

## PROJECT ASSISTANCE COMPLETION REPORT (PACR)

Project Title: Small Enterprise Assistance  
Project Number: 538-0133  
Funding Period: February 26, 1986 - February 23, 1995  
LOP Funding: \$20,810,000  
Implementing Agencies: Caribbean Association of Industry & Commerce, International Executive Services Corp. and East Caribbean Organization of Development Foundations  
PACD: February 23, 1995

### I. PURPOSE

To increase the ability of local entrepreneurs to establish, expand or increase the efficiency of their micro-, small-, and medium-scale enterprises in order to produce and sell their goods and services in the local, regional and extra-regional markets. In addition, a now completed objective was to strengthen CAIC and its affiliates to enable them to effect policy change favorable to private enterprise development and to improve their delivery of business-related development services.

### II. BACKGROUND

The Small Enterprise Assistance (SEA) Project had two main components for most of the LOP; a micro and small enterprise development component (The Original SEAP) authorized in February 1986 at a funding level of \$10 Million and an institution-building component which was added in 1987. Since CAIC was the Grantee for both SEAP and the institution-building Private Sector Investment Assistance Project (PSIAP), RDO/C merged the two projects in 1987 under the SEAP title and increased the LOP authorized funding to \$11.850 million.

The merged project served three distinct Caribbean business constituencies:

- (1) relatively large regional businesses, most of them headquartered in Barbados, Trinidad, and Jamaica;
- (2) medium and small firms mostly located in the OECS states and Barbados; and
- (3) micro-enterprises mostly located in the OECS States and in Barbados.

The "Institution-building component" which the SEA Project acquired from PSIAP by merger in 1987 consisted of elements aimed mainly at revitalizing and sustaining an organization which looked for leadership to the larger Caribbean regional firms. PSIAP funds defrayed some of CAIC's costs of membership expansion programs, studies used for policy advocacy in national and regional fora, training and technical assistance for selected firms, an information network used for sharing export and investment opportunities and

assistance to national and sub-regional business institutions. While PSIAP served some firms that were medium-sized by Caribbean standards, the project was, in the pre-SEA years, primarily identified with a program of enlightened business leadership supported by the larger firms in the More Developed Countries (MDCs).

The original SEA Project (before the merger with PSIAP) sought to combine a new focus on the needs (technical, managerial, marketing and financial assistance) of small and medium-sized firms in the region with a continuation of RDO/C assistance to micro-businesses through National Development Foundations (NDFs) in the OECS countries and through Women in Development, Inc. (WID) in Barbados. RDO/C's assistance to the NDFs previously had been funnelled through the Dominica Small Enterprise Development Project (538-0079) and the National Development Foundation Assistance Project (538-0136). The SEA project sought to achieve closer collaboration among the various elements of the business communities in the OECS countries.

In 1987, at the time the Private Sector Investment Assistance Project was merged into the SEA project, it was clear that RDO/C's initial support of CAIC's revitalization efforts had been largely successful. CAIC had established itself as a respected and constructive influence on the business community and on public policy in the Caribbean region. Nevertheless, CAIC's handling of its development functions had been quite uneven, ranging from very good in some cases to quite poor in others. Fundamentally, it was apparent that:

1. Substantial improvements were required in CAIC's ability to handle the administrative requirements of A.I.D. financing.
2. The organization had not resolved underlying dilemmas posed by the intermixing of advocacy and development functions.
3. Relationships between RDO/C and CAIC were too frequently strained, and too often characterized by a mutual intolerance of the distinctly different management styles of each of the two organizations.
4. CAIC lacked a realistic and clearly articulated financial strategy for the future.

Subsequent to the 1989 evaluation of the project, RDO/C indicated to CAIC that AID would be willing to continue supporting development programs through that institution if they established an autonomous Private Sector Development Center. In December 1991, the CAIC Board decided against such an initiative but RDO/C mission management, in the interest of advancing micro-enterprise development, decided to extend the project with a view to facilitating sustainability of the NDFs. The PP supplement of early 1992 which described the amendment to the project indicated that the major thrust over the extended period would be sustainability of the National Development Foundations since they were regarded as the foremost service institutions for SMEs and the micro enterprise sector. The Authorization Amendment of February 20, 1992 thus extended the PACD to February 23, 1995 and

increased the LOP funding to \$22,310,000. Agreement was reached with CAIC and the NDFs to transfer project administration to the East Caribbean Organization of Development Foundations (ECODEF) as grantee, on its registration as a Local Private Voluntary Organization. The CAIC grant expired in February 1993 and USAID executed a grant to ECODEF on April 15, 1993.

At the time of the RDO/C amendment in 1992, AID/W administration was in the process of establishing a new agency program focus. As a result, AID/W stipulated that the PACD be contracted and the authorized level reduced. However, with a change in the Agency's management and the promulgation of a different policy position, mission management, under delegated authority, reinstated the originally extended PACD of February 23, 1995 and rounded out the authorized funding to \$20,810,000.

### **III. SUMMARY OF INPUTS AND ACCOMPLISHMENTS**

USAID funding was provided to CAIC for institutional support to strengthen the secretariat's operations, enhance its delivery of services to members as well as finance a Regional Coordinating Unit as the administrative entity for a program of credit, technical assistance and training to small, medium and micro-enterprises through National Development Foundations and other private sector institutions.

A 1987 evaluation focussing on micro-enterprise assistance activities found that SEAP's integrated approach of providing credit and technical assistance (general business advise) through NDFs and WID had made a significant impact in developing viable micro-enterprises.

The project served as a major source of financial and technical assistance for the National Development Foundations and WID Ltd, contributing significantly to their institutional development. The matter of institutional sustainability assumed greater importance as the project progressed and in fact was the primary focus of the amendment in 1992. Unfortunately, WID Ltd became ineligible for continued USAID support in that year due to the identification of questionable costs during an AID-funded project audit. The objective of financial sustainability for the NDFs was not attained by the end of SEAP but the institutions showed operating self-sufficiency levels (earned income/expenditure) ranging from 47% to 97.5%.

Over the life of the project, it assisted with the start-up/expansion of more than 5400 micro-businesses and delivered technical assistance to over 779 small and medium-sized firms through local and regional experts, and retired U.S business executives. Training in technical and managerial skills was provided to some 4000 employees of SMEs.

A 1989 evaluation assessing CAIC's organizational structure and delivery mechanism, its internal management and handling of core functions and its provision of SME assistance

found that CAIC had become a leaner, better integrated, more cost-effective organization for the delivery of development services.

The evaluators also noted that as a broadly based business organization, CAIC was not able to serve all of its members in the ways and to the extent that they wished, but it had a solid base of support for what it did well. They observed that CAIC's Regional Coordinating Unit (RCU) had reached its SME constituency by utilizing the skills of its own staff, delivery organizations such as the International Executive Service Corps, and National Delivery Institutions (NDIs) located in each country. Its delivery of services to small- and medium-sized enterprises and its assistance to institutions supporting micro-businesses enhanced its reputation as a private sector representational institution and broadened its public support. Unfortunately, the withdrawal of USAID support saw the reversion of CAIC to a strictly membership services institution.

#### **IV. DEVELOPMENT IMPACT**

The project has had a significant impact on the expansion of the private sector in the region by providing resources necessary for the start-up and expansion of small and micro enterprises as well as by strengthening the institutional capacity to service enterprises of all sizes. The small and micro business sub-sectors are now solidly established as part of the private sector and the entrepreneurial spirit across the region is clearly in evidence.

The 1989 evaluation found that NDF supported firms (micros) were having substantial increases in production and profits while technical assistance to SMEs had resulted in increased output and employment. Some 13,220 jobs (37% women) have been created or sustained over the life of the project.

The project has also had a favorable impact on local and regional supporting services for SMEs in the emergence of institutional brokers of technical assistance as well as a cadre of qualified consultants who have been able to provide quality services to SME firms.

#### **V. RECOMMENDATIONS FOR CONTINUED MONITORING**

SEAP-funded property is vested in ECODEF. RDO/C should monitor the disposition of the property in the event that ECODEF ceases to function.

#### **VI. LESSONS LEARNED**

\* In implementing a multi-component project which seeks to introduce new facilities or programs, sequencing of activities' commencement offers greater likelihood for success than attempting to start all activities simultaneously. Time and resources should be provided for testing new approaches or mechanisms.

\* Where a project is aiming to produce social interactions, the flow of resources should never be pre-conditioned on the achievement of that objective.

\* Firm level programs should be carefully matched with their intended beneficiaries.

\* Regarding the delivery of technical assistance, needs assessments should be properly conducted to ensure that the clients get the type of assistance they require.

**Clearances:**

C/GDO:RCohn(draft)

GDO:ROwens(draft)

A/DIR:PBisek(  )

CONT:MHorween(  )