260	14.567	14.567	14.567	3.52[illegible]	1[illegible]
B. CARIBBEAN DEVELOPMENT BANK	3.8[illegible],000	661,000	661,000	661,000	731,000	0	0	0	6.51[illegible],000	41
C. CAIC	250.000	35,000	188.000	0	250.000	65.000	250.000	0	1.038.000	6
D. CFSC	0	0	0	0	0	1.940,000	1,425,000	680,000	4,045,000	25
E. ECCB (IPIF)	0	0	0	0	0	0	684.830	650.000	1.334.830	8
F. NATIONAL DEVELOPMENT FUNDS	0	0	0	93,980	102,120	376,513	465,866	554,[illegible]	1,592,[illegible]	10
TOTAL FOR OECS AND BARBADOS:	5.726.260	1.738.260	1.010.260	916.240	1,244,380	2,396,080	2,840,263	1,898,855	16,054,602	100

SOURCES: 1. LBII EVALUATIONS FOR REGIONAL AGRIBUSINESS DEVELOPMENT (0047/0057), CCCU(I/II), CAIC, AND THE FINANCIAL CLUSTER PROJECTS (EIPII,CFDF, CFSC, AND IPIF)
2. RDO/C PROJECT AND ACCOUNTING FILES

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FUNCTION	1980	1981	1982	1983	1984	1985	1986	1987	TOTAL
1. INSTITUTIONAL DEVELOPMENT	116.191	72.831	314.477	462.570	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
A. CFCUI II	116.191	13.287	201.761	201.761	117.514	117.514	112.5??		89?.544
B. PDAP/PDAPII			37.204	55.274	47.633	[illegible]	[illegible]	71.257	[illegible]
C. CAIC		59.544	75.512	185.939	166.181	109.261	146.2??	51.414	89?.155
D. CARIB. MKTNG. ASSIST.				19.597	57.759	38.678	63.2??		181.2??
E. SEA							251.782	226.599	518.381
2. TRAINING/TECHNICAL ASSISTANCE	138.898	350.957	931.280	804.808	919.392	[illegible]	[illegible]	[illegible]	[illegible]
A. REG. AGRIC. DEV.	45.357	39.643	90.000	35.000	120.000	120.000			
B. EIPII	40.000	94.000	512.000	184.000	239.000	76.000			359.000
C. CFCUI II	57.541	131.679	89.895	89.895	87.926	87.02?	247.931		1.272.941
D. PDAP/PDAPII			114.0??	165.453	146.9??	120.?19	[illegible]		748.6??
E. CAIC		65.644	108.612	267.442	239.024	155.?1?	[illegible]	[illegible]	491.444
F. CFSC			16.310	18.091	21.678	16.945	[illegible]	[illegible]	1.294.65?
G. DOMINICA SED				28.783	21.276	22.496	25.246	4.144	150.918
H. CARIB. MKTNG. ASSIST.				12.135	25.750	22.940	79.822		[illegible]
I. SEA							251.844	5?1.6??	111.2??
J. NFA						54.450	25.55?		[illegible]
K. IFIP (IFED)							162.291	162.291	765.78?
3. FINANCE	1.9??.165	5.143.825	3.7??.000	3.338.798	2.739.489	3.713.634	[illegible]	2.1??.18?	[illegible]
A. REG. AGRIC. DEV.	[illegible]	4.[illegible]	2.161.000	1.962.000	1.428.000	1.055.635	[illegible]		
B. EIPII	1.??6.1??	8?1.8??	1.612.000	1.288.000	709,000	570,000	4??.15?		11.9??.??5
C. DOMINICA SED				88.798	96.489	100,252			[illegible]
D. CFSC				"	515,000	1,775,000	1,0?5,000	[illegible]	[illegible]
E. IFIP							530,000	8?4.6??	[illegible]
F. SEA							[illegible]	[illegible]	[illegible]
G. NFA						212,767	11?.???		[illegible]
4. INVESTMENT PROMOTION	"	37.5??	1.109.???	1.694.519	1.464.027	1.191.838	[illegible]	[illegible]	[illegible]
A. PDAP/PDAPII			1.061.5?8	1.577.176	1.359.147	1.123.513	2.?61.6?5	[illegible]	[illegible]
B. CAIC		37.575	47.657	117.350	104.880	68.326	155.441	32.455	56?.688
5. POLICY ADVOCACY AND DEVELOPMENT	"	37.233	47.219	116.270	103.915	67.697	154.011	32.156	[illegible]
A. CAIC		37.233	47.219	116.270	103.915	67.697	154.011	32.156	[illegible]
6. PROJECT DEVELOPMENT	"	"	115.580	125.128	149.942	131.062	244.474	277.659	1.043.845
A. PDF			115.580	125.128	149.942	131.062	244.474	277.659	1.043.845
7. PROJECT OVERHEAD	5.816	41.184	386.849	562.227	484.048	471.940	921.734	763.504	3.55?.292
A. CFCUI II	5.816	41.184	41.500	41.500	8.149	8.149	32.?32		179.?00
B. PDAP/PDAPII			325.230	483.194	416.399	344.299	631.672	631.562	2.832.669
C. FPDA			20.119	21.781	26.100	22.814	42.555	48.237	191.???
D. DOMINICA SED				9.419	10.235	10.634			39.288
E. CFSC					4.500	15.509	9.392	6.257	35.654
F. CARIB. MKTNG. ASSIST.				6.333	18.665	12.495	21.078		58.574
G. SEA							52.362	96.955	149.717
H. NFA						58.027	31.973		[illegible]
TOTAL:	2.182.670	5.683.619	6.677.630	7.104.320	6.250.298	6.559.?12	8.217.006	6.?22.5??	49.762.44?

SOURCE: 1. PDO/C PROJECT AND ACCOUNTING FILES

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TABLE [illegible]

AGGREGATED END-USER REPAYMENTS AND ARREARS BY LENDING INSTITUTION
(FOR THE PERIOD [illegible]-1987)

INTERMEDIARY LENDING INSTITUTIONS	REPAYMENTS			ARREARS		
	TOTAL APPLICABLE DISBURSEMENTS	TOTAL REPAYMENTS	% OF TOTAL DISBURS.	TOTAL APPLIC. DISBURSEMENTS	TOTAL ARREARS	% OF TOTAL DISBURS.
A. DEVELOPMENT FINANCE CORPORATIONS	2,068,062	265,982	13	2,5[illegible]	[illegible]65,11[illegible]	[illegible]
B. CARIBBEAN DEVELOPMENT BANK	[illegible],407,083	304,000	7	4,407,083	2,171,034 (1)	[illegible]
C. CAIC	[illegible],038,021	288,[illegible]	28	1,[illegible]	[illegible],14[illegible]	[illegible]
D. CFSC	N.A.	N.A.	N.A.	4,045,2[illegible]1	[illegible]	[illegible]
E. ECFP (IPIP)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
F. NATIONAL DEVELOPMENT FUNDS	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
TOTAL APPLICABLE DISBURSEMENTS:	[illegible],533,166	85[illegible],932	11	12,05[illegible],[illegible]67	3,065,451	25

SOURCES: 1. LBII EVALUATIONS FOR REGIONAL AGRIBUSINESS DEVELOPMENT AND THE FINANCIAL CLUSTER PROJECTS (EIFII,CFDF,CFSC, AND IPIP)

(1) INCLUDES SYSTEMATIC ARREARAGE [illegible] REPAID TO CDB BY GOVERNMENTS FROM GENERAL REVENUES, ALTHOUGH THE PROJECTS FAIL TO COVER COSTS. SPECIFIC PROJECTS INCLUDE ST. VINCENT SUGAR, AND CARICACOU SHEEP.)

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TABLE IV

SUMMARY OF PROJECT "IMPACT" (JOBS AFFECTED AND CREATED)

PROJECT		TOTAL DISBURSEMENTS	TOTAL OVERHEAD COSTS	IMPACTS:	# OF JOBS AFFECTED	DISB. COST PER JOB AFFECTED	OVERHEAD COST: PER JOB AFFECTED		# OF JOBS CREATED	DISB. COST PER JOB CREATED	OVERHEAD COST: PER JOB CREATED
A. LOANS:											
1. 007--CDB	TOTAL	6,749,000									
	OECS	3,212,000	0		118	27,220	0		118	27,220	0
2. 057--LAAD	TOTAL	5,522,635									
	OECS	1,038,000	0		126	8,238	0		126	8,238	0
3. 012/018--EIPII	TOTAL	8,105,073									
	OECS	4,215,000	0	(1)	1,956	2,155	0		1,956	2,155	0
4. 084--CFSC	TOTAL	4,080,654	35,654		444	9,191	80		444	9,191	80
5. 088--IPIP	TOTAL	1,700,612	0		150	11,337	0		150	11,337	0
SUB-TOTAL FOR LOANS:	TOTAL:	26,157,974									
	APPLICABLE DISBURSEMENTS:	14,246,266	35,654		2,794	5,099	13		2,794	5,099	13
B. GRANTS:											
1. 035/135--CCCUI	TOTAL	1,808,418			3,000 (EST.)						
	OECS	1,045,753	612,731		250 (EST.)	4,183	2,451	(4)	38	27,887	16,339
2. 042/119--PDAP/PDAPII (IPED)	TOTAL	13,395,972	3,156,668	(1)	2,810	4,767	1,123	(2)	2,736	4,896	1,154
3. 043--CAIC	TOTAL	3,300,000	N.A.		N.A.	N.A.	N.A.		N.A.	N.A.	N.A.
4. 0060--CPDF	TOTAL	1,376,470									
	OECS	568,074	181,699		179	3,174	1,015		179	3,174	1,015
7. 0102--CARIB. MARKT. ASSIST.	TOTAL	351,481	N.A.		N.A.	N.A.	N.A.		N.A.	N.A.	N.A.
8. 133--SEA (NON-NDF ONLY)	TOTAL	993,284	441,000		N.A.	N.A.	N.A.		N.A.	N.A.	N.A.
9. 079/133/136--NDF	TOTAL	2,378,837	293,989	(3)	2,487	957	118	(4)	373	6,377	788
SUB-TOTAL:	TOTAL:	23,604,462									
	APPLICABLE DISBURSEMENTS:	22,033,401	4,686,087		5,726	3,848	818		3,326	6,625	1,409
TOTAL:	TOTAL:	49,762,436									
	TOTAL APPLICABLE DISBURSEMENTS:	36,279,667	4,721,741		8,520	4,258	554		6,120	5,928	772

(1) BOTH THESE JOB TOTALS ARE LESS THAN THE TOTALS PRESENTED IN THE INDIVIDUAL PROJECT EVALUATIONS. FIVE FIRMS (618 JOBS) WERE ASSISTED UNDER BOTH THE EIPII AND PDAP PROJECTS. IN ORDER TO AVOID DOUBLE COUNTING, EACH PROJECT WAS CREDITED WITH HALF (309) THE JOBS AFFECTED AND CREATED BY THE TWO PROJECTS.

(2) THE BERGER EVALUATION ONLY EVALUATED 54 OUT OF THE 61 FIRMS STILL IN EXISTANCE. FOR THE REMAINING 7 FIRMS AN AVERAGE OF 55 JOBS PER BUSINESS (AVERAGE FOR THE 54 FIRMS CONTACTED) WAS USED FOR "JOBS AFFECTED" AND 52 JOBS PER BUSINESS FOR THE "JOBS CREATED" CATEGORY.

(3) THE TOTAL GIVEN IN THE SEA EVALUATION IS 2,868, THROUGH 11/87. THE 2,487 FIGURE USED HERE IS THE ESTIMATED TOTAL THROUGH 7/87.

(4) NO ESTIMATE ON "JOBS CREATED" WAS PROVIDED IN THE EVALUATIONS. IT IS THEREFORE ASSUMED THAT APPROXIMATELY 15% OF THE "JOBS CREATED" IN THE MICRO-ENTERPRISE SECTOR WERE ACTUALLY "JOBS CREATED".

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LEGEND:
1=EXCELLENT 4=BELOW AVERAGE/EXPECTATIONS
2=ABOVE AVERAGE 5=POOR AND/OR NEVER ACCOMPLISHED
3=AVERAGE

TABLE V

PORTFOLIO ANALYSIS BY GENERIC SCOPE OF WORK

PURPOSE ELEMENTS / PROJECT:	CDB 007	LAAD 057	EIPII 018	CELU/CFT 035/135	LAIC 043	PDF 060	FSC 064	IFIF 088	FHAP/IPED 042/0119	CIMAP 102	WDF/WID/SEA 079/136 (2)	SEA (3) 133	AVERAGE PURPOSE RANK
A. ECONOMIC DEVELOPMENT GOAL:													
FINANCE:													
1. TO PROVIDE LONG TERM FINANCING FOR BUSINESSES	4.00	3.00	2.00	2.00			1.00	5.00			1.00	5.00	2.88
2. TO PROVIDE SHORT TERM FINANCING FOR BUSINESSES			3.00	1.00							2.00		2.00
INVESTMENT PROMOTION:													
1. TO IDENTIFY AND TAP NEW MARKETS	4.00	4.00			3.00	2.00			3.00	4.00		4.00	3.43
2. TO DEVELOP INFANT INDUSTRIES	4.00	4.00			4.00	3.00				4.00			3.80
3. TO ENCOURAGE LOCAL INVESTMENT	4.00	4.00	2.00	2.00	3.00	1.00	1.00	4.00			1.00	4.00	2.60
4. TO ATTRACT FOREIGN INVESTMENT					4.00	2.00		5.00	3.00				3.50
5. TO PROMOTE EXPORTS			4.00		3.00	2.00	1.00	5.00	3.00	5.00		4.00	3.38
6. TO REDUCE IMPORTS			2.00			2.00	2.00				3.00	3.00	2.40
7. TO PROVIDE FACTORY BUILDINGS			1.00					4.00					2.50
8. TO IMPROVE SERVICE OR REDUCE COSTS OF PUBLIC INFRASTRUCTURE UTILIZED BY PRODUCTIVE ACTIVITIES								5.00					5.00
TRAINING/TECHNICAL ASSISTANCE:													
1. TO IMPROVE BUSINESS MANAGEMENT SKILLS			4.00		1.00	2.00					3.00	3.00	2.60
2. TO IMPROVE MANAGEMENT SYSTEMS					2.00								2.00
3. TO IMPROVE RECORD KEEPING AND ACCOUNTING					2.00						2.00	3.00	2.33
4. TO IMPROVE SKILLS OF SUPERVISORS					1.00								1.00
5. TO IMPROVE SKILLS OF LABORERS AND OFFICE WORKERS					2.00								2.00
6. TO IMPROVE LABOR RELATIONS SKILLS					2.00								2.00
7. TO IMPROVE MARKETING SKILLS					3.00					3.00		2.00	2.67
8. TO IMPROVE PRODUCTION METHODS	3.00	3.00			1.00					4.00		3.00	2.80
9. TO INTRODUCE NEW TECHNOLOGY	3.00	3.00			2.00					4.00			3.00
10. TO ENCOURAGE RISK-TAKING AND ENTREPRENEURSHIP	5.00	4.00	1.00	2.00		1.00	1.00			3.00	1.00	2.00	2.22

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LEGEND:
1=EXCELLENT 4=BELOW AVERAGE/EXPECTATIONS
2=ABOVE AVERAGE 5=POOR AND/OR NEVER ACCOMPLISHED
3=AVERAGE

TABLE V

PORTFOLIO ANALYSIS #1: GENERIC SCOPE OF WORK

PURPOSE ELEMENTS	CDB 007	LAAD 057	EIPII 018	CCCU (1) 035/135	CAIC 043	CPUF 060	CFSC 084	IPIP 088	ROAP/IPED 042/0112	CIMAP 102	MDF/MID/SEA 079/136 (2)	SEA (3) 133	AVERAGE PURPOSE RANK
B. INSTITUTIONAL DEVELOPMENT GOAL:													
INSTITUTIONAL DEVELOPMENT:													
1. TO ATTRACT BUSINESS ASSOCIATION MEMBERS					2.00								2.00
2. TO TRAIN TRAINERS					1.00								1.00
3. TO DEVELOP INVESTMENT PROMOTION INSTITUTIONS					3.00				3.00				3.00
4. TO INTEGRATE THE EFFORTS OF MEMBERS OF THE BUSINESS COMMUNITY TO IMPROVE CONDITIONS OF DOING BUSINESS					1.00					3.00		4.00	2.67
5. TO CREATE FINANCIAL INSTITUTIONS TO MEET UNMET NEEDS	5.00	5.00	3.00	1.00			1.00				1.00	5.00	3.00
6. TO CREATE AND STRENGTHEN SUPPORT INSTITUTIONS FOR SMALL AND MEDIUM-SIZED ENTERPRISES	5.00	5.00								4.00		4.00	4.50
C. POLICY DEVELOPMENT GOAL:													
POLICY ADVOCACY AND DEVELOPMENT:													
1. TO ADOPT TAX STRUCTURES WHICH ENCOURAGE PRIVATE INITIATIVE					1.00								1.00
2. TO FOSTER REGIONAL ECONOMIC INTEGRATION					2.00								2.00
3. TO ENCOURAGE DIALOGUE BETWEEN GOVERNMENT AND BUSINESS OF MATTER OF MUTUAL INTEREST					1.00				2.00				1.50
4. TO REDUCE THE BURDENS OF IMPORT AND EXPORT CONTROLS AND OTHER FORMS OF REGULATION OF THE BUSINESS COMMUNITY					3.00				4.00				3.50
5. TO ENCOURAGE RELIANCE ON COMPETITION AND MARKET MECHANISMS OF RESOURCE ALLOCATION					2.00								2.00
6. TO REDUCE DISTORTIONS OF MARKET FORCES IN INTERNATIONAL TRADE					2.00				4.00				3.00
AVERAGE PROJECT RANKING:	4.11	3.89	2.44	1.60	2.13	1.78	1.17	4.67	3.14	3.78	1.75	3.54	2.74

LEGEND:
1:EXCELLENT 4:BELOW AVERAGE/EXPECTATIONS
2:ABOVE AVERAGE 5:POOR AND/OR NEVER ACCOMPLISHED
3:AVERAGE

PORTFOLIO ANALYSIS #1: GENERIC SCOPE OF WORK

PURPOSE ELEMENTS

SUMMARY BY PROJECT PURPOSE/GOAL CATEGORY:

PROJECT:	CDB 007	LAAD 057	EIPII 019	CCCU (1) 035/135	CAIC 043	CPDF 060	CFSC 084	IPIP 068	PDAP/IPED 042/0119	CIMAP 102	NDF/NID/SEA 079/126 (2)	SEA (3) 133	AVERAGE PURPOSE RANK
A. ECONOMIC DEVELOPMENT TOTAL:	3.86	3.57	2.38	1.75	2.36	1.75	1.20	4.67	3.00	3.86	1.86	3.30	3.10
1. FINANCE TOTAL	4.00	3.00	2.50	1.50	0.00	0.00	1.00	5.00	0.00	0.00	1.50	5.00	2.64
2. INVESTMENT PROMOTION TOTAL	4.00	4.00	2.25	2.00	3.40	2.00	1.33	4.60	3.00	4.33	2.00	3.75	3.14
3. TECHNICAL ASSISTANCE/ TRAINING TOTAL	3.67	3.33	2.50	2.00	1.78	1.33	1.00	0.00	0.00	3.50	2.00	2.60	2.41
B. INSTITUTIONAL DEVELOPMENT TOTAL:	5.00	5.00	3.00	1.90	1.75	0.00	1.00	0.00	3.00	3.50	1.00	4.33	3.11
C. POLICY ADVOCACY AND DEVELOPMENT TOTAL	0.00	0.00	0.00	0.00	1.83	0.00	0.00	0.00	3.33	0.00	0.00	0.00	2.33

FOOTNOTES:

(1) ABOVE RANKINGS FOR CCCU I/II REFER TO THE CREDIT UNIONS ONLY, EVEN THOUGH THE PROJECT FOCUSED ON CREDIT UNION LEAGUES AND REGIONAL ORGANIZATIONS. IN GENERAL, IMPACT ATTRIBUTION AT THE CREDIT UNION LEVEL WAS VERY LOW.

(2) THIS INCLUDES THE DOMINICA SMALL ENTERPRISE DEVELOPMENT PROJECT (079) AND ONLY THE MICRO-ENTERPRISE COMPONENT OF THE SMALL ENTERPRISE ASSISTANCE PROJECT (0133).

(3) THIS FOCUSES ONLY ON THE SMALL ENTERPRISE COMPONENTS OF THE PROJECT.

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TABLE VI

PORTFOLIO ANALYSIS #2: EVALUATION CRITERIA

PROJECT	"IMPACT" INDICATORS	RANK	"RELEVANCE" INDICATORS	RANK	"EFFICIENCY" INDICATORS	RANK	"SUSTAINABILITY" INDICATORS	RANK	PROJECT AVERAGE
A. LOANS:									
1. 007--CDB ($3,906,000) (EXCLUDING $2.393,000 LENT TO DFC'S.)	1. COST/JOB AFFECTED: $27.220 2. COST/JOB CREATED: $27.220	3.00	1. NONE OF THE BUSINESSES IS IS CONSIDERED TO BE "EXCELLENT" 2. MORE THAN 90% OF DISBURSEMENTS WENT TO OECS REGION (WITHOUT BARBADOS) WEIGHTED AVERAGE:	3.00 1.00 --- 2.50	1. COST/VENTURE UNDERTAKEN $ 803.000 2. COST/VENTURE STILL IN EXISTANCE: $1.070.667	3.00 3.00	1. 3 OUT OF 4 ASSISTED BUSINESSES ARE "IN TROUBLE" 2. THE PRINCIPAL LENDING INSTITUTIONS DFC AND CDB HAD THE HIGHEST ARREARS % WEIGHTED AVERAGE:	3.00 3.00 ---- 3.00	2.88
2. 057--LAAD ($5.522.635)	1. COST/JOB AFFECTED: $8.238 2. COST/JOB CREATED: $8.238	3.00	1. ONLY ONE OUT OF FOUR BUSINESSES IS CONSIDERED TO BE "EXCELLENT" 2. LESS THAN 20% OF DISBURSEMENTS WENT TO THE OECS REGION	3.00 3.00	1. COST/VENTURE UNDERTAKEN $259.500 2. COST/VENTURE STILL IN EXISTANCE $259,500	3.00 3.00	1. ARREARS FOR LAAD IS LESS THAN 10%	1 00	2.50
2. 012/018--EIPII ($8,105,092)	1. COST/JOB AFFECTED: $2.155 2. COST/JOB CREATED: $2.155	1.00	1. MORE THAN 90% OF INDUSTRIAL ESTATES ARE OCCUPIED 2. 68% OF DIBURSEMENTS WENT TO OECS REGION (WITHOUT BARBADOS) WEIGHTED AVERAGE:	1.00 2.00 --- 1.25	1. COST/VENTURE UNDERTAKEN: $71.441 (AND STILL IN EXISTANCE)	1.00	1. DFC AND CDB ARREARS RATIOS AVERAGE AROUND 17%	2 00	1.38
3. 084--CFSC ($4,080,654)	1 COST/JOB AFFECTED: $9.191 2. COST/JOB CREATED: $9.191	3.00	1 AVERAGE MORE THAN 3 VERY PROFITABLE BUSINESSES IN OPERATION PER YEAR 2. 73% OF DISBURSMENTS WENT TO OECS REGION (WITHOUT BARBADOS WEIGHTED AVERAGE:	1 00 2.00 --- 1.25	1. OPERATING EXPENSES RATIO: $265,000/6,788,000: 3.9% 2. RETURN ON ASSETS: 2.25% 3. RETURN ON EQUITY: 3.95% WEIGHTED AVERAGE	1.00 1.00 1.00 ---- 1.00	1. ARREARS RATIO LESS THAN 1%	1.00	1.63
4. 088/0119--IPIP/ IPIP T.A. ($1.700.612))	1. COST/JOB AFFECTED: $11,337 2. COST/JOB CREATED: $11,377	3.00	1. ACTUAL/PLANNED DISBURSEMENTS:11% FOR PROJECT SERVICES) 2. 100% OF DISBURSEMENTS WENT TO OECS REGION WEIGHTED AVERAGE:	3.00 1.00 --- 2.50	1. COST/VENTURE UNDERTAKEN: $283.435 (AND STILL IN EXISTANCE)	3.00	SINCE THE PROGRAM NO LONGER IS VIABLE ASSUME A "3"	3 00	2.88
B. GRANTS:									
1. 035/135--CCCUI ($1.808.418)	1. COST/ESTIMATED JOB AFFECTED:$4,183 2. COST/ESTIMATED JOB CREATED: $27.887 WEIGHTED AVERAGE:	2.00 3.00 ---- 2.75	1. PROJECT FOUND TO HAVE VERY LITTLE IMPACT AT THE CREDIT UNION LEVEL 2. 53% OF DISBURSEMENTS WENT TO OECS REGION	3.00 3.00 --- 3.00	1. INCOME/EXPENSE RATIOS: A. 1979: 49.3% B. 1985: 56%	3.00	1. TOTAL ANNUAL DEFICIT FOR CREDIT UNION LEAGUES HAS INCREASED FROM $559 IN 1979 TO $22.919 IN 1985 2. AID FUNDS AS % OF TOTAL LEAGUES OPERATING EXPENSES INCREASED FROM 4 5% IN 1980 TO 13.4% IN 1985 WEIGHTED AVERAGE:	2.00 3.00 ---- 2.50	2.81

TABLE VI

PORTFOLIO ANALYSIS #2: EVALUATION CRITERIA

PROJECT	"IMPACT" INDICATORS	RANK	"RELEVANCE" INDICATORS	RANK	"EFFICIENCY" INDICATORS	RANK	"SUSTAINABILITY" INDICATORS	RANK	PROJECT AVERAGE
2. 042/119--PDAP/PDAPII ($13,395,972)	1. COST/JOB AFFECTED: $4,767 2. COST/JOB CREATED: $4,896 WEIGHTED AVERAGE:	2.00 1.00 1.25	1. MORE THAN THREE SUCCESS STORIES 2. 100% OF DISBURSEMENTS DIRECTED TOWARDS OECS WEIGHTED AVERAGE:	1.00 1.00 1.00	1. COST/VENTURE UNDERTAKEN: $139,541 2. COST/VENTURE STILL IN EXISTANCE : $219,606 WEIGHTED AVERAGE	2.00 3.00 2.50	1. 2 OUT OF 6 LOCAL INSTITUTIONS CHARACTERIZED AS "EXTREMELY STRONG" (AS STATED IN BERGER EVALUATION)	2.50	1.81
3. 043--CAIC ($3,300,000)	1. CHANGE IN TAX POLICY WHICH IS NON-QUANTIFIABLE. STILL ASSUME A "2"	2.00	1. MEMBERSHIP GREW FROM 37 IN 1981 TO 127 IN 1986 2. AVERAGE OF 11% OF FUNDS WENT TO OECS SPECIFIC ACTIVITIES WEIGHTED AVERAGE:	1.00 3.00 1.50	1. COST/POLICY STUDY: $20,685 2. COST/TRAINEE: $2,960	2.00 2.00	1. AID FUNDS AS % OF TOTAL BUDGET INCREASE FROM 59% IN 1981 TO 61% IN 1986 2. MEMBERSHIP DUES/OPERATING EXPENSES WENT FROM 41% IN 1981 TO 31% IN 1985 WEIGHTED AVERAGE:	3.00 3.00 3.00	2.13
4. 0060--CPDF ($1,376,470)	1. COST/JOB AFFECTED: $3,174 2. COST/JOB CREATED: $3,174	1.00 1.00	1. BETWEEN 1-3 PROPOSALS FUNDED EVERY YEAR 2. 33% OF DISBURSEMENTS WENT TO OECS REGION WEIGHTED AVERAGE:	2.00 3.00 2.25	1. COST/PROPOSAL PREPARED: $85,305 2. COST/BUSINESS STILL IN EXISTANCE : $63,113 WEIGHTED AVERAGE	3.00 1.00 2.00	1. AID FUNDS AS % OF TOTAL BUDGET: 17% 2. 25-30% OF BENEFICIARIES PAY THE "SUCCESS FEE" WEIGHTED AVERAGE	1.00 3.00 2.00	1.81
5. 0102--CARIB. MARKT. ASSISTANCE ($351,481)	1. NOT GIVEN BUT ESTIMATED AS LITTLE TO NO IMPACT IN TERMS OF JOBS.	3.00	1. VERY FEW SUCCESS STORIES 2. 100% OF AID FUNDS WENT TO OECS REGION WEIGHTED AVERAGE:	3.00 1.00 2.75	1. COST/TRAINEE: $2,791	2.00	1. AID FUNDS AS % OF TOTAL BUDGET: 44%	3.00	2.69
6. 079/133/136--NDF/WID/DOM. SED/SEA ($ 2,378,837) (1)	1. COST/JOB AFFECTED: $957 2. COST/JOB CREATED: $6,377 WEIGHTED AVERAGE:	1.00 2.00 1.75	1. EACH NDF HAS HAD SEVERAL "GRADUATES"/SUCCESS STORIES 2. 100% OF AID FUNDS GO TO OECS WEIGHTED AVERAGE:	1.00 1.00 1.00	1. COST/TRAINEE < $1,000	1.00	1. AID FUNDS AS % OF TOTAL BUDGET > 40% 2. LOANS IN ARREARS AS % OF LOANS OUTSTANDING : 7% WEIGHTED AVERAGE:	3.00 1.00 2.00	1.44
7. 133--SEA ($993,284) (2)	1. NOT GIVEN, BUT DUE TO DELAYS IN T.A., IT IS ESTIMATED AS HAVING NO IMPACT	3.00	1. GOOD SUPPORT FROM PRIVATE SECTOR 2. 100% OF AID FUNDS GOES TO OECS REGION WEIGHTED AVERAGE:	1.00 1.00 1.00	1. NO SUBSTANTIVE TECHNICAL ASSISTANCE HAS BEGUN YET (ASSUME A "2")	2.00	1. AID FUNDS AS % OF BUDGET: >40%	3.00	2.25

FOOTNOTES:

(1) INCLUDES FUNDS FROM THE DOMINICA SMALL ENTERPRISE DEVELOPMENT PROJECT ($408,383), NATIONAL FOUNDATION ASSISTANCE PROJECT ($520,000), AND THE NDF COMPONENTS OF THE SEA PROJECT ($1,450,454)

(2) INCLUDES ONLY FUNDS SPENT ON THE NON-NDF COMPONENTS.

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TABLE VII

PORTFOLIO ANALYSIS #2

(INFORMATION COLLECTED FROM TABLE VI)

PROJECT	TOTAL APPLICABLE DISBURSEMENTS		APPLIED PERCENTAGE	RANKINGS:	IMPACT	RELEVANCE	EFFICIENCY	SUSTAINABILITY
1. 007--CDB	4,356,000			ASSIGNED RANK (TABLE VI):	3.00	2.50	3.00	3.00
		A. TOTAL PORTFOLIO:	0.09	WEIGHTED RANKS: A.	0.28	0.23	0.28	0.28
		B. LOAN/GRANT TOTAL:	0.18	B.	0.55	0.46	0.55	0.55
		C. GROWTH/EQUITY:	0.10	C.	0.31	0.26	0.31	0.31
		D. 007/057 TOTAL:	0.44	D.	1.32	1.10	1.32	1.32
2. 057--LAAD	5,522,635			ASSIGNED RANK (TABLE VI):	3.00	3.00	3.00	1.00
		A. TOTAL PORTFOLIO:	0.12	WEIGHTED RANKS: A.	0.35	0.35	0.35	0.12
		B. LOAN/GRANT TOTAL:	0.23	B.	0.70	0.70	0.70	0.23
		C. GROWTH/EQUITY:	0.13	C.	0.40	0.40	0.40	0.13
		D. 007/057 TOTAL:	0.56	D.	1.68	1.68	1.68	0.56
2. 012/018--EIPII	8,105,092			ASSIGNED RANK (TABLE VI):	1.00	1.25	1.00	2.00
		A. OF TOTAL:	0.17	WEIGHTED RANKS: A.	0.17	0.21	0.17	0.34
		B. LOAN TOTAL:	0.34	B.	0.34	0.43	0.34	0.68
		C. GROWTH TOTAL:	0.19	C.	0.19	0.24	0.19	0.39
		D. EIPII/PDAP:	0.38	D.	0.38	0.47	0.38	0.75
3. 084--CFSC	4,080,654			ASSIGNED RANK (TABLE VI):	3.00	1.25	1.00	1.00
		A. OF TOTAL:	0.09	WEIGHTED RANKS: A.	0.26	0.11	0.09	0.09
		B. LOAN TOTAL:	0.17	B.	0.52	0.21	0.17	0.17
		C. GROWTH TOTAL:	0.10	C.	0.29	0.12	0.10	0.10
		D. CFSC/CPDF :	0.75	D.	2.24	0.93	0.75	0.75
4. 088/0119--IPIP/IPIP I.A.	1,700,612			ASSIGNED RANK (TABLE VI):	3.00	2.50	3.00	3.00
		A. OF TOTAL:	0.04	WEIGHTED RANKS: A.	0.11	0.09	0.11	0.11
		B. LOAN TOTAL:	0.07	B.	0.21	0.18	0.21	0.21
		C. GROWTH TOTAL:	0.04	C.	0.12	0.10	0.12	0.12
5. 042/0119-PDAP/PDAPII	13,395,972			ASSIGNED RANK (TABLE VI):	1.25	1.00	2.50	2.50
		A. OF TOTAL:	0.28	WEIGHTED RANKS: A.	0.35	0.28	0.71	0.71
		B. GRANT TOTAL:	0.57	B.	0.71	0.57	1.42	1.42
		C. GROWTH TOTAL:	0.32	C.	0.40	0.32	0.80	0.80
		D. EIPII/PDAP:	0.52	D.	0.78	0.62	1.56	1.56
6. 043-CAIC	3,300,000			ASSIGNED RANK (TABLE VI):	2.00	1.50	2.00	3.00
		A. OF TOTAL:	0.07	WEIGHTED RANKS: A.	0.14	0.10	0.14	0.21
		B. GRANT TOTAL:	0.14	B.	0.28	0.21	0.28	0.42
		C. GROWTH TOTAL:	0.08	C.	0.16	0.12	0.16	0.24
		D. CAIC TOTAL:	1.00	D.	2.00	1.50	2.00	3.00
7. 060-CPDF	1,376,461			ASSIGNED RANK (TABLE VI):	1.00	2.25	2.00	2.00
		A. OF TOTAL:	0.03	WEIGHTED RANKS: A.	0.03	0.07	0.06	0.06
		B. GRANT TOTAL:	0.06	B.	0.06	0.13	0.12	0.12
		C. GROWTH TOTAL:	0.03	C.	0.03	0.07	0.07	0.07
		D. CFSC/CPDF:	0.25	D.	0.25	0.56	0.50	0.50
8. 035/0135--CCCUII	1,808,418			ASSIGNED RANK (TABLE VI):	2.75	3.00	3.00	2.50
		A. OF TOTAL:	0.04	WEIGHTED RANKS: A.	0.10	0.11	0.11	0.10

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TABLE VII

PORTFOLIO ANALYSIS #2

(INFORMATION COLLECTED FROM TABLE VI)

PROJECT	TOTAL APPLICABLE DISBURSEMENTS		APPLIED PERCENTAGE	RANKINGS:	"IMPACT"	"RELEVANCE"	"EFFICIENCY"	"SUSTAINABILITY"
		B. GRANT TOTAL:	0.09	B.	0.21	0.23	0.23	0.19
		C. EQUITY TOTAL:	0.33	C.	0.90	0.99	0.95	0.82
		D. SEA/MICRO-ENTER.:	0.33	D.	0.90	0.96	0.98	0.82
9. 0102--CARIB. MRKTNG. ASSIST.	351,481			ASSIGNED RANK (TABLE VI):	3.00	2.75	2.00	3.00
		A. OF TOTAL:	0.01	WEIGHTED RANKS: A.	0.02	0.02	0.01	0.02
		B. GRANT TOTAL:	0.01	B.	0.04	0.04	0.03	0.04
		C. EQUITY TOTAL:	0.06	C.	0.19	0.17	0.13	0.18
		D. SEA/MICRO-ENTER.:	0.06	D.	0.19	0.17	0.12	0.19
10. 0133--SEA	993,284			ASSIGNED RANK (TABLE VI):	3.00	1.00	2.00	3.00
		A. OF TOTAL:	0.02	WEIGHTED RANKS: A.	0.06	0.02	0.04	0.06
		B. GRANT TOTAL:	0.04	B.	0.13	0.04	0.08	0.13
		C. EQUITY TOTAL:	0.18	C.	0.54	0.18	0.36	0.54
		D. SEA/MICRO-ENTER.:	0.18	D.	0.54	0.18	0.36	0.54
11. 079/133/136--NDF	2,378,837			ASSIGNED RANK (TABLE VI):	1.75	1.00	1.00	2.00
		A. OF TOTAL:	0.05	WEIGHTED RANKS: A.	0.09	0.05	0.05	0.10
		B. GRANT TOTAL:	0.10	B.	0.18	0.10	0.10	0.20
		C. EQUITY TOTAL:	0.43	C.	0.75	0.43	0.43	0.86
		D. SEA/MICRO-ENTER.:	0.43	D.	0.75	0.43	0.43	0.86

SUMMARY:

	"IMPACT"	"RELEVANCE"	"EFFICIENCY"	"SUSTAINABILITY"
1. "TOTAL PORTFOLIO": (APPLICABLE FUNDS: $47,369,446)	1.96	1.65	2.12	2.15
2. "LOAN/GRANT PORTFOLIO":				
A. LOANS: (APPLICABLE FUNDS: $23,764,993)	2.32	1.98	1.97	1.85
B. GRANTS: (APPLICABLE FUNDS: $23,604,453)	1.61	1.32	2.26	2.52
3. "GROWTH/EQUITY PORTFOLIO":				
A. GROWTH PROJECTS: (APPLICABLE FUNDS: $41,837,426)	1.91	1.63	2.15	2.15
B. EQUITY PROJECTS: (APPLICABLE FUNDS: $5,532,020)	2.38	1.76	1.90	2.41
4. "CLUSTER PORTFOLIO":				
A. 007/057: (APPLICABLE FUNDS: $9,878,635)	3.00	2.78	3.00	1.88
B. EIPII/PDAP: (APPLICABLE FUNDS: $21,501,064)	1.16	1.09	1.93	2.31
C. CFSC/CPDF: (APPLICABLE FUNDS: $5,457,115)	2.49	1.49	1.25	1.25
D. SEA CLUSTER: (APPLICABLE FUNDS: $5,532,020)	2.38	1.76	1.90	2.41
E. CAIC: (APPLICABLE FUNDS: $3,300,000)	2.00	1.50	2.00	3.00

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