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PDKAL942

A.I.D. EVALUATION SUMMARY PART I

(BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS)

IDENTIFICATION DATA

A. REPORTING A.I.D. UNIT: RDO/C (Mission or AID/W Office)

(ES# 538-88-02)

B. WAS EVALUATION SCHEDULED IN CURRENT FY ANNUAL EVALUATION PLAN? yes ☒ slipped ☐ ad hoc ☐

Eval. Plan Submission Date: FY 87 Q 4th

C. EVALUATION TIMING Interim ☐ final ☒ ex post ☐ other ☐

D. ACTIVITY OR ACTIVITIES EVALUATED (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report)

Project #	Project/Program Title (or title & date of evaluation report)	First PROAG or equivalent (FY)	Most recent PACD (mo/yr)	Planned LOP Cost ('000)	Amount Obligated to Date ('000)
538-0043	Private Sector Investment Assistance Project (PSIAP)	1981	07/03/87	3,500	3,500

ACTIONS

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

Action(s) Required	Name of officer responsible for Action	Date Action to be Completed
Amendment to the Small Enterprise Assistance Project (538-0133) to incorporate elements of PSIA project to include critical recommendations from evaluation, particularly regarding: - Development of measureable objectives incorporated in a workplan; - Development of a strategy for covering core costs at the end of the project.	Jason Brown	08/31/87 (Completed)
Initiate regular meetings between senior management personnel of RDO/C and CAIC.	Jason Brown	01/31/88 (Completed)

(Attach extra sheet if necessary)

APPROVALS

F. DATE OF MISSION OR AID/W OFFICE REVIEW OF EVALUATION: mo 03 day 02 yr 87

G. APPROVALS OF EVALUATION SUMMARY AND ACTION DECISIONS:

	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
Signature				
Typed Name	Jason Brown		Darwin Clarke	James S. Holtaway
Date	01/27/88		01/27/88	

C. Patalive, C/PSO 1/27/88

D. Mutchler, C/PRM

A. Bisset, D/DIR

H. EVALUATION ABSTRACT (do not exceed the space provided)

The aim of this project was to enhance the capacity of the Caribbean Association of Industry and Commerce (CAIC) to promote the revitalization of the Caribbean private sector for increased production and productivity. Assistance was provided through a cooperative agreement with CAIC. This evaluation was conducted as part of an overall assessment of RDO/C's Private Sector Program. The methodology involved a review of project documents (including previous evaluation reports 3/82 and 3/84) CAIC concept papers, field visits and interviews with project personnel and CAIC membership. The purpose was to assess the contribution of the project to development in LDC host countries and provide guidance for future assistance to business organizations in the region. The major findings and conclusions are:

- The project has been a distinct but qualified success. CAIC has carried out two major functions: advocacy of private sector interests and development activities for its business membership.
- CAIC's accomplishments have been impressive in the area of policy advocacy, building of formal and informal networks, changing the attitudes of its members and creating a new image of the private sector in the region.
- As a development institution, CAIC's performance has been a mixed one. Provision of training and technical assistance has had a positive impact. The Local Affiliate Development program has provided a needed stimulus for business organizations in a number of LDCs. However, utilization of the Caribbean Basin Information Network (CBIN) has been most unimpressive.
- Because of its capacity to influence public policy in directions which enhance economic growth and its ability to involve the business community in development activities, CAIC is a natural partner for USAID in specific areas of mutual interest. Assuming agreement on common goals for the future, RDO/C should continue to fund CAIC.

The evaluators noted the following lessons:

- Policy advocacy carried out by business associations has a significant potential for favourably altering the development environment.
- A business association carrying out conventional development functions should keep those functions organizationally separate from its advocacy activities.

ABSTRACT

I. EVALUATION COSTS

1. Evaluation Team

Name	Affiliation	Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (US$)	Source of Funds
Harvey Lerner	Louis Berger Int'l	538-0119-C-00-6027	94,081	Project
Jackie Coolidge	" " "			
Donald Jones	" " "			
Roman Senkor				
Anthony Armstrong	" " "			
Jason Brown	RDO/C			

2. Mission/Office Professional Staff Person-Days (estimate) 20

3. Borrower/Grantee Professional Staff Person-Days (estimate) 20

2

A.I.D. EVALUATION SUMMARY PART II

J. SUMMARY OF EVALUATION FINDINGS, CONCLUSIONS AND RECOMMENDATIONS (Try not to exceed the 3 pages provided)
Address the following items:

- Purpose of activity(ies) evaluated
- Purpose of evaluation and Methodology used
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lessons learned

Mission or Office: RDO/C

Date this summary prepared: 12/25/87

Title and Date of Full Evaluation Report: Evaluation of the Private Sector Investment Assistance

The objectives of this project have been to strengthen CAIC's capacity to play a leading role in the revitalization of the region's private sector, to ameliorate key institutional constraints in the region, and to provide assistance to affiliate business organizations at the national level and to small/medium size enterprises. The overall goal has been to stimulate increased production and productivity so as to improve the economic base of the region. Assistance to CAIC has therefore been provided as a key component in the Mission's Private Sector led strategy for economic growth. To this end, project assistance focussed on five components, viz., membership development and institution building, training and technical assistance, policy advocacy, economic development and CAIC organizational development.

The purposes of this evaluation were to (a) assess the contribution of the project to development in the host countries, (b) provide recommendations for changes to increase the impact and efficiency of the project and (c) identify lessons learned and, as appropriate, make recommendations concerning future USAID assistance to business organizations in the Caribbean region. The evaluation was undertaken as part of an overall assessment of RDO/C's Private Sector Program. The methodology involved a review of project documents (including previous evaluation reports), CAIC concept papers, field visits, interviews with project personnel, CAIC membership and business managers.

SUMMARY

Findings and Conclusions

- Membership Development and Institution Building: The evaluators found that CAIC has done an outstanding job of recasting the image of the private sector in the Caribbean and in gaining a hearing for business viewpoints in the councils of goverments and regional organizations. CAIC has been an effective forum for developing a private sector consensus on issues of public concern within the business community. A network of formal and informal relations has been established among public officials, business associations, regional institutions and business leaders.

- CAIC membership has grown from 38 in 1981 to 120 in 1986. Most of this growth took place between 1981 and 1983 in the early years of revitalization. 70% of the membership are from small or medium sized firms. This represents considerable progress, since up to 1981 the membership was confined to the larger companies in the region and this has important implications for support to CAIC.

- The Local Affiliate Development Program (LADP) which was intitated in 1985 has released key constrains to the growth of business organizations in some of the LDCs.

3x

- CAIC has had its greatest development impact through business institutions and firms with relatively well organized aggressive leadership.

Training and Technical Assistance

The evaluators have stated that since CAIC became active in the delivery of training and technical assistance, there has been a noticeable change of attitude among top management in the private sector toward training. Many firms credit CAIC for demonstrating the benefits of professional business training. While impact on training and technical assistance on employment, exports, living standards and other economic indicators usually are difficult to quantify, clear evidence of such impact exists in several cases. The challenge before CAIC is to form a strategy for marketing those services that balance development impact objectives with CAIC's own needs for financial self-sufficiency.

Policy Advocacy

The report indicates that successful policy advocacy efforts on the part of CAIC and its affiliates have included significant tax and economic policy reform in a number of countries. The tax reform initiative has included simplification of the tax structure, lower personal and/or corporate taxes, more liberal deductions, abolition of withholding tax on individuals and profits and/or abolition of export taxes. The evaluators concluded that CAIC's contributions have been constructive, significant and a credit to RDO/C's private sector program.

Economic Development Functions

The evaluators have expressed the view that CAIC has had some success in the performance of these functions. For example, CAIC has played a role in facilitating business contacts between the English-speaking countries and the french departments in the Caribbean, paving the way for the development of joint ventures and cross investments as well as increased trade and travel. Similarly, CAIC's role in co-sponsoring the regional trade expositions proved to be a successful forum for trade contacts. However, CAIC has not made good progress in implementing the computerized Caribbean Basin Information Network (CBIN).

The evaluators have noted that advocacy and development functions are distinctly different, although related functions. They therefore require differing management styles. CAIC's staffing structure has been geared only for the policy advocacy function. Mixing the two functions has in the circumstances resulted in some problems that need to be addressed.

CAIC's Management and Finance

The evaluation report indicates that CAIC's recent performance in the areas of self sufficiency and sustainability have not been impressive. Internally, a high overhead type organization has been created without providing the donor-oriented administrative responsiveness which high overheads can buy.

Externally, the provisions of certain kinds of services without charge or with substantial subsidy may actually have inhibited CAIC's prospects for long term financial sustainability. 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, the functioning of the management structure has not been impressive.

Principal Recommendations

The principal recommendations of the evaluation team are as follows:

- Assuming agreement on common goals for the future USAID assistance to CAIC should continue
- The Mission and CAIC should together define a realistic common strategy for the future
- Each CAIC department should be constituted as a cost or profit center and realistic achievement targets established
- A long term strategy for the Local Affiliate Development Program should be prepared by CAIC
- The Director of the RDO/C Mission should meet with the Executive Director and key members of the CAIC Board at least once a year to review progress on matters of mutual interest to the Mission and the Board.

Lessons Learned

The following lessons have been highlighted by the evaluators:

- A business association can transform the image of the private sector in its region and enhance its socio political impact by promoting unity in the business community, by committing itself to enlightened causes and by presenting reasoned analysis in support of its positions.
- Policy advocacy, carried out by business associations, has a significant potential for favorably altering the development environment and within proper limits, deserves USAID support.
- A business association carrying out conventional development functions should keep those functions organizationally separate from its advocacy functions.
- Grantee proposals are marketing documents. They are not proper vehicles for presenting strategic plans, setting departmental targets, or creating USAID project documentation.
- A strategic planning document for a USAID funded business association should include a comprehensive financial plan, including all sources and expenditures of funds.

5X

ATTACHMENTS

K. ATTACHMENTS (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier)

Evaluation Report

Private Sector Investment Assistance Project (USAID - Project No. 538-0043)

MISSION COMMENTS ON FULL REPORT

L. COMMENTS BY MISSION, AID/W OFFICE AND BORROWER/GRANTEE

The Mission is satisfied with the report and considers that it responds to the questions posed in the Scope of Work. The Mission notes the valuable lessons which have emerged as a result of this evaluation and undoubtedly will use the information provided for shaping future assistance for private sector development in the Eastern Caribbean. Indeed the evaluation findings and conclusions which discuss CAIC's policy advocacy functions versus its development functions are of special significance to RDO/C. In addition, the recommendations provide important guidance for the functional relationships between the Mission and CAIC.

CAIC generally accepts the findings as fairly representing the achievements of the project to date. CAIC comments on a chapter by chapter basis are atttached to the Evaluators' Report.

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MEMORANDUM

July 20, 1987

TO: Gerrit Argento

FROM: Harvey Lerner

RE: USAID Contract No. 538-0119-C-00-6027, LBII Project No. GG 268
Evaluation, Monitoring and Design of Private Sector Program and Projects

SUBJECT: Final Report, Private Sector Investment Assistance Project (USAID Project No. 538-0043)

cc: David Mutchler, Darwin Clarke, Erol Haker, Stanley Heishman, Peter Medford

I am enclosing herewith three bound copies and one unbound reproducible copy of the above-referenced final report. A fifth copy has already been delivered to Elizabeth Warfield.

7

Evaluation of the

PRIVATE SECTOR INVESTMENT ASSISTANCE PROJECT

(USAID Project No. 538-0043)

CARIBBEAN ASSOCIATION OF INDUSTRY AND COMMERCE

Final Report

prepared for
USAID, RDO/C
by Louis Berger International, Inc.
June 1987

8

TABLE OF CONTENTS

Table of Contents i
List of Exhibits iv
Preface v

EXECUTIVE SUMMARY . . . . . .
Abstract . . . . . EX 1
Recommendations . . . . . EX 2
Principal Findings and Conclusions . . . . . EX 5
USAID Project Lessons . . . . . EX 15

CHAPTER I: INTRODUCTION 1
A. Report Overview 1
B. Evaluation Scope and Methodology 2
1. Purpose of Evaluation 2
2. Time Frame 2
3. Geographic Scope 3
4. Relationship between Advocacy and Development Delivery Functions 3
5. Evaluation Methodology 4
6. Macroanalysis 9
C. A Brief History of CAIC in the Context of the Region 14
1. Pre-Revitalization 14
2. Revitalization 17
3. Post-Revitalization 19
D. Evaluation of Project Documents and Materials 21
1. Creating the Future 21
2. PSIA Project Paper 23
3. March 1982 Evaluation 24
4. March 1984 Evaluation 25
5. PVO Field Support Grant Proposal to USAID, 1984 27
6. CAIC's Staff Development Workshop, 1984 . . 30
7. CAIC's Internal Self-Evaluation, 1986 . . . 30
8. USAID Response to CAIC Self Evaluation . . 32

CHAPTER II: TRENDS IN MEMBERSHIP AND COMMITMENT 34
A. Introduction 34
B. Membership Trends 34
1. Dues Payment Status of CAIC membership . . 35
2. Patterns of Dues Payment and Arrears . . . 40
3. CAIC's Membership Recruitment and Withdrawals 45
C. Development of Local Affiliates to CAIC . . . 50
D. Other Trends in Commitment 55
1. Involvement of Board Members 55

9v

BEST AVAILABLE DOCUMENT

2. Attendance at Key Meetings . . . . . .
3. Donor Participation and Commitment 57

CHAPTER III: TRAINING AND TECHNICAL ASSISTANCE 59
A. Introduction 59
B. Context of Training and Technical Assistance in the Commonwealth Caribbean 60
C. Evolution of Service Delivery Strategies . . . 62
1. Training Strategies 62
2. Technical Assistance Strategies 64
3. 1984 Grant Proposal Objectives and Targets 66
D. Assessment of Results 67
1. Favorable Outcomes 68
2. User Satisfaction 72
3. Training and Technical Assistance Findings Related to the Generic Scope of Work . . . 77
E. Conclusions 82

CHAPTER IV: ECONOMIC DEVELOPMENT AND POLICY ADVOCACY 84
A. Introduction 84
B. The History of CAIC's Economic Development and Policy Advocacy Functions 85
C. Economic Development Department: Activities and Achievements 88
1. Options for Expanding Intra-Caricom Trade . 89
2. The Caribbean Basin Information Network . . 91
3. Caricom/National Policy Research 98
4. Caribbean Manufacturer' Council and Related Task Forces 105
5. Other Task Forces within CAIC 108
6. CBI Implementation 111
D. Assessment of Impact with Regard to Economic Development and Policy Goals 113
E. Summary 123

CHAPTER V: REVENUES AND COSTS 126
A. Introduction 126
B. Revenue 126
1. Revenue from Membership Dues 128
2. Revenue from Services 137
3. Revenue from USAID 141
4. Revenue from Other Donors 146
5. Revenue from Other Sources 147
C. Costs 152
1. Functional Breakdown of Total Costs 152
2. Departmental Costs 152
3. Program Costs 155
4. Trends 155

10

D. Assessment of Impact with Regard to Institutional Development Goals 155

CHAPTER VI: RETROSPECT AND PROSPECT 165
A. Introduction 165
B. Principal Evaluation Issues: An Interpretive Summary 166
1. Overstatement of Goals, Targets, and Achievements 167
2. Mixing of Advocacy and Development Functions 169
3. The Conundrum of the Constituencies and the Hats 173
4. Differing Viewpoints Concerning Regional Economic Integration 180
5. USAID Requirements and Institutional Interaction 183
6. Financial Self-Sufficiency 188
C. Recommendations 198
D. USAID Project Lessons 207

AFTERWARD 211

APPENDIX A: EVALUATION SCOPE OF WORK AND GENERIC SCOPE OF WORK
APPENDIX B: EVALUATION PROCESS AND EVALUATION TEAM
APPENDIX C: PREVIOUS PSIAP PLANNING AND EVALUATION DOCUMENTS
APPENDIX D: COMMENTS OF CAIC'S EXECUTIVE DIRECTOR ON THE PRELIMINARY DRAFTS OF THE EVALUATION REPORT
APPENDIX E: A SUGGESTED STRATEGY FOR MARKETING CAIC'S TRAINING AND TECHNICAL ASSISTANCE PROGRAMS

11x

BEST AVAILABLE DOCUMENT

LIST OF EXHIBITS

EXHIBIT	TITLE	PAGE
I.1	Schematic Presentation of Major Caribbean Trends	10
I.2	Intra-Caricom Trade Annual Percentage Change	12
I.3	OECS Annual Percentage Change in Real GDP	12
I.4	Barbados Annual Percentage Change in Real GDP	13
I.5	Trinidad and Tobago Annual Percentage Change in Real GDP	13
II.1	CAIC Membership List by Category	36
II.2	CAIC Membership Dues Payment Status	36
II.3	CAIC Paid Up Members	38
II.4	Members Paid Up or with Previous Arrears	38
II.5	Members Paid up or with Minor Arrears	39
II.6	Membership in Arrears for Dues	39
II.7	Organizational Members Dues Payment Status	41
II.8	Corporate Members Dues Payment Status	41
II.9	MDC Members Dues Payment Status	43
II.10	LADP Members Dues Payment Status	43
II.11	Non-English Speaking Members Dues Payment Status	44
II.12	CAIC Changes in Membership List	46
II.13	Volume of Intra-Caricom Trade	46
V.1	CAIC Schedule of Revenues and Grants 1981-85	127
V.2	CAIC Subscription Schedule	129
V.3	CAIC Revenue from Membership, 1981 - 1986	130
V.4	CAIC Revenue from Organizational Dues	132
V.5	CAIC Revenue from Corporate Membership Dues	135
V.6	Percentage Breakdown of Revenues and Grants	143
V.7	USAID Funding of CAIC Costs	144
V.8	Percentage USAID Funding for CAIC Departments, 1981 - 1985	144
V.9	USAID Funding for CAIC's Departments, 1986	145
V.10	Schedule of CAIC Expenses 1981 - 1985	153
V.11	Departmental Division of Expenses 1981 - 1985	153
V.12	CAIC Program Costs, 1986	156

12

PREFACE

For the reader seeking a general review of the Private Sector Investment Assistance project, this evaluation report contains three summary sections: The first is the Abstract found at the front of the Executive Summary. The second, the Executive Summary itself, provides a more complete set of recommendations and findings. The third is the final chapter of the report, (Chapter VI, entitled "Retrospect and Prospect") which provides an interpretive summary of the conclusions of the evaluation, plus detailed recommendations and lessons learned.

13

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ABSTRACT

The Private Sector Investment Assistance Project has been a distinct, but qualified success. The Caribbean Association of Industry and Commerce was revitalized in the early 1980s utilizing the resources of its members and funds provided by USAID. CAIC has carried out two major functions: advocacy of the interests 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. 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 contributors and broaden CAIC's socio-economic 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. Assumming agreement on common goals for the future, RDO/C's funding of CAIC should continue.

14

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RECOMMENDATIONS

The recommendations of this evaluation are as follows:

1. Assuming agreement on common goals for the future, USAID's assistance to CAIC under the PSIA project should continue.

2. RDO/C and CAIC should together define a realistic common strategy for the future.

3. USAID's most recent project paper for PSIAP (1981) is very much out of date. The project purpose should be closely related with CAIC's strengths, and to the needs of CAIC's and USAID's shared constituency in the region. CAIC and RDO/C should develop a set of targets for PSIAP which are satisfactory to both, which are tied to financial commitments on both sides, and for which both are prepared to be held accountable. RDO/C should prepare an updated description of the project together with a new logical framework for it.

4. The CAIC management and professional staff should give immediate attention to the status of members whose dues are in arrears for the current period.

5. RDO/C should provide assistance to CAIC to develop and implement a comprehensive marketing program. This program should include strategies and action plans to broaden the CAIC's socioeconomic base, bring in new members, enhance self-sufficiency, and expand member services.

6. CAIC should set up a Board Committee to work with the Executive Director on reviewing the organization and functions of CAIC. As an integral part of this review process, the Committee should establish and maintain a dialogue with RDO/C on matters considered by the Committee which could affect the efficiency and effectiveness with which USAID funds are administered, or which could affect the prospects for achieving project objectives.

7. Realistic achievement targets should be established for each department; managers should be evaluated on progress toward these targets and against cost/revenue objectives-- as well as on the basis of general performance.

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8. Each CAIC department should be constituted as a cost or profit center. Each Program Manager should be regularly presented with information on costs and any revenues for his or her department, or, where appropriate, compile such information within the department. Consideration should be given to some form of incentive compensation tied to achievements in managing revenues and costs.

9. The present Economic Development Department should be renamed and its role should be reconceptualized. A new designation should emphasize the unit's research, policy analysis, and advocacy activities as well as its specialized role in providing staff support to the Executive Director. Functions requiring business and promotional skills should be transferred out of the department.

10. RDO/C should approve use of project funds for a program of training and assistance for CAIC's administrative staff of sufficient intensity and comprehensiveness such that both RDO/C and CAIC management are assured that the CAIC will fulfill USAID requirements. This program should include secondment of CAIC personnel to RDO/C for on-the-job training in the Controller's Office, briefing of CAIC top management on basic AID requirements, preparation of instructional materials for persons who charge expenses to CAIC, and, if necessary, supplementing CAIC's administrative staff with part-time or full-time assistance until it is entirely clear that USAID requirements are being and will continue to be met.

11. In calculating the costs of its services, CAIC should include the costs of salaries and overhead. CAIC should set a scale for the price of its services which is based on a proportion of the total cost of that service and the size of the firm and its ability to pay. USAID should include in its project agreement with CAIC a stipulation that revenues derived from training and other USAID-supported activities should be reported separately to RDO/C, and should enforce this stipulation promptly.

12. A long term strategy for the Local Affiliate Development Program should be prepared by CAIC. This program should include requirements for matching funds and declining USAID contributions. Membership position, finances (including matching funds) and program performance should be monitored regularly. Changes should be required of those affiliates not meeting their obligations under the program.

13. The evaluation found that CAIC training personnel have had good success delivering training services, and in influencing attitudes of businessmen and educational bodies in the region in beneficial ways. This capability represents a resource of considerable commercial and social value. CAIC should develop proposals for USAID and other donors for funding of activities which build on this resource.

14. CAIC should either develop a realistic staffing and marketing approach for its provision of CBIN service or drop the program entirely. Alternatives to terminating the service are transfer of the function within CAIC and/or decentralizing the service to the local affiliates in each territory.

15. The Executive Director and Board of CAIC should establish a policy advocacy agenda. Such an agenda should establish targets, the principal means of attaining those targets, and an estimate of the resources required. CAIC should install the equivalent of a legislative and regulatory tracking system to assist the staff in following up on the results of the Association's policy initiatives and communicating these results to others.

16. The Director of the RDO/C Mission should meet with the Executive Director and key members of the CAIC Board at least once a year to review the progress in implementing the PSIAP activities and other pertinent aspects of RDO/C's Private Sector program. In addition, the USAID project officer for PSIAP and members of Mission management (particularly those concerned with the private sector program) should regularly attend portions of CAIC Board of Directors' meetings focussed on matters of mutual interest to the Mission and the Board.

PRINCIPAL FINDINGS AND CONCLUSIONS

The following paragraphs summarize the findings and conclusions of the evaluation team with regard to the Private Sector Investment Assistance Project.

General Findings

1. A revitalized Caribbean Association of Industry and Commerce emerged in the early 1980's from combined funding and program commitments by key members of the Caribbean business community and by the United States Agency for International Development, and through the recruitment by the CAIC Board of Pat Thompson as Executive Director.

2. The principal objectives of CAIC during the period 1981-1986 were to revive private sector institutions in the Caribbean region, to enhance social and economic stability, to advance the public policy interests of an enlightened business community, and to preserve the CARICOM market.

3. USAID's main objectives in providing assistance to CAIC have been to increase the contributions of enterprises in the OECS states to their respective national economies, to support CAIC and business associations in these countries, and to improve the respective investment climates of the OECS countries. USAID's original project paper (1981) had a broader Caribbean regional focus; some more recent USAID documents treat CAIC as a primary instrument for policy change in RDO/C's private sector program.

Membership Development and Institution Building

4. CAIC has done an outstanding job of recasting the image of the private sector in the Caribbean and in gaining a hearing for business viewpoints in the counsels of Governments and regional organizations. CAIC has become an effective forum for developing a private sector consensus on issues of public concern within the business community. Advocacy of private sector viewpoints has been converted from a pattern of sporadic, poorly conceived, and ineffective efforts to a sustained, reasoned, and more integrated process of communication with public sector decision-makers and institutions. CAIC's positions on regional policy are solicited by Caricom policy makers and given serious consideration. A network of formal and informal relationships has been established among public officials, business

associations, regional institutions, and business leaders. The network permits effective exchange of business viewpoints, produces flexible responses to changing conditions, and stimulates region-wide collaboration among businessmen and business institutions.

5. CAIC has made strides in promoting a sense of identity and a framework for unity in a Caribbean business community traditionally riven by sectoral, ethnic, generational, and political differences. However, the rifts and differences which remain are substantial, and CAIC is widely perceived as an institution which represents large, "establishment" companies. Although 70% of CAIC's members are now from "small" or "medium" sized firms, many of these members feel that they lack influence with CAIC's leadership, and much remains to be done to integrate the business community in the Caribbean.

6. Membership and dues payment trends are shown in Exhibit I and Exhibit II. The growth in CAIC membership which took place in the early years of the revitalization process has leveled off and may have reversed itself. The number of members who have paid their dues has definitely fallen off in the past two years. While economic conditions clearly have had some effect on this pattern, trends in membership appear to be driven mainly by the immediacy of the threats to its interests perceived by the business community, the time and energy which the CAIC staff and Board devote to membership drives, and the extent of the services provided to members.

7. The attention of CAIC's management in its early years has been heavily focussed on major "production" functions: developing CAIC policy positions and rationales: reaching influential decision-makers and opinion-makers; delivering training and technical assistance; holding task force meetings. "Marketing"--defined broadly as the means by which the organization seeks to understand, classify, and then fill the needs of its present and potential members-- has received much less attention. The marketing area, particularly as relates to identifying member needs and the means of fulfilling these needs, deserves systematic attention by CAIC's management and by its Board of Directors.

8. In the eyes of many of its members and of some outsiders, CAIC's accomplishments have taken on a inspirational, even charismatic character. CAIC is seen as a source of vision and wisdom by those businessmen who favor political and economic

integration in the Caribbean region. CAIC's commitment to the cause of human rights has reinforced an image of a far-sighted organization that can see well beyond immediate pecuniary interests of its members and mobilize support for larger causes. CAIC's success in opening doors at high levels in national governments and in regional institutions has encouraged similar efforts by its constituent organizations. However, many businesses, particularly smaller businesses, require a specific quid pro quo for their payment of dues and other financial support. A significant portion of what CAIC does is designed to benefit the Caribbean as a whole over the long run-- and much of what CAIC does that benefits businessmen specifically, benefits them whether or not they are dues-paying members. Unless CAIC provides these businessmen with services, access to sociopolitical networks, or other things of value-- not easily available from other sources-- there is little motivation for firms other than the large conglomerates to provide support to CAIC.

9. The Local Affiliate Development Program (LADP) which was initiated in 1985 has released key constraints to the growth of business organizations in some of the OECS states. It is unfortunate that these constraints were not released earlier in the project period because CAIC's impact relies heavily on the existence of healthy local business organizations.. At the same time, there is cause for concern that LADP will create dependencies in local business organizations and that the funds may not achieve their intended purposes where local leadership lacks energy and vision.

10. CAIC has had its greatest development impact through business institutions and firms with relatively well organized and aggressive leadership. It has had least impact in institutions and firms which lack such leadership.

Training and Technical Assistance

11. Since CAIC became active in the delivery of training and technical assistance (along with other providers of training services in the region), there has been a noticeable change of attitude among top management in the private sector toward training. Whereas in the past, there was very little interest in business-related training, there is now a willingness to retain and pay for the services of professional trainers, and to provide training at all levels within the firm. Many such firms credit CAIC's Training and Technical Assistance Department for demonstrating the benefits of professional business training.

12. CAIC has delivered training and technical assistance to Caribbean businesses in a creditable fashion and generally to the satisfaction of recipients, although they often noted a lack of follow up. CAIC's training services, in particular, are held in high regard by recipients. While impact of training and technical assistance on employment, exports, living standards and other economic indicators usually are difficult to quantify, clear evidence of such impacts exists in several cases. For example, CAIC technical assistance enabled a Barbados manufacturer to enter the candle making export business, an activity which currently employs sixteen people. In Dominica, a private manufacturer rated CAIC on the job training at about "eight" on a scale of ten and attributed improved supervisory practices to the service. It has been paying for the full direct costs of the service and will continue to do so. CAIC's provision of training and technical assistance services has had a favorable effect on its image and on the status of affiliated business associations in their individual countries. The needs for private sector training and technical assistance are quite large, but the market has not been measured accurately in terms of how demand for such services is affected by the price charged for them. Some relatively large businesses will pay direct cost for them; others, particularly micro businesses will not. The challenge before CAIC is to frame a strategy for marketing these services that balances development impact objectives with CAIC's own needs for financial self-sufficiency.

Policy Advocacy

13. Successful policy advocacy efforts on the part of CAIC and its affiliates have included significant tax and economic policy reform in a number of Caricom countries, and some reduction of trade barriers affecting intra-Caricom trade, (although CAIC efforts represent only one of several factors influencing such changes). The tax reform initiative, which has been hailed by CAIC's constituency as a major achievement, has included simplification of the tax structure, lower personal and/or corporate taxes, more liberal deductions, abolition of withholding tax on dividends and profits and/or abolition of export taxes. On the other hand, CAIC occasionally has overreached both its own constituency and the capabilities of its policy support staff in proposing impractical solutions to regional problems. Nevertheless, on balance, CAIC's contributions have been constructive, significant, and a credit to RDO/C's private sector program.

14. There is a view within CAIC's membership and some members of the staffs of regional organizations that CAIC moved too far in the direction of becoming a "think tank" or research institution dedicated to generating new ideas and high level policy approaches. It does appear that CAIC lacks the personnel, financial resources, and broad-based membership support needed to carry out such functions effectively. The organization appears to have been on its most solid ground when it has dealt with issues such as tax policy in which its members have a direct and immediate interest, and where its capabilities are not overbalanced in size and specialization by the staffs of public sector institutions.

15. It is difficult to separate the impact of the CAIC in the area of public policy advocacy from the impact of other forces influencing changes; because those other forces are so varied in nature and large in magnitude, because the identity of an effectively advocated position be may lost as it is merged into a favorable compromise outcome, and because desirable outcomes may represent the cumulative effects of efforts made over a period of many years. Nevertheless, the evaluation team found that it had considerable difficulty obtaining details of successful policy advocacy efforts from CAIC - when both the success and the detailed evidence of success were ultimately available. CAIC has not yet set up a legislative and regulatory tracking system or any other orderly means of recording and following up on results.

Economic Development Functions

16. CAIC and its Caricom-DFA Task Force have facilitated business contacts between the English-speaking nations of Caricom and the French Departments in the Caribbean, paving the way for the development of joint ventures and cross-investments, as well as increased trade and travel.

17. CAIC's role (specifically through the Caribbean Manufacturers' Council) in co-sponsoring CARIMEX, the 1985 regional trade exposition held in Barbados, proved to be a successful forum for trade contacts. CAIC's efforts to assist in the implementation of the U.S. Caribbean Basin Initiative have not yet progressed to a state where the impact can be judged. Marketing consultants have been brought in to assist potential exporters in Dominica and St. Vincent on a pilot basis.

22X

18. CAIC has not made good progress in implementing the computerized Caribbean Information Network (CBIN) in the region. The CAIC staff has handled less than two inquiries a month from the United States and less then two inquiries a month from the Caribbean. The number of inquiries processed during the first nine months of 1986 declined from those processed in the similar period in 1985. The CAIC staff has operated in a passive, library research mode. It has responded satisfactorily to requests from its members for lists of CARICOM suppliers, but has not been effective in circumstances which require business experience or promotional initiative. The evaluation team was unable to discover any evidence that CAIC's CBIN services have contributed to any investment within the region or any significant amount of exports outside of it. Its record keeping logs are not results-oriented, and its follow-up activities leave much to be desired. In some cases businesses within CAIC's service region have gone directly to C/CAA in the United States, rather than going through CAIC. Chambers of Commerce in the French territories of the Caribbean have installed CBIN terminals and have used the system much more effectively than has CAIC; businesses from these territories have utilized information obtained from the system to find joint venture opportunities, and investments within CARICOM countries have resulted.

Mixing of Advocacy and Development Functions

19. CAIC has performed two distinctively different, although related, functions: advocacy and development. The heart of the advocacy function at the Caribbean regional level is the building of networks of influence and the activation of these networks when important issues arise. A large staff is not necessarily required for this purpose. On the other hand, the heart of an AID-funded regional development function is a staffed-up delivery system, which requires attentive management and support. Compliance with donor procedures, documentation and operational styles is very important, and generates substantial overheads. Until very recently, neither CAIC nor USAID appears to have seriously addressed the problems resulting from the mixing of advocacy and development functions.

20. Advocacy and promotion functions normally require distinctly differing management styles, qualifying experience, and professional temperaments. 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 is a form of brokerage, requiring practical knowledge of business, personal salesmanship, and an orientation to tangible results.

The staff of CAIC's Economic Development Department are oriented toward policy advocacy and research by training, experience, and temperament. The Economic Development Department has not been properly staffed to handle the more practical investment and export promotion responsibilities which it has been assigned.

CAIC's Management and Finance

21. CAIC's recent performance in the areas of self-sufficiency and "sustainability" have not been impressive. Internally, a high-overhead type organization has been created, without providing the donor-oriented administrative responsiveness which high overheads can buy. Externally, the provision of certain kinds of services without charge or with substantial subsidy may actually have inhibited CAIC's prospects for long-term financial sustainability. Top management has not demonstrated cost-consciousness. There is cause for concern that taking the financial support of members and donors alike for granted will engender a fundamental flaw not only in CAIC but in its associated institutions as well. Exhibit III shows a schedule of revenues and grants for the years 1981 through 1985. CAIC's revenues from membership contributions and other sources have been decreasing since 1983, while USAID's contributions have been increasing.

22. 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, the functioning of the management structure has not been impressive. Despite some efforts at self-assessment and self-improvement, CAIC management has fallen far short of achieving standards of administrative and financial efficiency which reasonably could be expected, given the caliber of its managers. CAIC has not performed well on complying with USAID procedures. This a shortcoming for which USAID bears some, but not primary, responsibility. In addition, observers both inside and outside CAIC have noted a worrisome level of friction within the CAIC secretariat. However, in an organization which devotes considerable attention to advocacy (which usually involves a fight-to-win orientation), it is common to observe a meritocratic system at work. Such organizations are almost invariably ones where internal struggles over power, status, and resources are in evidence. There are functional limits on the importance of consensus within an organization. It would be a mistake if an over-riding concern with this issue were to deprive CAIC of its fighting trim.

24x

Overstatement of Goals

23. 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. There is evidence that the problem of proposal-motivated "target inflation" is a general one which pervades much of USAID's private sector program. This well may be a problem to which recipient institutions, development consultants, and USAID itself all have contributed.

The Relationship between CAIC and USAID

24. RDO/C and CAIC each has had some misgivings concerning the objectives, priorities and performance of the other. USAID, which provides a major proportion of CAIC's budget for development programs within the OECS states, has been concerned that top management priorities have been too heavily skewed toward CAIC's advocacy functions and to its wider Caribbean role, and too little concerned with effective development administration and achievement of development objectives. In particular, RDO/C has been concerned with CAIC shortcomings in complying with USAID documentation requirements and with CAIC's lack of progress toward established targets and financial self-sufficiency. From CAIC's vantage point, RDO/C has too frequently and too narrowly limited its vision to the OECS states and it has failed to give due credit to the very substantial resources in time and money (over and above dues payments) which members devote to supporting CAIC and private sector causes. There are also concerns with the complexity, intrusiveness, and burdensome nature of USAID's requirements, and with RDO/C's failure to provide CAIC with clear and timely instructions on these requirements. CAIC follows a policy of providing support and services to its members regardless of the political complexion of members' governments, and wants the U.S. Government to support this policy-- in Guyana, in particular.

25. The CAIC staff have sometimes appeared to take umbrage at direct communications between outside institutions, on the one hand, and its members and Board, on the other -- when encouraging such communications might have been a better tactic. Indeed, the capacity to facilitate timely access to members and

to the technical information which they supply could become a source of organizational strength.

26. RDO/C and CAIC have largely compatible, but distinguishably different, objectives and constituencies. As a business association, CAIC is driven by the interests of its members and by threats to those interests. The overriding concerns of CAIC's members are with preserving stability throughout the Caribbean, protecting and expanding their markets, and keeping the private sector alive wherever it exists. The CAIC functions which are of most importance to its members are those of advocacy and networking. Development functions are generally perceived as instrumental. They help create socioeconomic stability, help increase the public policy influence of the private sector, help with market access. But stability, market access, and the ways in which public policy affects them are what count most with Caribbean businessmen.

27. As a Congressionally mandated development institution, AID's primary target group is the poor majority in those lesser developed countries whose policies and relationships with the United States meet established criteria. USAID sees the private sector as an engine of development, and free, competitive economies as an important means of achieving development. As USAID funds activities to release the potentials of market forces and of enterprise, it seeks to maintain a clear connection between its private sector projects and its mandated socioeconomic and country targets.

28. There are some personnel within the donor community (USAID as well as other donors) who express dissatisfaction with the notion of funding a business association, whose members included many of the largest and most profitable firms in the Caribbean. In effect they are looking for a channel to the leadership of the newer, small and micro firms in the light manufacturing and service industries. But most owners of such small businesses lack the time, resources and status within their communities to match the accomplishments of CAIC's leadership. CAIC's members, clearly operating in their own enlightened self interests, have adopted the views that increased productive efficiency, reduced unemployment, improved living standards, good labor relations, and ethical business behavior serve the interests of the business community in the Caribbean region. That an important and influential portion of CAIC's constituency is a social and economic elite should neither disqualify CAIC as an agent of change, nor invalidate the objectives which it is seeking to achieve.

29. There are three basic channels by which development services can be delivered to businesses in the Caribbean: through government-controlled institutions, through consultants, and through the indigenous private sector institutions directly. The evaluation evidence examined to date by LBII provides no substantial basis for believing that public sector or consulting firm distribution systems have been more cost-effective or have had greater development impact than have the projects implemented through private associations. Within the private sector network itself, there are certainly other ways in which resources could be channelled and other business leaders who could be involved--but not very many of them. In the end, one may doubt that any effective delivery system which is controlled by the private sector and which has a reasonable chance to be self-sustaining can exclude CAIC's basic constituency. One may also doubt that CAIC's basic constituency will devote any substantial amount of resources or creative energy to an organization which it does not, in the final analysis, control.

30. There is a view within the development community that the entire concept of regional cooperation is irrelevant and largely unworkable. Similarly, some observers assert that credit for successes in the field of policy advocacy (including the tax reform initiative, reduction of intra-regional trade barriers) rightly belongs with business leadership at the national level. With regard to assistance for private business in particular, some have suggested that more funds be channelled directly to the national affiliates of CAIC, and less to the umbrella organization. But many of the same individuals who make up CAIC's Board of Directors are key leaders within their national business organizations, and wear several different hats. The willingness of CAIC's membership and Board to support and contribute to regionally-oriented efforts suggests that they are not impractical, that a substantial portion of the private sector in the region is behind the notion of regional cooperation and believes that CAIC can be a positive force within it.

31. The purposes of USAID and of CAIC are by no means identical. However, most institutions funded by USAID around the world have objectives, values, and priorities which differ in some significant ways from USAID's own. The area of common interest between CAIC and USAID is very substantial. Neither institution need insist that the other become its clone in order for there to be an effective partnership between the two.

32. There have been significant strengths and shortcomings in the performance of both RDO/C and CAIC during the course of this project and some evidence of clashes in organizational style. Overall, however, the Caribbean region has benefitted from the collaboration between CAIC and RDO/C, and the achievements of the project have been remarkable.

AID PROJECT LESSONS

Lessons learned from this project evaluation which can be applied to other USAID programs and projects are as follows:

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.

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.

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

4. Grantee funding proposals are marketing documents. They are not proper vehicles for presenting strategic plans, setting departmental targets, or creating USAID project documentation.

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

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.

CHAPTER I. INTRODUCTION

A. REPORT OVERVIEW

This evaluation report consists of six chapters. The present chapter (Chapter I) describes the scope and methodology of the evaluation, provides a brief history of CAIC in a regional context, and it then summarizes and provides a commentary on earlier evaluation, design and project planning documents.

Chapter II examines trends in membership and commitment. It deals both with overall membership during the past five years, and with the details of recruitment and withdrawals, specific membership categories and dues payment status. It also deals with the development of CAIC's local affiliates and with evidence of membership commitment to the organization.

Chapter III discusses the impact of CAIC's training and technical assistance programs. It relates CAIC's programmes and activities in these areas to its goals. Evidence of the impact of the programs is then summarized in the areas of training and technical assistance.

Chapter IV discuses the impact of CAIC's economic development and policy advocacy functions. It traces the history of the functions in relation to CAIC's Economic Development and other departments. It relates CAIC's programmes and activities in these areas to its goals. Evidence of the impact of the programs is then summarized.

Chapter V provides an analysis of CAIC's revenues and costs. On the revenue side, it examines income derived from membership, services, donors, publications and other sources. Loans extended to CAIC, membership advances, special contributions, and in-kind contributions are also discussed. The cost analysis examines departmental costs, program costs and cost trends.

Chapter VI provides an overall assessment of USAID's assistance to CAIC. It contains the major findings and conclusions of the evaluation, summarizes lessons learned during the evaluation and sets forth the principal recommendations for future consideration.

Appendix A to this report contains the Scope of Work for the evaluation of USAID's assistance to CAIC.

Appendix B lists the evaluation team, their field of expertise, and the role each member played in the evaluation.

29x

Appendix C provides detailed descriptions of the previous evaluation, design, and project planning documents.

Appendix D contains the comments of CAIC's Executive Director on the preliminary drafts of each chapter of the evaluation.

Appendix E presents some suggestions for a strategy to market CAIC's training and technical assistance programs in the future.

B. EVALUATION SCOPE AND METHODOLOGY

1. Purpose of Evaluation

This report presents an evaluation of the Private Sector Investment Assistance Project (PSIAP) under which USAID has been providing funding to the Caribbean Association of Industry and Commerce since 1981. The purposes of the evaluation are to:

a. Assess the contribution of the project to development in its host countries;

b. Provide recommendations for changes to increase the impact and efficiency of the project; and

c. Identify lessons learned and, as appropriate, make recommendations concerning future USAID assistance to business organizations in the Caribbean area.

This report represents one of a series of some fourteen evaluations of RDO/C's private sector projects being carried out by Louis Berger International, Inc. A "generic scope of work" used in this and other evaluations facilitates comparisons among projects and makes it easier to determine the extent to which these projects fit together into a coherent private sector program. The elements of the "generic scope of work", and their application in this evaluation are described in some detail in Section B.5 of this Chapter.

2. Time Frame

RDO/C's assistance to CAIC under PSIAP was initiated in 1981. Formal project evaluations were carried out in 1982 and in 1984. The effort devoted to project design, planning and other documents closely related to evaluations during the course of the project has been substantial. At least eight evaluation-relevant documents have been produced by RDO/C, CAIC, and their consultants. The contents of these documents are summarized in Section D of this Chapter and are described in greater detail in Appendix C. Following CAIC's initial revitalization plan, presented in

30

"Creating the Future" (1981), planning and evaluation gradually took on a more AID-oriented, detail-by-detail, technocratic cast- and did not squarely address some major issues confronting CAIC as a business association and as a development institution. The present evaluation addresses the full project period, 1981-1986. It recapitulates and provides a commentary upon the substantial planning and evaluation efforts which have taken place in the past. However, it gives its principal attention to subjects that were not thoroughly analyzed in past evaluations: trends in membership and commitment; financial performance, and development impact.

3. Geographic Scope

RDO/C's private sector program focuses on the lesser developed countries who are members of the Organization of Eastern Caribbean States. PSIAP funding, which has accounted for a substantial portion of CAIC revenues, is largely oriented toward the Eastern Caribbean LDCs. However, the largest portion of CAIC's membership dues and several key members of its Board come from MDC's. Moreover, CAIC is very proud of its success in forging links with French speaking territories in the Caribbean. CAIC has also has members from Spanish speaking countries. The Association has sought to support the private sector wherever it exists in the region, regardless of the political orientation of the prevailing government. Thus CAIC has, from time to time, provided services and support to businessmen in countries to which U.S. foreign aid has been restricted. It was determined early in the evaluation that CAIC should be examined in terms of its own concept of itself as well as in terms of USAID's view of the principal purposes and the geographic focus of the RDO/C private sector program. Accordingly, countries outside as well as inside the OECS were included within the scope.

4. Relationship between Advocacy and Development Delivery Functions

Dr. Auguste Rimpel, who has been developing strategies for CAIC's future, has pointed to fundamental differences between the clienteles, funding sources, and priorities of CAIC as a member-supported business association, on the one hand, and those which it has as an institution delivering USAID-supported development services, on the other. The present evaluation of CAIC started with the premise that, CAIC first must be understood as a business association in order to properly assess its performance as an AID-funded development institution. The evaluation team conducted interviews in nine countries with members of the association, with selected members of its Board, and with knowledgeable persons outside the organization in order to

314

discover what members and persons close to CAIC expect and want from this organization. It seems quite clear that, in the eyes of most of its members and of most outside observers, CAIC's central function as a business association is advocacy. CAIC's development functions are seen as a means by which the organization can generate membership, do a variety of useful things for its members and contribute to the stability of society as a whole, although not as its core purpose.

5. Evaluation Methodology

USAID evaluation guidance establishes the classic model of the scientific experimental framework as its ideal evaluation design, but acknowledges that the ideal often cannot be fulfilled. The basic objective is to prove that a project caused (or did not cause) certain intended or unintended results. That ideal model uses matched control groups to avoid the logical fallacy of post hoc ergo propter hoc (things got better after the project started; therefore the project caused those good things to happen). In fact, a project can be effective when things get worse, or ineffective when they get better. In a plague, Island A, served by a program of medical support, lost twenty percent of its population. An identical island which did not have the program, Island B, lost fully half of its population. The medical program on Island A did not fail: it saved thirty percent of Island A's population. In the five years following the installation of a program of technical assistance to small farmers on Island C, the production of these farmers grew by an average of ten percent per year. On Island D, an island whose agronomic and other conditions were identical to those of Island C (except that it had no such technical assistance program) small farmers increased their production by twenty percent per year. The technical assistance program on Island C was not a success because things got better for small farmers on that island: it was a failure because the farmers would have done better without the program.

The present evaluation is one of some fourteen evaluations of RDO/C private sector projects which Louis Berger International, Inc. is carrying out over a period of two years. Project evaluation results will be synthesized and incorporated into two annual program reports. The projects being evaluated have been designed (and in some cases redesigned) over a period of some ten years without the benefit of a common program framework. In order to translate project outcomes into program results, USAID's contract with LBII calls for the application of a kind of Program Master Plan version of the Logical Framework which the agency uses in designing individual projects. This Program LogFrame is called a "generic scope of work."

The generic scope of work used in this evaluation analyzes the project design in terms of a standardized program framework and identifies the "bottom line" development impacts of the project discovered during the course of the evaluation. Use of a standardized framework makes it easier to compare this project with other private sector projects supported by RDO/C, and to integrate the results of individual project evaluations into an overall evaluation of RDO/C's private sector program. The generic scope of work is reproduced in full in Appendix A of this report.

No single private sector project is expected to achieve the full range of program goals and purpose elements included in the generic scope of work. However, when all of RDO/C are considered together as a program, reasonably complete coverage is anticipated.

The generic scope of work emphasizes "bottom line" development impacts. In some cases, such impacts have not yet occurred, (but their necessary preconditions may have been fulfilled). In other cases, discovering the ultimate tangible impact will be very difficult, and may involve more time and expense than it is reasonable to devote to a project evaluation. The objective is to discover such impacts wherever they are readily identifiable, and to emphasize accountability of implementing organizations in terms of achieving project purposes.

The generic scope of work (Program LogFrame) was created long after most of RDO/C's existing private sector projects were started. In some cases, it is being used to evaluate projects after they have been completed. Hence the generic scope of work necessarily imposes a degree of retroactive uniformity on the original designs of individual projects, centering on statements of program goals and purposes. In order to reduce the potential for conflict with existing project design documents, the generic scope of work (1) generalizes concepts commonly used in existing private sector project LogFrames; (2) focusses on goal level measures at the program level as contrasted with purpose level measures that are typically emphasized in project designs; and (3) addresses program purposes in terms of purpose elements, subcategories of purposes into which the purposes of all RDO/C private sector projects can be disaggregated.

The generic scope of work articulates three goals for RDO/C's private sector program: an economic development goal, a policy goal, and an institutional goal. The generic scope of work specifies some forty "purpose elements," a master list to which each RDO/C private sector project can be related at the purpose level.

33x

In the final analysis, RDO/C is working toward the **economic development goal**:

> **To increase the contributions of privately owned business establishments to employment, production, productivity, net foreign exchange earnings, and/or to improved standards of living in the Caribbean.**

This statement was developed by LBII on the basis of a comparative analysis of project design documents for all of RDO/C's private sector programs. This economic development goal statement fits reasonably well with the statement of CAIC objectives set forth by Mr. Pat Thompson in his August, 1986 self-evaluation submission (see Chapter I-D, below). Note, however, that the goal statement included in the generic scope of work refers to "business establishments," not to economic conditions in general. The intention is to measure micro-level impact directly in order to overcome the ambiguity as to causation which is inherent in analysis of macro-level trends (as discussed below).

The two other goals of the private sector program, similarly developed on the basis of comparisons of all the projects in the private sector program, are simultaneously goals in their own right and intermediate goals toward the economic development goal defined above.

Policy Goal Statement:

> **To improve the climate for private investment and for expanded international trade.**

Institutional Goal Statement:

> **To increase the capacities, efficiency, and sustainability of institutions serving the private sector in these countries.**

In many respects, the policy goal and the institutional development goal serve the economic development goal: If the climate for private investment and trade is sufficiently improved, then the increase in productivity, production, and sales which result should lead to increased employment, income, foreign exchange earnings and standards of living. Moving back one step further: If the private sector's business organizations can increase their capacity, efficiency, and sustainability, then it is likely that their credibility in the eyes of the public at large and their elected institutions will be increased. This should in turn enhance their policy advocacy efforts, which are geared primarily toward improving the climate for private

investment and expanded international trade. In addition, if the private sector's business organizations can increase their capacity, efficiency, and sustainability, then it is likely that they can serve as effective channels for training, technical assistance, market information, and trade and investment advice, which directly affect the economic development goal. Finally, the very existence of a broadly-based business organization with a large, active and sustained membership, should tend to increase contact between businesses and facilitate the ad hoc, informal, face-to-face negotiations which lead to trade and investment among them.

Causal Paths:

The assessment of project design at this level is concerned with logical relationships between the enumerated project purpose elements and the stated goals of the program. We attempt to answer the question - "If the purpose of the project is being achieved, how is this achievement contributing to the fulfillment of the ultimate goal?" Among the forty-plus purpose elements identified for RDO/C's private sector program, approximately twenty can be associated with the PSIA project. Those associated with the institutional development goal are discussed primarily in Chapter V, drawing upon the evaluation findings both with regard to Membership and Commitment (Chapter II) and Revenues and Costs (Chapter V). Those associated with the policy goal are discussed primarily in the Chapter on Economic Development and Policy Advocacy Functions (Chapter IV), and those associated with the economic development goal are discussed both in the Training and Technical Assistance Chapter (Chapter III) and in Chapter IV.

Evaluation Evidence:

At this level of the analysis, the evaluation presents evidence of project-related outputs which contribute to the achievement of the purpose elements, and discusses the relationship between the output observed and the purposes identified and defined. In some instance, the connection is clear: technical assistance provided to a particular company allows it to open a new line of business, employing more people, and increasing production and sales at that company. In other instances, the connection is less clear: During a period of general economic decline and growing protectionist sentiment, a business organization lobbied in favor of free trade principles, which may have discouraged policy makers from implementing trade barriers as high as they would have in the absence of the business organization's efforts. Most of the evaluation evidence ranges somewhere between the two extremes.

35X

The key evaluation question is not, "Did things get better after the program started?" It is rather, "Were things better with the program than they would have been without it?" Put another way, "What was the net impact of the project, given the other things that were going on in the environment."

A suitable control group is necessary to test the "with and without" question rigorously. Unfortunately there is no "control group" identical in all important respects to CAIC's membership. More to the point, there is no "untreated" area in the world with characteristics identical to those of the Caribbean countries from which CAIC draws its membership. One member of the evaluation team suggested examination of the experience of West African countries whose national governments have undertaken collaborative action to increase regional trade, without the participation and support of their respective private sectors, and with little tangible result. While comparison is interesting and perhaps instructive, West Africa lacks many of the social geographic, economic, and political features of the Caribbean. Indonesia and the Philippines are archipelagos which have some private sector associations, and which presently lack projects of the type represented by PSIAP, but their respective island configurations each are under the control of a single government, their circumstances are considerably different from those in the Caribbean, and the cost of surveying them for evaluation purposes would be prohibitive.

Given the lack of a readily available and cost-effective control group, the present evaluation has sought information relating to the net impact of the project, given the other things that were going on in the environment. For the most part, this evaluation has sought information at the "micro" level: for example, quantitative and anecdotal evidence that productivity of individual manufacturing establishments has increased as a result of training and technical assistance delivered by CAIC, or that CAIC advocacy efforts have contributed to the passage of tax reform legislation in individual countries. Examination of the details of a few "best cases" provides tangible perspectives on general impressions of achievement and impact, which were gathered by the evaluation team during the course of its field survey. Such cases also facilitate comparisons with the accomplishments of other private sector projects funded by USAID.

However appropriate the "micro" approach may be from the perspective of documenting development impact, it would be a mistake to believe that members of CAIC are driven to belong to CAIC principally because of "micro" considerations-- measurable short-term benefits which their businesses derive from their membership. It is certainly true that some businessmen have joined the organization because membership has been a condition of receiving technical assistance or other services from CAIC.

It is also appropriate that CAIC consider expanding the range of the services with tangible short-term value which it provides as a means of expanding membership -- that is one of the recommendations of this report. Nevertheless, it seems quite clear that most present members view CAIC as having a larger role than those of delivering services and influencing legislation on a day-by-day basis. It is quite clear from our field survey that they also view the organization as a vehicle for changing basic relationships between business and government, as a means of altering perceptions of the private sector by key opinion-makers, and as a way of raising the status of the businessman in Caribbean society. If those are intangible objectives in conventional development terms, they are nevertheless subject to measurement by survey research and other means. For the purposes of the present evaluation, a brief conceptual analysis of main macro-trends is presented in the following section.

6. Macroanalysis

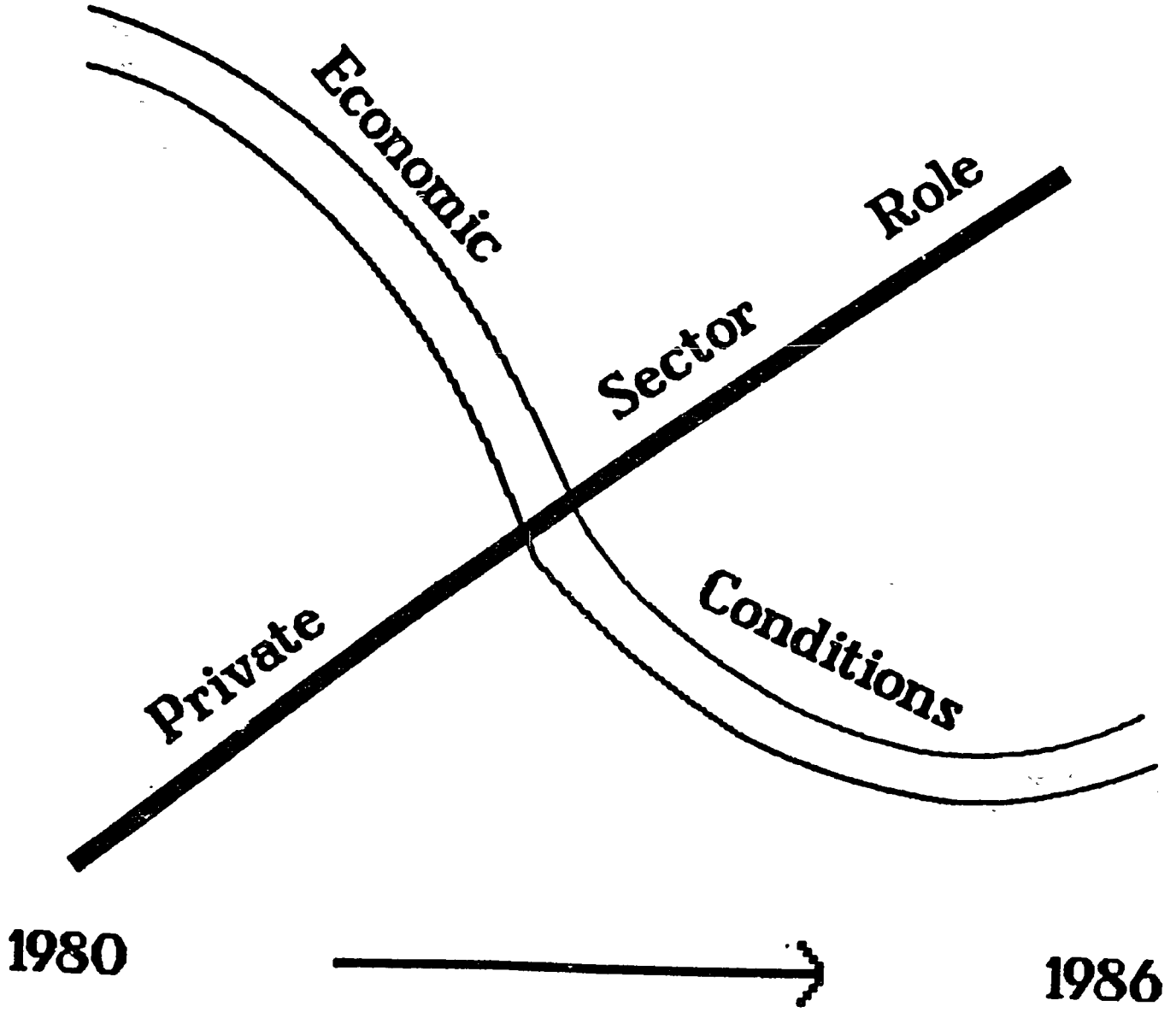
Exhibit I provides a schematic representation of two major Caribbean trends during the project period from 1980 through 1986. The curve shows economic conditions declining sharply in the early 1980's, then leveling off and recovering somewhat during the latter years of the period. The steadily upward-sloping line represents the status of the private sector in society in general, and in the counsels of government in particular. Although economic and political conditions varied from country to country during 1981-86, the available evidence suggests that the curve represents a reasonably good summary trend.

The 1980s have been a turbulent period for the economies of the Caribbean, in part because of the unstable base laid in the 1970s. The rise in oil prices benefited some economies (such as Trinidad and Tobago) directly and immediately, and brought about a variety of adjustments in others. On the one hand, the shock hurt the tourist economies of the oil-importers, directly impairing their terms of trade and simultaneously reducing the volume of tourism. On the other hand, the oil wealth in Trinidad and elsewhere created new markets and fostered the development of manufacturing in the region. This development had the beneficial &effect of diversifying the economic base of the region somewhat, and fostering intra-regional trade. However, the increasing trade in manufactures was largely dependent on the major regional economies of Jamaica and Trinidad & Tobago as engines of local growth.

In 1983, the Caribbean experienced a severe shock as Jamaica and Trinidad and Tobago underwent serious adjustment efforts: Jamaica, suffering from an overextended economy, sharply devalued its currency and implemented an IMF austerity package. Although

37X

SCHEMATIC PRESENTATION OF MAJOR CARIBBEAN TRENDS



Jamaica cut its total imports by only 7% in value in 1983 and 8% in 1984, its imports from the CARICOM region fell by 22% between 1982 and 1983 and were slashed by a further 45% between 1983 and 1984.

At the same time, oil prices were beginning to slide, which adversely affected Trinidad's ability to finance imports. In response to Jamaica's devaluation, Trinidad sought to cut off trade with Jamaica, and raised trade barriers against the entire region. By value, Trinidad imported 50% less from Jamaica in 1984 than in 1983, and 24% less from CARICOM as a whole.

Jamaica's and Trinidad's actions threw the entire region's trading patterns into a tail spin, and Intra-Caricom trade fell by over 8% in value from 1982 to 1983, and a further 15% from 1983 to 1984. The Caricom Multilateral Clearing Facility, which extended credit for intra-regional trade, collapsed with Guyana owing $98 million to the $100 million facility. The loss of regional markets affected local manufacturers particularly heavily, and many of them had closed down by 1985. Worst hit were small and medium sized businesses in Trinidad, Barbados, and Jamaica.

There was slight upturn (less than 1%) in intra-regional trade in 1985, in response to the regional economic recovery. In overall economic growth, the OECS states suffered their worst year in 1983, when they achieved less than 2% growth in real terms. Grenada and St. Kitts experienced negative real growth during this year. The OECS general recovery began in 1984, when growth returned to 3.5% in real terms. Barbados experienced its worst year in 1982, with a five percent downturn, but began a recovery two years later, with real growth in excess of four percent. Trinidad's worst years were 1983-5, with annual rates of decline of 15%, 12% and 10%, respectively. Jamaica's worst years were late 1984 and 1985; and Guyana has exhibited serious decline throughout most of the 1980s.

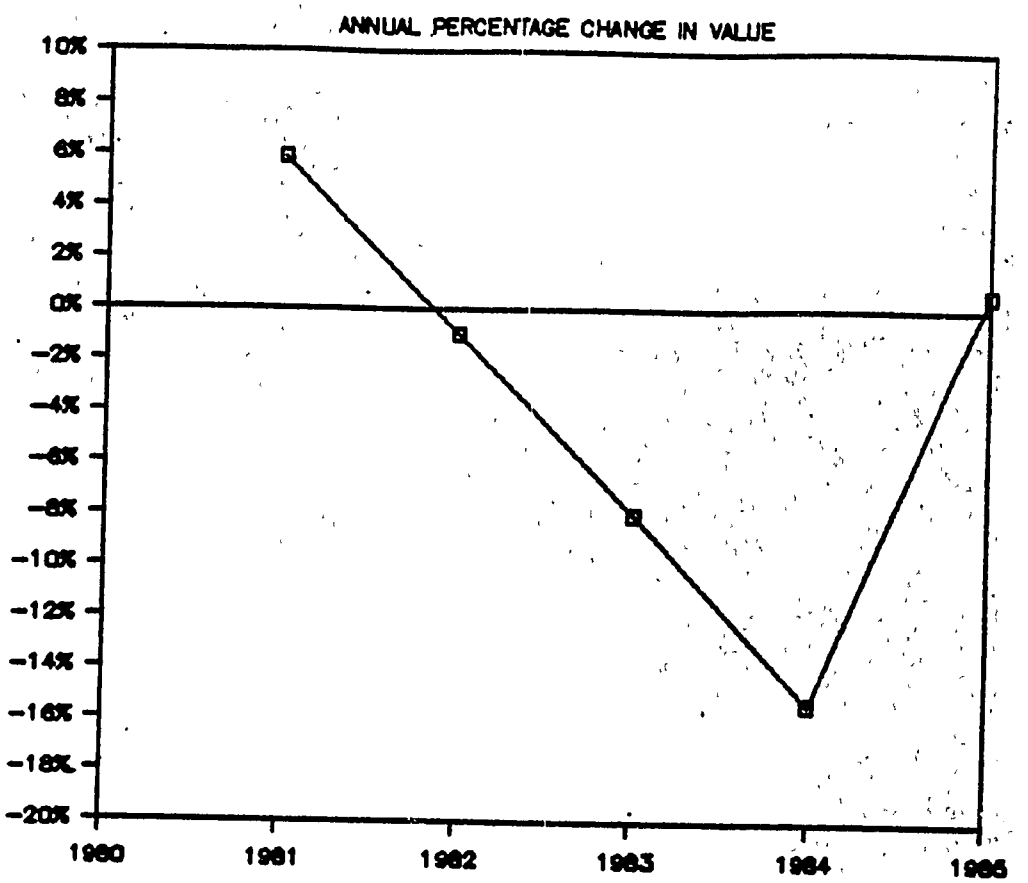
Growth in extra-regional trade was severely affected by the drop in petroleum, bauxite, sugar and other commodity earnings; however, the Caricom nations exhibited positive growth over the past three years in the export of manufactures, albeit from a low base. Growth in tourist revenues has also been strong. Unemployment, although still high, has improved somewhat in the past year.

Exhibit I.2 shows annual percentage changes in trade among the nations of Caricom. Exhibit I.3 shows annual percentage changes in Gross National Product for the OECS states. Exhibits I.4 and I.5 provide similar information for Barbados, and Trinidad and Tobago.

39X

Exhibit I.2

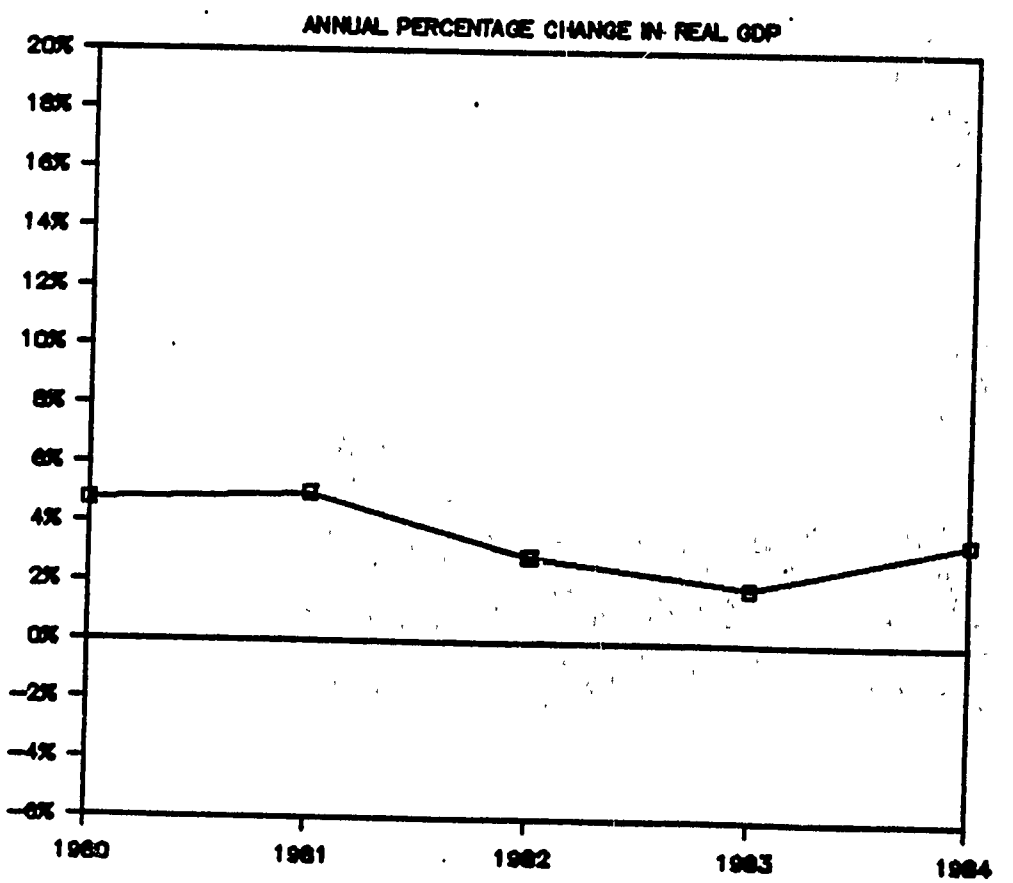
INTRA-CARICOM TRADE



Source: CAIC's Caricom Trade Statistics

Exhibit I.3

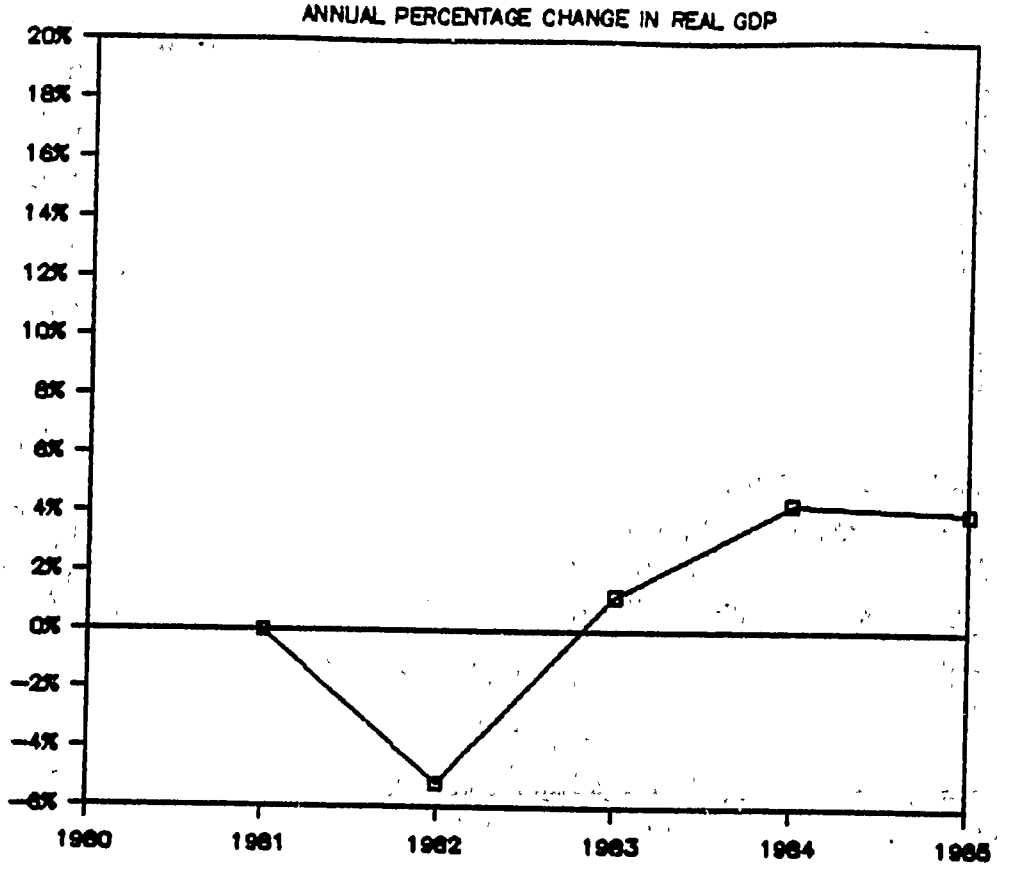
OECS



Source: USAID

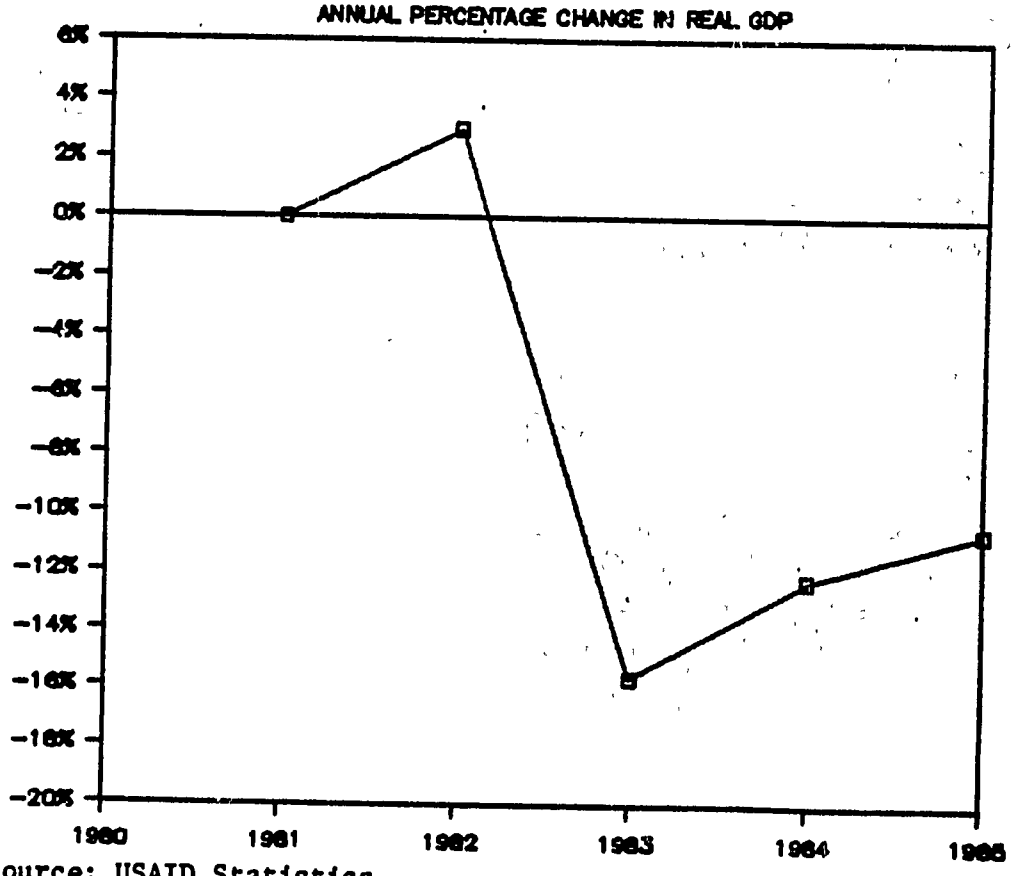
40

Exhibit I.4
BARBADOS



Source: USAID

Exhibit I.5
TRINIDAD AND TOBAGO



Source: USAID Statistics

41X

The upward sloping "private sector role" line in Exhibit I.1 represents a stochastic estimate, that is to say, graphic representation of the intuitive judgement of team members based on interviews carried out by the field team and their judgments concerning underlying trends. The growth in CAIC membership might be taken as a surrogate for more directly applicable quantitative data. CAIC's official membership list has been growing in every year, though as noted in Chapter II, growth in arrears on membership dues payments gives reason for doubt concerning membership performance in the past two years.

Looking at the larger pattern of the macro-trends, it is reasonably clear (see Chapters III and IV) that although there is evidence of positive impact, none of CAIC's development programs (e.g., training, technical assistance, investment promotion, export promotion), have operated on a scale sufficient to appreciably influence macro economic conditions.

On the other hand, it is conceivable that an upswing in business confidence associated with the changing attitudes toward the private sector (to which CAIC contributed) and a more hospitable policy environment could have favorably affected macro trends in economic conditions in the Caribbean.

C. A BRIEF HISTORY OF THE CAIC IN THE CONTEXT OF THE REGION

1. Pre-Revitalization

The Caribbean Association of Industry and Commerce (CAIC) was formed in the 1940s 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, trading and commercial families: a traditional power base of considerable importance before independence. The organization was reconstituted in 1955 as the CAIC, established in Trinidad. It was one of the few regional institutions in the Caribbean, at a time when most of the islands were tied more closely to their colonial administrators in Europe and North America than they were to each other.

Independence came to the larger Caribbean nations in the 1960s, complete with democratic institutions. Nationalism and populism were strong trends in early political campaigns, in spite of the misgivings of regional intellectuals about the viability of small, isolated island nations without some sort of integration.

Dr. Eric Williams, first Prime Minister of Trinidad, worked most intensely for a West Indian Federation, but centrifugal forces

and the smaller nations' fear of domination by the larger Jamaica and Trinidad & Tobago kept these plans from coming to fruition.

Businesses with a regional perspective were CAIC's natural constituency, and a potential source of support for public figures promoting the cause of regional integration. However, during the 1960's, many CAIC members and other businessmen with a Caribbean orientation were identified by much of the public as "big business." As such, they represented an unpopular minority, who perceived themselves, and were perceived by others, as being very much at odds with the political mainstream of the region. Contacts between such businessmen and government officials, if they took place at all, were carefully screened from the eyes of the public, lest they provoke unfavorable comment or political consequences. In some countries, few businessmen had any access to political leaders at all. In this inhospitable atmosphere, many businessmen all but withdrew from public-private dialogue. Essentially, they took the attitude that they could get along best by ignoring the public sector and hoping that the public sector would ignore them.

During the 1960s and 1970s, the presidency of the CAIC moved from island to island. Each president made use of his own company facilities to carry out CAIC affairs. There was no permanent CAIC office or secretariat, although the CAIC Articles of Association were established in Trinidad. As far as many members were concerned, CAIC existed more in name than in reality. It had no program or plans, few funds, little or no influence in the public arena, and provided little in the way of services.

A second major attempt at regional integration in the public sector took place during the late 1960s, initiated by then Prime Minister Burnham of Guyana, Prime Minister Barrow of Barbados, and Prime Minister Bird of Antigua, which was quickly supported by Dr. Williams. The new organization was known as the Caribbean Free Trade Area, CARIFTA, and was formed in part as a response to the EEC and its plans for "stabilizing" trade in sugar (i.e., protecting European sugar producers). At the same time, there developed a growing interest in a Caribbean Community to facilitate co-operation in culture, education, and sports. Private sector support was solicited for CARIFTA on a low-key basis, and CAIC was the regional resource drawn upon for this purpose, but CAIC and the private sector in general were still maintaining a very low profile.

CARICOM took over from CARIFTA in the early 1970s, and included the concept of the Caribbean Community; although in practice, the unity achieved was much less than had been envisioned. Oil prices began to rise in 1973, and although the net impact to most economies was negative, oil wealth in Trinidad and elsewhere

43 x

created new markets and fostered the development of manufacturing in the region. But the climate for business was growing less and less favorable.

During the 1970s, there was a strong political movement away from free-market economies in many nations in the Caribbean. Aside from Cuba, this trend was strongest in Guyana and Jamaica, and later (after the demise of the government of Eric Gairy), in Grenada. Prime Minister Bishop's political and economic experiment in Grenada was considered by many socialist and populist politicians as a good model for the region. Political conflict in Jamaica between the pro-business Jamaica Labour Party and the increasingly anti-business People's National Party was becoming violent.

Oil wealth accrued by the public sector in Trinidad was used to involve the government more deeply in the economy. The PNP administration in Jamaica imposed heavy taxes on its bauxite industry, while the Guyanese administration nationalized theirs. Governments and much of the public throughout the region felt that the public sector should be actively involved in the economy: providing services, guaranteeing employment, and "ensuring an equitable distribution of income."

The intellectual community and many politicians in the region were quite hostile to business in general and business groupings in particular; and the hostility was mutual. At this point, CAIC still represented the old, mostly white commercial establishment - a grouping which had antagonisms not only with the labor movement and much of the public sector, but with many of the new manufacturers and small entrepreneurs as well. The economic and political differences were strongly reinforced by ethnic cleavages.

Businessmen (both the old commercial establishment and the new entrepreneurs) in many countries felt besieged in the face of increasing government regulation, taxation, and nationalization. From Guyana, Grenada, and even Jamaica, enterprises were actually closing down and leaving. The ones remaining considered the exodus to be the ominous trend, and were afraid that the region was in danger of changing irrevocably. In 1979 and 1980, a number of prominent Caribbean businessmen, (most of them still core members of a moribund CAIC), felt the need for a grouping to counterbalance the anti-business drift in the region.

At the same time, USAID was re-examining their mode of assistance to the region. Up until that point, they had been channelling most of their assistance to the region through the Caribbean Development Bank. They were particularly interested in finding a vehicle of direct assistance to the private sector. The U.S. was

also growing concerned with the political and economic trends in the region. USAID officers involved in capital and private sector development in the region met with the key members of the regional business community, including the (then) current president of CAIC and the (future) first president of a revitalized CAIC. Their efforts converged, and USAID indicated interest in providing financial assistance for certain functions which could be undertaken by a revitalized CAIC.

This interest led to a conference of prominent regional businessmen and USAID officials, partially funded by USAID. As a result of this conference, a steering committee was formed and a formal decision was made to elect new leadership to CAIC, to rebuild the institution, to finance new activities, and to become more involved in economic policy making in the region; in short, they voted to commit themselves and their resources to revitalizing CAIC.

2. <u>Revitalization</u>

The core group of business leaders felt that in order to ensure the survival of the private sector in the region, they needed:

1) unity within the business community, and
2) a more positive and co-operative attitude towards government and the rest of Caribbean society.

For the first time, the owners and managers of the Caribbean's leading private firms began to reach out to the newer and smaller members of the business community - manufacturers and small traders and providers of services. This was a significant step: socially, the old business establishment had looked down on the new entrepreneurs and made few efforts to interact with them. Now CAIC sought them out and proposed a dialogue and a common effort for creating a better climate for private sector business in general. Although the priorities of the two groups were often divergent (e.g., the manufacturers sought protection and assistance while the traders sought relationships with extra-regional markets) the new emphasis was on mutual concerns such as social and economic stability, and a reduction of regulations and taxation.

In order to implement their common agenda, the CAIC sought to present a more positive image to the public at large, one which emphasized their role in providing employment, income, and foreign exchange.

More importantly, they recognized a need to project a more enlightened position to the rest of society in the region (which was simultaneously moving toward the political center, disappointed with the results of past policies in the region and

45X

increasingly wary of trends in Guyana and Grenada). They recognized a need to abandon positions and attitudes which had isolated them in the past and to demonstrate a sincere willingness to cooperate with labor and consumer groups as well as with the public sector.

To supplement their contacts with USAID, these business leaders conferred with overseas organizations of West Indians, such as the West India Committee in England (the old sugar lobby in the Commonwealth), C/CAA in the U.S. and CALA in Canada. The overseas organizations provided advice, moral support, and expectations of financial backing to supplement substantially the resources pledged by the core group itself.

The CAIC core group sought a more specific formula for solving their mutual problems. They took considerable care in recruiting an Executive Director who could command respect among public sector officials, regional leaders, and potential CAIC members throughout the Caribbean.

For this position, they sought out and recruited Mr. Patterson Thompson, the possessor of a combination of experience, qualifications, regional identity, and high-level contacts which most Caribbean observers deem to be unique. Mr. Thompson spent the early years of his career in major British-owned conglomerates in Guyana, working principally in the areas of accounting and finance. He then served as Guyana's Ambassador to the United Nations. Subsequently, he was named Chief Executive Officer of the Guyanese parastatal responsible for bauxite production, which was operated profitably under his direction. Mr. Thompson established a reputation for integrity, astuteness, social consciousness, and political courage which made him widely esteemed in the Caribbean.

The members of the Board who selected Mr. Thompson were themselves heads of major Caribbean corporations. They saw the position for which they were recruiting him in terms that were familiar both to themselves and to Mr. Thompson -- as the equivalent of a corporate "Chief Executive Officer." Mr. Thompson was given the full support of the Board and a free hand in selecting and managing his staff.

With the help of a consultant funded by USAID, the leadership of CAIC articulated their ideas for the organization in a document entitled "Creating the Future." This document presented a plan of action tied to program goals.

Major activities included recruiting new members, providing training and technical assistance and pledges to:

... publicize the purposes and activities of the organization,

... develop methods of responding to public interest,

... encourage a positive business-community relationship,

... improve the public-policy and community-image climate for business effectiveness by working with public officials,

... promote new and expanded business activity to create jobs and raise income levels,

... promote exports of Caribbean industries,

... help identify opportunities for entrepreneurship within the region,

... work for a more equitable distribution of the fruits of private enterprise between people of the Caribbean nations and between the nations themselves within the Commonwealth Caribbean..."

The new CAIC established an office in Barbados, adopted new Articles of Association, set up a professional secretariat, signed a cooperative agreement with USAID, and began to implement their program on the basis of a detailed planning guide. The Articles of Association and the planning guide called for the establishment of departments of Organizational Affairs, Business-Government Relations, Economic Development, Technical Assistance and Training and established an ambitious set of goals and timetables for each.

3. Post-Revitalization

The political and economic climate in the Caribbean has changed markedly during the 1980s. The socialist government in Grenada was removed from office. The governments of most nations in the region (with the exceptions of Cuba and Guyana) are supportive of the private sector, willing to listen to the representations of the private sector, and to take the interests of the private sector into account in the making of policy.

The criticism of the business community has muted considerably within the press and the university community. CAIC and local business groupings can publicly meet with and appeal to government leaders.

47x

Newspapers in the region, which had earlier ignored business news, now publish a business page, and report the views of local business on current events. Regional organs such as Caricom, the CDB, and the Caribbean Examinations Council (public education) consult regularly with CAIC. CAIC has been granted observer status with the Caricom Council of Ministers - Joint Consultative Group (including attendance at regular Caricom Heads of Government Annual Conferences and Council of Trade Ministers meetings, and special meetings on Caricom Rules of Origin, the Common External Tariff, and Fiscal Incentives)

Many governments are reducing the burdens of taxation and business regulation. Following the publication of "A Review of Taxation in Ten Caricom Countries" and considerable follow-up lobbying, the governments of Barbados, Montserrat, St. Lucia, Dominica, Grenada, and Jamaica have proposed or implemented tax reforms lowering the tax burdens of corporations and/or reducing personal income taxes. Caricom has become more responsive to private sector regional trading interests and has worked to relax intra-regional trade restrictions.

Within the business community itself, although there are still significant socio-economic cleavages, CAIC continues to represent a force for unity across divergent interests: between traditional commerce and the new entrepreneurial manufacturers, between the More Developed Countries and the Less Developed Countries, and among the different language groups in the region.

Public Officials interviewed during the evaluation made note of a more enlightened attitude in local businessmen toward labor and consumer groups, ecological/environmental issues, and toward potential new entrepreneurs. The CAIC has been noticed lobbying vigorously in favor of a human rights treaty before Caricom and for stiff environmental protection laws in Antigua.

Echoing these themes, businessmen in each of the islands visited by the evaluation team credit CAIC with giving them a sense of unity, providing an effective common voice, and re-establishing a sense of pride in their contributions to society. Articulation of these accomplishments often came before comments on CAIC's provision of services (training, technical assistance, and market information). The fact that CAIC membership was able to expand during a period of economic decline in the region reinforces the enthusiasm expressed by the members.

On the one hand, larger social, political, and economic forces were obviously at work contributing to the changes outlined above (in continental North America and Europe as well as the Caribbean): some might say that CAIC was simply riding the crest of the wave. On the other hand, interviews with public officials

48

throughout the region, as well as members of the business community, support the claim that CAIC and its affiliates were important actors in shaping the current state of affairs. As noted in the discussion of methodology in the previous subsection, the issue of causation is central to ascertaining the development impact of this project and to the application of the Generic Scope of Work in this evaluation.

D. EVALUATION OF PROJECT DOCUMENTS AND RELATED MATERIALS

This section reviews eight documents which have an important bearing on evaluation issues. They are:

1. "Creating the Future," November 1980
2. USAID Project Paper for the Private Sector Investment Assistance Project, June, 1981
3. The March 1982 PSIAP Evaluation Report by C. A. Pearson
4. The March 1984 PSIAP Evaluation Report by E. Warfield, B. Phelps, and M. Deal
5. The CAIC Grant Proposal, April 1984
6. CAIC's Staff Development Workshop, November, 1984
7. CAIC's Internal Self Evaluation, August, 1986
8. USAID's Response to CAIC's Self-Evaluation, October, 1986

Detailed descriptions of each of the documents are contained in Appendix C of this report.

1. Creating the Future, November, 1980

As discussed above in the section on the history of CAIC, the document entitled "Creating the Future" was the articulation of CAIC's vision for the future and its detailed plan of action for the initial revitalization efforts.

The document described a structure for the new organization which would, among other things, "involve the top business executives ... in a strong policy development and participatory role; develop a meaningful partnership between business and governmental agencies; and develop a membership base... that will, in a period of three to four years, eliminate the need for grants ... and permit the Association to be adequately financed on a self-sustaining budget."

49 x

The document set forth plans for the creation of a secretariat with five departments: Organizational Affairs, Business-Government Relations, Economic Development, Technical Assistance, and Training.

In many ways, Creating the Future is the clearest and most straightforward document of the eight reviewed in this section. It consists of a simple manifesto, clear statements of departmental goals, and a well thought out, if ambitious, plan of action for revitalizing the organization. Creating the Future was intended to inspire action, and it did just that. It addresses major issues, including that of financial self-sufficiency, with conviction. Viewed with the benefit of hindsight, however, the strength of the document is also its weakness. Its authors apparently did not anticipate the tactical and strategic complexity of attempting to carry out advocacy and development functions simultaneously. Had Creating the Future been accompanied by long-term financial and staffing plans, modification of some of its moving rhetoric well may have been in order.

In retrospect, the statement of the major goal for the Economic Development Department (typically among the goals of Chambers of Commerce and Industry elsewhere in North America) seems particularly ambitious in comparison with their achievements over the past six years:

> Promote the new or expanded business activity that will create jobs and raise income levels by identifying and recruiting new industry, identifying markets for new industry, developing promotional material, promoting a receptive climate, and helping potential companies solve problems with their potential sites.

In fact, the title "Economic Development Department" has turned out to be something of a misnomer. Although the department has carried out some functions directly related to creating new business activity, its principal focus and most successful activity has related to "promoting a receptive climate." Essentially, it has functioned as a research and support staff for the Executive Director, helping him to carry out his advocacy functions. Given the general trends in Caribbean economic conditions described earlier in this Chapter, and the subsequent funding by USAID of projects such as PDAP and IPIP that were designed to carry out some of the same functions, concentration on advocacy support may have been a prudent use of limited resources. Nevertheless, the basic charter of the Economic Development Department remains unrealistically ambitious. As discussed in Chapter IV, the Department should be renamed and its charter should be narrowed to the functions which it carries out best.

2. **The Private Sector Investment Assistance Project Paper, USAID, June, 1981**

In response to CAIC's request for funding, USAID and CAIC signed a "Cooperative Agreement" for $400,000. The project paper associated with the project USAID referred to as the Private Sector Investment Assistance Project (PSIAP) was produced in June of 1981.

The goal of the project, as far as USAID was concerned, was "to mobilize the indigenous private sector for increased production and productivity so as to improve the economic base of the region. The purpose of the project is to strengthen the capacity of CAIC to stimulate investment and productive employment in the English-speaking Caribbean."

CAIC was intended as the vehicle through which assistance could be provided to affiliate business organizations at the national level, and to small and medium sized businesses themselves. The major thrust of the project was to revitalize CAIC itself, and ensure that it had the financial resources needed to start operations and extend services.

If and when that foundation was laid, USAID would continue to work with CAIC in assisting the Caribbean business community's productivity and capacity to generate employment, income, and foreign exchange.

USAID did not expect to see (quantitatively) measurable impact after the first tranche of funding. Rather, it expected that the assistance to CAIC would ameliorate key institutional constraints in the region. The objectively verifiable indicators in the Logical Framework presented with the Project Paper emphasize not measurement of production and productivity or improvement in the economic base of the region, but rather 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 is held accountable for revitalizing CAIC, not for achieving development goals of the kind discussed in Chapters III and IV of this report. The project paper was not subsequently amended, nor was the Logframe subsequently amended. In 1984, however, CAIC submitted a grant proposal to RDO/C which included both an overall LogFrame for the project and individual LogFrames for CAIC departments. CAIC's 1984 proposal is discussed in Section D-5 below.

5/8

3. The March 1982 Evaluation Report by C.A. Pearson

The first comprehensive evaluation of CAIC, dated March 30, 1982, was prepared by Catherine A. Pearson, Associate Director, Caribbean/Central American Action. It was to evaluate CAIC's progress in achieving the purposes for which it was granted USAID funding under the PSIAP cooperative agreement, effective June 1981 through December 1982. This was the initial start up phase of AID funding and of the revitalization of the moribund CAIC.

The report summarized the overall revitalization process by observing that CAIC had performed extremely well in those matters essential to the immediate establishment and impact of the revitalized organization. Pearson concluded that CAIC, during its first year after revitalization, had established itself as a major player in the Caribbean scene; had successfully rallied the support of its former and new members; had gotten under way quickly with a strong Executive Director and staff; had stimulated the revitalization process in local affiliates, and was moving promptly into an action mode with responsive pilot programs.

However, in those matters most essential to the long term ability to sustain an effective program -- fiscal control, efficient internal administration, lean staffing, strong strategic planning, good internal communication, morale-building management practices and mutually satisfying donor relations -- CAIC's performance revealed serious weakness requiring immediate attention.

The 1982 report recommended that AID extend its grant to CAIC and renew it at increased levels. Specific recommendations were made to both CAIC and USAID. As concerned CAIC, these recommendations included improving fiscal and administrative procedures; improving its relationship with AID; establishing long-term strategic planning procedures, and setting up an emergency process to ensure that a new program and budget could be in place in the immediate future. The recommendations pertaining to AID included the need to give an expression of confidence and commitment to CAIC; to establish a closer relationship with CAIC more as an equity partner than banker/supervisor; to make an immediate effort to correct past difficulties, and consider new funding areas including a deputy director slot and technical positions within CAIC.

In retrospect, the most noteworthy aspect of the 1982 evaluation is probably the extent to which the findings, conclusions (both positive and negative) and recommendations (for both CAIC and USAID) written almost five years ago still remain valid today.

4. The 1984 Evaluation Report

The second evaluation of CAIC was dated March 9, 1984, and was prepared by Elizabeth Warfield, then of AID/Washington, in collaboration with Bill Phelps and Mike Deal of RDO/C. It focussed on the period beginning January 1983 and running through early 1984. During this period, CAIC was concentrating on its advocacy role for the private sector in the region and on providing specific services to its members.

The objective of AID's cooperation with CAIC was primarily to enhance CAIC's administrative capacity so that it could play a leading role in the revitalization of the region's private sector. Toward this objective, USAID was looking for the following outputs:

1. CAIC must have the administrative ability to adequately represent the private sector's interests in the region and to assist its allied institutions in becoming more active at the local level;

2. CAIC's actions must result in a mobilization of resources among the regions's private sector; and

3. The efforts of CAIC and its affiliates must have a direct impact on the region's production and productivity.

In general, CAIC received high marks for achieving recognition as the voice of the private sector within the region as a whole, and for its ability to unite and mobilize the private sector behind common goals.

On the other hand, national level efforts, in particular the revitalization of the local affiliates, were found to be notably less successful. In retrospect, however, this shortcoming appears to have had a variety of causes. In part, USAID had been unwilling to fund the type of institutional development which was being requested (infrastructure, staff and training). In other cases, local leadership was lacking to take positive advantage of any assistance. The report suggested limited assistance to the national private sector bodies in the OECS on a matching basis and for a limited period of time.

The report recommended that the Training Department move into more of a coordinating role to match potential training recipients with established sources of training. It noted that the proposed activities of the Technical Assistance Research and Data Collection Department overstated the capabilities of the department. It recommended that the Economic Development Department work more closely with existing investment promotion agencies and project identification efforts.

53 X

The assessment of CAIC's internal management pointed to the mitigation (but not the solution) of several problems identified in the 1982 report. These issues included a continued lack of strategic long term planning, and limited improvements in the AID-CAIC relationship.

Specific recommendations for CAIC management flowing from the evaluation included:

1. The creation of a new position of Assistant Director for Administration, (also proposed in the 1982 evaluation);

2. Management technical assistance for CAIC itself;

3. Efforts to update CAIC's strategic long term plans;

4. Regularly scheduled consultative meetings between CAIC and USAID.

The position of Assistant Director of Administration was in fact filled in August of 1986, more than two full years after the evaluation. AID's records show that it provided management technical assistance as follows:

- Financial management (six person months)

- Information systems, including computer operations (three person months)

- AID financial reporting requirement (one person month)

- Membership development and communications (one person month)

It is understood that this assistance was provided in conjunction with the support provided to CAIC in preparing their 1984 Grant Proposal. Clearly, the timing and substance of the assistance in financial management and financial reporting was not sufficient to overcome substantial problems in compliance with USAID documentation requirements. Such problems were identified in detail by a USAID Inspector General's audit carried out in mid-1986. The present LBII evaluation finds that CAIC's internal financial reporting systems continue to be inadequate. It seems quite clear that problems identified in both the 1982 and 1984 reports have not yet been solved.

The detailed program statement included in the proposal for additional funding submitted in 1984 apparently has been treated by RDO/C as the fulfillment of the recommendation that CAIC's long term plans should be updated. This proposal/strategic planning document is discussed in the following subsection.

The fourth recommendation, that regularly scheduled meetings between CAIC and USAID take place, was not carried out until June of 1985 when the Mission retained a personal services contractor as Project Officer.

USAID's contact with CAIC staff have increased since that time. However, until recently, these contacts largely had been limited to the Executive Director and his staff. It seems clear that periodic contacts between the Project Officer and selected members of the Board of Directors are in order. RDO/C is CAIC's largest source of funding; it is important to both organizations that communications flow freely between them. By the same token, it would be desirable for the USAID Mission Director to meet periodically with the CAIC Executive Director and selected members of the Board. USAID's interest in CAIC should properly extend well beyond consideration of the relative size of the funding which it provides to CAIC, and beyond the specific concerns of the PSIA and SEA projects. RDO/C's total program is heavily oriented toward the private sector. Yet most of the dealings of RDO/C staff are with consultants, contractors and with implementing organizations whose staff is drawn primarily from the public sector, from universities, or from non-profit institutions. The opportunity to deal on a wide range of issues with business leaders who are directly engaged in commerce, manufacturing, and other profit making ventures is an important one, and one that should not be missed.

5. PVO Field Support Grant Proposal to USAID, April, 1984

In April of 1984, CAIC presented a three year grant proposal to USAID of $1,977,000. The purposes of the activities to be funded were to:

1. Unify and strengthen the institutional capacity of the national private sector affiliates of CAIC in each LDC and MDC territory of the Eastern Caribbean.

2. Improve the capability and effectiveness of those Eastern Caribbean private sector businesses which are or would become corporate members of CAIC.

The grant would be used to: help local businesses become more efficiently managed and their employees better trained, identify and attract foreign investment and joint ventures, and push for changes in laws and regulations which inhibit private sector growth.

554

In a brief assessment of CAIC's activities over the previous three years, it was said that CAIC was learning from its mistakes: "it probably attempted to do too much too quickly; it now has a better appreciation of the level of the workload..."

Nevertheless, the proposal which followed was extremely ambitious, sweeping, and diverse. Anticipated benefits included: higher employment, wages, and productivity for the labor force; increased sales and earnings for businesses; increased tax revenues for governments, decreased requirements for public expenditure, improved trade balances for the region, and better quality and lower priced goods for local consumers. In addition, both CAIC and the local affiliates were anticipated to move significantly in the direction of self-sufficiency.

The basic purpose of this submission was to present and justify a proposed program of USAID funding for CAIC. It is fundamentally a selling document. While its target-setting sections are proficiently conditioned by stated assumptions, the targets themselves are heroic, particularly at the level of individual departments and projects. Perhaps at the time, consultants and staff thought the targeted achievements were within the realm of possibility. With the benefit of hindsight, it seems clear this proposal should not have been treated as a serious internal planning document, as it did not set targets that were realistic or attainable.

A comprehensive Logical Framework for the entire proposal was included, which presented as its measures of goal achievement the following:

1. Investment in the sector will rise by 25% over the plan period.

2. Private sector employment will rise by 15% over the period.

3. Exports will grow by 20% over the plan period.

Related assumptions included a continued economic recovery in the western world, and continued public sector co-operation. The assumptions, in this case, swamp the measures of goal achievement and render them almost meaningless in terms of CAIC accountability for development impact.

Accountability is much clearer at the purpose level. The project purpose is framed as follows:

> The private sector in the Caribbean will so improve its image, unity and strength that it will be able to play a major role in the economic development of the region.

The proposal LogFrame shows the following as indicators that purpose has been achieved (EOPS: End-of Project Status):

1. All private sector bodies in the region will be adequately staffed and institutionally strengthened-- each will have an Executive Director and supporting staff.

2. The several private sector bodies in the region will work cooperatively together and have a demonstrably strengthened role in economic policy making in the region.

3. At the regional level, CAIC as the core private sector body will be able to meet its non-program costs from affiliate subscriptions and other earned income.

It should be noted that neither the EOPS nor the means of verification attempt to measure economic impact. The EOPS are all institutional.

The financial analysis presented in the Grant Proposal deals only with USAID funding. Thus, although the third end-of-project condition sets a target with respect to CAIC's overall financial strategy, there is no discussion of this subject in the proposal.

Logical frameworks were also presented for each department of CAIC and for each individual sub-project. At the purpose level, the project LogFrames show a stunning amount of optimism concerning what could be achieved.

For example the Training Department was to carry out in-plant or on-the-job training in 80 plants in three years (resulting in a trained supervisory staff for all participating businesses by 1987), 24 small business development programs, 12 plant management programs (100% of all plants worked in will have a better layout and production flow; all plants will have well trained supervisory and management staff), ten top management programs (attitudes of top managers will be changed), seven human resource development workshops (each territory will have at least six fully trained HRD persons by 1987 who will design and administer training programs), nine tourism development activities (25% of all small and medium-sized tourism operations will have at least 50% of their staff well trained). All this, plus three evaluations, for BDS $361,500.

The level of ambition contained in this particular grant proposal is not atypical of successful proposals which have been submitted for other private sector projects. Proposals are designed to "sell" a set of projects to donors, and are almost invariably optimistic. The targets set in proposals deserve realistic review before they are used for management and evaluation

57X

purposes. In the case of PSIAP, the grant proposal appears to contain the only plan of work generated since 1984 and the only attempt to revise the Logical Framework since 1981.

6. CAIC's Staff Development Workshop, November, 1984

In November, 1984, the CAIC staff participated in a one day Staff Development Workshop designed to provide a forum to review the operations of their organization, examine problems facing it, and to work out strategies for performance improvement.

The workshop objectives included: identifying team development strategies, reviewing the present role and mission of the organization as well as the goals and performance of its various units, identifying factors impeding the performance of the various units, and identifying performance improvement strategies.

Workshop teams identified forces which impelled or impeded the realization of their goals, and used these to devise a set of new recommendations to deal with the impeding forces. Recommendations in the field of human resources included more training for CAIC personnel, introduction of performance standards and assessment procedures, and a system of compensation and reward based on the training and achievement of performance standards; employment of a team approach among the program managers in order to reduce interpersonal rivalry and mistrust; improved management information flow, documentation of organizational policies, and greater flexibility in decision making authority.

It was reported by some members of CAIC's staff that the workshop succeeded in clearing the air and reducing interdepartmental rivalry. Many of the recommendations were implemented, although not all of them were sustained over the long run.

7. CAIC's Internal Self-Evaluation, August, 1986

In preparation for the current project evaluation exercise, the Executive Director of CAIC, Mr. Pat Thompson provided the evaluation team with an overview discussion document describing CAIC's objectives and past performance, along with detailed departmental statements of activities and accomplishments over the past three years.

In this document, CAIC's "raison d'etre" was stated as follows:

> ...to optimize the policy role and to maximize the actual contribution of the regional private sector to Caribbean

development.. The policy role has essentially to do with influencing the creation of a suitable climate for increased investment and expanded trade. The actual contribution is mainly concerned with increasing private sector employment and with augmenting foreign exchange earnings by the sector.

In particular, Mr. Thompson highlights the need to maintain and enhance private sector unity at both the national and regional levels, "combining wherever possible the traditional financial and trading skills of the older commercial sector, with the technical skills and entrepreneurial drive of the newer manufacturing sector." With regard to individual firms, there is a continuing need to increase efficiency and productivity, innovation, and creative responses to changing conditions.

Specific objectives for CAIC include, as a priority, the building up of a regional membership network. To build membership, the Executive Director feels CAIC must deliver effective services both to local chambers (primarily institution building services) and to selected companies to increase their productivity and efficiency (primarily training, technical assistance, information and a favorable business climate).

Each of the departments prepared a self-assessment, which are described in greater detail in Appendix C. For the most part, the self-assessments described the activities carried out by each department over the past three years. Very few details are provided about the impact of CAIC's activities; where impact is claimed, the causal link between CAIC's activities and the impact is not well established. This problem is the greatest with regard to the policy research and advocacy functions carried out by the Economic Development Department, but affects the other departments as well.

With regard to CAIC's overall impact in the region, it seems to be well recognized and accepted, by CAIC's constituency and by its donors, that CAIC has been a remarkable force for private sector unity and advocacy in the Caribbean region. Achievement in these areas are difficult to quantify; and it is even more difficult to establish a causal relationship between CAIC's efforts and actual positive outcomes. The only evidence which can ever be gathered for this type of achievement is in the nature of perceptions: the perceptions of CAIC's constituency (backed by their willingness to support CAIC and its activities with their money, time, and effort), the stated perceptions of public sector officials who have worked with CAIC, the perceptions expressed by the local media, and the perceptions of CAIC's donors and their willingness to support the organization.

59X

In some cases, CAIC was able to quote the speeches of public officials and to cite positive feedback from its constituency with regard to its intangible achievements. However, CAIC may wish to make more systematic efforts to document accomplishments. This can be effected by maintaining files of newspaper clippings, letters from public officials, copies of speeches, and tapes of news broadcasts. Evidence of this nature can then be used to demonstrate CAIC's positive impacts to the donor community, to its membership and potential members, and to the public at large.

Positive impacts with regard to CAIC's services (such as training, technical assistance, information, and communications) should be somewhat easier to measure. In most cases, it should be possible to count the numbers of people directly effected: numbers of subscribers to the magazine, and numbers of trade and investment agreements made through CBIN, as well as numbers of training participants in a program. "Bottom line" results are, again, more difficult to demonstrate. Nevertheless, feedback can and should be solicited from service recipients and kept on file. CBIN should follow up on investment and trade inquiries, training participants should be asked to report on results in writing (probably a simple one page form with space at the bottom for comments is all that a businessman would bother with).

Evidence of this nature can then be used to sell more services and/or as a management tool to refine the substance and quality of the services provided by CAIC.

What CAIC needs to do is to create dossiers of its achievements and to use those dossiers to "market" itself among its existing membership, to potential members, to those potentially interested in its services, to public officials in the region, to the media in the region (and through it, to the public at large, and to donors who seek tangible evidence of measurable positive impacts.

8. USAID Response to CAIC Self Evaluation

In a discussion paper issued later in August, 1986, the USAID Project Officer responded to CAIC's self evaluation. While expressing broad agreement on the aims and purposes of the project, USAID expressed concern that CAIC's goals were overly ambitious, and that CAIC may be overextending itself. CAIC may be performing several diverse functions sub-optimally; performance in general might be improved by focussing on a narrower range of tasks.

In its conclusion, USAID encouraged CAIC to review and update its goals and purposes, to review its objectives with a view to making them fewer in number and more easily measurable, to

60

encourage more active Board participation, and to review the structure of the Secretariat with a view to tying it directly to measurable objectives.

Viewed in the light of a six year project history, the USAID response to the CAIC self-evaluation marks a watershed in the relations between the two organizations. The project that started as a collaborative effort in 1980 went through a period of "benign neglect" a few years later, during which CAIC's 1984 grant proposal (essentially a marketing document) apparently became the main guideline for the project. In the sense that CAIC is an organization with sophisticated leadership, which has been able to shape much of its own agenda, a reexamination by CAIC of its own basic project premises appears to be very much in order. At the same time, it should be recognized that USAID has in fact approved and funded the bulk of CAIC's program proposals over the past six years. Indeed, USAID quite probably added to the diversity of that agenda. Under these circumstances, both organizations need to engage in a realistic re-examination of what they are trying to accomplish together.

CHAPTER II. TRENDS IN MEMBERSHIP AND COMMITMENT

A. INTRODUCTION

This chapter analyzes trends in CAIC membership and membership commitment. The chapter is composed of four sections. After this introduction, the second section deals with trends in CAIC membership. These trends are examined in terms of dues payment status, membership category, and patterns of recruitment and withdrawals. The third section deals with the development of CAIC's local affiliates. The fourth section discusses other indicators relating to commitment, such as contributions by the Board of Directors, membership attendance at meetings, and donor commitment to CAIC.

B. MEMBERSHIP TRENDS

CAIC has three categories of membership in CAIC: organizational, corporate, and associate. Each of these categories is described below.

1. **Organizational Membership:** This category is composed of national business organizations. These include chambers of commerce, chambers of commerce and industry, chambers of commerce, industry and agriculture, manufacturers associations, and exporters associations. The cost of membership in this category depends, first, on whether the member organization is in an MDC or an LDC and, second, whether it is the only organization representing business in its country, or one of several such organizations. This category currently does not include any other regional associations. No national hotel or tourist industry associations are presently included in CAIC membership. However, CAIC has established links with the regional tourist and hotel associations: CAIC and the Caribbean Hotel Association have agreed to cross-representation on their Boards of Directors.

2. **Corporate Membership:** This category is composed of individual corporations that have chosen to join CAIC on their own behalf. In order to qualify for corporate membership in CAIC, a company must also hold membership in at least one national level business association. Sectors currently represented among CAIC's corporate membership include manufacturing, wholesale, retail, construction, food processing, banking, printing and consulting services. Membership dues in this category depend, first, on whether a given corporation operates in an MDC or LDC, and second, on

62

the size of the corporation. Regional conglomerate organizations pay the highest dues of any category of membership, while small corporations in LDCs pay the least.

3. **Associate Membership:** This category of membership was created in 1983. It is open to banks, insurance companies, and to government parastatals with some private ownership. Banks and insurance companies are welcome to join CAIC as full members. Only one membership fee category applies to associate members.

CAIC's **membership list** (as distinguished from its number of **paid up members**) has grown almost every year since 1981. Exhibit II.1 presents a bar chart showing growth in the membership list by membership category since revitalization: Organizational, Corporate, and Associate. The membership list opened with 37 members in 1981, nearly doubled to 67 by the end of 1982, climbed to 119 by 1984, dropped slightly in 1985, and climbed to a new peak of 127 in 1986.

The numbers on the membership list, however, differ significantly from the list of paid up members of CAIC, whose numbers have dropped since 1984. In fact, the apparent growth in CAIC membership over the past year is attributable only to the inclusion of members of questionable commitment to CAIC, as judged by their pattern of dues payment to CAIC.

1. Dues Payment Status of C.A.I.C Membership

For purposes of membership analysis, four patterns of dues payment have been identified:

- Those members who are listed on the accounts as fully paid up in their dues to CAIC: **Paid Up Members**
- Those members who are currently paying their dues, but who missed a payment or underpaid in the past and have not yet cleared their debt with CAIC: **Previous Arrears**
- Those members who have not paid their dues for the current period, but are listed as fully paid up for past years: **Current Arrears**
- Those members who are in arrears for dues for both past years and for the current year: **Chronic Arrears**

Exhibit II.2 illustrates the trends in CAIC membership according to the four dues payment categories.

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Exhibit II.1
CIAC MEMBERSHIP LIST BY CATEGORY

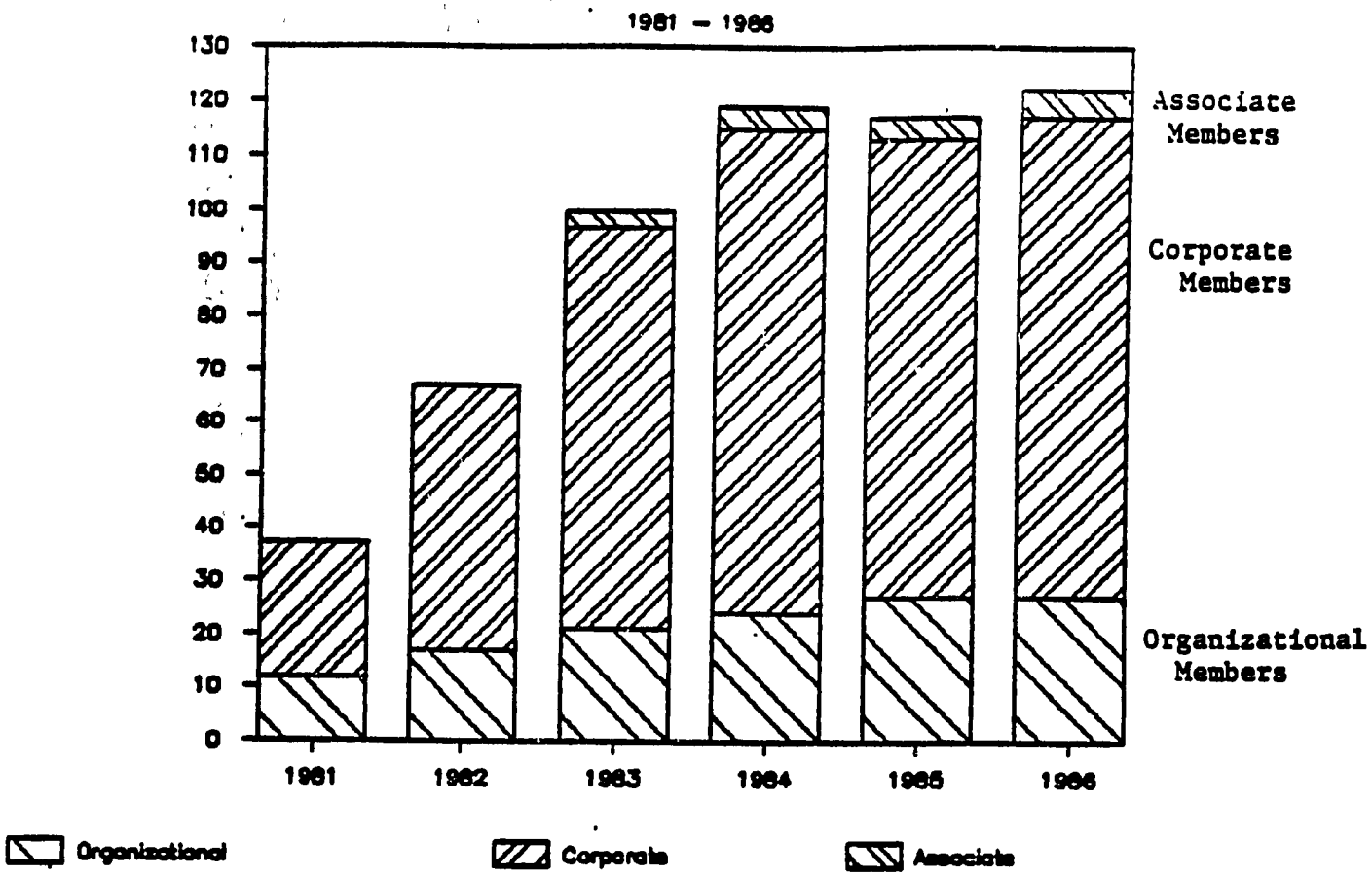
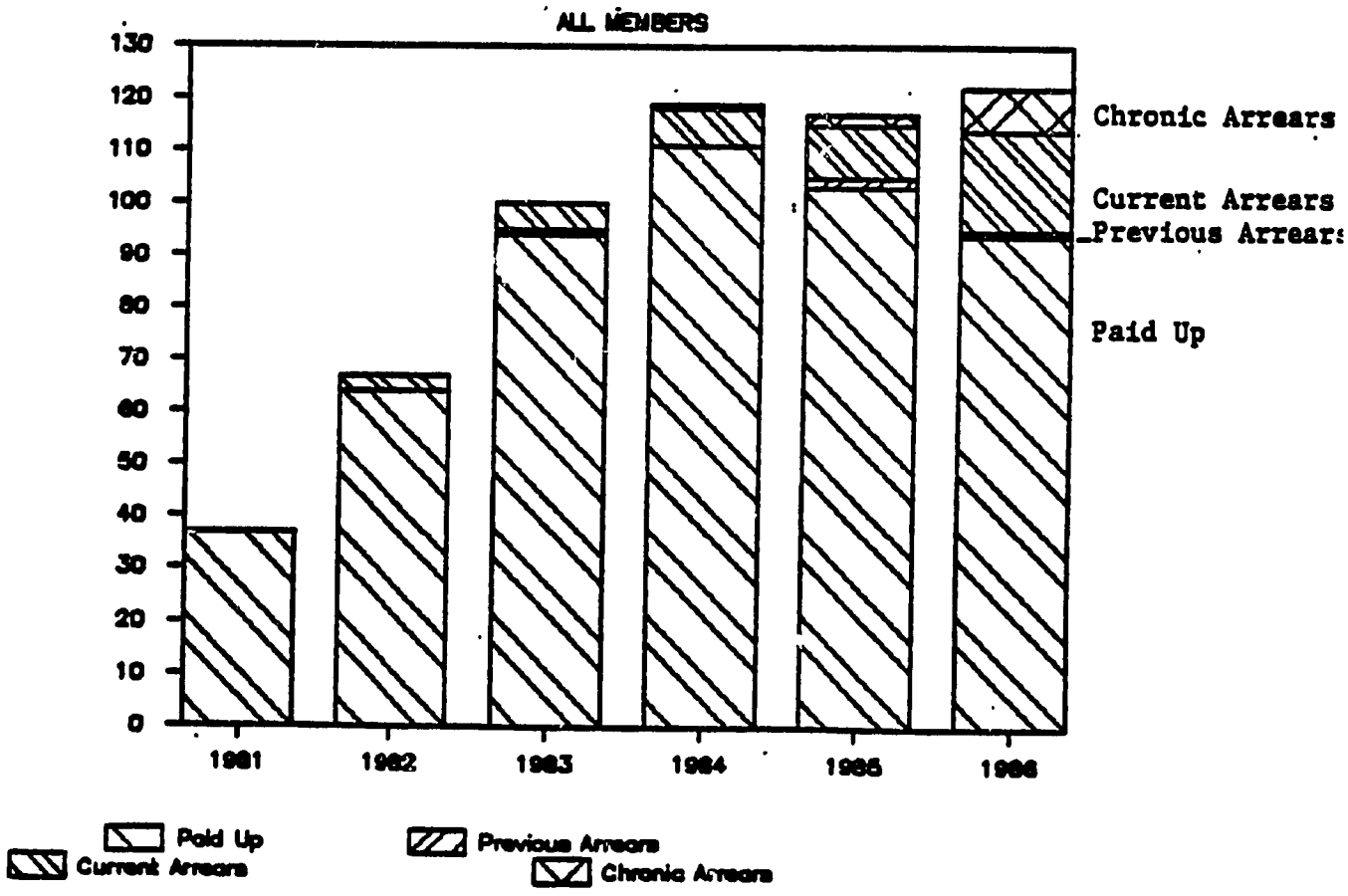


Exhibit II.2
CAIC MEMBERSHIP DUES PAYMENT STATUS



Source: CAIC membership file

64

The first category of members, those **who are fully paid up** in their dues to CAIC, represent the most solid base of support for the organization: these are members who are demonstrably committed to CAIC and have the resources to back their commitment on a consistent basis. Exhibit II.3 illustrates the trend in CAIC members who are fully paid up: their numbers peaked at 111 in 1984 but have fallen by 15% to 94 during the past two years.

The second category of members, those who are currently paying their dues but **who owe dues from past years**, are probably also firm in their commitment to CAIC. In most cases, their arrears were the result of an inability to pay in a particular year, and not from any lack of interest in CAIC. Exhibit II.4 shows the trend in CAIC membership from the first two categories, which are judged to be members who maintain a consistent interest in CAIC. These numbers closely follow the pattern established above: they peak at 111 in 1984 and fall to 95 by 1986.

The third category of members, those **who are in arrears in the current year**, either may be in financial difficulties and unable to meet their dues obligations to CAIC, or may be losing interest in CAIC for any of a number of reasons. In the absence of specific commitment from members currently in arrears, a conservative assumption would be that at least a few of them may eventually withdraw from the organization. Exhibit II.5 shows the trends in numbers of members in the first three dues status categories. The influence of counting the members who are in current arrears somewhat mitigates the downward trend, but does not reverse it: these numbers peak in 1984 at 118 and fall back to 114 in 1986.

The fourth category of members, those **who are in arrears for both past years and current years**, should be considered the most doubtful category in CAIC. Most of these members are probably either in long-term financial difficulties or have lost interest in membership in CAIC.

Exhibit II.6 displays the patterns of growth in arrears over the past five years. This figure shows that the number of members with past arrears has remained small since CAIC's revitalization: in part due to repayment of debts, in part due to forgiveness of debts, and in part due to dropouts from membership. However, the number of members in current arrears for each given year has grown and even accelerated since 1982, and the number of members with chronic arrears has, since 1984, grown at the most rapid rate. The growth in numbers in the latter two categories in particular, highlights the need for prompt attention along the lines outlined below.

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Exhibit II.3
PAID UP MEMBERS

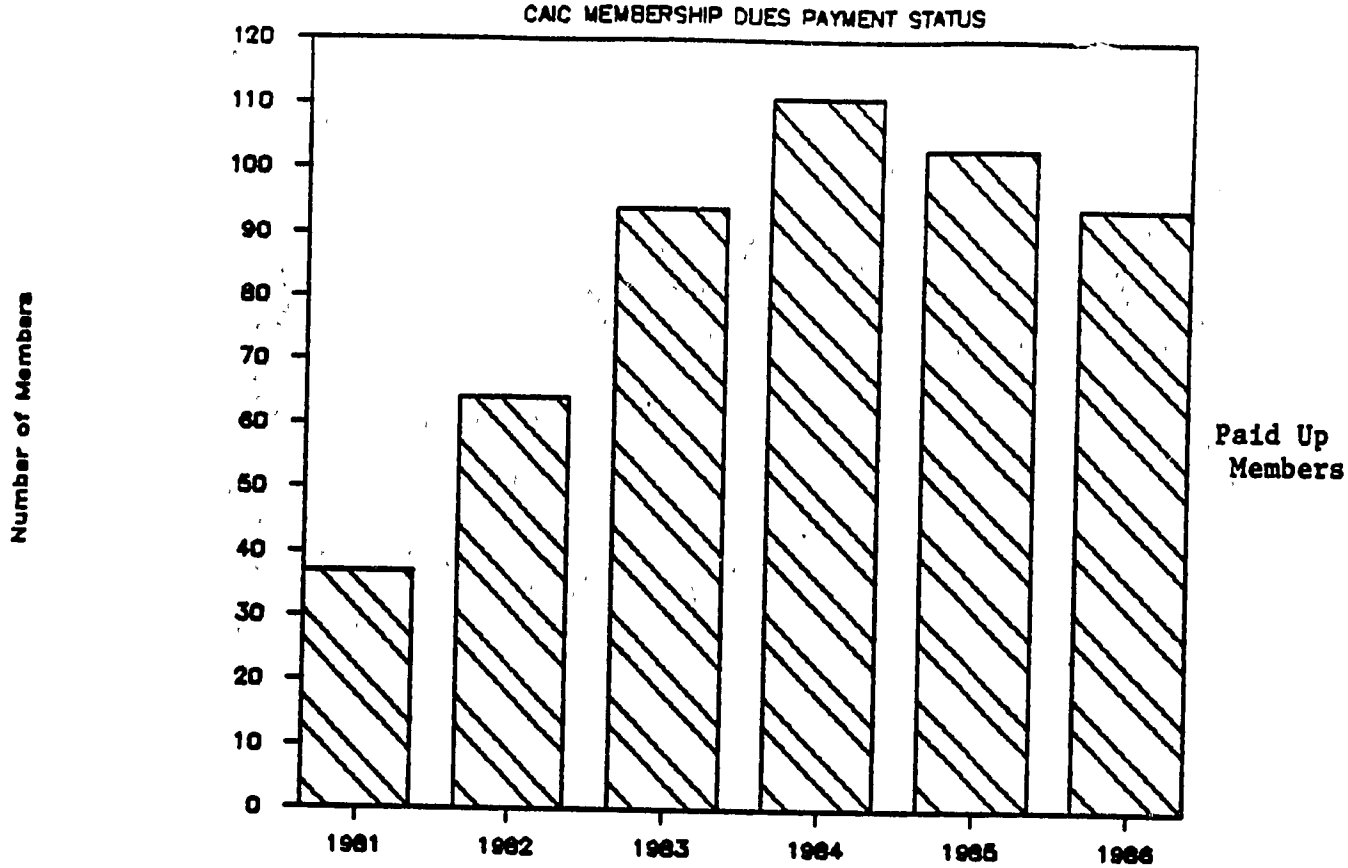
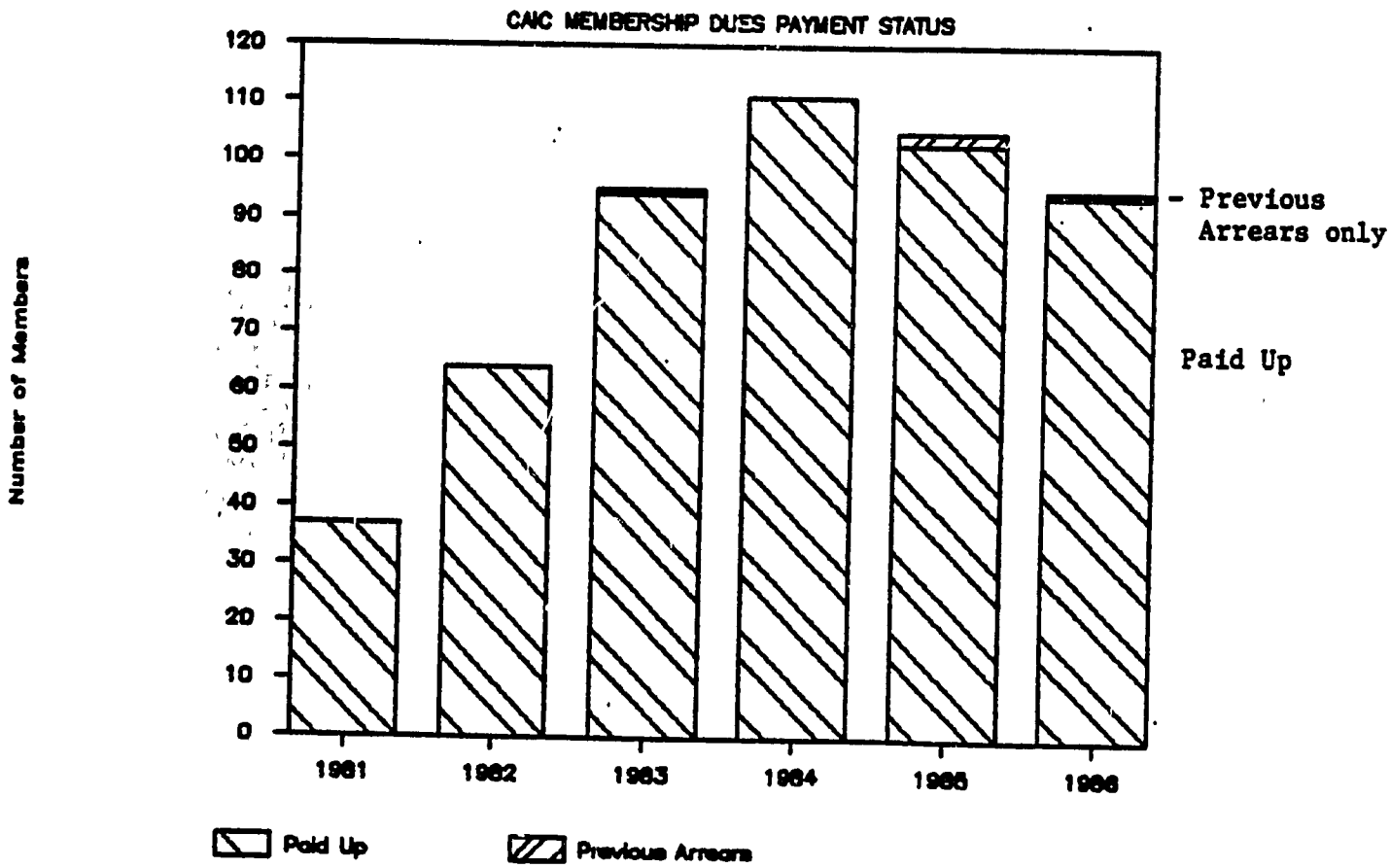


Exhibit II.4
MEMBERS PAID UP OR W/ PREVIOUS ARREARS



Source: CAIC Membership file

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Exhibit II.5

MEMBERS PAID UP OR WITH MINOR ARREARS

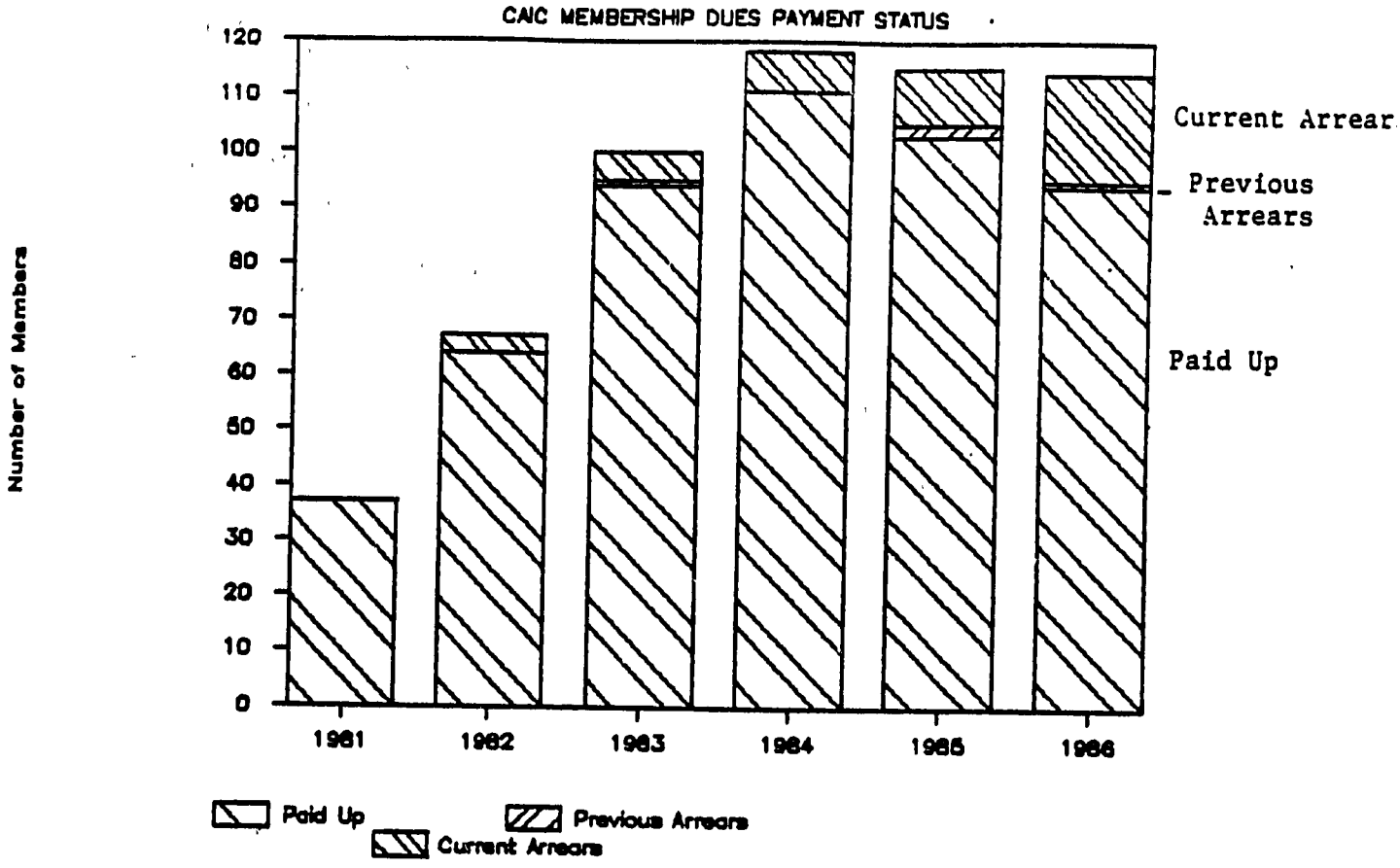
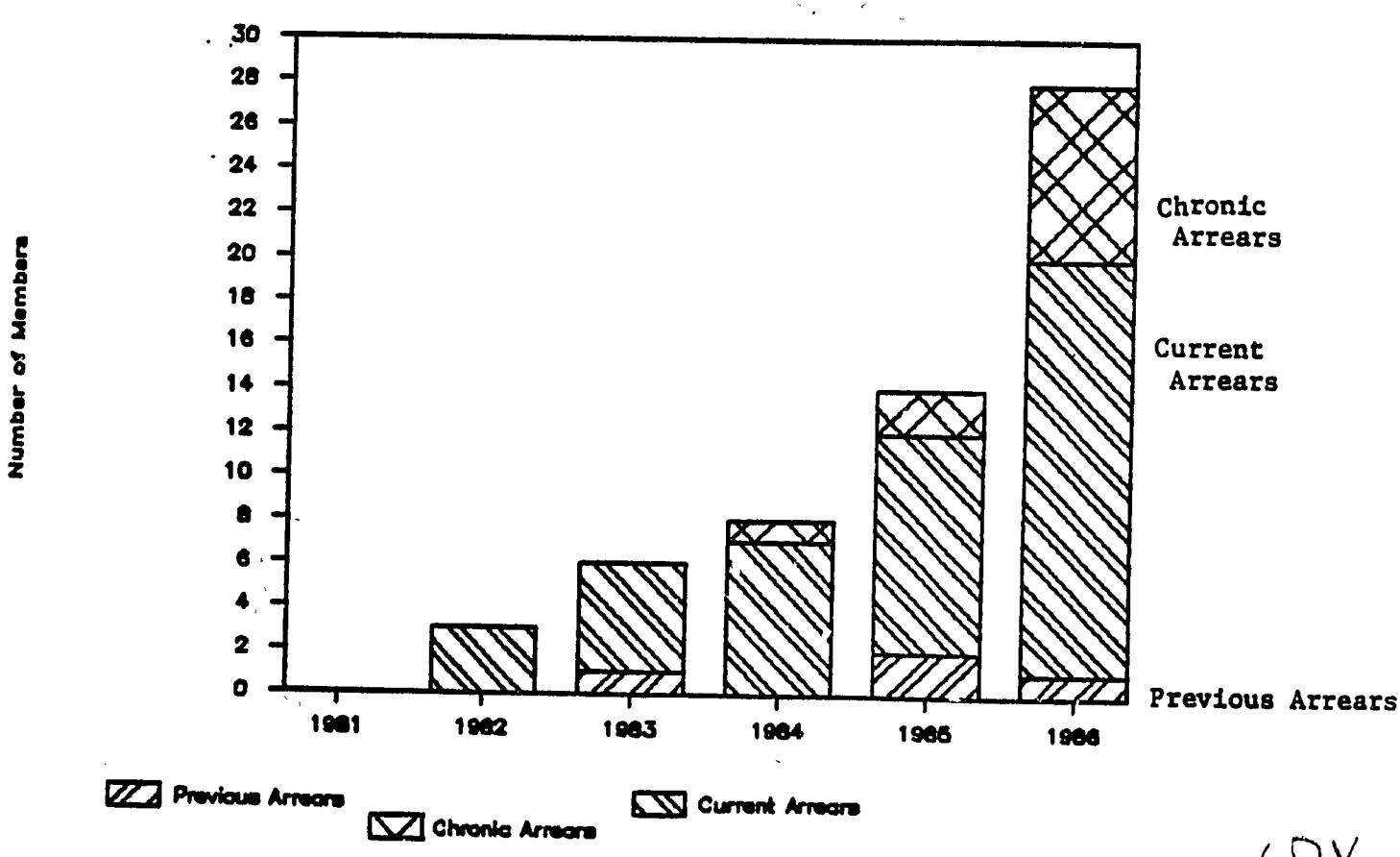


Exhibit II.6

CAIC MEMBERSHIP IN ARREARS FOR DUES



Source: CAIC Membership File

67X

- **For members with previous arrears:** Although CAIC may wish to collect on the debts involved, these members should not be the cause of immediate worry for the organization. The sums of money involved are relatively small, and in several cases in the past, CAIC has chosen to forgive the debts.

- **For members in current arrears:** These members should receive early attention from the Board of Directors to determine the reasons for non-payment and for an assessment of the likelihood of repayment.

- **For members with chronic arrears:** For members in chronic arrears due to financial hardship, CAIC might choose to forgive debts and/or move members to a less expensive category of membership (this procedure has been used by CAIC in several instances in the past). This is sometimes an appropriate response which can be followed for selected cases in order to retain members with continuing interest in CAIC's activities. There are currently a few applicants for debt review by the board; several more may warrant attention as well. For members in chronic arrears who are not in financial difficulties, CAIC should ascertain the reasons for non-payment of dues. The pattern of responses may be valuable to CAIC by adding to its understanding of the needs and desires of its constituency. A failure to address the source of members' disappointment with CAIC may lead to a further erosion in membership.

2. Patterns of Dues Payment and Arrears

There are a number of distinct patterns of dues payment and arrears within the various categories of membership in CAIC. Exhibits II.7 and II.8 show the dues payment status for Organizational and Corporate membership, respectively.

Interestingly, the Organizational members show a much higher proportion of arrears than do the corporate members. In part, this difference may be related to the higher rate of withdrawal on the part of corporate members (some of whom have gone out of business, others withdrawing as a result of long term financial hardship). Since the national organizational members are the primary spokesmen for their category of membership in any given territory, CAIC places high priority on the retention of all its organizational members and is particularly reluctant to strike them from its lists. Some of the affiliate organizations have had their membership debts forgiven after a period of arrears (the Jamaica Export Association, Guyana Manufacturers Association, and the Barbados Manufacturers Association - all of whom are still in current arrears).

Exhibit II.7

ORGANIZATIONAL MEMBERS

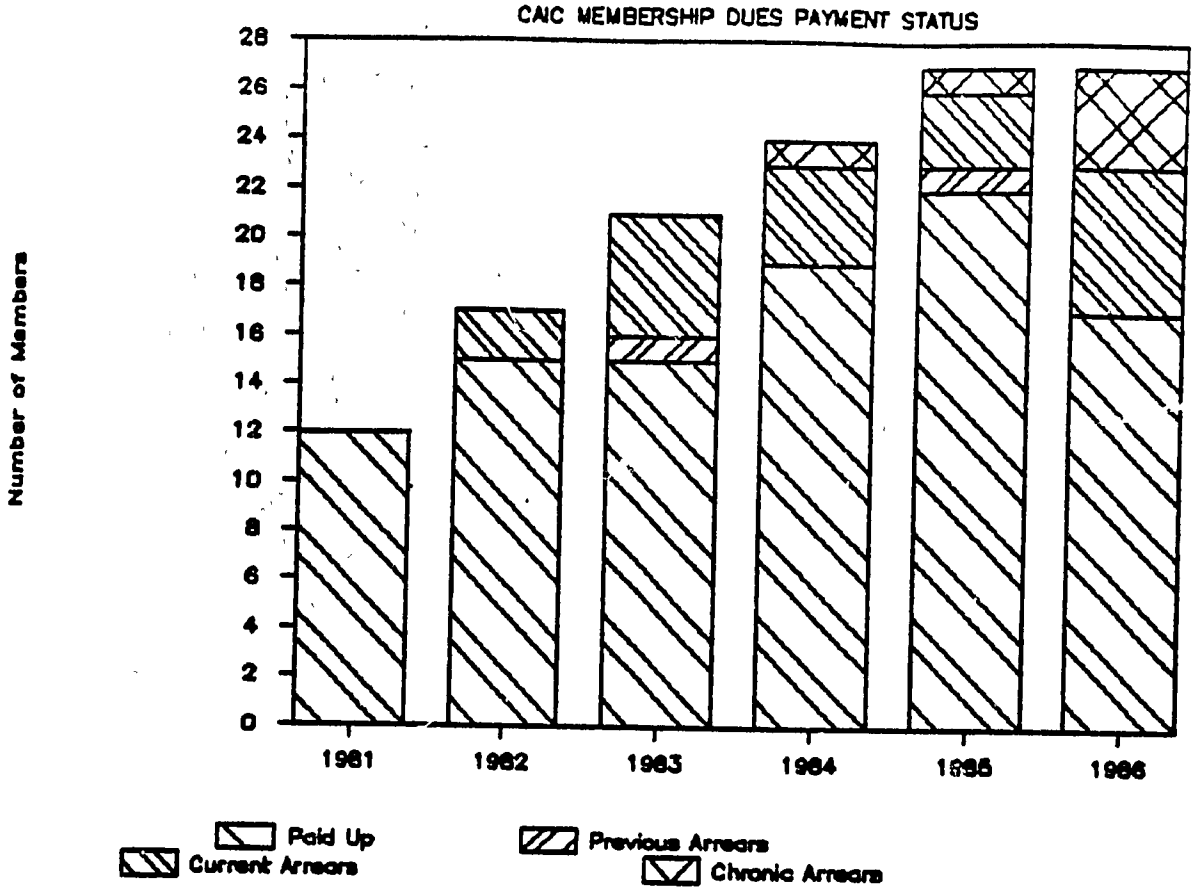
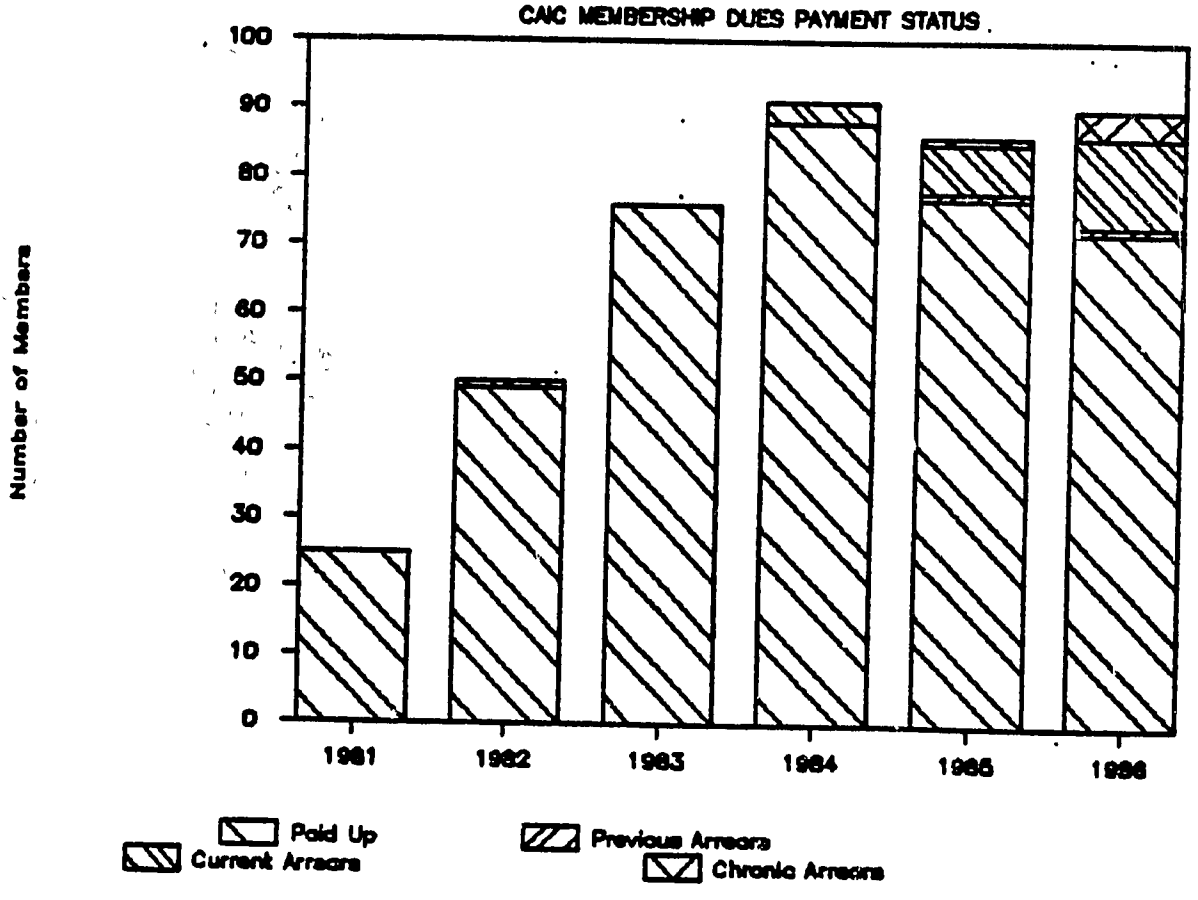


Exhibit II.8

CORPORATE MEMBERS



Source: CAIC Membership File

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In some instances, the difficulties of the local affiliates in meeting their obligations to CAIC are due to the chronic arrears of their own membership. This is the case, for instance, with the Barbados Manufacturers Association.

Even some organizational members who are eligible for LADP funds are in arrears. Practically speaking, CAIC deducts those members' dues from LADP funds channeled through CAIC, but some organizations have not submitted an official request for LADP assistance for 1986.

For the category of **corporate membership**, the most serious arrears are to be found in Barbados, Guyana, and St. Lucia. In the latter territory, some large, financially healthy corporate members of CAIC have been in arrears for the past three years.

Associate members of CAIC have the best payment record: They have all been fully paid up since joining.

Dues payments have also been analyzed by category of country: MDCs (Jamaica, Trinidad and Tobago, Barbados, and Guyana), LADP recipient territories (Anguilla, Antigua, Belize, Dominica, Grenada, Montserrat, St. Kitts, St. Lucia, and St. Vincent), non-English speaking territories (Curacao, French Guiana, Haiti, Martinique, Guadeloupe, and Venezuela) and Others (Bahamas and St. Croix). The first three categories are exhibited in figures II.9 through II.11, respectively.

The figures indicate that while the LADP territories have had a longer history of arrears and a larger portion of its membership in arrears than the MDCs, it is the MDC countries that have the greater problem with chronic arrears this year. Specifically, LADP territories have 25% of their membership in some degree of arrears in 1986 (as of this writing), and just over 4% in chronic arrears. MDCs have 20% of their members in some degree of arrears, and almost 10% in chronic arrears. Both categories of countries have exhibited ominous growth in current arrears. Although the LADP funds were certainly useful in establishing viable business associations in the OECS states, there is a danger that a continuation of LADP assistance may create a habit of dependence in its beneficiaries. One recommendation arising from this observation is that LADP recipients should be required to maintain an active status within CAIC and to vigorously pursue delinquent accounts both in its own membership and in CAIC's.

Exhibit II.9

MDC MEMBERS

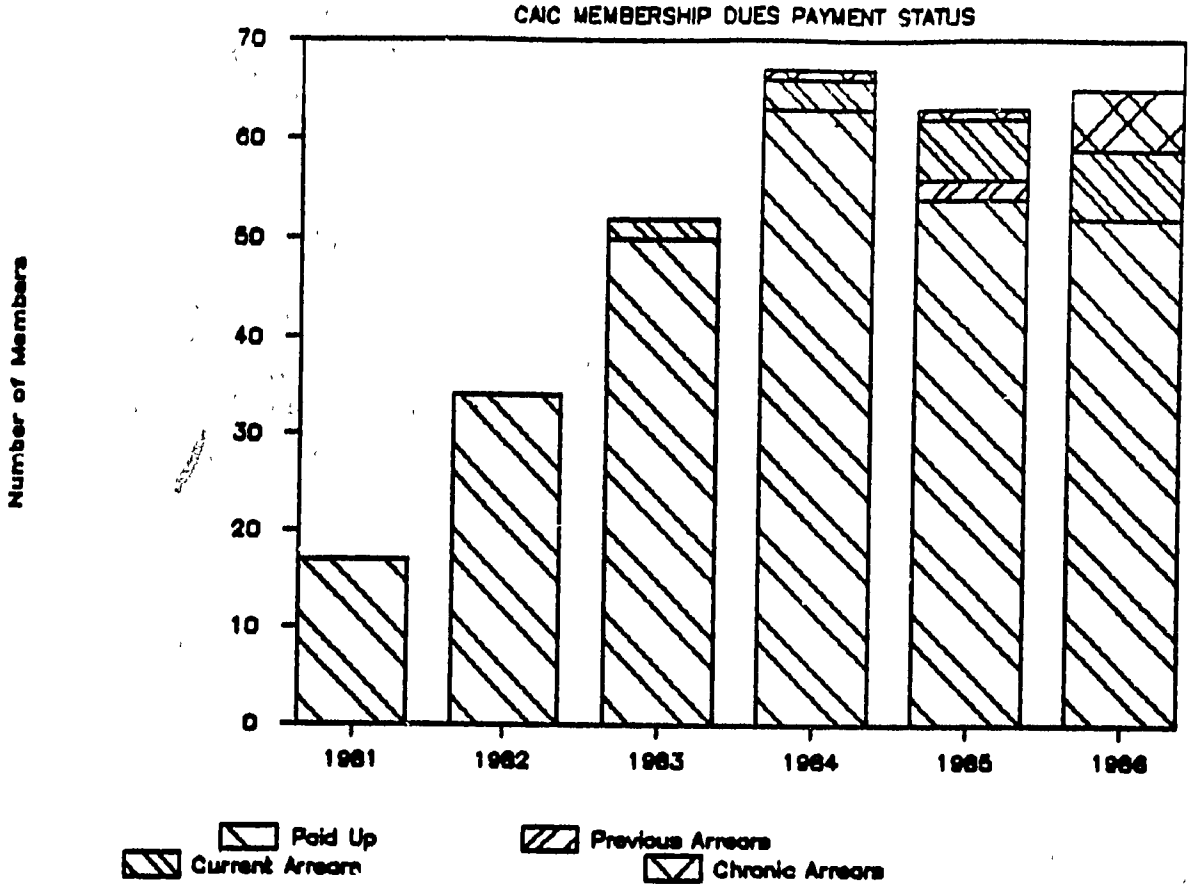
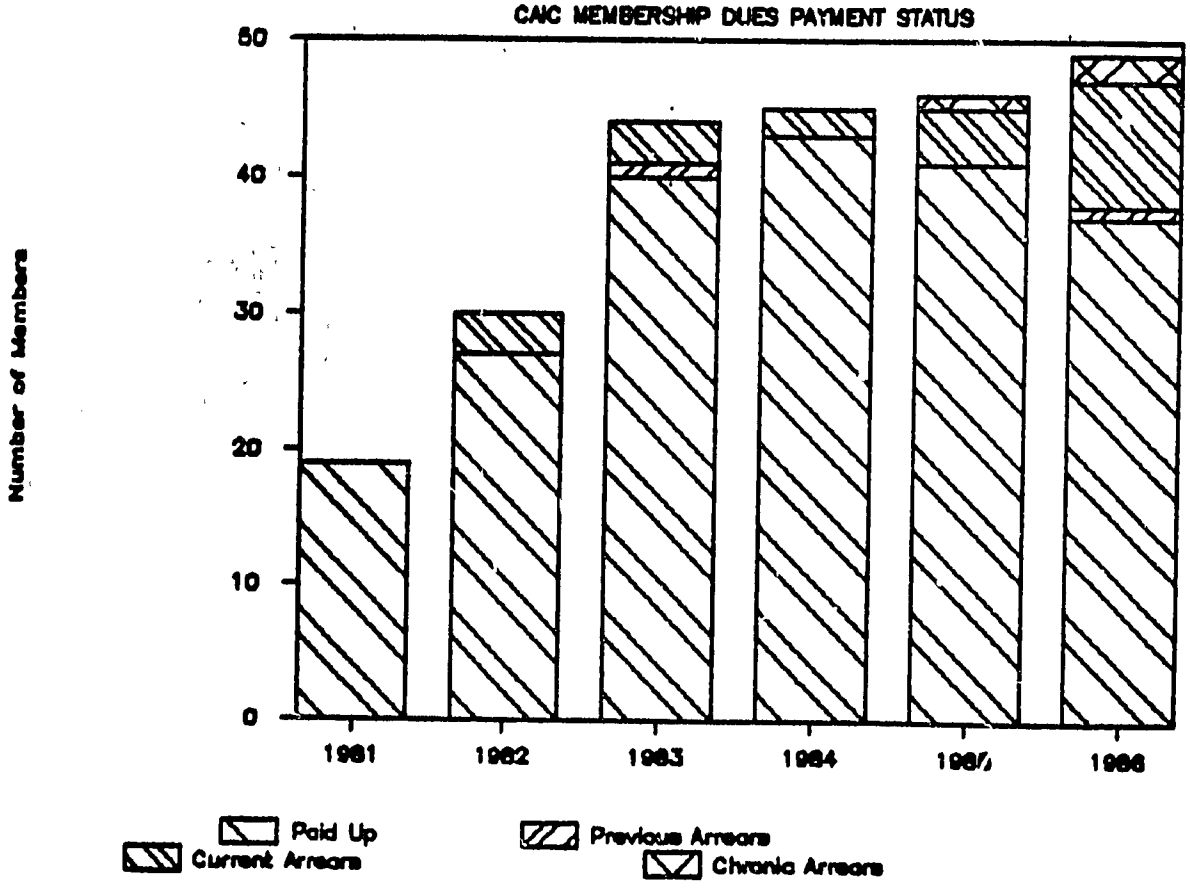


Exhibit II.10

LADP MEMBERS



Source: CAIC Membership File

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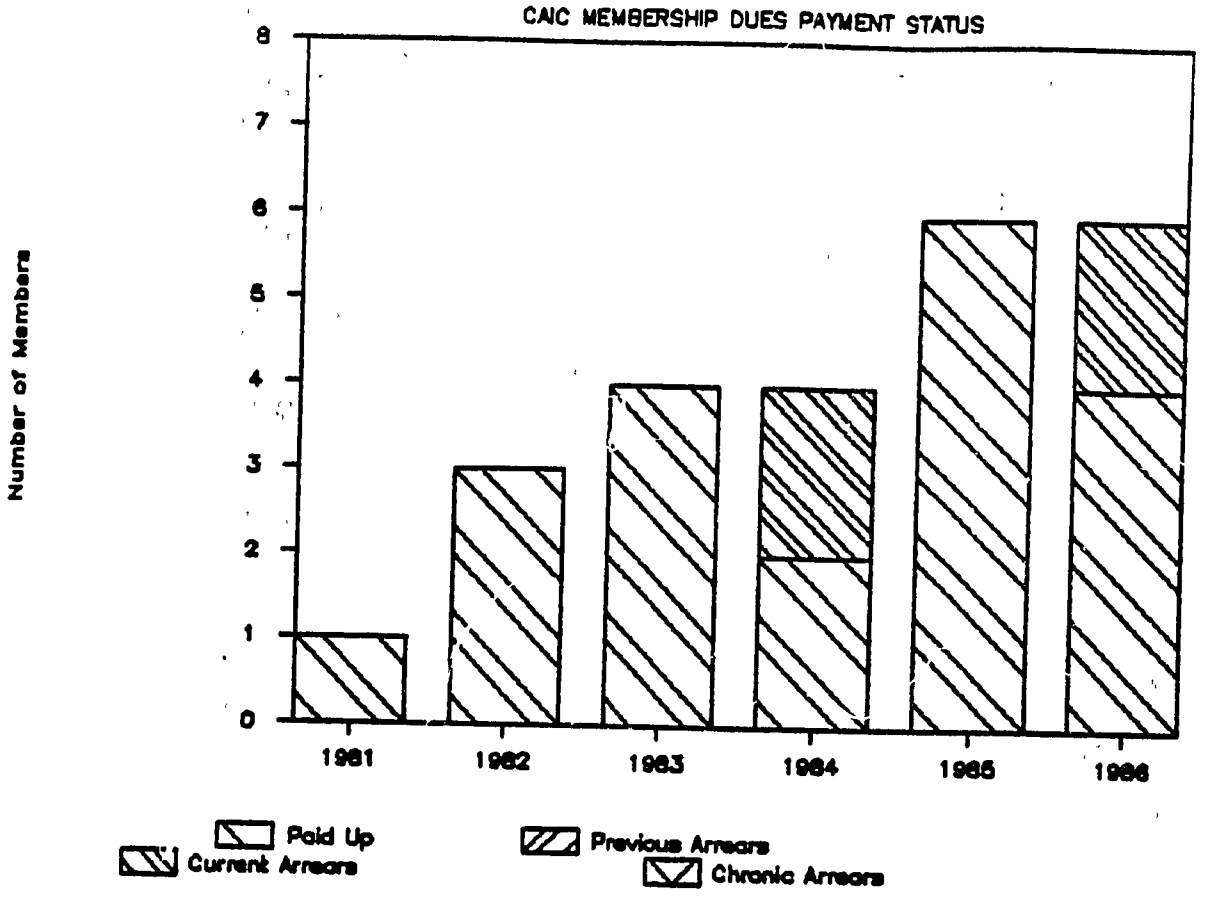
Exhibit II.11

NON-ENGLISH SPEAKING MEMBERS



Source: CAIC Membership File

Interestingly, the six non-English speaking members (all organizational) have no chronic or previous arrears and only two members in current arrears: Haiti (which has requested a one year suspension of membership rights and obligations) and Venezuela. Most of these organizations, however, benefit from national requirements that all registered businesses join the local business organization and pay dues regularly. Thus these organizations rarely have serious financial difficulties. Another factor, however, seems to be their strong commitment to maintain regional contacts: for this purpose, they view CAIC as a uniquely valuable resource.

CAIC's Board of Directors regularly reviews the membership's position with regard to payment of subscriptions. It is the responsibility of all Board members to remind the membership from their territory to fulfil their financial obligations to CAIC. Although CAIC's articles stipulate that members must be paid up within 90 days of the due date or forfeit the privileges of membership, in practice, CAIC has been understandably reluctant to enforce the provision strictly. In times of economic decline, corporate members may experience cash flow difficulties. If there is any reasonable hope that the member may return to financial solvency, CAIC would rather not strike that member from its lists. Nevertheless, the increase in the number of members in arrears has proceeded at an accelerating rate since 1983, even though the worst of the region's economic decline is probably past and most of the Eastern Caribbean (the OECS and Barbados) has begun economic recovery. Whatever procedures CAIC may have for addressing its membership problem, an early solution is clearly needed.

3. C.A.I.C.'s Membership Recruitment and Withdrawals

The pattern of additions and deletions to CAIC's membership list is also worthy of examination. Exhibit II.12 shows CAIC's new recruits and its withdrawals, by category of membership, for each year since the organization's revitalization.

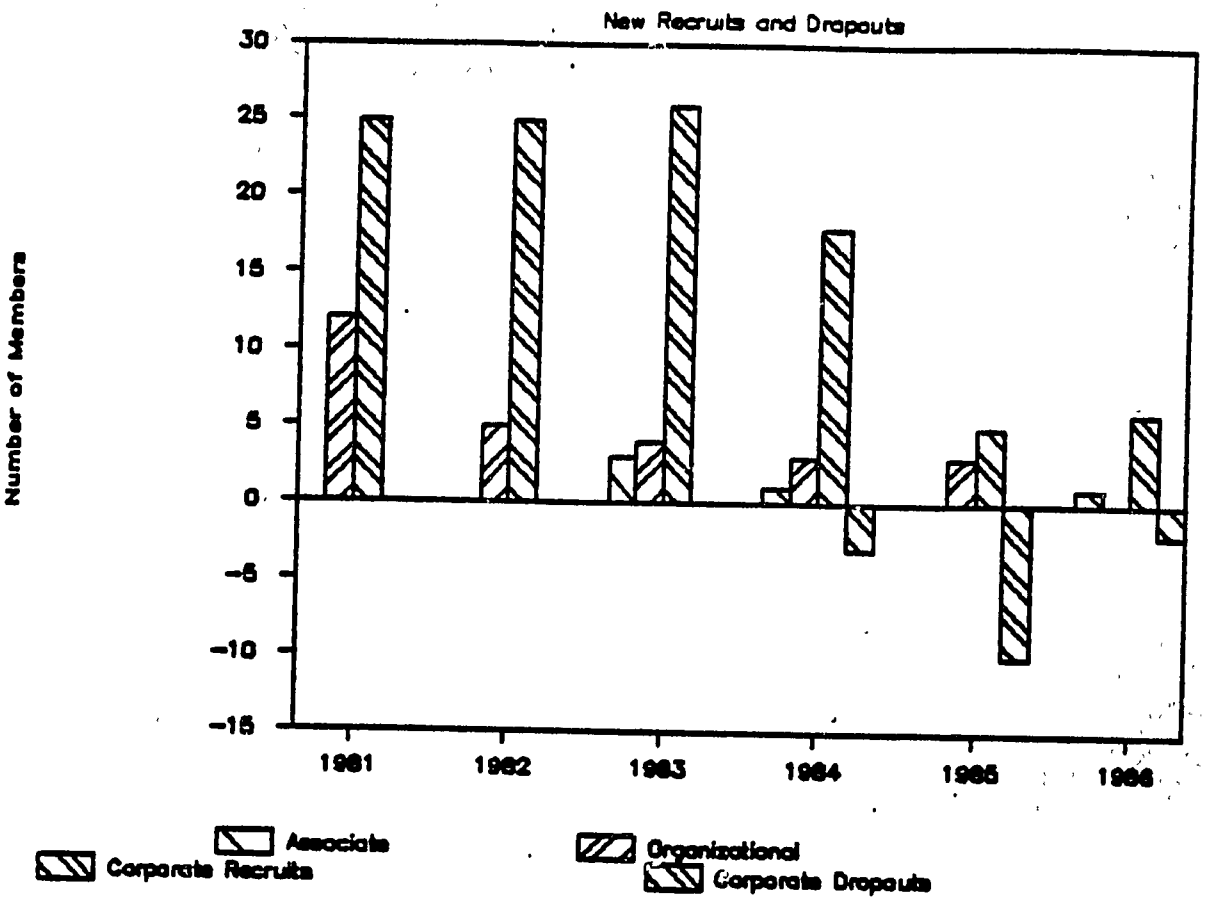
Corporate and organizational members were recruited heavily in 1981, when the Executive Director and the then President of CAIC undertook a membership blitz through the Caribbean. Corporate membership doubled to 50 in one year as a result. There were no further coordinated CAIC membership drives during 1982 or 1983, but membership continued to grow.

In 1983, the Caribbean experienced a severe shock as the major economies of Jamaica and Trinidad & Tobago underwent serious adjustment efforts (as described in Chapter I-B, above).

73X

Exhibit II.12

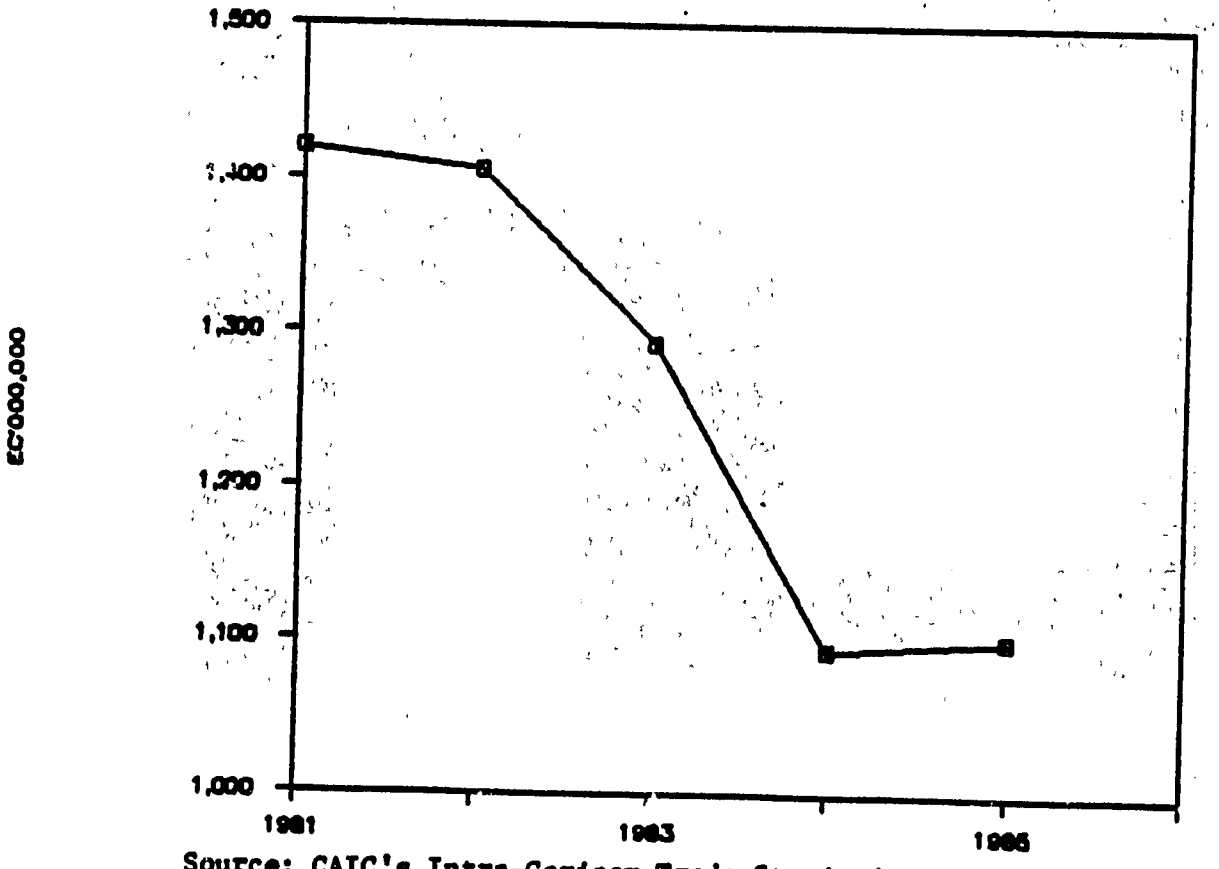
CAIC CHANGES IN MEMBERSHIP LIST



Source: CAIC Membership File

Exhibit II.13

VOLUME OF INTRA-CARICOM TRADE



Source: CAIC's Intra-Caricom Trade Statistics

Jamaica's and Trinidad's actions threw the entire region's trading patterns into a tail spin, and Intra-Caricom trade fell sharply (see Exhibit II.13). The loss of regional markets affected local manufacturers particularly heavily, and several of CAIC's manufacturing members closed down or were unable to meet membership commitments by 1985. These circumstances also contributed to the growth in arrears to CAIC illustrated above in Exhibit II.8. Worse, CAIC lost eight members from Trinidad and three from Barbados alone, all reportedly due to business failure or serious retrenchment.

CAIC rallied admirably in the face of the regional economic downturn: A second CAIC membership drive was undertaken by the CAIC Program Managers for Organizational Affairs and for Training in January, 1984. In spite of the economic crisis, 22 new members were recruited in 1984, and corporate membership that year rose from 76 in 1983 to 91 in 1984. The membership slippage in 1985 was primarily due to the loss of corporate members to bankruptcy. It is worth noting that in spite of the temptation facing many businesses to retreat to a protectionist stance, CAIC and most of its membership fought to keep intra-regional trade open, and still recruited new members.

Ironically, as regional economies and regional trade have begun to recover, more CAIC members have fallen into arrears. Traditionally, many business associations in North America have shown the most vigor during periods of crisis, and have had the most difficulty maintaining interest during easier times. Perhaps complacency or a lack of stimulus explains some significant portion of CAIC trends in membership. This possibility may is which CAIC should try to assess.

More specific regional trends in membership can also be noted. For a short period of time, CAIC had corporate members from the Bahamas and from the U.S. Virgin Islands. The Bahamas members said they supported the aims and purposes of CAIC, but felt that they were not getting enough benefits out of their membership. In part, this was due to the lack of subsidized services open to them; in part, due to the Bahamas' heavy reliance on tourism, which has not been a primary area of CAIC activity. In the case of the corporation in St. Croix, the CAIC Board had difficulty deciding whether or not to grant membership to the U.S. Virgin Islands. The member from St. Croix has not paid dues for 1986 and is unlikely to pay up until the matter has been clearly decided.

Corporate membership in Jamaica has remained disappointingly low. Again, this is partly due to the lack of services available for Jamaican members; partly to social and political cleavage between Jamaica and the "lesser Antilles;" partly to intra-mural disputes between the Montego Bay Chamber of Commerce and the Jamaica

75X

Chamber of Commerce (which the former organization refers to as the "Kingston Chamber of Commerce"); and finally, perhaps partly to a failure of CAIC to "show the flag" there and recruit vigorously.

By contrast, CAIC members from the French speaking islands were among the most committed to the organization. Members of the Board who were interviewed placed a high value on their membership in CAIC, as it brought them in contact with the rest of the Caribbean and was, in fact, their principal forum for such contact. As a result of CAIC efforts, travel between the French and English islands has been facilitated: they have encouraged airlines to provide more flights between the islands, and the local Chambers arrange for businessmen to obtain visas quickly. In addition, CAIC has appealed to CARICOM, on behalf of the members from the French Departments, to examine their trade status within the context of Lome III (which grants preferential and non-reciprocal access for CARICOM members to European markets, and in effect, creates new barriers to trade between the French Departments and the CARICOM nations). CAIC hopes to arrange for a dispensation for the French Departments within Lome III.

Examining membership trends by size of enterprise reveals that the smaller corporate members seem to form the most volatile category: in 1981, there were a dozen small and medium size firms in CAIC. Their ranks expanded rapidly through 1984. Thereafter, setbacks occurred: some members closed, some withdrew from CAIC and others have been unable or unwilling to meet membership commitments. Notably, the percentage of corporate members in the "small" and "medium" categories accounts for fully 70% of all corporate members, up from 56% in 1981, which is an indication of the extent to which CAIC has succeeded in broadening its membership, if not its leadership.

One particularly doubtful category includes those members (mostly small firms) who joined recently in order to take advantage of CAIC's training or technical assistance services. Some have already dropped out again, and others are in current or chronic arrears. **This situation demonstrates the need for CAIC to find ways of maintaining the interest of small firms after the first impetus to join no longer holds them.**

During the last quarter of 1986, due to the increased activity of the CAIC Board members, one additional organizational member-the Berbice Chamber of Industry and Commerce Limited and nine corporate members (four from Dominica and five from St. Vincent) have joined CAIC, effective January, 1987. An application to join from the Hotel and Commerce Association in the British Virgin Islands has been made and a fee for membership has been quoted to them.

76

By decision of the CAIC Board of Directors, Board members are expected to take primary responsibility for membership recruitment and retention in their territory. This decision has a compelling logic to it, especially in light of the arduous nature of extensive inter-island travel. Board members from each country are also said to be the most sensitive to their members (and potential members) needs, moods, and circumstances.

On the other hand, differences in the degree of commitment of Board members toward membership drives can have a significant impact on CAIC's composition as well as on its size and financial position. Significantly, in some countries the established membership of CAIC display little interest in diversifying beyond their existing ranks and broadening their base: there are often local political obstacles to overcome, social barriers, or even simple inertia. It may therefore be desirable for the CAIC Executive Director, President and/or key members of the secretariat to participate in or even lead membership drives in each country on a periodic basis (perhaps every two or three years) in an effort to overcome these obstacles.

Special attention may still need to be devoted to recruitment among small manufacturers and other new entrepreneurs. Their active membership would broaden CAIC's base and thereby enhance CAIC's claim to present a united private sector voice. While many of the larger, established firms in the CAIC support CAIC for the advocacy role it performs in the area of public policy, most smaller members seem to require more tangible benefits before they could be induced to join (and, having joined, to maintain active membership).

Some of the benefits accruing to the private sector from the activities of CAIC are in the nature of "public goods:" these include CAIC's successful lobbying efforts in tax reform and in keeping CARICOM trade open, increased access to public sector officials (both national and regional), and a more positive image in public opinion. Several prominent members of CAIC compare CAIC membership to an "insurance policy," in that membership dues ensure that CAIC will be available to take action on behalf of the private sector in times of difficulty.

Unfortunately for CAIC and those who pay for it, many of these benefits accrue to all members of the business community, whether they support CAIC or not. Yet maximum support is required from all corners of the private sector in order to ensure maximum CAIC effectiveness, both in terms of financial resources and political standing. On the downside, a loss of membership or a split in the membership (either between the large commercial versus small manufacturing membership or between the MDC versus LDC membership) could do irreparable harm to the credibility of the CAIC.

77X

CAIC has made special efforts in the past and will have to make continued special efforts in the future to maintain unity. In particular, CAIC needs to help its diverse membership avoid the temptation of splintering on certain policy issues (such as protection of local industry) which happen also to follow the lines of social cleavages.

The "public good" factor and the downside risk of membership cleavages both highlight the need to make special efforts to capture the "free-riders" of the business community. Since they can not be required to join CAIC or their local representative bodies (except in the French Departments), they can only be enticed to join. In many cases, the most compelling form of enticement is the provision of special services on a subsidized basis, which may include access to training and technical assistance or to valuable market and investment information. However, membership recruited through such specific (and short-lived) enticements may prove ephemeral. A more cost effective and long lasting approach may be the provision of access to valuable business contacts, or simply the prestige of membership in a highly regarded club. What is required for the latter approach is a greater degree of erosion of social barriers.

C. DEVELOPMENT OF LOCAL AFFILIATES TO CAIC

Complete and comprehensive data were not available on the membership trends of all CAIC's affiliates. Such data are not kept by CAIC, and a special request for membership data from each organizational affiliate of CAIC met with responses from only eight organizations. A summary of the data received from each organization is as follows:

The most complete data was available from the Grenada Chamber of Industry and Commerce, which furnished the evaluation team with membership data from 1980 through 1986, and data on membership dues payment for 1986. The official membership for the Grenada Chamber of Commerce has grown every year since 1980, exhibiting the highest rate of growth between 1983 and 1985. The 1986 official membership stands at 142. Membership receipts stood at nearly EC$75,000 for 1986, with an additional EC$17,000 outstanding.

The 1986 membership list of the St. Vincent Chamber of Industry and Commerce contained 109 names. The St. Lucia Chamber of Commerce, Industry, and Agriculture listed 76 members for 1986. The St. Kitts Chamber of Industry and Commerce listed 95 members, the St. Kitts/Nevis Manufacturer's Association listed 24 members. The Dominica Association of Industry and Commerce reported 90 members, the Trinidad and Tobago Chamber of Industry and Commerce

listed 412 members, the Belize Chamber of Commerce and Industry reported 93 "financial members" as having paid their dues, and its Corozol Branch reported an additional 22 members. There were an additional 32 members listed as owing on their membership dues to the Belize Chamber.

On the basis of interviews among CAIC's constituency (CAIC members, members of CAIC's national affiliates, and other businessmen) carried out by the evaluation team in nine Caricom countries, the general perception about the condition of most local and regional business organizations in 1980 was that they were functionally and institutionally weak. At that time, CAIC had no permanent headquarters or staff. Among the national-level organizations, only the Trinidad and Tobago Chamber of Industry and Commerce, the Trinidad and Tobago Manufacturer's Association and (to a lesser degree) the Barbados Chamber of Industry and Commerce, had a physical plant. The lack of infrastructure elsewhere was reflected in the activities carried out by those national organizations, which was of inconsistent quality. Their constituency tended to have a relatively low opinion of them; and they consequently had difficulty raising funds from members to carry out their activities.

It was generally also perceived that prior to 1980:

- business organizations tended to be dominated by a small group which was often described as the "plantocracy";
- that the positions advocated by these organizations on various issues tended to be highly parochial;
- that these positions tended to be poorly thought out and presented to government and the public, thus tending to place the advocates in a bad light.

A basic premise of the CAIC revitalization effort was the need to strengthen the membership base of both CAIC and its organizational members and through this broadened membership, to build the capability of these organizations to present a more articulate and cohesive view of the private sector to the public at large and to public sector institutions and policy makers. Membership development and organizational strengthening were viewed as mutually reinforcing elements of the process.

It is generally agreed that as of late 1986, the situation has considerably improved:

- every territory has at least one business organization with permanent premises, staff and an organized program of activity;

79X

- the membership of these organizations and their local funding base has, on the whole, broadened and deepened considerably (with obvious variations from territory to territory);

- most local organizations are able to prepare and present well-thought out documents on key issues that reflect a broadened outlook on local and regional affairs;

- new leadership is beginning to emerge in many of these organizations, often with a manufacturing/export orientation.

The question may be asked: to what extent can CAIC and the PSIA project take credit for these changes? While such impacts are difficult to measure, a substantial number of people perceive CAIC as having had a significant impact on these developments.

It is perhaps important to remember that many of the individuals who came together in 1980 to revitalize CAIC were the same individuals who then went back to their own countries to likewise revitalize their own national business organizations. It could be argued, therefore, that a simultaneous dynamic was set in train in 1980 at the regional and national levels. Many of these same persons continued to be active in CAIC and to encourage its development in ways that would not only strengthen CAIC as a regional body, but would enable CAIC to intervene in strategic ways to strengthen the local business organizations.

In this regard, it is no coincidence that those local chambers which grew most rapidly and took most advantage of CAIC resources in so doing, were also the ones with individuals active both on the CAIC Board and in their local business organizations. Thus, the story of the involvement of CAIC in the revitalization of local business organizations is simultaneously the story of a group of individuals who wore more than one hat in nurturing this process.

This group tended to expand over time. In interviews with individual business people, they repeatedly indicated the importance to their own business development of their participation at meetings and workshops and (in some cases) training provided under the auspices of CAIC. These activities enabled them to come into contact with and learn from other business people and experts in various technical issues. These people returned to their own countries better informed and quite often more motivated to participate in national affairs. Some of these people began for the first time to take an active role in their local business organization. Gradually, they influenced those organizations to take a broader and more professional view of local and regional affairs as well.

The increasing ability of CAIC to channel financial and other resources through the local business organization has likewise tended to increase the perception that the local business organization is something worthy of involvement. Prior to 1984, several of the affiliate organizations were hampered by a lack of infrastructure and staff. Although USAID funds were available for the national organizations, they were matching funds which could only be used for development-oriented, income producing endeavors. The application procedure was lengthy and complex, and some organizations were not yet developed to the point where they could attend to the application procedures or to make productive and efficient use of the funds. After approval of CAIC's 1984 Grant Proposal to USAID, the LADP (Local Affiliate Development Program) provided funds to build up the infrastructure of affiliate organizations in the OECS, and to hire and train staff. In organizations where such funding was the primary constraint faced, LADP was credited with helping the organization over their first hurdles, and membership growth and a healthy increase in organizational activity followed.

In the best cases (notably Grenada and St. Kitts), as business people have become more active, membership in the local chambers has grown, increasing the membership dues available to fund a wider range of activities. Thus, in many territories, a virtuous cycle has been set in place where activity leads to more membership and more membership leads to more activity. In other organizations, local leadership has been lacking and/or other constraints remain, and LADP has been unable to make a significant difference in membership growth and institutional development.

The extent of CAIC's involvement in the positive developments is often a matter of controversy, but this in itself can be seen as quite healthy. In many cases, one group will point out a clear contribution of CAIC while another group will claim that same contribution as having originated locally. In organizations composed of business people who wear many hats, such conflicting views are inevitable. It also suggests a healthy dynamic in which local people will view the CAIC resource as something to be drawn on to serve the needs of the local constituency. CAIC has in many cases proven to be an effective channel of resources in a region burdened by the high distribution costs characteristic of an archipelago; but without the local counterbalance, the CAIC resource could not be so well utilized.

The way in which this dynamic has operated was, for example, witnessed in the case of Dominica. Utilizing CAIC resources, a study was commissioned in 1981 entitled, "Toward Greater Private Sector Dynamism in Dominica". This paper, which was highly controversial at the time, has had considerable impact on

81X

Dominica. The public sector has increasingly taken its recommendations on economic policy to heart. Many people in the private sector have increasingly incorporated its recommendations into their own activities. Importantly, it served as a catalyst for public-private sector dialogue which has for several years now been formalized in regular meetings between representatives of the two sectors.

In many cases, people credited the training they received under CAIC auspices or workshops they attended for providing them with information which has proven invaluable in their work. Chamber institutes and other training of chamber staff and board members were credited with making it possible for many of them to design a program which enabled them to develop a financially viable local organization able to appeal to new members.

These generally positive findings are not meant to suggest that there are no problems. For instance, while it can be argued that the current membership of local business organizations has been substantially broadened beyond the "plantocracy", small business people often continue to feel themselves disenfranchised. Many of the smaller and newer chamber members, even some who have received considerable services from their local business organization, (much of it via CAIC), quite often view themselves as second-class members, with relatively little influence on the quality or quantity of services they receive and little influence on the policy councils of local and regional business bodies. This issue needs to be watched carefully. The process of broadening and deepening both membership and leadership, which has gone a considerable distance over the last six years, needs to go even further if there is not to emerge an increasingly alienated small business sector.

Likewise, the quality of business services may become a matter of increasing concern. Local business people in the 1980s, themselves poorly organized, were initially willing to accept services of indifferent quality. However, with increased sophistication comes an increasing demand for quality. In those territories with the best organized private sector, there was growing feeling that CAIC services have not increased in quality rapidly enough to keep up with their changing needs. If the services are no longer valued, the capacity of CAIC to continue to play a catalytic role may be diminished.

D. OTHER TRENDS IN COMMITMENT

In assessing membership commitment, several indicators above and beyond payment of dues can be tracked. These may include other contributions of resources from members, the active involvement of the Board members in CAIC functions, attendance at organizational meetings, use of CAIC services by members, and trends in donor commitment. Each of these indicators are discussed below.

1. Involvement of Board Members

An important component of membership commitment may be seen in the special contributions made by members of CAIC's Board of Directors and other active members of the association. These include special loans, pre-payment of dues, the underwriting of communications activities such as CAIC's magazine and radio show, and the provision of in-kind contributions such as expert or professional services, communications, office space and the business person's own valuable time.

One of the most significant contributions to CAIC came in the form of major loans (about B$200,000) extended by a few corporate members in 1982 and 1983, when the organization was suffering from a shortfall of dues and grant receipts, and a resulting cash flow problem. These loans were unsecured, carried no interest, and were extended for an indefinite period of time. As of 1985, most of these loans were formally converted to "pre-payment" of CAIC membership dues. Although the firms which extended these funds are large in Caribbean terms, the amount of money involved still represents a considerable sum, and highlights the importance these members attach to CAIC's functions.

Another important type of contribution is the underwriting of some of CAIC's communications functions. Over the past three years, a few CAIC corporate members have paid for the costs of producing the radio show "Caribbean Business Whirl," which has amounted to about B$40,000 each year. Ironically, once produced, CAIC has been unable to find sponsors for the programme. The OA/BG Department Manager has been able to arrange regular air time for the program on at least one Barbados station, but the time slot is often a less desirable one than could be available if the program had commercial sponsors.

This failure to gain sponsors may be, according to feedback from CAIC's Board members, related to a lack of interest in the program itself, which could be rectified by popularizing its content. A popular idea is to air programs about specific companies; but such programs are inevitably sub-regional. The company featured, or its local Chamber, would surely be interested in sponsoring the program, but it would probably lack

83 X

sponsors in other territories. Another idea, designed to capture the imagination of more of the general public, would be to present the recent successes of new entrepreneurs. The radio show is probably CAIC's most promising public relations vehicle for capturing the attention of the public at large, but regular sponsorship in each territory is required in order to ensure that the message is heard.

Advertisements in the CAIC quarterly magazine "CAIC Calling the Caribbean" and in newsletters are also lower than expected, and for similar reasons: on the one hand, a purported lack of interest in the content of the magazine; and on the other hand, a failure on the part of the membership to come through with the revenues needed to produce a more popular magazine. Several members have asked to see profiles of specific companies and their success stories. The editor of the magazine has promised to publish such articles if submitted, and even to write such articles on the basis of information provided. Unfortunately, information on only one company from one territory was submitted in the four months after the requests for information were sent out. Due to a slow-down in advertising revenue, the funds are lacking for the editor to undertake the research efforts required to write the types of articles requested. The record of active support for CAIC's public relations efforts on the part of CAIC's prominent members may be considered somewhat deficient at the moment. For 1987, CAIC has decided to attempt a different strategy, and will contract the magazine out to professional publishers. They will run the magazine on a more commercial basis, write material with a view to expanding circulation, and actively sell advertizing space. CAIC's OA/BG department will retain editorial control.

A final category of member contributions includes the broad range of "in-kind" contributions. Although it is difficult to quantify these contributions, they do seem to be of substantial value to CAIC. Such contributions include:

- Use of Board members' **communications facilities** on behalf of CAIC: according to interviews of members, telephone, telex, postage, automobiles, boats, and even airplanes have been made available for CAIC business.

- Board Members' **office space**: the start up of the revitalized CAIC, of the CFSC, and most of the national business organizations took place in the offices of key board members. In addition, members have hosted meetings and seminars in their own facilities.

- **Members' time**: The amount of time (as well as out of pocket expenses) in attending CAIC meetings, seminars, conferences,

and workshops has been described as substantial by most interviewees (most CAIC meetings require two or three days away from the office). Since members' time entails a high opportunity cost, this expression of commitment is highly valued.

- Members' professional services: financial, accounting, marketing, and management advice is usually available free to CAIC as an organization.

2. Attendance at Key meetings

Attendance at CAIC's official meetings, both the Annual General Meeting (AGM) and the semi-annual Board of Directors meetings, have reportedly increased steadily each year since 1982. Although CAIC does not keep attendance records on file, the Program Manager for Organizational Affairs/Business Government Relations recalled that attendance at the AGM in 1982 and 1983 was in the range of 60 - 70 participants, and had risen to about 130 at the 1986 AGM.

Attendance at Board meetings rose from about 40 in 1982 to over 60 in 1986 (most of the 46 members of the Board of Directors, plus some observers from affiliated organizations and donor institutions who attended at least part of the sessions).

3. Donor Participation and Commitment

Finally, the level and quality of donor participation in CAIC's activities is of considerable importance to the vitality of the organization. The largest donor to CAIC is USAID, which acts as a partner with CAIC in a "cooperative agreement." The other external donors to CAIC have been CIDA, via the Canadian Association for Latin America and the Caribbean (CALA), and the EEC.

USAID's commitment to CAIC has grown from about $200,000 in 1981 to $800,000 in 1986, which represents a substantial expansion of resources. The nature of the "cooperative agreement" casts CAIC and USAID as partners in a mutual effort toward mutual goals: broadly, strengthening the capability of the private sector in the region to contribute to economic development. The cooperative agreement gives RDO/C the right to sit as observers in CAIC's Board meetings, although the Mission has not exercised this right. This evaluation recommends that RDO/C senior management begin to attend regularly, in order to facilitate better dialogue between the partners.

85X

The relationship between CAIC (post revitalization) and CIDA/CALA began in 1983 with a grant of B$105,000. The grant was doubled in 1984, but stopped in 1985 due to complications between CIDA and CALA through which CIDA funds were channeled.

The CIDA/CALAC funds were used to support use of the Canadian News Wire Services, and the CAIC library, including the salary of the librarian.

The EEC gave CAIC BDS$78,000 in 1983 and BDS$92,000 in 1984, which funded the position of Deputy Program Manager of the Economic Development Department and the Industrial Engineer in the Training and Technical Assistance Department. Funds for the Caricom region from the EEC under the Lome III Agreement have been wholly claimed by Caricom for public sector projects. It has been suggested that, ironically, Caricom has placed CAIC low on its list of priorities due to the high level of funding CAIC now receives from USAID through the Small Enterprise Assistance Project.

The center for Industrial Development provided some funds for a wood-working seminar in 1986 and may fund a follow-up seminar in 1987.

Through CAIC's Caricom/DFA (Departements Francaise d'Amerique) Task Force, CAIC has obtained a new channel to the EEC. The Task Force is also negotiating with the EEC for more direct funding of the Caribbean private sector. During the second plenary meeting of the Task Force of September 1986, the EEC delegate made a commitment in principal to channel some EEC funds for CAIC private sector use through the Martinique and Guadeloupe Chambers of Industry and Commerce.

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In summary, CAIC's membership growth during the first few years after revitalization was impressive. Over the past two years, however, membership has leveled off and may have quite possibly reversed itself. It is certain that membership contributions have fallen. Dues payment, as tangible evidence of membership commitment, is one of the fundamental tests of the vitality and relevance of an organization such as CAIC. The organization will need to demonstrate to its constituency and to its donors that the recent decline in subscription revenues is an abberation and not a long term trend.

A discussion of project impact in terms of the institutional development goals of the PSIA project (and RDO/C's broader private sector program) is presented at the end of Chapter V, Revenue and Costs. Related recommendations are contained in Chapter VI.

CHAPTER III. TRAINING AND TECHNICAL ASSISTANCE FUNCTIONS

A. INTRODUCTION

This Chapter contains an evaluation of training and technical assistance functions carried out by the Caribbean Association of Industry and Commerce. The Chapter consists of five sections. This Introduction (Section A) provides an overview and introduction. Section B provides an historical perspective on the attitudes of public and private organizations concerning the provision of professional services by outsiders. Section C describes the evolution of CAIC's strategies for delivering professional services to its members. It also examines the objectives and targets set in CAIC's 1984 Grant Proposal and its accompanying Logical Framework. Section D contains an assessment of the results of CAIC's training and technical assistance services. These results are presented in three ways. First, a series of "success stories" or mini-case studies focussing on outcomes are presented in the form of vignettes. Second, the assessments of businessmen concerning services which they received from CAIC are summarized. Third, the findings of the Evaluation Team with respect to the application of the "generic scope of work" to training and technical assistance functions are presented. This "generic scope of work" is used to relate CAIC's activities to the objectives of USAID's private sector program. Concluding remarks are contained in Section E.

This Chapter addresses the following questions and considerations:

1. How do CAIC's training and technical assistance functions relate to USAID's private sector program? What are the chains of causation which lead from the services provided by CAIC to USAID's program objectives?

2. What was the starting point or backdrop against which CAIC's performance can be judged?

3. At what point in the process of development should one expect to see final outcomes, or bottom line impact, beyond intermediate results? For example, at what point will it be possible to determine whether improved employee morale (an intermediate result) translates into increased labor productivity (a bottom line impact), in terms of USAID's development objectives?

4. What have the training and technical assistance departments achieved relative to what CAIC expected of them, and relative to what USAID expected of them? What are the differences between the two sets of expectations?

87

5. The performance in these two departments must be reviewed on a variety of bases and criteria, some measurable in quantitative terms, some not. For example, one must be able to assess the impact of the Training Department in encouraging membership growth or in getting CAIC invited to a Caribbean Examinations Council (CXC) technical curriculum committee.

6. The Training and Technical Assistance Departments have been amalgamated and some of the technical assistance functions have been devolved into the SEA project, so in some ways events have overtaken this evaluation. The future of CAIC's training activities is presently less clear than is that of technical assistance. Therefore, more emphasis has been placed on evaluating training functions.

B. CONTEXT OF TRAINING AND TECHNICAL ASSISTANCE IN THE COMMONWEALTH CARIBBEAN (1980-1986)

The Caribbean region is still in the process of emerging from its traditional social and economic foundations. The management models which have emerged from the past and whose legacies persist in much of the Caribbean region today include the following:

1. **The plantation model of management**, an autocratic style which derived from the wide disparity of power, knowledge, skills, and social status between the owner-manager and his subordinates on an agricultural estate.

2. **A teacher-pupil model**, in which knowledge flowed from the top down, students were taught to conform to a rigid pattern of behavior, and learning by rote was emphasized. Teachers often were invested with religious as well as intellectual authority. Students were not encouraged to question the content of materials with which they were presented, to think for themselves, or to innovate.

3. **A bureaucratic model**, which characterized public sector activities (mainly taxation and security) and which tended to stress rules, standard procedures, regulations and stability as against adaptability, creativity or forward planning.

The upshot of these influences has been a conservative, formal, rigid, and often risk-averse business management system. Power, knowledge and skills are seen to reside at the top; delegation of authority is the exception rather than the rule; team management is very rare; executives communicate to subordinates only the

minimum amount of information which they need to do their jobs. In the private sector, where most of the firms are owner-managed or at least family-owned, this tendency has been even more pronounced than it has been in the public sector. Bringing in technical assistance and training from outside was viewed as a frill of doubtful utility and an unnecessary expense. The idea that those who own and manage the business have something to learn from outsiders, or that outsiders could have anything new to teach their subordinates and workers was treated as an admission of lack of competence and weakness. Even the concept of hiring professional managers is a recent development.

The picture was not entirely unrelieved. By the late 1970's, a selection of modern management methods were introduced into a few Caribbean establishments, aimed principally at increasing productivity. These new methods were practiced to a limited degree by light manufacturing industries (in some cases subsidiaries of multi-nationals), persons in distribution and trade who had acquired business experience abroad, and by a younger generation of managers. But these were exceptions, rather than the rule.

Writing in 1979, G.E. Mills and M. Kubr (Report on Priority Needs in the English-Speaking Caribbean Countries - 1979; pp. 47) pointed out that recognition of the need for administrative education and training was slow in coming to the Caribbean, and that it had started with the civil service first. Writing one year later, A. Armstrong, (A Survey of Management Development and Training Resources and Priority Needs in the Commonwealth Caribbean and Programmes of Action for 1980 for CARICAD, pp. 67) reinforced the Mills/Kubr findings, painting the following picture of the Caribbean training environment:

-- Many public organizations and private firms unaware of, and unresponsive to, their own training needs.

-- A lack of comprehensive knowledge of the broader training needs of individual Caribbean countries, by both government and business institutions.

-- Training not linked to the development and improvement of other management systems.

-- A pervasive lack of adequate training resources.

-- Low levels of self-confidence and morale among subordinates and workers.

89X

In the first half of the 1980's, however, there was a significant change in business attitudes. This shift was so pronounced that, in August 1985, a study commissioned jointly by USAID and CAIC (Doggett and Felton, An Assessment of the Need for Management Training and Development in the English-speaking Caribbean) found a generally favorable and supportive attitude toward management training, with participant demand high. While Doggett and Felton may have overestimated demand, the present evaluation clearly confirms that a significant shift in private sector attitudes toward training occurred during the first half of the 1980s, particularly on the part of managers of the larger firms in the region.

C. EVOLUTION OF SERVICE DELIVERY STRATEGIES 1983-1986

This section consists of three subsections. The first subsection describes the training strategies that were followed during the periods 1981-1983 and 1983-1986. The second subsection describes the technical assistance strategies. The final subsection discusses the objectives and targets set in CAIC's 1984 funding proposal to USAID.

1. Training Strategies

The initial CAIC training strategy was developed to help resurrect the moribund CAIC in a Caribbean region in which private sector attitudes to training, technical assistance and professional management were still backward. The task was recognised as a massive one.

Early training activities of CAIC were therefore aimed at high visibility and impact on potential members of the organization. Most of the training was done in Barbados by the two-person Training Department, with participants coming from as many member countries as possible.

The stated overall objectives of the Training Department were to "upgrade the existing skills and knowledge base, and to change the attitudes of persons employed in the region's private sector [toward training]. The intention was to conduct training programmes in all of the CARICOM countries in which CAIC had representation."

Bearing the overall objectives in mind, two things had to be considered.

1. The programme would have to attempt to change the attitudes of the private sector towards training and especially the attitudes of the people at the top.

90

2. The program would have to address the fact that prior to 1980-1981 there was no organized, planned approach towards training for the private sector in the region.

USAID commissioned an evaluation in early 1983. This report by Catherine Pearson, entitled "Evaluation of Progress by CAIC in Achieving Purposes for which it was Granted Aid Funding..." recognised that the activities of the Training Department in its first two years tended to be held in Barbados and that it was generally aimed at as wide a regional representation as possible. Pearson concluded that CAIC was implementing its training programmes very well and that the feed-back on these programmes was excellent. She did, however, recommend some changes in emphasis. CAIC should:

1. Move towards playing a more catalytic role, by identifying and making use of outside resources.

2. Select more carefully, both firms and people in terms of potential for impact.

3. Narrow the focus of training programmes.

4. Increase on-site training linked to technical assistance.

5. Develop programmes directed at the labour force, as well as at management.

Following these recommendations, the Training Department of CAIC amended its approach to deliver more focussed programmes with a greater emphasis on in-island if not on-site training. Moreover, there was an attempt to use more outside consultants in addition to the two CAIC staff persons. The emphasis was on:

(a) Supervisory management skills;

(b) Top management training aimed not only at introducing modern management technique but also aimed at creating a positive atmosphere for training in the various organizations; and

(c) A Training of Trainers' programme aimed at creating a cadre of local trainers, hence, a training delivery capability and system.

The next evaluation of CAIC's training and technical assistance was carried out as part of an overall evaluation of CAIC in March 1984 by E. Warfield, B. Phelps and M. Deal on behalf of USAID. In the evaluation commentary, the 1984 evaluation concluded, "In

91X

discussion with CAIC member organizations, the training programme was universally mentioned as being the most tangible evidence of CAIC's impact on the region, especially in the LDC's. When asked about the results of CAIC's programme over the past two to three years, establishing itself as a recognised, viable spokesman, training was cited as the most important accomplishment ... Given the very ambitious work plan and the Training Department's limited staff (two professionals and a secretary), the performance under this component of the grant agreement had been quite impressive." (emphasis added).

By early 1984, the objectives of the department were refined as follows: "to upgrade the managerial and operational skills among our members; to introduce new and different techniques designed to increase production and improve productivity."

A company specific approach was added and on the job training projects were designed in which a CAIC staff person goes to a company, diagnoses their training needs, determines the concerns of the company and plans an ongoing, in-depth package to address the needs. The Training Department had therefore moved beyond attempting to create a more favorable training climate (1981-83) to attempting to impact on the bottom line of its clients (1984 onward).

2. Technical Assistance Strategies

The Technical assistance function has been moved around among various departments of CAIC -- starting out in the Economic Development Department, then being established as its own department, then finally being scaled down and merged within training.

The Department began functioning after the first year of CAIC's operation, when it became necessary to coordinate the several research and data collection functions that cut across various departments at CAIC. It was seen at its inception as having a threefold function, mainly:

(1) a needs identification and brokerage system for technical assistance,

(2) a research and data collection and dissemination function, and

(3) a consultant bank.

By 1984, the Department's mission was refined thus: "to put in place that mechanism and structure to improve the technical management capability and productivity of private sector firms in

the region." The department was also very clear about its brokerage role and identified a three phased approach:

(1) identification of technical assistance needs;

(2) identification of resources; and

(3) matching needs and resources.

In the 1982 Evaluation of CAIC (referred to earlier) a great deal of doubt is cast on the future viability of this department. The report identifies the following concerns:

(1) The inadequacy of funding (US$45,000) for the breadth of the tasks.

(2) Possible problems with cost recovery plans.

(3) Problems with getting experts released from donor firms.

(4) The need to separate the information storage function from the technical assistance.

By March 1984, when the second Evaluation (referred to earlier) was completed, the following analysis, closely corroborating the 1982 review, could be made:

> This department's performance in meeting its latest work plan has shown substantial improvement over the previous period. Nevertheless, the activities proposed in the July 1983 - March 1984 period once again overstated the capabilities of this department. The improved perception of hind-sight leaves little room for doubt that any two of the seven projected activity categories would have been sufficient work for this department.
>
> Feedback from national level leadership reflected at once a general lack of understanding of TARD purpose and dissatisfaction with performance ... Many national organization leaders found TARD activities to be a nuisance rather than an assist. The questionnaire processing for TA requests placed an unwanted additional burden on their time and they generally felt unqualified to efficiently understand and transmit requests for TA from their membership to TARD...
>
> Despite progress in the utilization of the TAF, the management of the TA function still needs to be improved. The maintenance of records, processing requests, management

93X

of referrals, follow-up and evaluations are currently handled on a relatively informal basis. Serious development of CAIC's TA capabilities will require formal, efficient management of each of these processes. In addition to his diagnostic work and direct TA provision, the staff engineer should also assume responsibility for the day-to-day management of the TA-related services.

The Technical Assistance function has now been subsumed under the Training department. However, a substantial part of the original role of the technical assistance function has devolved onto the new sister project of CAIC, the SEA project; and the technical assistance professional has been moved over to the SEA project. The present evaluation seeks to pinpoint those aspects of the technical assistance project that were most effective and those that the new SEA Training and Technical Assistance department may still want to consider as being useful for getting effective results.

3. <u>1984 Grant Proposal Objectives and Targets</u>

CAIC's 1984 grant proposal to USAID articulated a training strategy in which CAIC is to serve as a catalyst and coordinator of training programmes. Rather than building up a large in-house staff, CAIC is to mobilize outside resources and serve as a conduit for service delivery and funding. There is also a greater emphasis on the training department's role in performing training needs analyses and in-depth organizational diagnoses prior to designing specific programmes for particular firms. The implication is that CAIC is aiming for quality, relevance, and impact in service delivery-- that it wants its training to make a real difference to its recipients, and a contribution to the economy.

The objectives are restated in the same general terms and the proposed programmes are the following:-

1. On the job training
2. Small business development
3. Plant management
4. Top level management
5. Human resource development programmes
6. Tourism development
7. Professional conferences and special workshops.

The narrative concerning the Technical Assistance Department clearly identifies its role as a broker cum facilitator, and its clearinghouse function. As in the case of training, the Technical Assistance Department is to diagnose needs, identify suitable resources, and match the two.

An analysis of the 1984 Funding Proposal, including the logical framework prepared for USAID's purposes, reveals a program so ambitious no one could reasonably be held responsible for carrying it out. The program appears to have been proposed by CAIC, and then agreed to and funded (although never formalized into a project document) by USAID, without any serious reality testing by either party. The Logical Framework incorporated in USAID's project documentation in 1981 (which focussed only on CAIC's revitalization phase) was thus never officially amended, and project does not now have a pertinent LogFrame.

While the departmental strategies put forward in the 1984 Proposal seem to call for carefully focussed, high quality inputs, a comparison of proposed costs to delivery targets suggests that, in fact, greater priority was being given to the number of programs and activities to be carried out than on the quality, relevance and impact of the services to be provided. For example, the document called for eighty companies to be involved in the "on the job training programme," all at a cost of BDS$111,000 (see Annex I. Section C of the 1984-87 Grant Proposal: Summary of Logical Framework). That represents an average on-the-job training cost of less than US $700 per company. The LogFrame also identifies such objectively verifiable indicators as: number of unskilled and untrained workers reduced by 50% by 1987. Clearly, many of the tasks and measures set in the proposal were not achievable. The department's performance did not begin to approach such unrealistic targets. The present evaluation team had no choice but to reject these targets as a serious point of departure. The present evaluation concentrates on assessing CAIC performance vis a vis its articulated objectives, those contained in the "generic scope of work" discussed earlier in this chapter, and against a supplemental set of evaluation criteria established by the evaluation team.

I. ASSESSMENT OF RESULTS

This section contains an assessment of the results of CAIC's provision of training and technical assistance services. These results are examined in three ways. First, a series of "success stories" or mini-case studies focussing on sought-for outcomes are presented in the form of vignettes (Subsection 1). Second, the views and assessments of businessmen concerning services which they received from CAIC are summarized (Subsection 2). Third, the findings of the Evaluation Team with respect to application of the "generic scope of work" to training and technical assistance functions are presented (Subsection 3). A discussion of the costs and revenues associated with CAIC's training and technical assistance services are contained in Chapter V.

95X

1. Favorable Outcomes

In the course of the present evaluation, members of the LBII team visited businessmen in nine (9) Caricom states, seeking information on the impact of CAIC programs on their businesses. Because of the limited time available and because the team was seeking evidence of "bottom line" impact, an effort was made to discover success stories. Some of the stories which they told have been summarized below. It should be recognized that the success found in this purposively selected sample cannot be linked exclusively to CAIC's provision of training and technical assistance. Indeed, the best results appear to have been achieved where these services were tied in with other resources and initiatives taken by the end-user. Nevertheless, the evaluation team was convinced by its interviews and discussions with businessmen that CAIC had played a significant role in these developments, and that enough cases were examined to permit generalization.

Technical Assistance

Mr. Henry Vieira runs FEB Caribbean/Caribbean Pest Control, a diversified Barbadian company manufacturing a variety of products, including building materials, chemicals, pesticides, and candles. He employs over one hundred persons in his several businesses. The candle manufacturing activity was started in part as a response to declines in other lines of business. CAIC provided technical assistance in the form of German engineers to assist in start-up operations. Mr. Vieira credits CAIC with giving him the technical assistance that was essential for him to start the new line, even while he is critical of lack of follow-up. There is clear evidence in this case that technical assistance contributed to employment, production, and exports by this firm: as of December 1986, the new line employed 16 people and was producing at a rate 2000 candles per hour to fill a US$47,000 export order to the U.S. Mr. Vieira reported that he was negotiating for two new candle export contracts - one worth about US$ 3 million for a U.S. retail chain and one worth US $1.5 million with West Germany.

Training and Technical Assistance

Mr. Michael Davy runs a pasta manufacturing enterprise, Davy Agro Industries, in St. Vincent. He manufactures pasta and also engages in chicken farming. He employs a total of nine people, and has an annual turnover in excess of EC$175,000. Mr. Davy has received a mix of Training and Technical assistance from CAIC, including attachment to larger pasta and food processors in the region. He also attended courses in canning and packaging and one of his supervisors was trained in a CAIC supervisory course.

Mr. Davy identifies the following benefits of these mixed training and technical assistance initiatives:-

- improved packaging of his products
- further product diversification
- improved quality control
- improved quality of management decisions
- improved supervisory practices

St. Brice Self-Help Manufacturing is the second largest furniture manufacturer in St. Lucia. It presently employs seventeen people in its manufacturing plant and three showrooms. The Company has benefitted from a mix of training and technical assistance including the following:

1. Management training
2. Accounting seminars
3. Finishing seminars
4. Follow-up finishing seminars
5. Other technical assistance and training

The impact of this training and technical assistance program on the enterprise, as perceived by the Managing Director, includes:

- improved plant layout
- reduced costs (30-40%)
- improved products
- improved quality
- improved project preparation (for expanded line of credit from bank)

The evidence in this case points to increased production and improved productivity.

Training of Trainers' Programme

Huggins is a large retail appliance trading firm in Grenada with some light manufacturing enterprises under its umbrella. It employs over 250 people with annual turnover of over EC$15m. CAIC has done some top and middle management training but, most importantly from the Huggins standpoint, it has trained two senior managers in training methodology in its "training of trainers" programme. These managers have in turn developed a training plan and have carried out supervisory, sales training, orientation and other in-house training. More importantly, they have formalized the training function in the organization and more training is planned in 1986-1987. They intend to use CAIC for the Top Management training which they feel unable to mount internally. This firm's experience with CAIC training services has reinforced a changed attitude toward training. Because of the

97X

relative size and prestige of the firm in Grenada, it is a likely that favorable attitudes will spread to other businesses in the country. Top management willingness to commit more of its (high opportunity cost) time to training is indicator of probable impacts on costs, productivity, profits.

Chambers' Training Programmes

In each of the Chambers in St. Vincent and the Grenadines, Grenada, St. Lucia and Dominica, the respective Executive Secretaries have been trained in training methodology, hence putting in place a training capability of some sophistication. Having these trainers in place has borne more fruit in Grenada, where the Chamber has developed and run a series of training programmes in secretarial services and supervisory management, among others, for its members at its well equipped Training Center. The evaluation team was in turn able to examine the "multiplier" effect of the Chamber's effort.

Both the National Commercial Bank of Grenada and Huggins were users of the Chambers' Supervisory training programme. In both cases the results highlighted were:

- Broadening the outlook of the supervisors,
- Improved supervisory practices, and
- Improved employee morale.

On The Job Training/Supervisory Training

The National Commercial Bank of Grenada is a bank (majority-owned by the public sector) with over EC $69 million in deposits. It employs more than eighty people. CAIC has been assisting the management of the Bank in carrying out an organizational diagnosis and follow-up supervisory training as the first step in a more comprehensive performance improvement programme. In addition, at least one senior manager has been exposed to the training of trainer's programme. Management is well satisfied with the CAIC training provided and looks forward to the follow-up activities. The General Manager rated the CAIC training as an "eight" on a scale of ten. He attributed the following perceived benefits to training:

- improved supervisory practices
- broadened outlook of supervisors
- improved training systems, and
- improved morale

Furthermore, the General Manager himself (a public sector manager) has taken an active role in the Grenada Chamber, and is

now serving on its council. He has recommended the same CAIC on the job training for another public corporation, the Grenada National Import Board, of which he is Chairman.

The Dominica Coconut Products Corporation is one of the largest private manufacturers in Dominica. The company has used the services of CAIC in an on the job training programme with special emphasis to date on its supervisory training. The training is rated at about eight on a scale of ten and improved supervisory practices are attributed to it. Dominica Coconut Products will continue to use the services of CAIC. It has been and will continue to pay the full direct cost of the services.

The Eastern Caribbean Flour Mills and its sister company, Eastern Caribbean Feeds Limited of St. Vincent, is a relatively large production enterprise making flour and animal feeds, employing over one hundred and fifty workers with an annual turnover in excess of EC $36 million.

CAIC has begun an on the job programme of training and organizational development. To date they have carried out an organization diagnosis, top management and supervisory training with "top management team development" among other initiatives to follow. Management rated the CAIC training at a "nine" on a scale of ten and attributed the following benefits to the training:

- improved morale,
- improved managerial decisions,
- improved supervisory practices, and
- better training systems.

The General Manager also feels that he has begun to see a broadening of outlook among those managers trained. He is anxious to have speedy follow-up at the top management level.

Business Association Role

CAIC has developed an important link with the Caribbean Examinations Council (CXC) which has the potential for a significant contribution to an ultimate increase in productivity levels in the region. A senior CXC manager sits on CAIC's training committee, whose advice helps CAIC to avoid duplication of existing programs. CAIC gives advice to the Curriculum Committee of CXC on the needs of the region's businesses in terms of employee skills requirements. This is considered an important communication process by both parties.

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99X

The following general conclusions can be drawn from the interviews conducted by the team:

-- There is a willingness to pay for CAIC's training and technical assistance services by businesses which have the ability to pay for these services.

-- Successes in training and technical assistance have a generally positive effect on the image of CAIC if not on the build up of permanent membership.

-- The training department has impacted on some of the larger and more sophisticated enterprises in the region.

-- Technical assistance department can make a significant difference especially in the small struggling manufacturing enterprise.

-- The Training of Trainers' programme has had some successes and can be consolidated with properly organized follow-up and support. (In case of the Grenada Chamber, training has been carried on after a properly equipped Training Center was acquired from CALA through CAIC's assistance while the same has not happened in the other Chambers).

-- Successful training and technical assistance engagements have generated demand for follow-up and new work in the same organizations, as well as stimulating demand from others.

2. <u>User Satisfaction</u>

During the course of the field survey, the evaluation team gathered information on the following subjects concerning the satisfaction of businessmen with the services they received from CAIC:

-- Businessmen's attitudes toward use of outside training and technical assistance.

-- The perception of users about the CAIC programme itself; that is, its relevance to their needs, manner and timeliness of delivery, and the quality of materials used;

-- The perceived impact on trainees' behavior;

-- The perceived impact of the training on the trainee's organization in terms of some standard measure of performance; and

-- Availability and quality of follow-up.

The analyses which follow are based on the comments of individuals interviewed by the evaluation team in six territories (Barbados, Antigua, St. Lucia, St. Kitts, St. Vincent, Grenada, Trinidad & Tobago, and Guyana) during the week of Nov. 3 - Nov. 8, 1986. The set of respondents do not represent a scientific "random sample" of all CAIC's training and technical assistance recipients. Therefore, the analysis relies heavily on anecdotal evidence.

Attitudes toward training and technical assistance

An assessment of the businessmen's attitudes toward training and technical assistance includes the following findings:

Attitude of businessmen to outside consultants

The evaluation revealed a mixed reaction to outside consultants and technical assistance, with a strong positive attitude to training and its usefulness. Negative reactions to technical assistance sometimes focussed on the qualifications of the consultant ("he knows a lot less about this business than I do"); sometimes on the limited amount or lack of continuity in assistance provided; sometimes it was simply that the problem was not solved. Reactions of hostility to outsiders as such were little in evidence. This is a significant shift in attitudes from the hostile view towards outside training and technical assistance which prevailed until the early eighties.

Awareness of training and technical assistance opportunities

Strong evidence was found of the following:

- a growing awareness of available training and technical assistance (i.e. from both CAIC and other national, regional and international sources);
- the willingness to use such opportunities; and
- a very positive attitude to training in general and CAIC training in particular.

Willingness to pay for training and technical assistance

CAIC charges for its services on the basis of 25% to 125% of direct costs, depending on the type of program and the ability of the recipient firm to pay (a more detailed discussion of training costs and revenues is contained in Chapter III). Only

101X

the relatively larger firms said they could be willing to pay more for the services received from CAIC. This response indicates a growing awareness of the costs of training and a greater willingness to pay for such services on the part of the larger firms, if not the smaller ones in the region.

Priorities in Training and Technical Assistance

Respondents indicated the following priorities for the future, in order of importance to respondents:

- first line supervisory training
- management development (top management)
- O.D. consultancy
- worker skill training
- assistance with technical systems

The Training of Trainers program, which was rated highly by direct participants and has contributed to the pool of qualified trainers in the region, has only indirect importance for most individual firms.

Perceptions of Users Concerning the CAIC Training Programme

The following observations relate to respondents' perceptions of the relevance, delivery, methodology, and materials, of CAIC's training programs.

Satisfaction with CAIC's training programmes

Eighty percent of those interviewed who had received CAIC training were very satisfied with the training.

Satisfaction with CAIC's technical assistance

Fifty percent of those respondents who had received CAIC's technical assistance of one kind or another were satisfied with such assistance.

The major area of dissatisfaction cited by training recipients was in the lack of follow-up. CAIC's executive director responds:

> The perceived lack of follow-up is due mainly to limitations of manpower and money, allocated to the training function within CAIC. A favorable result elicited demand for additional training from the companies who perceived training to have helped them; as well as from new companies hearing of the favorable results. With limited resources,

one inevitably falls back on trying to help as many companies as possible in each country or company, all of whom are paying subscriptions to CAIC. Inevitably, it means less follow-up than would otherwise be the case with larger, overall resources.

Rating

- CAIC's training department was given an average rating of eight on a scale of ten.

- CAIC's technical assistance was rated closer to a six on a scale of ten.

One may conclude that there was a high degree of overall satisfaction with the CAIC training delivery capability and average satisfaction with its technical assistance programme.

The greatest weakness seemed to be in the technical assistance areas, in particular the inability to deliver specific specialized technical assistance in some cases. It is conceivable that technical assistance is inevitably judged by a tougher standard than training because it is often oriented to a specific problem, opportunity, or work product, with its success or failure being more obvious than in the case of training. On the other hand, because it is more specifically and immediately related to the performance of the business, as discussion of the generic scope of work points out below, it is easier to associate "bottom line" measures of development impact with technical assistance than it is with training.

The Perceived Impact on Trainees' Behavior

The following observations relate to the respondent's perceptions relevant to training, or where the technical assistance involved training modes of delivery.

In general, 80% of our respondents felt that the training had impacted positively on the performance of their personnel. Following are the perceived impacts within particular categories of training:

Training of Trainers

- improved training systems
- improved employee morale
- better career development for employees
- broadened outlook

103

Supervisory Training/On The Job Training

- improved quality of management decisions
- improved supervisory practices
- improved employee morale

The Perceived Impact of the Training and Technical Assistance on Performance Improvement

There was some evidence of specific impact on organizational performance, but in general the answer given was that it was too early to tell what the tangible results would be. There seemed to be a general unwillingness to identify specific improvements of organizational performance. At best, such responses are difficult to quantify, even when respondents are willing to answer.

In the light of these qualifications, the following conclusions were drawn:

- Where a mix of training and technical assistance was delivered to small manufacturers, there was some evidence of:

  - improved quality
  - improved production/productivity
  - improved packaging
  - facilitated introduction of new products
  - increased worker attendance
  - improved ability to prepare projects (hence access to increased financing)

- Where on the job training was taking place, the answer to the question of bottom line impact tended to be "too early to tell," hence, some sense of "expecting it to happen."

- Where technical assistance and training was delivered in an integrated package that included such elements as "attachment" to larger, more advanced firms, supervisory training, and on-site assistance, there seemed a greater impact on the bottom line.

Follow-up

More than sixty percent of the respondents cited weak follow-up as a major problem with both the training and technical assistance services of CAIC. The cases in which this was not a complaint were:

(a) on the job training, and

(b) cases where an integrated training and technical assistance package was delivered over an extended period of time.

3. Training and Technical Assistance Findings Related to RDO/C's Private Sector Program by Means of the "Generic Scope of Work"

This subsection applies the "generic scope of work" to CAIC's training and technical assistance functions. Goal statements, purpose elements, causal paths, and evaluation evidence are summarized for economic development, policy and institutional impacts.

The training and technical assistance services provided by CAIC with assistance from RDO/C under PSIAP contribute most directly to the economic development goal, but they also make minor contributions to the institutional and policy goals. The way in which goals and purposes relate to each other, and the evidence of development impact available in each case are discussed in the following subsections.

Economic Development Goal Statement:

To increase the contributions of privately owned business establishments to employment, production, productivity, net foreign exchange earnings, and/or to improved standards of living in the Caribbean.

Standardized Purpose Elements:

An analysis of CAIC's training and technical assistance programs indicates that they encompass ten of the fifty purpose elements listed in the generic scope of work. They are as follows:

GROUP I

- to improve business management skills
- to improve management systems
- to improve record keeping and accounting

105X

GROUP II

- to improve skills of supervisors
- to improve skills of laborers and office workers
- to improve labor relations skills
- to improve marketing skills

GROUP III

- to improve production methods
- to introduce new technologies
- to identify and tap new markets

The classification according to "Groups" was not contained in the original version of the generic scope of work. The three-fold classification was added during the analysis of survey results for this evaluation.

The first group of purpose elements relates mainly to the overall operation of the business and to financial control. While the skills and systems involved may be those most directly related to the firms' commercial performance and profitability, often it is difficult to tie the successful provision of these services to any tangible measure of economic development impact. Occasionally, acceptance of new financing proposals can be traced to the management training or to the installation of new management and record keeping systems. For the most part, however, it is necessary to accept surrogates such as the opportunity cost of management time willingly devoted to training and technical assistance and the cost to the company of the services themselves ("revealed preference" and thus minimum valuation, to the extent they are utilized) as substitutes for measures of development impact.

The second group covers training in marketing and production skills. The subject matter of the training is generally more directly related to increased productivity, production, exports, employment and the like (economic development goals) than in the case of Group I, but the achievement of the purpose element itself, (to improve skills) is separated in time from these development impacts.

The third group covers technical assistance in marketing and production skills. Here the measure of the achievement of the purpose element is very close in time and virtually identical with the economic goal. If technical assistance enables the successful introduction of improved production methods, increases in productivity should soon follow. Because technical assistance in marketing and production is so closely related to problem-

solving and to the achievement of practical results, it tends to be graded on the harshest scale. On the other hand, it is easier to demonstrate the tangible development impact of such services than it is in the case of services directed to the first two groups of purpose elements.

Causal Paths:

We are concerned here with logical relationships between the enumerated project purpose elements to the stated economic development goal of the program.

Much of the training and technical assistance which CAIC has rendered or funded has been designed to increase productivity in individual establishments. In some cases, services are intended to increase productivity by improving communications and by affecting worker motivation. In other cases, the route to achieving productivity is by upgrading the skills of workers and their supervisors, by introducing new equipment or production methods, and/or by controlling the production process more effectively. Where productivity is in fact increased (increased productivity is a bottom-line development impact in itself), it well may be followed by increased production, foreign exchange earnings, employment, and living standards, although this is not necessarily the case. It is conceivable that if improvements in sales, productivity, or other areas are made in one establishment, they will spread to other establishments as a matter of example or of competitive necessity. The evaluation design did attempt to test such spread effects. The basic notion is that if significant evidence of tangible improvement can be found at the level of individual establishments receiving services, the effects on the nation and the region, ceteris paribus, will be positive. This microanalytic approach is one way of overcoming difficulties posed in attempting to evaluate project accomplishments in terms of macro-level impact, changes which are the result of much larger forces.

By contrast, CAIC training and technical assistance efforts in the areas of marketing, quality control, and packaging may have their intended goal-level effects without affecting productivity in any substantial measure. They help to expand sales-- and expanded sales translate into increased production, foreign exchange earnings, employment, and/or improved standards of living. If there is an effect on productivity, it is achieved through economies of scale -- achievement of production volumes that represent necessary conditions for certain kinds of reductions in unit costs.

107X

Another way in which CAIC's technical assistance capabilities can contribute to RDO/C's economic development goal for its private sector program is by providing staff support to CAIC's own direct efforts to stimulate foreign investment and exports. These matters are discussed in the following chapter which deals with the functions of CAIC's Economic Development Department, and are not treated below.

Evaluation Evidence:

In several cases, the evaluation team obtained direct and specific evidence of development impact of the services provided: a new line of business opened up and saved the jobs of a number of workers and increased sales and exports; in another case, production costs were reduced substantially, product quality increased; a proposal for new financing was accepted: productivity and production increased. In other cases, the information gathered, e.g., that the services contributed to product diversification and improved quality control, suggested that bottom line impacts had been achieved, but for one reason or another the person interviewed did not give sufficient details to establish bottom-line impact beyond doubt. In still other cases, the recipient of the services indicated satisfaction with the services rendered and certain desirable intermediate outcomes (improved employee morale, improved systems in place), but said that it was too early or too difficult to identify any tangible and specific end results on productivity, production, exports, employment, or living standards.

It was clear that in those cases where both training and technical assistance initiatives were integrated, the recipients felt there was an impact on quality of product, level of productivity and other bottom-line measures. In cases where only training had been delivered, however, mostly intermediate measures were in evidence - e.g. improved employee morale, improved supervisory practices, or improved training systems. These intermediate measures are generally held to be preconditions for increased production and productivity on a sustained basis. For the smaller firms, in particular, the most significant results were achieved where it was possible to supply services on a "holistic" basis, that is to deal with each of the elements of the problem or opportunity that was needed for the firm to make a change.

Policy Goal Statement:

To improve the climate for private investment and for expanded international trade.

Standardized Purpose Elements:

-- To initiate or support changes in the policies of governments and regional organizations.

-- To initiate or support changes in legislation.

-- To initiate or support changes in the procedures and practices of governments and regional organizations.

Causal Paths:

CAIC's training and technical assistance functions affect the policy environment in two ways, both of them indirect. First, the existence of technical skill among CAIC staff members and knowledge of how to mobilize technical skills that exist outside the organization can be helpful in providing support to CAIC's policy advocacy efforts. These efforts are examined in the following chapter.

Second, the provision of training and technical assistance services can enhance CAIC's image as an important, enlightened, and broadly based institution, and thus increase their credibility in their policy advocacy efforts. The extent of this effect depends on the quality of the services provided, the characteristics of clientele who receive them, and the degree to which CAIC demonstrates itself to be at the leading edge of Caribbean practice in delivery of professional services.

Evaluation Evidence:

Interviews conducted by the evaluation team generally confirmed that the provision of training and technical services by CAIC have enhanced the organization's image, and that its training services are particularly well regarded. However, there was no evidence to suggest that any tangible CAIC accomplishment in the area of public policy could be attributed to the provision of training and technical services to its members.

Institutional Goal Statement:

To increase the capacities, efficiency, and sustainability of institutions serving the private sector.

Standardized Purpose Elements:

--To attract business association members
--To train trainers.

109

Causal Path:

If provision of training and technical assistance services are valuable to businessmen and joining CAIC is a condition of receiving such assistance, then additional members will join CAIC in order to receive them. If training and technical assistance provided by the CAIC staff contributes to the organization's image as a competent and enlightened institution, other members will join and become involved in CAIC's programs.

If executives of local chambers become effective trainers for local businesses, then the competence of these executives will be increased, the image of the chamber in the community will enhanced, and local membership will increase.

Evaluation Evidence:

As discussed in Chapter Two, there is evidence that some small business firms have joined CAIC in order to receive training and technical assistance services. However, these businesses often discontinue their membership once the services have been completed. It is clear, in addition, that CAIC's services have added to the organization's reputation, but there is no hard evidence that this reputation, in itself, has had any measurable effect on commitment and permanent membership.

There is evidence that the training department (in collaboration with other departments of CAIC), has helped strengthen the skills of individual managers of local chambers through training of trainers' programs, increased exposure of Chamber personnel to regional and international perspectives, and training specific to more effective management of the Chambers. In addition, by demonstrating the usefulness of the chamber to the community, it is possible that this activity has indirectly helped in attracting membership to individual chambers and ensuring that the members play a more active and constructive role. However, the evaluation team was not able to obtain hard evidence of this effect.

E. CONCLUSIONS

CAIC has delivered training and technical assistance to Caribbean businesses in a creditable fashion, although recipients often noted a lack of follow-up. CAIC's training services, in particular, are held in high regard by recipients. The Training of Trainers programs have been successful and deserve to be continued. Training and technical assistance contribute mainly to achieving the economic development goals identified in the generic scope of work. They make their contribution most

directly by increasing sales and improving productivity in business establishments. These services have had some favorable effects on CAIC's image and on the status of business associations in their individual countries. However, the impact of training and technical assistance on policy and institutional goals largely has been indirect. The needs for private sector training and technical assistance are quite large, but the market has not been measured accurately in terms of how the demand for such services is affected by the price that is charged to them. Some relatively large businesses can and will pay full price; others, particularly small micro businesses, will not. The challenge before the CAIC is to frame a strategy for marketing these services that balances development impact objectives with CAIC's own needs for financial self-sufficiency.

The recommendations of the evaluation team with respect to CAIC's training and technical assistance functions are contained in Chapter VI. An outline of one possible future strategy which CAIC may wish to pursue is presented in Appendix E of this report.

111+

CHAPTER IV. ECONOMIC DEVELOPMENT AND POLICY ADVOCACY FUNCTIONS

A. INTRODUCTION

This Chapter contains an evaluation of the economic development and policy advocacy functions carried out by the Caribbean Association of Industry and Commerce, mostly through the activities of the Economic Development Department. The Chapter consists of five sections. This section provides an overview and introduction. Section B gives an historical perspective on the activities of economic development and policy advocacy within CAIC. Section C describes the activities and achievements of CAIC's economic development and policy advocacy efforts. Section D contains an assessment of the results of CAIC's efforts in these fields. In particular, the findings of the evaluation team with respect to the application of the "generic scope of work" to the economic development and policy advocacy functions are presented. Conclusions are summarized in Section E.

The Economic Development Department (EDD) is staffed by a Program Manager, an assistant program manager, and a junior professional officer involved primarily with the CBIN service, but who also carries out some work related to the functions of other departments.

The evaluation of the Economic Development Department and its functions was among the most challenging aspects of the entire PSIAP (Private Sector Investment Assistance Project) evaluation. CAIC has taken on two very separate tasks: one is in the nature of enhancing the environment in which private enterprise works in the region through public relations and policy advocacy (backed by research, analysis, and dissemination of information); the other is a more direct and practical effort toward assisting existing and potential entrepreneurs to expand production, employment, and exports.

Although the two tasks reinforce one another, they are nonetheless two very different types of activities, drawing on different sorts of resources and skills (and requiring very separate sorts of evaluations). It is perhaps inevitable that one function would come to take precedence over the other: in the case of CAIC, it seems that policy research and advocacy efforts have received more attention and effort than the more practical economic development functions such as investment and export promotion. The difficulties involved in trying to perform the two functions simultaneously are brought into a particularly sharp focus within the Economic Development Department, which has both types of tasks to perform.

B. THE HISTORY OF CAIC'S ECONOMIC DEVELOPMENT AND POLICY ADVOCACY FUNCTIONS

This evaluation concludes that the placing together, within a single unit of CAIC, of advocacy functions (oriented to changing Government policies) and certain economic development functions (mainly promoting investment and export opportunities) has led to the unsatisfactory performance of the latter functions. This section traces the organizational history which led to the co-location of these functions.

Since the beginning of the CAIC/USAID relationship in 1981, the clear separation that was established between CAIC's economic development efforts (funded by USAID), and its policy advocacy efforts (largely internally funded), has steadily eroded. Specifically, as of 1981, when USAID began to fund CAIC's revitalization effort, USAID saw CAIC as a "vehicle to provide for the managerial and technical assistance needs of small and medium sized firms... to develop their business acumen; to promote joint ventures; to organize the training of managers; to promote exports of Caribbean products; to conduct research into ways of making better use of local raw materials; and to devise ways to meet the credit needs of small and medium sized business."

In addition, CAIC would "enhance the public policy and community image climate [for business]...; developing policy positions and identifying consensus action priorities...; maintaining on-going liaison with decision makers in key areas such as legislation and regulation." These functions, however, would be carried out by the Business - Government Relations Department of CAIC, and, although USAID encouraged these policy advocacy activities, the agency did not fund them. USAID policy at the time was not to fund administrative staffing, public relations, affiliate development or lobbying efforts.

USAID did support research and data collection and economic development activities. As of 1981, CAIC had a separate Research and Data Collection Department (which included Technical Assistance, described above in Chapter IV), whose programs were funded by USAID. Its function was to monitor the region's economy, track changes in public sector policy, identify trade and investment opportunities, and disseminate information to affiliate organizations and member companies. The Economic Development Department also received substantial USAID funding, and its role was primarily to work to expand business activity, promote investment, assist Caribbean companies to become more competitive, and "promote exports of Caribbean industries and regional businesses through joint ventures and trade barrier reductions."

113X

It is worth noting at this point that the issue of trade barriers is essentially a national and regional **policy** issue. On the one hand, the existence and nature of trade barriers would have a strong influence on the effective competitiveness of industries within the region, and was therefore of concern to the Economic Development Department. On the other hand, any attempt to reduce trade barriers would require an active lobbying effort, which would normally be undertaken by the Business-Government Relations Department (along with lobbying for, e.g., tax reform).

At the time of CAIC's revitalization in 1981, both CAIC and USAID felt the need to exercise caution in designing the nature and extent of US support for the organization. As far as CAIC was concerned, too close a connection between its policy advocacy/lobbying efforts and US support could be politically counterproductive. Presumably, as far as USAID was concerned, it should avoid the appearance of interfering in local politics.

Nevertheless, beginning with the issue of trade barrier reduction at the outset of the PSIA project, USAID did support at least some public policy research efforts, and expanded that support steadily over time.

As early as March, 1983, in the first major evaluation of CAIC, Catherine Pearson commented on a study prepared by the Head of the Economic Development Department on the subject of general policy recommendations which could be submitted to the government of Dominica. The study was requested by the Dominica Association of Industry and Commerce. The evaluation commented on the quality of the report, but gave no indication that the report itself was outside the scope of work assigned to the department under the co-operative agreement. In fact, the evaluation contains the comment: "The DAIC study demonstrated CAIC's interest in being responsive to the specific research needs of its affiliates."

In the CAIC annual report for 1982, the Economic Development Department is said to focus on "what is perhaps the core CAIC objective: the promotion of new or expanded productive investment in the regional private sector." Later in the same document, the report of the Economic Development Department describes research into Caricom policy, including the common external tariff, and the Caricom Multilateral Clearing Facility (CMCF). This theme is repeated in the 1983 Annual Report, which also informs that "a large part of the [EDD] effort is research oriented, especially that aspect dealing with Caricom issues and concerned with conducting specific economic enquiries in response to requests from member associations."

Other activities of the Economic Development Department at the time (1982 - 83) included the restructuring of the Caribbean Investment Corporation (another public policy initiative), cooperation with the US Department of Commerce and USAID in implementing the Caribbean Basin Initiative, development of an industry attraction strategy, pre-investment analysis, small business development, liaison with the international donor institutions, and serving as a "watchdog" for private sector interests. The considerable overlapping of functions with the Business-Government relations department and with the Research and Data Collection Department is already clearly visible.

The Business-Government Relations Department was officially merged with the Organizational Affairs Department (OABG), but many of its functions were quickly absorbed by the EDD. It appears that the written work on public policy was handled within EDD, while actual personal contact, somewhat more informal and ad hoc in nature, was handled by the Business-Government Relations Department and, for the highest level contacts, by the Executive Director and the Board President themselves. OABG represented CAIC at Caricom summits in 1982 and 1983 in a journalistic capacity. By 1984, EDD was representing CAIC at the Caricom Council of Ministers (Joint Consultative Group) meetings in a more active "observer" capacity.

In the 1983 Annual Report, the Caribbean Manufacturers Council (CMC) and the Caricom/DFA (Departements Francais d'Amerique) task forces were listed under the activities of the OABG Department; in the 1984 report, they were listed under the EDD. These shifts took place so that the CMC and the task forces could have more ready access to EDD's research capacities in support of their special lobbying efforts.

In 1982, the Research and Data Collection Department was connected with the Technical Assistance Department. It was setting up a direct needs identification and brokering system for CAIC's corporate members, developing a data base on regional economic trends and specific company activities, and developing a roster of consultants available to serve local businesses. In 1984, the functions of research and data collection were moved from the Technical Assistance Department to EDD. The Technical Assistance Department (later merged with the Training Department) was also the original repository of the Commodity Task Forces, which came into the purview of the EDD only as of 1986.

The steady movement of functional responsibilities from the Business-Government Relations Department to the EDD seems to have two main causes:

115X

1. Policy advocacy efforts needed to be backed by research and analysis in order to be effective. The Economic Development Department is geared toward research and analysis; OABG is not.

2. The funds available to EDD, although somewhat less than the funds available to OABG, are substantially more flexible. The funds in the OABG budget were all earmarked for very specific purposes (e.g., the Local Affiliate Development Program, Junior Achievement), while the EDD's funds were designated for broader purposes (e.g., Caricom/National Policy Research).

It is probable that both USAID and CAIC were becoming more comfortable with the idea of USAID support for policy advocacy. Recognition of the role of policy change in removing barriers to economic development was growing worldwide during this period. USAID support for CAIC's policy research created no substantial problems or adverse criticism for either institution. The effect of the organizational realignment was to put USAID support directly behind functions which the Board and the membership of CAIC deemed central to the organization's purpose. Other things being equal, this was a desirable outcome for both organizations.

What is less clear is the rationale for placing business investment and export promotion under managers whose primary skills and priorities were in the area of research/advocacy. Perhaps neither CAIC nor USAID saw, or cared to see, that the business promotion functions of the unit would be left in the wake.

C. ECONOMIC DEVELOPMENT DEPARTMENT: ACTIVITIES AND ACHIEVEMENTS

In 1984, after the bulk of the immediate revitalization activities were completed, CAIC submitted a three year grant proposal to USAID, which was approved and funded without significant modification. The line items within the EDD program budget were:

1. Options for Expanding Intra-Caricom Trade
2. Caribbean Basin Information Network
3. Caricom/National Policy Research
4. The Caribbean Manufacturer's Council
5. CBI Implementation

This section examines activities and achievements of EDD over the past two and a half years carried out under these line items.

1. Options for Expanding Intra-Caricom Trade

In the aftermath of the sharp decline in intra-Caricom trade which took place in 1983 (see Chapter I.B, above), the 28th Annual General Meeting of CAIC formed a Select Committee to discuss ways around the impasse; one of their first actions was to issue a press release calling for CAIC's own private sector affiliates to refrain from issuing or endorsing any statements appealing for any measures restraining intra-regional trade. Most of CAIC's members went along with this directive, with the notable exception of the Trinidad and Tobago Manufacturers' Association.

During 1984, the Economic Development Department of CAIC was active in preparing analyses of intra-Caricom trade over the previous four years and writing position papers for presentation at the Joint Consultative Group of the Caribbean Common Market. CAIC's proposals to Caricom were based on bilateral barter ("Countertrade") and the establishment of a Caricom Currency Unit (CCU) for use in denominating intra-Caricom trade transactions. These activities formed the basis for one of the individual projects included in CAIC's 1984 grant proposal to USAID. Outputs were to include a workshop for public and private sector participants on countertrade, and a detailed report specifying how a countertrade regime would function. Both outputs were produced over the course of the following two years; the outcomes are described below.

During the early 1980's, Intra-Caricom trade was facilitated by the Caricom Multi-Lateral Clearing Facility, which was administered on behalf of the regional Central Banks by the Central Bank of Trinidad and Tobago. The CMCF's clearing device offset trade debits against trade credits, and only required of member countries that they clear their net debits over a period of time. By the time of the 1983 trade crisis, Guyana had accumulated a debt of over $95 million to CMCF, which nearly exhausted the entirety of the facility's $100 million fund and caused its collapse. The major creditor in this case, ultimately was the Central Bank of Barbados.

The counter-trade proposals submitted by CAIC in 1984 and 1985 were designed to reduce Guyana's indebtedness to its CMCF creditors through bilateral barter deals administered by an outside bank. CAIC's proposals were favorably received by the major creditor (the Central Bank of Barbados) and by a major U.S. Bank interested in administering the transactions; but Guyana, the major debtor, proved unwilling to participate.

117X

CAIC also submitted proposals which were utilized by the Caribbean Development Bank when they approved the development of a new US$ 75 million Export Credit Facility. The Facility, although approved by Caricom member governments, will remain inoperable until financing becomes available from the member governments and/or outside donor and financial institutions. CAIC's Executive Director expresses guarded optimism for the future of the CECF, if not a new CMCF:

> The CECF and the CMCF are NOT strict alternatives. The CECD is designed primarily to make available to regional manufacturers, various forms of pre and post shipment credits, to assist them with the expansion of exports.
>
> Because it will be located and administered at the Caribbean Development Bank (CDB) (as opposed to the CMCF which was the child of the regional Central Banks and administered by the Trinidad and Tobago Central Bank), it is likely to attract both regional private sector financial support, as well as similar support from donors participating in the Caribbean Group for Cooperation in Economic Development (CGCED), especially those with non-borrowing membership in CDB such as the U.K., Canada, West Germany, France etc. and the U.S.A. CDB has a good track record with its member governments of efficiently administering public sector funds.

In 1984, Jamaica devalued sharply, to the immediate competitive detriment of the Trinidad and Tobago manufacturers, who accused Jamaica of creating for itself an "unfair" exchange rate advantage, and responded by calling for additional protection from regional competitors. As a result, imports into Trinidad and Tobago required licences and the amount of foreign exchange available for such imports was limited. Exchange rates within Caricom became a controversial issue in some quarters. In 1985, CAIC's Economic Development Department (and the CAIC Executive) proposed that the Association actively pursue the concept of a Caricom Currency Unit, which would function much as the European Currency Unit does in the EEC.

CAIC's proposals to Caricom on countertrade and a CCU were ambitious and controversial. Nevertheless, as they were being circulated within Caricom, the most significant development concerning regional trade came from the Fifth Caricom Heads of Government Conference in July 1984, where CAIC was in attendance, promoting countertrade and the CCU as well as more conventional measures for encouraging Caricom trade. The outcome of the conference was the "1984 Nassau Accord," agreed to by all the member governments of CARICOM. Essentially, the Accord called for the following measures to be fully implemented by Jan. 1, 1986:

1. Reduction of internal tariffs and lifting restrictions on inter-regional trade;

2. Adoption of a new Common External Tariff (CET);

3. Establishment of a commodities list that would qualify for special protection with a common external tariff surcharge.

Although the national governments of Caricom agreed to the Nassau Accord, a plethora of "national reservations" (allowing individual countries to exempt individual products from the confines of the agreement) kept the Accord from being implemented in any meaningful way.

Ultimately, the CAIC Board could not reach a favorable consensus on either the counter-trade or the CCU. Whatever the ostensible merits of the proposals, the prospects for implementation were very remote because of political and practical obstacles. These included reluctance of national governments and their central banks to yield control over national monetary and exchange rate policy and the practical complications which would have to be faced by businesses involved in countertrade (including the inherent inflexibility and inefficiency of the system and the cost of brokering barter transactions). The Board finally concluded that it would be more productive for the Association to concentrate its efforts on assisting manufacturing companies in producing quality consumer goods at competitive prices-- and to shelve the countertrade proposals for the time being.

2. <u>The Caribbean Basin Information Network (CBIN)</u>

The Caribbean Basin Information Network (CBIN) is a computerized data base of member companies and organizations, and an electronic bulletin board to facilitate business contacts for trade and investment. In the United States, CBIN is operated by Caribbean/Central American Action (C/CAA) through its offices in Washington, D.C. and Miami, Florida. CAIC maintains a CBIN terminal in its offices in Bridgetown, Barbados, and it encourages its members and other organizations within its service area to obtain terminals for themselves. However, to date, only the Caribbean Development Bank, and the Chambers of Industry and Commerce of Martinique and Guadeloupe have joined the network through CAIC.

CAIC began to work with CBIN in 1983, but technical difficulties kept CAIC's system inoperable until 1984. In the 1984 grant proposal to USAID, CAIC stated that use of CBIN was expected to:

119X

1. Bring together potential joint venture partners;
2. Facilitate the transfer of technology and managerial skills;
3. Expand investment and trade (especially in manufactures)
4. Locate supplies of raw materials and capital equipment; and
5. Identify intra- and extra- regional market opportunities.

The LogFrame accompanying the three-year grant proposal showed (at the purpose level) that CAIC expected CBIN to produce 12 joint venture projects, 20 technology transfers, and 20 suppliers, and that CBIN would cover its own costs by 1987. At the output level, they expected 10 class A subscribers (those with their own terminal), 800 company profiles in the system, and 180 hours of use by Class B subscribers (those who use the system through CAIC's terminal) in the third year. As was described earlier in the case of training and technical assistance (Chapter III), The 1984 grant proposal, written in a "selling mode," tended to significantly overstate the practical capabilities of CAIC's departments, given their resources and budgets. Nonetheless, a comparative analysis of results achieved by organizations using CBIN elsewhere suggests that substantial progress toward meeting targets might have been achieved if the CAIC effort had been better staffed and managed-- and CAIC had clearly demonstrated to its constituents that it really could deliver export opportunities and suitable joint venture partners quickly.

The current evaluation team sought information from EDD on the use of CBIN over the past two and a half years and on the resulting accomplishments. The information received was far less extensive and definitive than wished. The data which was obtained indicates that, on the whole, EDD's handling of its CBIN responsibilities has been most unimpressive. On occasion, EDD has used CBIN effectively as a research tool on behalf of CAIC members, and has put firms within CARICOM in touch with each other. However, the volume of activity and of documented results leave much to be desired. Moreover, the role played by the CAIC staff often has been that of a research librarian in a public institution, often using the mail as a means of communication. On some occasions, businessmen and organizations in CAIC's territory have gone directly to C/CAA, rather than through CAIC, presumably because of a lack of aggressiveness and business acumen on the part of CAIC's staff assigned to the function. It is our understanding that CAIC staff met with C/CAA staff at the recent Miami conference, and that a number of improvements in CAIC's operation of CBIN were agreed upon.

The first set of data (aside from a one-month sample extract from the CBIN log) provided to the evaluation team by CAIC was entitled "List of Caribbean Companies Used as Potential Business Partners for Trade Leads from the CARIBBEAN BASIN INFORMATION NETWORK (CBIN)." This list was forwarded to members of the

evaluation team in the field during the week of Nov. 3 - 8, 1986, so that they could contact and interview the individuals and companies about their use of CBIN. A number of companies that appeared on CAIC's list were contacted, in Antigua, Dominica, Guyana, and St. Vincent. The team was unable to find anyone at any of these companies who was aware that their firm had used or had been included in the CBIN database in any way, that their firm had been recommended to others by CBIN, nor indeed, knew much, if anything, about the service.

It appears that CAIC's list contained names of companies in CAIC's data-base, which are supplied to potential investors and exporters. It is entirely conceivable that notices of such references were mailed to these companies by EDD, but that the evaluation team spoke to the wrong people at those companies, or that the notices had been forgotten. It is even conceivable that export sales or investment resulted from CAIC references without the companies' being aware of who had recommended them. But it does seem significant that inquiries to companies on the list provided by CAIC produced no evidence whatsoever that these companies had used or benefited from CBIN.

The evaluation team then specifically asked for and received a "sample list" of users of CBIN. This document contained the names of individuals (and their businesses) within the region who made inquiries of the CAIC staff. CBIN was apparently used in preparing the responses. No inquirers from outside the region were listed. Most of the requests listed in the sample were for lists of regional suppliers of products or for general market information. The evaluation team contacted several of the individuals listed. Those who had requested market information were generally satisfied with the information CAIC provided; reaction to CAIC's assistance in locating suppliers was mixed. Two requests were for joint venture partners. In one of the latter cases, the inquirer asked specifically for an American partner with an established market, but was provided only with suggested partners within the region. Although one of the suggested Caribbean partners may make a suitable joint venture associate for other reasons, the inquirer still needs a partner based in the U.S., with advanced technology and ready access to the U.S. market.

The evaluation team examined the CBIN log itself. During the twelve month period Oct. 1985 to Sept. 30, 1986, the log of the CBIN lists 43 inquires, which can be categorized as follows:

- Inquiries for joint venture partners in the Caribbean Region originating in the U.S. or Canada - 5,

121 X

- Inquiries for joint venture partners originating in the Caribbean region - 1,

- Inquires for suppliers in the Caribbean region originating in the U.S. or Canada - 19,

- Inquiries for suppliers originating in the Caribbean region - 6,

- Requests for general market information, analysis, or data - 9,

- Other requests - 3.

In addition, in comparing the CBIN logs for the first nine months of 1985 with the first nine months of 1986, it appears that the number of enquiries processed fell from 40 to 31.

CBIN personnel in the U.S. (C/CAA) have estimated that they address approximately 20 inquiries per month to CAIC, although there are substantial variations from month to month.

In all cases listed in the CAIC log, some action was taken by the department: names or data were sent to the inquirers. In the case of requests for general market information or data, the task of CAIC is finished once the information has been sent.

However, in the case of inquiries for suppliers or business partners, merely providing information is not the end of the affair. If a U.S. based company is requesting information on Caribbean suppliers of shrimp, for example, it is probably also sending inquiries to Central or South America, or elsewhere in the world. For CAIC to act as a passive conduit for information is a losing strategy in a contest with aggressive and knowledgeable competitors. Knowledge of practical business requirements, on-going relationships with key persons in regional businesses, personal salesmanship, the ability to think and act quickly, persistance in follow-up, and a fundamental willingness to be tested by the standards which the marketplace applies to brokerage activities are the qualities that can make the difference between winning and losing potentially lucrative business contracts for the region.

What is required, in particular, is quick, aggressive sales effort. The inquirer may sign a contract with the first available respondent. This means that messages sent by mail will almost certainly be too late. In order to compete against other CBIN users, CAIC needs to take action as soon as an inquiry is received: Use the telephone to contact potential suppliers. Explain the opportunity. Encourage the supplier to respond

directly to the inquirer or broker. Ask the supplier to call CAIC after they have contacted the inquirer. CAIC should then call the inquirer themselves and provide the names of the potential suppliers. CAIC should follow up on the exchange within a few days, and assist if necessary.

Out of 31 inquiries listed above concerning supply or joint venture contracts, there is only one instance recorded in the log of a successful outcome: In this instance, a furniture company in Dominica was cited as having imported "the full quota of plastic bags from one of the Barbadian companies." It is possible that this lack of apparent follow-up may reflect the framework of the monthly log itself and the data it is designed for: inquiry, action taken, and current status. What the log needs in addition is a column for "final outcome," which CAIC pledged (in the 1984 grant proposal) to track on a quarterly basis. It is this new column which deserves the conscientious attention of the Department personnel.

The kind of information required is illustrated by C/CAA's CBIN headquarters report for the period April - June 1984:

> Montserrat Fiberglass Co. is based in Montserrat and is involved in the manufacture of fiberglass products. The company was seeking a joint venture partner in the U.S. interested in the production of fiberglass parts for their products. The company was matched up with Weldcraft Steel and Marine Inc. of Washington, Project 2000 of Pensacola, Florida and Venus Products of Washington.
>
> A follow-up was performed and the results were as following. Contact had been made with Project 2000 but was still at an early stage. Weldcraft Steel was not interested because it had gone into another area. They want to invest in shopping centers, either remodeling or building. They are currently looking in Belize. Florida and Venus Products had no interest in the lead. (Emphasis added).

CAIC reports that it provided the initial lead in this case, but that it was C/CAA that followed it through.

The ability to track the outcome of CBIN's brokerage function could enable CAIC to:

1. more effectively market the CBIN among its members and other interested parties,

2. add to the CBIN data base and thereby increase its value,

123X

3. demonstrate positive bottom line impacts - contracts signed, joint ventures created, goods exported, investment attracted - to its members, potential members, donors, and national governments.

An alternative, or supplementary, approach is to provide CBIN terminals in each member country. That such an approach can succeed in some circumstances is illustrated by the experience of Martinique.

The Martinique Chamber of Commerce became a Class A subscriber of CBIN early in 1986, and thus has its own terminal. Businessmen in Martinique are enthusiastic about the service and have made vigorous use of it. CBIN headquarters in the U.S. reported regular and lively responses to U.S. inquiries from Martinique, (although this has tapered off somewhat in recent months). In Martinique, the businessmen explain that they are currently busy with their new contacts and plan to make further use of the service in the future (although for some, it may have represented a novelty of passing interest).

In Martinique, the terminal used for CBIN is housed in the Chamber of Commerce and Industry in Fort de France. Usually, local businessmen come in themselves to use the CBIN (with assistance from Chamber personnel, if necessary), retrieve the information they want, make their own contacts, and perform their own follow-up. Since the Martinique businessmen have ready access to the terminal itself, they do not need to go through any intermediary or broker. They set their own priorities, and know exactly what they want. An intermediary or broker may be busy with the requests of several companies, have only a general sense of the relative urgencies of these requests, and have a limited understanding of the specific needs of the inquirer.

CBIN's computer facilities are not unlike those of a telex network, albeit one that is developed to a special-purpose use. What makes CBIN accomplish its purpose (or fail to accomplish its purpose) are knowledgeable and motivated persons on both ends of the line.

There are at least four ways in which CBIN conceivably could be made to work within the CAIC's ambit. First, it is possible that the agreements reached by C/CAA and EDD at the Miami conference will produce the changes needed to bring performance to a satisfactory level, without any organizational or personnel changes. Second, the function and the existing computer specialist could be placed within a CAIC department headed by an individual with training and experience in marketing, business promotion, and/or brokering. Third, a business promotion

specialist could be brought in, perhaps reporting to the Executive Director or his Deputy. Fourth, a major effort could be made to develop local capabilities to operate CBIN, retaining only limited functions within CAIC.

The evaluation results suggest that it is unrealistic to expect the first alternative will produce much more than a cosmetic improvement: the fundamental problem appears to be one of a lack of business and promotional experience at the operating level combined with departmental priorities which are strongly inclined in favor of advocacy support functions.

With respect to the second alternative, there is no particular reason for CBIN to be housed within the economic development department as presently constituted. At the same time, it is not evident that any other department currently possesses the requisite skills, experience, and orientation. Indeed, one of the general observations of the evaluation team was that, apart from the Executive Director himself, there is a notable shortage of general business experience (as distinguished from public administration, public relations, advocacy, economic analysis, data processing, and the like) on the CAIC staff. If CAIC were to recruit a new executive in connection with expanding export promotion activities and set up a new department to house these activities, the department might be a suitable location for CBIN.

The third alternative would provide clear focus of responsibility, but could prove significantly less cost-effective than the fourth alternative.

Under the fourth alternative, local affiliate members of CAIC (particularly in the OECS states) would be given assistance in obtaining direct access to CBIN, if possible, simply by providing modems and communications software for existing microcomputers (some national Chambers have their own micro-computers, some others have access to Apple Computers at the various National Development Foundations). Each affiliate could then train one individual (probably the Chamber secretary) to assist local businessmen in using CBIN themselves. If this plan were to be implemented, then CAIC's broker attached to CBIN need only:

1. Respond to inquiries for partners/suppliers in the region by calling likely prospects and instructing them to visit their local CBIN terminal;

2. Visit each of the affiliate chambers to brief local businessmen on the CBIN service and provide instruction in its use;

125X

3. Check local logs periodically and provide assistance as needed to Caribbean businessmen in establishing and maintaining business contacts.

USAID's subsidization of the cost of running the CBIN service through C/CAA (as the network headquarters) is due to expire. C/CAA is still exploring alternative fee structures, searching for a marketable schedule which will allow the service to be provided on a self-sustaining basis. This might increase the cost to CAIC of maintaining its CBIN service. The final alternative, if CAIC is unable to make the changes necessary to revitalize its CBIN service, market it effectively, and demonstrate its effectiveness, may be to discontinue its provision.

3. Caricom/National Policy Research

It is in the area of Caricom and national policy research that the Economic Development Department has devoted most of its energy, talent, and resources in order to back up CAIC's policy advocacy functions, both at the national and the regional levels.

In light of the economic difficulties being experienced throughout the region at the time, the 1984 Grant proposal to USAID lists the following topics which CAIC expected to face (not all of which would necessarily be researched by CAIC): Rules of Origin, the Common External Tariff, harmonization of fiscal incentives, licensing measures, regional negative list, foreign exchange constraints, the special regime for the LDCs, the proposed Eastern Caribbean States Export Development Agency, countertrade, and exchange rate issues. National level issues would include taxation and price controls. The 1984 LogFrame for CAIC's policy research function lists "implementation of new legislation" for the End of Project Status.

One of CAIC's most notable achievements in policy advocacy has been in the field of taxation. The issue of tax reform grew in importance in the Caribbean as of 1981, when a Fiscal Review Committee was appointed by the Trinidad and Tobago Cabinet, which concluded that:

a) the high level of personal taxation was adversely affecting savings and investments, and

b) the corporations were taxed on illusory profits.

Mr. Thomas A. Gatcliffe, CAIC Board member from Trinidad and Tobago, followed up on the committee report with an article in a special issue of "ASSET" (Journal of the Economics and Social

Sciences Teachers Association), in which he argued for thorough going tax reform, including simplification of the rate structure, reduction of progressivity, and reduction of rates in general. After being elected President of CAIC in 1983, Mr. Gatcliffe led CAIC and its national affiliates in working vigorously for the pursuit of tax reform throughout the Caricom region.

The first of CAIC's efforts in this field was undertaken at the behest of the Barbados Chamber of Industry and Commerce, which asked CAIC to analyze the effects on business of the taxation regime in Barbados, with some comparative information on countries at similar levels of development.

In 1984, CAIC prepared a document titled "Macro-Economic Effect of Taxation in Barbados - a Preliminary Investigation, 1974-1984". This study provided a basis for recommendations on tax reform submitted by the Barbados Chamber of Industry and Commerce to the Barbados Minister of Finance and Planning. The Barbados government's subsequent (1986) tax proposal would effectively reduce Personal Income tax, reducing top rates from 60% to 50% and increasing the standard deductions and allowances. The maximum rate of Corporate taxation was reduced from 45% to 35%. The proposals were enacted in August 1986.

In the latter part of 1984, in response to the growing number of requests, CAIC formed a Taxation Task Force to examine the whole issue of national taxation policies in the region. The Task Force decided to retain the accountancy firm of Peat, Marwick, Mitchell to carry out an in-depth study of existing tax legislation. USAID funds paid part of the cost of this undertaking. In September of 1985, PMM presented a final document entitled, "A Review of Taxation in Ten Caricom Territories." This study was circulated to all affiliates of CAIC for presentation to their respective governments. The study provoked a considerable interest among the territorial business communities; so much so that temporary shortages of copies were reported.

Serious tax reform initiatives have been undertaken by CAIC affiliates in Grenada, Dominica, St. Lucia, and Jamaica (Antigua abolished direct taxation in advance of CAIC's studies and recommendations). These intiatives have often provided a local base of support for detailed reform proposals prepared in many instances with USAID assistance channelled through other projects, particularly the Public Management and Policy Planning (PMPP) project, although there was little effective coordination between the different projects.

In Grenada, the 1986 budget speech by Prime Minister Blaize outlined a proposal for the complete removal of Individual Income

127X

Tax, Company Tax, and export duties, (to be replaced primarily with a Value Added Tax) designed to encourage higher levels of productivity, savings, investment, and exports. This proposal was largely based on the work of tax advisors provided to the Government of Grenada through RDO/C's PMPP Fiscal Reform Project. The implementation of the project, according to the PMPP Fiscal Reform Advisor, was facilitated by the Grenada Chamber of Commerce, which conducted educational seminars for business members on the new tax law.

In Dominica, Prime Minister Charles' 1986-87 budget address to parliament announced her intention to proceed with a tax reform program which would include the removal of export duties (including the 1% stamp duty on exports), the reduction of corporate tax from 45% to 30%, and the reduction of the foreign exchange levy from 2.5% to 1.5%. This proposal was based largely on the work of advisors provided through the PMPP project, and was at least partially supported by the Dominica Association of Industry and Commerce.

In St. Lucia, Prime Minister Compton's 1986 budget address included proposals for increasing the tax allowance from $2000 to $3000, raising the threshold from which tax payments begin from $2000 to $3000; and for lowering the tax rates at the upper end of the tax scale. In addition, following the proposals submitted to the St. Lucia government by the Chamber, the tax reform package submitted by the Prime Minister included the abolition of the Withholding Tax on dividends and profits, and tax relief for manufacturers.

In Jamaica, the government conducted an exhaustive review of the tax system, and formed a tax reform committee in 1985 including members of the Private Sector Organization and the Institute of Chartered Accountants. CAIC also reported a favorable reception from Prime Minister Esquival of Belize and Chief Minister Osborne of Montserrat.

Although much of the tax reform initiative supported by CAIC and its affiliates is still in the legislative proposal stage, the fact that most of the above-described legislation was formally submitted to the various parliaments by their Prime Ministers suggests that many major hurdles have been overcome in those countries, and the proposed legislation may indeed be enacted without much substantial change. In interviews conducted by the evaluation team in several of the Caribbean nations, businessmen cited CAIC's efforts in tax reform as one of the organization's most important contributions. While CAIC cannot take full credit for tax reform efforts in each territory, its work, and in particular its tax study, was cited by many people interviewed as having accelerated the pace of tax reform.

The latest major activity in connection with tax reform took place at the "Colloquium on Tax Reform in Caricom States", sponsored by Caricom, the OAS, and Caricad in November, 1986, and attended by the staff of EDD. The colloquium examined the impact of taxation of social and economic development, identified possible areas of relief, and suggested possible alternative taxation strategies.

Other studies undertaken recently by the EDD include the following:

- "Distribution Margins allowed under the Price Control Order... in Antigua"
- "Caricom Multilateral Clearing Facility: New Proposal"
- "An Overview of Trade and Travel between Departments Francais Antilles (DFA) and Caricom 1980-84"
- "Patterns of Intra-Caricom Trade", 1984

Meetings have taken place with the Caricom Heads of Government Annual Conference and Council of Trade Ministers' Meetings, including specific Caricom meetings on Rules of Origin, the Common External tariff, and harmonization of fiscal incentives.

A common issue raised with regard to CAIC's policy research and advocacy functions in general is how CAIC sets its priorities in this area. It appears that most of the emerging policy issues of concern to the business community in the region originate from the deliberations of the executive councils of the national representative bodies (which usually include many of the same individuals who make up CAIC's Board of Directors) and are brought by them to the attention of CAIC. The Executive Director of CAIC, and perhaps the members of the Executive Committee of the Board of Directors, then establish the agenda for EDD's research efforts.

CAIC's executive engages in some preliminary research with members of the Board of Directors and the heads of the national chambers to ensure that an issue raised by one organization will not conflict with the interest of other groups, and tries to obtain a consensus of opinion.

Once an informal and preliminary consensus has been reached, the Board of Directors asks CAIC's executive director to prepare a policy paper based on investigations of the issue and economic research work. In some cases, CAIC has the necessary in-house competence to do the job; in other cases, CAIC will contract with

129X

outside experts. For example, the EDD prepared the paper on the obstacles in doing business between the French and English-speaking Caribbean and submitted it to the DFA-Caricom task force; they also prepared the paper on price controls in Antigua. In the case of the tax studies, CAIC contracted the study to Peat, Marwick, Mitchell.

In cases involving only one territory, CAIC may represent the petitionary affiliate and advocate its case with the national government concerned. Frequently, even in such cases, CAIC may use its informal, high-level regional contacts to obtain additional leverage on the national government.

More frequently, however, CAIC addresses issues of regional concern. In those cases, the advocacy tends to become a lengthy, time-consuming and complex process. The procedure would usually follow the following steps:

a) CAIC's Executive presents its position, including back-up research and analysis, on a particular policy issue to the Caricom Council of Ministers' Joint Consultative Group (JCG). After deliberations, this group may choose to present the issue to the Caricom Heads of State with its own comments and recommendations. More frequently, the issue will be referred to a Caricom Technical Working Group, with instructions to study the issue.

b) Those cases submitted to the Caricom Heads of State are deliberated by this body, which may draw its own recommendations and submit them in the form of legislative proposals to the concerned national governments.

c) The national governments in turn submit the proposals to the Legislative Assemblies which may ratify or reject them.

d) If and when all the Legislative Assemblies ratify the proposal, the case becomes part of Caricom's laws and regulations, enforced at the national level.

During the entire process, CAIC must continue its lobbying efforts on all levels to ensure that its interests are taken into account. Practically speaking, CAIC may exercise some influence on the deliberations of Caricom-based legislation; it has not and is not likely to be able to usher its own proposals and initiatives through the entire process without extensive alteration.

CAIC only recently (1984) gained direct access to the Council of Ministers through the Joint Consultative Group (in which CAIC represents private sector producers in the region, and which also

invites representatives of regional labor and youth groups). For the first few years, CAIC (and the labor and youth representatives) were allowed to present to the Trade Ministers their positions on issues of concern to them. Generally speaking, the Ministers would listen, perhaps ask questions of clarification, and then return to business behind closed doors.

At the most recent meeting, however, it has been reported that the Ministers displayed more of an interest in active dialogue within the JCG. CAIC took the opportunity to argue for more direct input into the policy making process within Caricom, through a tri-partite effort with government and labor. This input, they argued, should be initiated earlier in the process of developing Caricom policy. Although a change in procedures within Caricom could take place slowly at best, observers of the situation have indicated that the Council of Ministers will probably continue to engage in a more meaningful dialogue in the future than was their common practice in the past.

Informal discussions with Caricom officials indicated the following:

1. Over the past several years, CAIC and the Caricom staff have dealt with each other on an increasingly interactive basis, although Caricom, as a public sector institution, still tends to keep the private sector business community at arms-length.

2. CAIC's input at the meetings of the JCG has been more consistently active than those of the labor and youth representatives.

3. CAIC's presentations to the Trade Ministers come relatively late in the deliberative process on most issues. CAIC's input might be more effective if it could reach the "officials meeting" - the group of Permanent Secretaries and other assistants who review the major issues and prepare material for consideration by the Ministers.

4. Some members of the Caricom staff would like to use CAIC as an informal means of getting quick responses from industry on business views of proposals developed at the working level.

5. Personnel at the Caricom secretariat point out that CAIC's staff lack the resources and technical skills for in-depth analysis of, e.g., trade statistics, although they could be "brought up to speed" in that regard by Caricom staff.

1314

It appears as though the relationship between CAIC and Caricom is now developing along the lines suggested above: contact at Caricom's policy preparation stage is increasing. In October 1986, the EDD Program Manager, a CAIC Vice President, and leaders of the CMC attended a Caricom staff meeting in Guyana, which covered a wide range of regional issues. The agenda included the "Need for Structured, Ongoing Consultation - Along Lines of the CAIC's Presentation to Last JCG Meeting About Reform of that Structure." The official report of that meeting summarizes action on that item as follows.

THE MEETING:

> Noted and supported the proposal of the CAIC/CMC delegation that the issues which the CAIC would wish to be considered at the Meeting of the JCG should first be examined at the Preparatory Meeting of Officials of the Council and that the CAIC be permitted to attend that Meeting of Officials when those issues are to be considered.

CAIC has also conveyed the views of its members to Caricom on the question of Caricom's Rules of Origin governing intra-regional trade, at the request of the Caricom secretariat.

Early in 1987, a Caricom working group meeting was held at CAIC's office and with CAIC participating, to revise the guidelines for the Caricom Enterprise Regime, which will work toward facilitating the mobility of factors of production within Caricom for a few selected industries on a pilot basis. Specifically, they will try to propose changes in legislation to relax restrictions on movements of funds, assets, and personnel between countries, and to guarantee the repatriation of profits and dividends between member nations of Caricom.

In addition, CAIC has succeeded in developing relations with other institutions outside Caricom to further the interest of business in the region. Among them:-

> CAIC obtained observer status within the Caribbean Group for Cooperation in Economic Development (CGCED), the donor club for the Caribbean region which includes in its membership USAID and other bilateral foreign aid agencies, and the multilateral lending institutions - the World Bank, the Inter-American Development Bank and the Caribbean Development Bank.
>
> CAIC has a representative in the West India Committee, a British private sector body established in London by Royal Decree. This organization coordinates trade missions to the Caribbean through CAIC and represents the Association in the

United Kingdom. In addition, the West India Committee serves as a high-level connection to the European Economic Community.

CAIC has a working relation with the German-Caribbean Business Cooperation Program, a private sector initiative sponsored by the German Federal Republic. Under the terms of this cooperation, the Commercial Attache of the GFR Embassy in Jamaica serves as the German link to CAIC, and an elected German businessman in GFR serves the CAIC link in Germany.

Since most of the actual policy advocacy is conducted by the Executive Director, since advocacy seems to be one of his primary concerns, and since policy research and analysis is required to back up his advocacy efforts, the staff of the EDD have become closely associated with the office of the Executive Director and function much of the time as his personal staff. Indeed, the policy research and analysis functions seem to be the forte of all three professional members of the EDD, and to represent the functions they are most comfortable carrying out.

As mentioned above, the staff of EDD seem somewhat less inclined to devote their efforts toward the more practical "economic development" functions, and should probably be relieved of their responsibilities for those activities. The existing staff could then be rationalized to perform as the personal research staff of the Executive Director.

4. Caribbean Manufacturers' Council (CMC) and Related Task Forces

CAIC's support of its Caribbean Manufacturers' Council (CMC) is an effort which requires both policy research/advocacy and direct, practical economic development support to local manufacturers.

Manufacturing in the region has been identified by both CAIC and Caricom as a key sector of the economy, crucial to the long-term development of the Caribbean. Initially, the national Chambers of Industry and Commerce were organized to represent the interest of the entire business community (with the exception of tourism, which already had its own established special representative bodies). The manufacturers often had their own specialized associations under the aegis of these national Chambers, but felt that their interests needed a regional platform.

In the first half of 1983, in the wake of the collapse in intra-regional trade (which hit the manufacturers particularly

133X

heavily), the issue of special representation for manufacturers was discussed both at the Caricom Heads of Government Conference and the CAIC Annual General Meeting. The organization decided to establish the Caribbean Manufacturers' Council as a special branch of CAIC, and Caricom agreed to grant CAIC/CMC access to its Council of Ministers through the Joint Consultative Group. The national Manufacturers' Associations elected delegates to form the CMC, which was officially inaugurated in January 1984.

Issues of immediate concern included: capacity utilization, quality control, raw material availability and procurement, port facilities, fiscal and credit incentives, rules of origin, the Common External Tariff (CET), and the Caricom Enterprise Regime.

In CAIC's 1984 Grant Proposal to USAID, assistance to the new CMC is included in the Economic Development Department. The objectives of the CMC, and the rationale for USAID's funding of its activities, were as follows:

- to break down the barriers to communication and to foster greater cooperation among regional manufacturers;

- to halt the deterioration of Caribbean Common Market arrangements and to develop a mechanism which could result in a phasing out of import licensing and other non-tariff barriers to intra-Caricom trade;

- to expand the industrial base of Caricom, particularly in areas which are deemed complementary to the existing and potential production structure of the region.

The staff of the EDD would be charged with research and analytical support for CMC's efforts.

The overriding goal of this particular project was the removal or at least the reduction of existing non-tariff barriers to intra-Caricom trade. The more immediate purpose of the project was the achievement of regional manufacturing consensus and increased manufacturing production volume. The outputs were listed primarily in terms of meetings and workshops.

Given the centrifugal forces operating in the Caribbean, there is a continuing danger that the conflicting interests of the diverse membership of CAIC could splinter the organization or render it ineffectual. It is to CAIC's credit that it has provided special fora for most of the various interest groups, and has kept them all together under its umbrella, even when they disagree. CAIC has recognized that the business community in the Caribbean, like its counterparts in other market or mixed economies, wants focussed organizations to identify and articulate their special

interests and operational problems. The importance of CAIC's cohesive role in the region's private sector affairs is also evident in its relations with the Caribbean Hotel Association: the President of this association is a member of CAIC's Board, and the Executive Director of CAIC sits on the Board of the Caribbean Hotel Association.

The CMC felt that specific interests of more narrowly defined industrial sub-sectors would be better served by specialized industrial sub-sector Task Forces, i.e., for garments, furniture, and agro-processing. Each territory engaged in the manufacturing of specific industrial commodities elected one representative to each Task Force. The Task Forces convene as the needs arise. In addition, the Task Forces have been a focal point for diagnosing the training and technical assistance needs of its members, and for arranging for such assistance through CAIC.

The task forces were originally formed under the Technical Assistance Department, and, when that department was merged with the Training Department, the Task Forces came along, too. In mid 1986, they were moved under the EPD.

Member satisfaction with the Task Forces has been mixed, and highly dependent on the leadership of each respective Task Force. The Agro-Industry Task force has received substantial positive feedback from its membership, and seems to be well organized and working within a clear agenda with well laid plans: promoting intra-regional trade, improving the regional industry's competitive position vis-a-vis imports from outside the Caribbean, providing training and technical assistance for its members, and promoting exports. There is some dissatisfaction with the garment industry Task Force, which is reported to have made less progress towards its goals. It should be noted, however, that the garment industry must place greater priority on extra-regional exports, particularly to the U.S. and ECC markets, which, governed by the Multi-Fibre Agreement, have proven difficult to penetrate. The evaluation team has received little feedback concerning the performance of the other Task Forces.

Other specialized councils were formed later. In 1985, the manufacturers from the OECS states decided that their special interests would be better served by a separate Council of Eastern Caribbean Manufacturers (CECM): They have a more pressing need for intra-regional trade, and feel that the manufacturers in the larger countries have been dragging their feet on the issue of reduction of trade barriers within Caricom. In February 1986, the Caribbean Manufacturers' Council decided to form a Regional Shippers' Council with Caricom, in order to present a common front against frequent increases in maritime freight rates.

135X

So far, the CMC, with energetic and committed leadership, and including the impetus of the Task Forces, has met to discuss and come to a consensus on most of the regional trade issues (including the Common External Tariff, rules of origin, negative lists, and non-tariff barriers such as Trinidad and Tobago's import licensing requirements). It appears that whenever a consensus was achieved, the recommendations served as a basis for lobbying at Caricom through the Caricom Secretariat Technical Committees (i.e., the CET Working Groups and the Origin Rules Working Group) and with member governments.

However, CAIC has had to deal with strong differences of opinion within its ranks. Following the 1983 trade crisis, the Trinidad and Tobago Manufacturers' Association (TTMA) refused to heed CAIC's call for all members to refrain from backing trade barriers within Caricom. Indeed, the TTMA lobbied for protection from Caricom competition. Meanwhile, the Trinidad and Tobago Chamber of Commerce lobbied in favor of free intra-regional trade and a removal of Trinidad's trade barriers against the rest of Caricom. On the whole, it appears that the TTMA had the upper hand in Trinidad. There are still difficult licensing procedures for all imports in Trinidad. After intensive lobbying by the Trinidad and Tobago Chamber of Commerce however, the Trinidad government did agree to liberalize the licensing procedures for imports from Caricom, and have allocated a block of foreign exchange for imports from Caricom.

At a more practical, hands-on level, the CMC was deeply involved in the production of CARIMEX '85 - the first manufactures trade exhibition in the region, featuring goods produced in all members territories. CAIC reported that over 200 exhibitors closed transactions worth over US$ 1 million and received orders totalling over US$ 15 million during the exposition. It was also reported, however, that CAIC's costs in connection with the exposition substantially over-ran its budget, probably due to a failure to exercise strict control over spending.

Earlier this year, the CMC was given the opportunity to represent export manufacturers at discussions leading to the establishment of a Caricom Export Development Council (CEDC). Establishment of the Council was mandated by the Caricom Council of Ministers. CEDC is to be the regional advisory body to the Council of Ministers on export matters.

CECM has hired a professional consulting firm, with funds from the Caribbean Development Bank, to conduct the first of the kind Caribbean-wide survey of the manufacturing sector.

5. Other Task Forces within CAIC

In addition to the (more or less) permanently established commodity Task Forces, CAIC has from time to time created ad hoc Task Forces to deal with particular issues of concern to its membership. One such example was the Task Force on Taxation, which oversaw the production of the tax studies and coordinated the follow-up lobbying efforts.

Another, particularly successful example of CAIC's task forces is the DFA (Departements Francais d'Amerique) - Caricom Task force, which was formed in July 1984 to promote trade, travel, and joint ventures between the two groups of territories.

The three Caribbean Departments of the Republic of France (Martinique, Guadeloupe, and French Guiana) have a per-capita GNP which is roughly five times the average for the rest of the region, and thus represents a promising market for the Caricom producers. Access to this market has in fact been encouraged by the Lome III Convention, which grants Caricom (as well as African and Pacific nations) preferential and non-reciprocal access to the EEC market (of which the DFA, as French territory, are a part). On the other hand, Lome III works to the disadvantage of traders and producers based in the DFA: their exports to Caricom would face trade barriers, while they must face the competition of Caricom in their home market without such protection. At the same time, they lose some of their "home market" advantage in France and the EEC and must compete with Caricom producers there as well.

In order to regain some of their lost ground, producers within the DFA have begun to invest in Caricom, usually through joint ventures. Through the joint ventures, DFA investors achieve a number of advantages: first, labor costs are somewhat lower in Caricom than they are in the DFA. More importantly however, joint ventures allow DFA investors to "join the Caricom club," inside the Common External Tariff and within the Caricom Rules of origin for intra-regional trade. Without joint venturing in Caricom, they could only export certain raw materials and/or manufactured components to the Caricom market (without facing trade barriers). The profit margins on such simple trade deals would be limited. Once in a joint venture on the inside, however, they can import raw materials and manufactured components, participate in the production of the finished product, and sell the final good throughout the Caricom market. Thus a joint venture between a Caricom firm and a DFA firm provides the latter with a strategic market position, while providing the former with capital and/or technology which would otherwise be hard to come by.

137

Furthermore, given the preferential market access available to Caricom through Lome III (and the CBI with regard to the U.S. market), joint ventures provide DFA firms (or any other outside firms) an opportunity to enjoy relatively low labor costs within Caricom, and thence, access to the most important markets in the industrialized West.

In spite of all the advantages to cross-investment between DFA and Caricom firms, they have been faced with a large number of obstacles. It was the task of eliminating or surmounting these obstacles that the Caricom - DFA Task Force set for itself. The first impediment to business between the two territories was the simple lack of opportunity for contact. Caricom members' ties were with each other, with the United Kingdom, and with the U.S. - for historical, cultural, and linguistic reasons as well as geographic. The DFA's ties were with each other, with France, and to a lesser extent, to Haiti, for similar reasons. Before CAIC invited the DFA Chambers of join, there was no established forum for contact between private sector people from the two groups of territories, and very few even for the public sector institutions.

In addition, it was difficult for businessmen to get visas for travel between the two set of territories, and the communications and transportation links were very limited. Language barriers are, of course, an additional hinderance.

So far, five ordinary Task Force meetings have taken place. The first topics raised within the Task Force included:

- Visa requirements
- Double taxation
- Language training
- Joint Ventures/production facilities/franchising

In the aftermath, the national chambers in the two sets of territories have established procedures for assisting each other to obtain visas for business visits: While it would normally take one to two weeks for a Caricom businessperson to get a visa for, say, Martinique, he or she could call the Martinique Chamber of Commerce: they could arrange for a visa within 24 hours, and have it waiting for the Caricom businessperson at the Immigration Office at the Martinique airport. These arrangements have made travel, especially at short notice, substantially easier than it was in the past.

Since the DFA Chambers joined CAIC, "cross - investment" has been achieved between Martinique companies and:

1. a toilet paper manufacturer in St. Lucia,
2. a structural steel company in Trinidad,
3. a mineral water company in Dominica (involving a French firm operating through Martinique),
4. a hotel in the Grenadines, and
5. a cement factory in Haiti.

Businessmen from the DFA explain that little was required in the way of formal or institutionalized effort on the part of CAIC or the task force to achieve the above listed investments. However, the very fact of contact between businessmen allowed the deals to be made; it is doubtful they would have taken place had the DFA chambers not joined CAIC.

The double taxation issue has not yet been resolved, but lobbying efforts are taking place, supported by the Task Force, to establish bilateral treaties mitigating double-taxation. They have been more successful in persuading French shipping lines serving Martinique-Guadeloupe and Europe to extend their regular services to some Caricom islands. In this endeavor, the task force benefited from the close links between the DFA Chambers and the their governments, and the authority the DFA Chambers have for transportation and communication links serving their territories.

The Task Force also helped revive the European-Caribbean Private and Public Sector Contact Meetings, which had been inactive since 1981. The meetings will open new lines of communication with the EEC member states. Presently, the Caricom territories have no unified and effective private sector representation in dealing with the EEC organizations.

The task force is also negotiating with the EEC for a more direct funding of the Caribbean private sector. During the second plenary meeting of the Task Force of September, 1986, the EEC delegate made a commitment in principle to channel some EEC funds for CAIC private sector use through the Martinique and Guadeloupe Chambers of Industry and Commerce. So far, all EEC funds are channelled through Caricom to national governments for public sectors' use.

With regard to the CMC and the various Task Forces, it appears that the most notable achievements of the Economic Development Department, following the pattern discussed above, are in the areas of policy research and advocacy, with a significantly less impressive track record in direct, practical assistance to businessmen in the region.

139 x

6. **CBI Implementation**

Initially, the efforts of the U.S. Department of Commerce and USAID toward implementing the Caribbean Basin Initiative in the OECS were directed toward:

1. relaxing certain trade restrictions faced by Caribbean exporters (including expanding quotas for garment exporters), and

2. explaining to Caribbean businessmen the procedures and regulations for exporting to the U.S. market.

Although some large firms in the region were able immediately to seize the opportunity provided by CBI, most smaller firms, especially those in the OECS states, still encountered difficulties in producing for and marketing in the U.S. As CAIC put it, "Because the performance standards necessary to succeed in the U.S. marketplace are quite different from that required for Intra-Caricom trade, the majority of our manufacturers are ill-equipped for the realities of selling in the U.S. market. Without some kind of direct marketing assistance, we could be running the risk that the objectives of the CBI may never be realized." In Dec. 1985, USAID therefor approved funding for CAIC to carry out the CBI implementation project, designed as a pilot project to facilitate exports from Dominica and St. Vincent to the U.S.

In each of the two territories, CAIC (with the services of a U.S. based marketing consultant/trade broker) held a one-day seminar with local manufacturers, and then visited potential production sites to assess the available resources and skills. In Dominica, there were 58 participants in the seminar, and 24 production sites visited. St. Vincent had 44 participants and 17 production sites.

Following the field visits, sixteen products were identified as having export potential, including fruit and fruit products, wood products, candles, bay and patchouli oil, cut flours, batik, beer, frozen vegetables and knit garments.

Market studies were prepared for each of the products, with detailed product specifications prepared by the U.S. marketing consultant. The market studies were sent to the relevant potential producers, followed by seminars and one-on-one meetings with the businessmen to discuss the details of the specifications and other requirements.

CAIC reports that a number of the manufacturers have agreed to prepare product samples according to the specifications provided.

"Most of these samples are of new products or represent differently packaged products which, according to the consultant, can be successfully sold in the U.S.A. if priced competitively."

According to the current schedule, the marketing consultant will return in January to inspect the product samples and, assuming they meet with satisfaction, take the samples to the U.S. to distribute to potential importers. More such arrangements between manufacturers in the region and U.S. based trade brokers are expected in the future.

The only target for this particular project is to establish three or four local manufacturers as exporters to the U.S. market. No volume or value targets have been set for the exports.

EDD personnel report that one firm order did arrive from Puerto Rico for cut flowers. The order was sent to a company in St. Vincent, which, unfortunately, was unable to fill the order, as his production was already committed to regional customers. In order to avoid such conflicts in the future, arrangements have been made between the furniture manufacturers on each island to share production for large contracts to ensure sufficient volume.

The Executive Director of CAIC, along with the Department heads of EDD and the OABG department, met with eleven visiting U.S. congressmen on the issue of CBI in January, 1987. CAIC took up with the delegation certain remaining regulatory obstacles to trade in specific products which were intended for enhanced access to the U.S. market under CBI.

Some observers within the U.S. Government establishment have expressed misgivings about the pace of events (too slow) and the relevance and nature of the assistance provided (too little attention to U.S. import regulations and the special provisions of CBI) under the CBI implementation sub-project. The evaluators believe that it is too early to make a fair assessment of the assistance provided. Direct delivery of services to businesses is not an area in which EDD has been strong in the past, and this activity merits careful monitoring by USAID.

CAIC's own view of CBI, as presented to Caricom during that body's assessment of CBI, includes the following arguments: CBI is too young for an assessment of bottom line impact on development in the region. Intra-regional trade and extra-regional exports need to be pursued in tandem. The setback in intra-regional trade means that the region has also been moving away from the potential advantages of CBI. Establishing a genuine common market is part of the process of enabling the region to compete in the U.S. market. It takes time to change attitudes toward the potential advantage of pursuing new markets

141X

- the region's historical exports, (e.g., sugar and petroleum) required little marketing effort on the part of regional producers - and manufactures will need to develop new attitudes toward selling. The various CBI activities, including the Miami conference, and "CBI Implementation" are part of the process of educating the region in what is needed to compete in the United States, including marketing strategies and quality control.

D. ASSESSMENT OF IMPACT

This section applies the "Generic Scope of Work" (explained above in Chapter I.B) to CAIC's economic development and policy advocacy functions. Project impact, resulting from project design (overall goal statements, purpose elements, causal paths and evaluation evidence) is summarized for economic development, policy, and institutional impacts.

The economic development and policy advocacy efforts undertaken by CAIC (with assistance from RDO/C under PSIAP) should be seen to contribute to all three program goals. The way in which goals and purposes relate to each other, and the evidence of development impact available in each case, are discussed in the following subsections.

1. **Economic Development Objectives: to increase the contributions of privately owned business establishments to employment, production, productivity, net foreign exchange earnings, and/or to improve standards of living in the Caribbean.**

As discussed above in Chapter I-B, this economic development goal statement is in close accord with CAIC's "raison d'etre," as articulated by its Executive Director this year; although for evaluation purposes, the evaluation team has focussed on micro-level achievements in order to clearly establish a chain of causation.

Standardized Purpose Elements

An analysis of CAIC's economic development programs indicates that they explicitly cover at least four of the purpose elements listed in the generic scope of work, and may be said to deal with another four purpose elements implicitly. The four explicit purpose elements for CAIC's economic development programs are as follows:

- to identify and tap new markets
- to attract foreign investment

- to encourage local investment
- to promote exports

The four less explicit purpose elements are:

- to develop investment promotion skills
- to encourage risk-taking and entrepreneurship
- to develop infant industries
- to reduce imports

The first four purpose elements are those which CAIC and RDO/C have explicitly included in the design of individual sub-projects of PSIAP as articulated in the 1981 project paper and/or the 1984 grant proposal. Taken together, all four of the explicitly-espoused purpose elements are expected to increase production and employment in the region, either through increased sales (new markets) or increased productivity (new investment). The promotion of exports would bring in extra foreign exchange to the region. Increased production, productivity, employment, and export earnings are all "bottom-line" impacts which the evaluation team is seeking; together, they would in all likelihood contribute to higher standards of living in the area, ceteris paribus.

The second group of purpose elements have not been explicitly incorporated into the PSIA project, although they may be considered implicit purposes of some sub-projects, and may in fact be crucial to the success of existing projects and the attainment of the explicit goals.

Causal Paths

We are concerned here with logical relationship between the project purpose elements and the stated economic development goal of the program.

Both CBI Implementation and CBIN are intended to identify and tap new markets for local producers and to promote exports. Access to new markets should help increase sales and therefore (assuming the necessary inputs of raw materials, labor and capital are available) increase production and employment. CBIN is intended, at least in part, to attract foreign investment. Foreign investment should facilitate access to new markets, and add to the capital stock of the region and increase productivity. In the long run, the extra earnings resulting from increased productivity expand the domestic market, and thus support increased production and employment. Increased exports earn the region foreign exchange, which is usually necessary for increased domestic capital investment in the region.

CMC and the industry sub-sector task forces are supposed to encourage local investment and promote exports. CARIMEX, the regional trade exposition in which the CMC was heavily involved, was intended to tap new markets and increase exports.

To the extent that CBIN is intended to match joint venture partners, development of investment promotion skills (not an explicit purpose of the PSIA project) seems to be a necessary component of the process: although CBIN can be a useful and efficient tool for promoting investment, it is only a passive instrument. Either the businessmen using the service or their brokers need to take action to promote investment before anything will come of the service.

Encouragement of risk-taking and entrepreneurship are also not dealt with explicitly in PSIAP documents, although these elements are almost inevitably required in order to successfully promote investment and sales. In the view of the U.S. Regional Commercial Officer, it is the lack of entrepreneurial marketing skills which has been responsible for the disappointing results for CBI Implementation so far. The current USAID project officer, in particular, has shown interest in this purpose, and has tried to develop it within CAIC over the past one to two years.

Development of infant industries is supported, at least in theory, by CAIC, and was an explicit part of its agenda in 1981, but little action has been taken (or has been expected of) the agency. This function now falls within the purview of the SEA project.

Reduction of imports per se is not highlighted by CAIC; and USAID has little interest in supporting this purpose. Nevertheless, to the extent that CAIC supports the Caricom Common External Tariff and the negative lists, they are acting to reduce imports. This in turn would reduce the requirements for foreign exchange and might be expected to boost sales of locally produced goods. The "import substitution" strategy is a popular one for development, but one that has produced only mixed results in terms of increased production, productivity, employment, and living standards in the countries and regions that have chosen this route (with more negative examples - e.g., India, Nigeria, and Mexico than positive - e.g., Japan). Almost all of the "success stories" in the realm of economic development have stressed export-led growth: Japan, Taiwan, Korea, Hong Kong, and Singapore and, to a lesser extent, Brazil. To the extent that one is successful in export promotion, one should certainly be able to beat the competition of imports in the home market without need for protection.

Evaluation Evidence

In a few cases, the evaluation team obtained direct and specific evidence of development impact as a result of CAIC's activities:

1) sales in excess of US$ 1 million generated through CARIMEX, with an additional $15 million in new orders; and

2) at least five joint ventures (facilitated by CAIC) between DFA and Caricom firms, representing some new investment.

3) In the case of CBI Implementation, there is reason for hope that new export markets will be tapped in the U.S.; although no sales have yet taken place.

In the case of CBIN, there is only one instance clearly on record at CAIC of a sales contract (involving intra-regional trade) resulting from the service, and no recorded instance of investment or joint venture (although according to C/CAA, the Martinique Chamber, which joined CBIN through CAIC, has a stronger record with regard to sales, if not investment). This is not to conclude that CBIN has been unsuccessful in promoting trade and investment; merely that the CAIC has been unable to produce evidence of such outcomes, perhaps only due to a lack of follow-up.

The non-explicit purpose elements have not been well addressed. On the one hand, it would not be entirely fair to hold CAIC responsible for purposes which were never contracted. On the other hand, if more effort had been applied to the development of investment promotion skills and encouragement of risk-taking and entrepreneurship, then success in the areas of investment and export promotion (through the existing programs) might have been stronger. Both CAIC and RDO/C should give serious consideration to including these purposes explicitly in future project design documents.

2. **Policy Objectives: To improve the climate for private investment and expanded international trade in these countries.**

This objective, although not a part of the EDD's original mandate, has assumed increasing importance to the Department and seems to have drawn most of the Department's resources, to the detriment of the economic development objectives.

Standardized Purpose Elements:

Again, there are purpose elements under this policy goal which are explicitly included in CAIC's mandate, and others which are

145X

either implicit in CAIC's activities or are important to the achievement of the larger policy goal. The explicit purpose elements are as follows:

- to adopt tax structures which encourage private initiative

- to foster regional economic integration

- to encourage dialogue between government and business of matter of mutual interest

- to create or change government policies/legislation/ policies and procedures

- to reduce the burdens of import and export controls and other forms of regulation of the business community

Other applicable purpose elements which are less explicit are as follows:

- to encourage reliance on competition and market mechanisms of resource allocation

- to reduce distortions of market forces in international trade

Causal Paths

CAIC's policy research and advocacy functions are aimed squarely at the policy environment, and attempt to affect it as directly as possible (although they must, of course, work through elected policy makers).

The tax reform initiatives sponsored by CAIC were aimed primarily at enhancing incentives for productive investment by reducing the marginal tax rates applicable to corporate and personal income and allowing more or greater value deductions for productive investment. In general, one expects that the greater the post-tax earnings of investment, the more incentive there is to invest. Similarly, by eliminating withholding tax on dividends and profits, shareholders maintain control over potentially productive assets for a greater period of time; allowing greater flexibility for investment and/or greater interest earnings on their assets.

Simplifying the tax structure tends to reduce the degree of economic distortion imposed by a tax regime, and thereby facilitates investment in economically sound ventures (as opposed to ventures which yield only a tax advantage without significantly adding to the real economic output of a region).

The elimination of export taxes, of course, enhances the incentive to export, which should in turn lead to higher export earnings for the nation or region as a whole.

Regional economic integration, to the extent that it is realized, enlarges the effective market for regional producers and allows them to achieve economies of scale in production and, therefore, lower unit costs. This in turn enhances their competitiveness against extra-regional imports and may help pave the way for penetrating the major export markets.

Encouraging dialogue between government and business might be expected to lead to greater cooperation between the two, with government more inclined to implement pro-business policies, and to contract out productive activities to private business (e.g., provision of utilities, construction of public facilities) which may be more efficiently run in the private sector (with proper regulation) than in the public sector.

Influencing government policies, legislation, or procedures (beyond the specific examples cited above) may be expected to enhance the business climate by reducing regulation and "red-tape" burdening the activities of the private sector.

Reducing the burdens of import and export controls and other forms of regulation of the business community should enhance the advantages of trade and foster the creation of scale economies as described above.

The less explicit purpose element of encouraging reliance on competition and market mechanisms of resource allocation is aimed at increasing efficiency in production and distribution in a national economy. The purpose of reducing distortions of market forces in international trade is aimed similarly at the world economy, by exploiting comparative advantage on a much larger scale and thereby increasing productive efficiency.

Evaluation Evidence

Policy advocacy in a democratic territory is a broad-based effort requiring the cooperation of the public sector and at least the tacit support of the voting public. Clear causal links between the advocacy efforts of one organization and the outcome of new policy initiatives from the public sector are therefore difficult to establish. We may, however, present a chronology of events and the opinions of CAIC's constituency and its partners in policy dialogue as evidence of positive impact.

147X

As discussed above in section C.3, above, CAIC took up the issue of **tax reform** in 1983, produced a major analytical study of existing tax legislation in 1985. CAIC's efforts, the efforts of the national affiliates and their members, USAID's programs, and the efforts of international institutions such as the World Bank and the IMF all provided sources of leverage to which changes in tax legislation can be attributed. The evaluation team found no strong evidence of functional collaboration among these agencies. Eventually, however, tax reform legislation was subsequently introduced and/or implemented in six countries. CAIC's tax reform study was praised by members of CAIC and by some public sector officials interviewed; however, the EDD received some criticism for not carrying the effort further once the study was finished: it was left to the leaders of the local affiliates (many of whom were also on the CAIC board of directors) to follow up with active lobbying at the national level.

In other cases, members of CAIC's constituency have complained that they could not easily gain access to CAIC's policy studies: they were often unaware of what reports were being produced, what information they contained, and when they were available. Indeed, the evaluation team found it difficult to obtain copies of CAIC's reports and studies from the EDD office itself - they were either in storage, missing from the library, or otherwise inaccessible. Allowing reports and studies containing valuable information to languish on the shelf might seriously be reducing the effectiveness of CAIC's lobbying efforts: practically speaking, even policy initiatives addressing the region as a whole require implementation at the national level. CAIC's membership and affiliates may require more access to and support from the main organization in order to carry out their advocacy efforts effectively at home.

In the area of regional economic integration, CAIC has both rallied its membership to the cause and produced studies of intra-regional trade to bolster its position. Member governments of Caricom have approved the Nassau Accord (which is intended to promote regional economic integration), but effective implementation has been a disappointment so far. One major test for CAIC was in Trinidad and Tobago, where the Trinidad and Tobago Manufacturing Association (TTMA) lobbied in favor of trade barriers against other Caricom producers, while the Trinidad and Tobago Chamber of Commerce, backed by CAIC, lobbied for reducing import licensing requirements and increasing the availability of foreign exchange for Caricom trade. Eventually, the Trinidad and Tobago government implemented a compromise, wherein licensing requirements for imports from Caricom were liberalized, and some foreign exchange was made available to support the trade. Trinidad and Tobago's trade policies have been a major impediment to the implementation of the Nassau Accord.

In the area of encouraging dialogue between business and government, CAIC has assisted local affiliates with major economic policy submissions for consideration by the Dominica Government (1982) and by the Grenada government (1985/86). The submission to the Dominica government was favorably received both by the Dominica Association of Industry and Commerce and by much of the Dominica government, and was said to foster co-operation there. Similarly, the submission to the Prime Minister of Grenada was hailed by members of the Chamber and by government officials in Grenada, although it is probably too early to tell the extent of the impact in the country.

At a regional level, CAIC's access to the Caricom Council of Ministers Joint Consultative Group enhances the dialogue and promotes the opportunity for cooperation and influence. CAIC has worked to strengthen the contact and has, it is reported, succeeded in fostering a more meaningful exchange of views between Caricom officials and regional business. One of CAIC's top priorities is to further develop the strength of the dialogue, and to arrange for policy-making input at Caricom earlier in the decision-making process.

Although CAIC has worked hard to reduce barriers to trade within Caricom, and has met with some success in this regard, the Association has not actively supported the reduction of trade barriers against goods from outside the Caribbean. In principle, CAIC stands for "free trade," but it has supported a Common External Tariff on the grounds that some protection for local manufacturers for a limited period of time will prepare them to face the extra-regional export market eventually. Although nothing in RDO/C's agreement with CAIC compels the latter to work for the reduction of barriers to trade from outside the Caribbean, the U.S. General Accounting Office has expressed concern about job relocation effects of RDO/C's private sector program.

Reliance on competition and market mechanisms are views advanced in CAIC's revitalization document, "Creating the Future" (see Section I-D above) and repeated in the 1981 PSIA project paper. CAIC has continued to espouse these views and to make them an integral part of its public relations effort. The Organizational Affairs Department has disseminated the television series, "Free to Choose," featuring Milton Friedman and airs a weekly radio show, "Caribbean Business Whirl" on which such views are expressed. There is no substantive component of any of the AID-funded EDD sub-projects, either in 1981 or 1984, specifically concerned with enhancing competition and free market mechanisms. Thus, on the surface, at least, this purpose-level component is more directly related to the OABG Department than it is to EDD.

149X

3. **Institutional Development Objectives:** To increase the capacities, efficiency, and sustainability of institutions serving the private sector in these countries.

This institutional objective concerns the Organizational Affairs/Business-Government Relations Department more than it does EDD. Nevertheless, EDD activities do tend to contribute to two relevant purpose elements:

- to develop investment promotion institutions

- to integrate the efforts of members of the business community to improve conditions of doing business

Casual Paths:

Path I:

If CAIC provides a vehicle by which personal contacts between businessmen in the French territories and in CARICOM countries will increase, and

If CAIC encourages Chambers of Commerce in French territories to install an information system which provides current information on investment opportunities in Caricom,

Then, the information network and an informal human network will operate together to produce successful investments in CARICOM countries, and

the roles of the Chambers and CAIC as investment promotion institutions will be enhanced.

Path II:

If CAIC properly assesses the needs of specific sectors and sub-sectors for organizational arrangements focussed on their special needs, and

If it provides sufficient support for these sectoral/subsectoral arrangements,

Then CAIC can reduce splintering of the business community, and mobilize a broad array of business interests in common causes.

Evaluation Evidence:

Evidence for Causal Path I:

The CAIC-DFA Task Force expanded personal contacts between businessmen in CARICOM and in the French territories. Designation of CAIC as "distributor" of CBIN terminals led to installation of such terminals by Chambers of Commerce in Martinique and Guadeloupe. The combination of an information network delivering timely leads on investment opportunities with a network of personal contacts by means of which businessmen in the French territories could check out potential investments and joint venture partners in CARICOM contributed to investment within Caricom countries by these businesses. The provision of service strengthened the role of the Chambers on these two islands as institutions capable of channeling investment to Caricom. It also reinforced the commitment of businessmen in the French territories to CAIC and to the concept of a Caribbean Economic community.

Evidence for Causal Path II:

The Caribbean Manufacturers' Council, the Caribbean Shippers' Council, and various task forces have been created and nurtured by CAIC. The accomplishments of these organizational arrangements have been of mixed quality. While it is clear that CAIC's constituency wants to work within focussed task forces and groups, the effectiveness of each body depends upon the commitment of the leadership of each group and on the cooperation of its members.

CAIC has been only partially effective in serving as a forum for manufacturers and in coopting the forces which tend to divide them from each other and from other interests in the business community. Problems in with the Trinidad and Tobago Manufacturers' Association and the separate founding of an organization to represent manufacturers in the OECS states have represented challenges to CAIC leadership. The DFA-CAIC Task Force deserves very high marks for the success of its efforts to strengthen contacts between the two sets of territories.

E. SUMMARY

On the basis of the evaluation conducted of CAIC's economic development and policy advocacy functions, the following conclusions emerge:

1. The Economic Development Department was originally created to provide direct, practical economic development assistance to its constituency. Over time, it has assumed responsibility for CAIC's policy research and advocacy efforts as well. The EDD has concentrated its talent and resources on the policy research/advocacy effort to the detriment of its economic development responsibilities.

1514

2. Advocacy and promotion functions normally require distinctly differing management styles, qualifying experience, and professional temperaments. 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 is a form of brokerage, requiring practical knowledge of business, personal salesmanship, and an orientation to tangible results. The staff of the Economic Development Department are oriented toward policy advocacy and research by training, experience, and temperament. The Economic Development Department has not been properly staffed to handle the more practical investment and export promotion responsibilities which it has been assigned.

3. The EDD's policy studies and reports have assisted the policy advocacy efforts undertaken by CAIC's Executive Director and the Board of Directors; in effect, the personnel of EDD have performed as the personal staff of the Executive Director.

4. Successful policy advocacy efforts on the part of CAIC and its affiliates have included significant tax and economic policy reform in a number of Caricom countries, and some reduction of trade barriers affecting intra-Caricom trade. The tax reform initiative, which has been hailed by CAIC's constituency as a major achievement, has included simplification of the tax structure, lower personal and/or corporate taxes, more liberal deductions, abolition of withholding tax on dividends and profits and/or abolition of export taxes.

5. CAIC and the Caricom-DFA Task Force have facilitated business contacts between the English-speaking nations of Caricom and the French Departments in the Caribbean, paving the way for the development of joint ventures and cross-investments, as well as increased trade and travel.

6. CAIC has established itself as the official representative of the private sector at the major regional public sector institutions, including Caricom, the CDB, and Caricad. CAIC's positions on regional policy are solicited by Caricom policy makers and given serious consideration. Indeed, it can be said that CAIC has represented a significant force working for the strengthening of regional cooperation and resisting the centrifugal forces which impede regional integration.

7. CAIC's efforts in the areas of countertrade and creation of a Caribbean currency unit appear to have overreached both its constituency and its own staff capabilities.

8. The EDD has performed poorly with the Caribbean Basin Information Network (CBIN) and has disappointingly little to show for their investment in and their efforts with this service. Furthermore, CAIC's constituency seems, for the most part, unaware of the potential of the CBIN service. The use of the CBIN in Martinique and Guadeloupe, which have their own terminals, has been more active and successful.

9. The personnel of the EDD have shown little aptitude for either investment promotion or export promotion, and have done little for their constituents in these areas. An exception has been their role in co-sponsoring CARIMEX, the 1985 regional trade exposition held in Barbados, which proved to be a successful forum for trade contacts.

10. It is difficult to separate the impact of the Economic Development Department in the area of public policy advocacy from the impact of other forces influencing changes--because those other forces are so varied in nature and large in magnitude, because the identity of an effectively advocated position be may lost as it is merged into a favorable compromise outcome, and because desirable outcomes may represent the cumulative effects of efforts made over a period of many years. However, the difficulty of accurately assessing advocacy impact does not excuse the advocates from accountability for the time and resources spent in the process. Accountability requires, first, the setting of reasonable goals in light of the obstacles one could reasonably expect to encounter; it then requires realistic plans to overcome the obstacles; and finally, it requires that the advocates be able to demonstrate the specific results (including interim and partial results) of their efforts.

153x

CHAPTER V. REVENUES AND COSTS

A. INTRODUCTION

This chapter analyses CAIC's revenues and costs since the organization's revitalization in 1981. In tracing the sources of revenues and applicable costs of CAIC through the review period, the basic financial data have been developed from the year-end reports of Peat, Marwick, Mitchell & Co/Ken Hewitt & Co., (PMM) Chartered Accountants, which have been consistent in form and content since 1981. These audit reports, each for December 31, 1981 - 1985, have been supplemented and brought up to date by the June 30, 1986 interim audit reports. Unless otherwise stated, these reports provide the factual financial data used throughout this section of the report, although we have taken the liberty of presenting the financial tables in a format that is somewhat different from those used by the PMM Accountants, (i.e. focusing on total costs and revenues rather than net costs and revenues.)

During the course of this review, it became evident that certain underlying financial data could not be obtained or factually verified. In particular, it was difficult to obtain comprehensive data on revenues other than those received from donors and general membership contributions. In such instances, the evaluation team relied heavily upon the verbal comments of CAIC department heads and a close review of written comments in the organization's annual reports.

This Chapter is organized into three sections in addition to this introduction (Section A). Section B reviews CAIC's sources of revenue over the past six years, Section C reviews costs, and Section D assesses the impact of the PSIA project in terms of RDO/C's institutional development goals for its private sector program.

B. REVENUE

CAIC has derived its revenue, through the five years ending December 31, 1985, primarily from donor grants and membership contributions. Minimal amounts of revenue were also received from various other sources and it should be noted that, although small, this "other income" has increased every year (refer to Exhibit V.I).

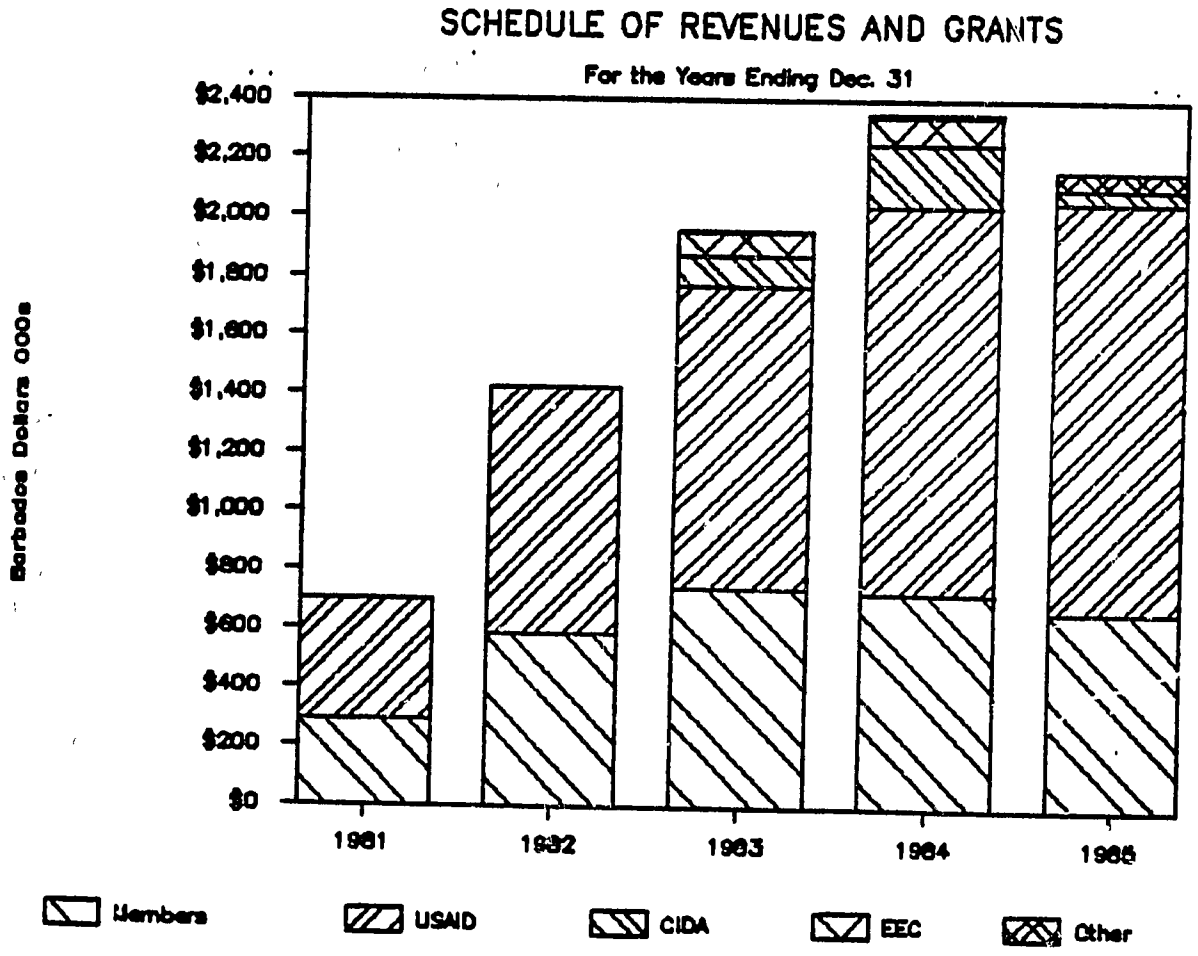
Overall revenues increased from $698,000 in 1981 to a peak of $2,353,000 in 1984, declining to $2,163,000 in 1985. For the six month period ending June 30, 1986, total revenue amounted to $1,133,000 versus $1,187,000 for the first six months of 1985.

Exhibit V.1

SCHEDULE OF REVENUES AND GRANTS FOR YEARS ENDING DEC. 31
(Barbados Dollars in 1000s)

Revenue Sources	1981	1982	1983	1984	1985
Membership Contribution	288	584	743	727	666
USAID Grant	410	840	1,025	1,314	1,388
CIDA Grant	0	0	105	210	48
EEC Grant	0	0	78	92	0
Other	0	3	5	10	61
TOTAL REVENUES	698	1,427	1,956	2,353	2,163

Source: PMM



155x

In the following sections, CAIC's revenues are reviewed in terms of revenue from dues, from services, from USAID, from other donors and from other miscellaneous sources.

1. Income From Membership Dues

The subscription schedule for membership dues was revised effective 1984 to explicitly differentiate between the dues to be paid by MDC membership (Moderately Developed Countries: Barbados, Jamaica, Guyana and Trinidad & Tobago), and those to be paid by LDC membership. This distinction applied to corporate members as well as organizations (see Exhibit V.2). In the case of organizational dues, which are 250% higher in the MDCs than in the LDCs, lower subscription rates apply in territories where there are more than two organizational members of CAIC. Variations are made for corporate membership based upon not only the size of the business but also upon the scope of operations. Thus a corporate member who operates in several national territories is expected to pay higher dues. An MDC corporation which is regional (operates in a number of territories) can be assessed for dues as high as BDS$25,000 per annum whereas the maximum dues for an "extra large" LDC corporation operating in a single territory amounts to BDS$2,500. The lowest dues are paid by small firms in LDCs, which are assessed $250 per year. The MDC membership has consistently accounted for more than 80% of dues income throughout the period 1981 to date.

There appears to be some discrepancy between the membership dues as tracked by CAIC, (in a historical computer file of membership dues received each year), and the annual membership contributions listed by the chartered accountants, as indicated in Exhibit V.3

These data bring to light several items of interest:

(a) During 1981, CAIC accounted for members' contributions only to the extent that they were actually received. In affect, the organization operated on a cash basis.

(b) During 1982 (as reflected in the PMM year end audits), the association changed its method of accounting for members' contributions by including in "revenue" as well as "accounts receivable", the amounts which were due but not received.

Exhibit V.2

CARIBBEAN ASSOCIATION OF INDUSTRY AND COMMERCE

SUBSCRIPTION SCHEDULE - 1984

			BDS$
(A)		ORGANIZATION SUBSCRIPTION BASIS	
	MDC		
	i	Where there are no more than 2 such bodies	10,000.00 each
	ii	Where are 3 or more such bodies who are members of CAIC	7,500.00 each
	LDC		
	i	Same as above	4,000.00 each
	ii	Same as above	2,500.00 each
(B)		CORPORATE SUBSCRIPTION BASIS	
	IN CARIBBEAN MDC TERRITORIES		
	i	Regional or Group Companies - (i.e. large companies operating in several CAIC member territories)	25,000.00
	ii	Semi-regional - Operating in more than one CAIC member territories	18,750.00
	iii	Large Companies	12,500.00
	iv	Semi-Large Companies	6,250.00
	v	Medium-sized Companies	2,500.00
	vi	Small Companies	750.00
	IN CARIBBEAN LDC TERRITORIES		
	i	Extra-Large Companies	2,500.00
	ii	Large Companies	1,250.00
	iii	Medium-sized Companies	500.00
	iv	Small Companies	250.00
(C)		ASSOCIATE MEMBERSHIP	2,500.00

Government Corporations
Insurance Companies
Finance Companies and Brokers
(the last-named two operating in the private sector)

157

Exhibit V.3

CAIC'S REVENUE FROM MEMBERSHIP, 1981 - 1986

Source of Information:

	1981	1982	1983	1984	1985	1986*
Membership contribution (PMM auditors)	288	584	743	727	666	n/a
Revenue from dues (CAIC historical membership tracking)	187	398	500	640	626	566
Difference	101	186	243	87	40	n/a

* As of November 26, 1986

(c) The year 1982 was a critical year for CAIC and the organization experienced cash flow difficulties as USAID program costs accelerated. Membership contributions for 1982 as stated by PMM were as follows:

Original budgeted contributions	$432,000
Additional contributions	137,400
1981 Subs. received in 1982	14,500
TOTAL	$583,900

(d) The "additional contributions" represented loans made to CAIC (unsecured, interest-free) by five corporate members. By the end of 1983, additional contributions increased to $299,300 and it appears that a portion of this money was converted into advance membership subscriptions. By year end 1985, additional contributions had declined to $16,600.

(e) The combination of accrual accounting (which accentuated delinquent dues receivable), together with economic conditions, resulted in CAIC charging off $91,700 of bad debts in 1983 and an additional $17,000 in 1985.

When adjusting the variation between PMM's assessment of membership contributions and CAIC's historical membership tracking (see Exhibit V.3) to reflect the "additional contributions", charge-offs, and advance subscriptions, the difference between the figures of PMM and those of CAIC's historical membership file becomes minimal. Because CAIC's dues receipts figures are lower (more conservative) than those of the auditors, they have been used as the basis for the analysis that follows:-

a. Dues from Organizational Membership

The various national business organizations have always been the nucleus of CAIC's membership and it was toward these chambers that a portion of AID's program support was directed in the revitalization process starting 1981. From the period 1981 to the present, dues collected from the national business organizations increased from $61,600 to $119,400. The peak level of organizational dues, collected in 1985 was $171,800. (Refer to Exhibit V.4). As explained in Chapter II, both the number of paid up members and total sum collected have declined during the current year, although CAIC's staff advise that organizational membership in the OECS region is officially stable.

159X

Exhibit V.4

CAIC REVENUE FROM ORGANIZATIONAL DUES, BY COUNTRY
1981 - 1986 **

COUNTRY	--- REVENUES IN THOUSANDS OF BARBADOS DOLLARS --- 1981	1982	1983	1984	1985	1986
Anguilla	0.00	0.00	0.00	1.00	2.00	2.00
Antigua	0.00	5.60	3.80	9.80	8.00	8.00
Barbados	20.00	20.00	10.00	22.50	16.00	10.00
Bahamas	0.00	0.00	0.00	2.00	2.00	2.00
Belize	0.00	2.00	0.00	8.00	4.00	0.00
Curacao	0.00	0.00	0.00	0.00	6.00	12.00
St. Croix						
Dominica	3.00	0.00	1.75	4.00	4.32	3.68
French Guiana	0.00	8.00	8.00	0.00	16.00	15.36
Grenada	3.00	0.00	2.75	3.25	4.00	4.00
Guadeloupe	12.00	12.00	12.00	12.00	12.00	12.00
Guyana	0.00	0.00	3.80	0.00	7.83	1.44
Haiti	0.00	0.00	4.00	2.50	5.50	0.00
Jamaica *	0.00	2.33	3.69	6.54	29.14	9.40
Martinique	0.00	12.00	12.00	12.00	12.00	12.00
Montserat	2.40	0.00	2.40	6.40	4.52	0.00
St. Kitts	2.15	0.90	1.90	4.50	4.50	4.50
St. Lucia	1.00	3.00	3.25	4.00	4.00	4.00
St. Vincent	0.00	0.36	0.50	4.00	4.00	4.00
Trin. & Tob.	18.00	18.00	18.00	20.00	20.00	15.00
Venezuela	0.00	0.00	0.00	0.00	6.00	0.00
TOTAL	61.55	84.19	87.83	122.49	171.80	119.38
NUMBER OF COUNTRIES	9	11	15	17	20	20
NUMBER OF ORGANIZATIONS	12	17	21	24	27	27

* Two organizational members from Jamaica joined officially in 1981, but did not pay.

* As of November 26, 1986

Source: CAIC Membership File

160

Amount of Subscriptions

As reflected in Exhibit V.4, CAIC's revenue from organizational membership increased steadily from 1981 through 1985. As dues paid by corporate and affiliate members increased, the organizational dues, as a percentage of total dues, dropped from 33% in 1981 to 21% in 1986. The year 1986 showed the first decline in organizational dues receipts (down $52,400 or 30% from the previous year).

It is noteworthy that most of this decline in organizational dues was from the larger MDC territories of Barbados, Guyana, Jamaica and Trinidad, (plus two "fringe" territories - Haiti and Venezuela, and two LADP recipients - Montserrat and Belize). This loss of revenue from organizational members might be attributable to political factors, or to the weakened economic situation, but it does point up a need to follow up on drop-outs promptly.

Trends

The organizational dues received by CAIC grew steadily from 1981 through 1985 but then suffered a substantial drop in the current year, 1986. In discussions with various CAIC staff persons, it was explained that the decline in dues revenue was the result of an increase in arrears rather than any drop in membership. While the overall dues revenues of CAIC appeared to be down considerably as evidenced by the CAIC historical membership file, specific situations explain the problem of the national organizations in terms of economic decline, particularly in Jamaica, Guyana, and Trinidad & Tobago: financial difficulties put their own membership in arrears which in turn makes it difficult for the organizations to meet their obligations to CAIC. In the case of Montserrat and Belize, both country organizations were eligible for LADP assistance, (which would be fungible for payment of dues to CAIC), but did not submit a proper application until the end of 1986.

CAIC has written off BDS$24,000 of organizational arrears since 1984, and still has over BDS$90,000 in organizational arrears listed on its official accounts as of this writing. As a Chamber of Chambers body, CAIC should follow up closely the serious decline in organizational receipts.

b. <u>Dues from Corporate Membership</u>

Dues revenue paid to CAIC by corporate membership expanded rapidly from BDS$125,130 in 1981 to BDS$502,750 in 1984 - an increase of more than 300%. However, in the ensuing years, corporate dues revenue has declined substantially. Although

116X

corporate membership may be more volatile than organizational membership, it does provide CAIC with a much wider membership base. Furthermore, the fees paid by corporate members, especially larger, regional firms and MDC-based corporations (Refer to Exhibit V.2, above) are significantly higher than organizational dues.

Amounts Received

As reflected in Exhibit V.5, the largest portion of dues revenue received by CAIC comes from its corporate membership. In 1981, corporate dues represented 67% of total dues. From that time forward, corporate dues revenue, as a percentage of total dues received, amounted to 79% in 1982, 80% in 1983, 79% in 1984,, 71% in 1985, and 77% in 1986.

Peak corporate dues of BDS$502,750 were received in 1984; but, as illustrated in Exhibit V.5, 1985 receipts were down 10% to BDS$450,970 and in 1986, corporate dues dropped another 3% from the previous year to BDS$435,530. CAIC had to write off several thousand dollars of "receivables" in corporate membership dues in the past two years, and currently (as of this writing) has BDS$53,500 of corporate arrears on its books.

Countries

Referring to Exhibit V.5, it becomes evident that the "Big Three" MDC countries of Trinidad & Tobago, Barbados and Jamaica, are the dominant dues providers of corporate funds to CAIC. In the current year, 1986, Barbadian corporations paid 41% of total corporate dues; Trinidad and Tobago made a similar contribution of 38% and Jamaica paid in 11% of the total. These three countries thus provide 90% of total corporate dues while the balance of the countries provided only 10% of the total. Surprisingly, Guyana, an MDC which has suffered a long period of economic decline and where the private sector receives little encouragement, accounted for a significant 6 1/2% of total corporate dues collected in 1986.

Trends

In terms of the substantial decline in dues received from corporate members in 1985 and 1986, the loss of revenues deserves serious attention. Discussions with CAIC staff indicate that economic conditions have caused some members to either drop their CAIC membership, or to delay payment of dues for a period of time. As might be expected, some corporate members have

Exhibit V.5

CAIC REVENUE FROM CORPORATE MEMBERSHIP DUES, BY COUNTRY
1981 - 1986 *

COUNTRY	--- REVENUES IN THOUSANDS OF BARBADOS DOLLARS --- 1981	1982	1983	1984	1985	1986
Anguilla						
Antigua						
Barbados	32.50	145.00	156.50	182.25	177.75	180.00
Bahamas	0.00	0.00	0.00	0.75	0.00	0.00
Belize						
Curacao						
St. Croix	0.00	0.00	0.00	2.50	2.50	0.00
Dominica	3.00	3.25	4.25	4.50	4.75	4.50
French Guiana						
Grenada	0.00	0.25	1.75	1.75	1.75	2.73
Guadeloupe						
Guyana	10.00	0.00	10.00	29.50	19.50	28.50
Haiti						
Jamaica	20.00	65.00	67.00	81.75	62.50	50.00
Martinique						
Montserat	0.00	0.00	0.00	0.00	0.25	0.00
St. Kitts	3.25	3.50	3.50	3.75	3.25	3.25
St. Lucia	1.00	1.00	5.25	3.25	2.72	3.03
St. Vincent						
Trin. & Tob.	55.38	95.75	154.02	192.75	176.00	166.50
Venezuela						
TOTAL	125.13	313.75	402.27	502.75	450.97	438.53
NUMBER OF COUNTRIES	7	7	8	10	10	10
NUMBER OF CORPORATIONS	25	50	76	91	86	90

* As of November 26, 1987

Source: CAIC Membership File

163x

collapsed during this period and others are simply slower in meeting their obligations. In particular, corporate membership (and dues) from MDC countries has proven volatile and deserves close attention.

On the other hand, for the "fringe" territories of Bahamas and St. Croix (Virgin Islands), the amounts are relatively small and the issues involved relate to matters of board policy concerning membership and the question of CAIC's ability to offer any tangible services to these tourist centers.

c. Dues from Associate Membership

An "Associate Membership" category, with dues of BDS$2,500 per year irrespective of size, regional coverage or MDC location is available for parastatal corporations, insurance companies, finance companies and brokers. Dues records indicate that Associates first became active (in the 6 year review period) in 1983 when three associate members' dues totalled BDS$10,000. This increased to four associates in 1984 producing dues revenue of BDS$15,000. In fact, the dues received in 1983 and 1984 reflect some double payments as local offices of regional insurance companies in Barbados and Trinidad both paid a full subscription.

CAIC was allowed to retain the surplus, but the error was not repeated after 1984. Thus, dues receipts from associates dropped to $10,000 in 1985 and rose again to $12,500 with the addition of a new member in 1986. None of the LADP countries have dues-paying associates. Of the five associate members paying dues currently, three are located in Barbados and two in Trinidad and Tobago.

d. Trends In Total Dues Revenue

Placing the dues-paying membership of CAIC in perspective over the period 1981-1986, it appears that the organization has done a remarkable job in revitalizing membership revenues. The major portion of this growth has resulted from the substantial increase in corporate dues coming, primarily, from the MDC's. To the extent that corporate revenues have declined in both 1985 and 1986, (with organizational membership revenues declining in 1986) there would appear to be a danger signal for CAIC in the years ahead. Thus, immediate priority should be given to stabilizing the drop in revenues and, hopefully, producing additional dues revenue in the future.

2. Revenue From Services

The evaluation of the sources of revenue to CAIC from its services includes certain types of training programs, certain forms of technical assistance, and the CBIN which is in its third year of funding. Our initial discussion with CAIC's Accountant revealed that costs and revenues of specific sub projects (such as a given training session) were not maintained by the accountant. Income from such projects or programs was treated as an entry on the daily ledger but not collated except in preparation for the reports to USAID, where the sums are simply deducted from the subsequent billing. In seeking this breakdown of revenues and income from the various Programme Managers themselves, we were advised that the Accounting Department kept the only financial records. The Programme Managers do not maintain specific project or program records pertaining to costs and revenues, although they were able to provide verbal histories of selected income-producing activities.

CAIC's Executive Director explains:

> Departmental managers are, however, provided with monthly cost analyses by line item of their department's employment direct overhead and programme costs, showing monthly and accumulative expenditure status, with the programme component detailed by line item. The major reason for this is to enable them to exercise cost control in their own programmes ... Each programme Manager knows from his/her own records the gross estimated revenue from each project which is offset against gross estimated expenditure to yield net expenditure figures.
>
> When all the vouchers for any specific project reach CAIC, he/she can compare this with the budgeted revenues and expenditure amounts shown on the internal P.E.R.F. (Programme Expenditure Request) from which is made up when authority to incur expenditure on the project is initially sought.
>
> The form has recently been re-designed to facilitate that comparison but the re-design has only been done in the last few months. The Evaluation may not have found any fully completed PERF forms from which the information sought could have been extracted. The <u>estimated</u> profit or loss on each project can however be found on each PERF form.

165x

Attempts to trace back revenues by department, by review of the ledger kept in the Accounting Office, proved inconclusive and covered a period or less than one year (although it appears that the new forms will facilitate the process in the future). Therefore, the following comments concerning services income is anecdotal rather than comprehensive in nature.

a. Revenue from Training Services

In discussing the revenue side of training projects, the head of the Training Department said that CAIC "always recovered at least 25% of costs". "Cost" in this context refers to direct or marginal costs such as travel, accommodation and meals, not only for CAIC or consultants but, in some case, for training recipients. However, these direct costs do not include the wages/salaries of CAIC staff or any overhead costs. In general, training recipients pay 25% of the direct cost of their programs, with CAIC (reimbursed through USAID) paying the other 75%. As an example, if a particular program costs a total of BDS$6,000 on an out-of-pocket basis, the recipient organization (perhaps a national chamber of commerce) would be required to pay CAIC BDS$1500. The Chamber in turn often charges the training participants more than a total of $1,500 in order to cover additional cost to the chamber in setting up the program (e.g., stationery, telephone calls and local transportation).

Train The Trainer

These regional programs usually cost between BDS$15,000-20,000 and generally include 15 to 20 participants who are each charged about BDS$200-250. On the basis of 20 participants, the revenue produced would amount to approximately BDS$4,000.

On The Job Training (OJT)

The head of the Training Department advised that on-the-job training sessions are usually firm-specific and incur no net direct costs to CAIC (or USAID). In some situations, OJT brings in a "surplus" of 25% above direct costs. OJT sessions during 1986 (to date) incurred the following direct costs:

Location	No.	Cost US$	Total Cost US$ (1986)
Dominica	2	6,500	
		1,300	7,800.00
Grenada	2	6,500	
		6,500	13,000.00
St. Vincent	1	6,500	6,500.00
Antigua -long	2	6,000	
		6,000	
-short	2	3,000	
		3,000	18,000.00
		TOTAL	45,300.00

The normal practice on training programs is for CAIC to bill USAID for all its direct costs (i.e. not including employment or overhead cost, which are not included in "program costs") as they occur. When CAIC later receives its 25% fee from the recipient, this amount is deducted from the next USAID billing. Unfortunately, this system does not provide CAIC with an incentive to "make a profit", nor does it give the Department Manager an opportunity to build up a surplus (over direct costs) within CAIC.

CAIC's Executive Director notes:

> The reasons for the Training Department shifting mainly to On-the-job Training courses are....: First, they allow CAIC to recover all its direct costs and generally to earn a surplus or 'profit' over and above those costs...
>
> As CAIC, BIMAP, and everyone else has found, most small to medium-sized LDC companies - generally those most in need of help -are precisely the ones which are strained even to pay 25% of direct costs of on-the-job training.
>
> In the light of BIMAP's advent into the OECS market, supported by USAID funding, CAIC has shifted more and more to On-the-job training for medium and large companies, which cost CAIC and/or USAID little or nothing, and more often than not earns for CAIC, a surplus over its direct costs.

167

b. Revenues from Technical Assistance Services

In a manner similar to the practice described above, Technical Assistance is partially paid by recipients on the basis of 25% of direct (out of pocket) costs. As with the training courses, technical assistance is conditional upon the recipient being a member of CAIC. To the extent that both training and technical assistance provide new corporate membership for CAIC, this is considered another source of revenues. From a cost basis, technical assistance through November 1986 (but excluding the activities of the SEA project) is as follows:

Location	Number	Total Cost (1986)
Barbados	5	BDS$49,000
Grenada	1	4,400
Dominica	1	7,000
St. Lucia	2	16,500
		BDS$76,900

As concerns future revenues from the Technical Assistance Department, these accounts have recently been transferred to the new SEA Project and are no longer potential revenue producers for CAIC.

c. Revenue from CBIN - (Caribbean Basin Information Network)

The CAIC proposal for grant assistance from USAID for the three year period 1984 - 1987 provided some measurable targets against which the CBIN program could be evaluated. While it should be stated that the projected activity was in the form of a proposal (i.e in a selling mode, and highly optimistic), program achievements have fallen far short of the targets. Within the framework of the original proposal, the following comparisons of income producing activity can be drawn.

Activity	Proposal 3rd. Year Anticipated Income	2 1/2 Years Actual Income
Subscription fee	BDS$36,000	BDS$300
Data Transmission	38,268	Nil

In effect, the capacity for CBIN to become a viable revenue producer for CAIC is not yet in evidence. The premise was that

CAIC would pay US$30 per hour of data transmission from a mainframe computer based in the US, and would, in turn, bill its subscribers US$50 per hour. The first five hours of transmission each month would be free to CAIC. The original proposal projected that by the end of the second year, CAIC usage would be at the level of 120 hours annually. It appears that actual usage is less than 5 hours monthly as no billings or income (aside from three hook-up subscriptions) are on record for CBIN.

d. Trends in Revenue from Services

In the absence of comprehensive and detailed data on revenue and costs for CAIC services over the review period 1981 - 1986, no discussion of Trends is possible. It does appear that the Training/Technical Assistance programs have proven the capacity to provide some revenue for CAIC in measurable amounts, as judged by the discussion of activities over the past three years. The lack of employment and overhead expenses in calculating total program costs (and related fees) may have deprived CAIC of some potential revenues in the past.

3. Income From USAID

The original agreement between USAID and CAIC was dated June 4, 1981 in the amount of $400,000. Through the ensuing years, numerous amendments involving additional grant assistance were agreed upon with the result that total cumulative grants to CAIC from USAID currently amount to US$3,300,000. The existing agreement is due to expire on June 1, 1987.

The emphasis of USAID's grant assistance has changed somewhat from the initial ordering of priorities, which were: (1) reorganization of CAIC, (2) revitalization of the affiliate members of CAIC and (3) development of programmes to assist the private sector. New programmes have been devised and new priorities have evolved as private businesses and institutions throughout the region recognized the reactivated CAIC as being an articulate spokesman for the private sector. Current USAID grant assistance focusses not only on strengthening the institutional capacity of CAIC's national affiliate organizations in the Eastern Caribbean but also on programmes to improve the effectiveness of private sector businesses, which are or will become members of CAIC. The thrust of programme activities is now to provide resource assistance primarily to institutions and firms in the LDC countries rather than across-the-board assistance to all institutions holding membership in CAIC.

169X

a. Total Amounts of USAID Funding

As indicated in Exhibit V.6, USAID has supplied from 52% to 64% of CAIC's total revenues since 1981. However, the application of USAID funding has shifted periodically, as new programmes came into being and old ones disappeared. While the major emphasis of USAID's assistance during the first two years was on institution building and strengthening CAIC itself, the emphasis since 1983 has been on basic program activity.

During the three year period 1983, 1984 and 1985, the percentage of CAIC's costs covered by USAID increased from 53.9% (1983) to 64.5% (1985). However, as illustrated in Exhibit V.7, the percentage of assistance provided by USAID to cover program costs (i.e. excluding CAIC staff employment costs and overhead) rose dramatically from 55.1% in 1983 to 74.5% in 1984 and 83.8% in 1985. As of mid-year June 30, 1986, USAID's share of program costs stood at 78% and its proportion of total cost rose to 70.4%, the highest level since funding commenced in 1981. Also by mid-year 1986, USAID's share of CAIC employment costs rose to a new high of 68.4%; which reflected both an increase in administrative payroll assistance and the drop off of other donor support to CAIC.

b. USAID Funding by Department

Exhibit V.8 illustrates the increasing proportion of USAID's funds directed toward the Training/Technical Assistance Department of CAIC - reaching 94.2% of that department's costs in 1985. The mid-year 1986 PMM audit reveals that the share of that department's cost born by USAID was 86.0% which is considerably higher than the level of assistance provided to the other CAIC departments.

The current CAIC/USAID budget (March 1, 1986 to February 28, 1987) also displays wide variation in USAID's funding of CAIC departments, as displayed in Exhibit V.9

Seen from a different angle, the Training/Technical Assistance Department receives 40% of USAID's entire 1986 budget for CAIC.

c. Trends and Observations

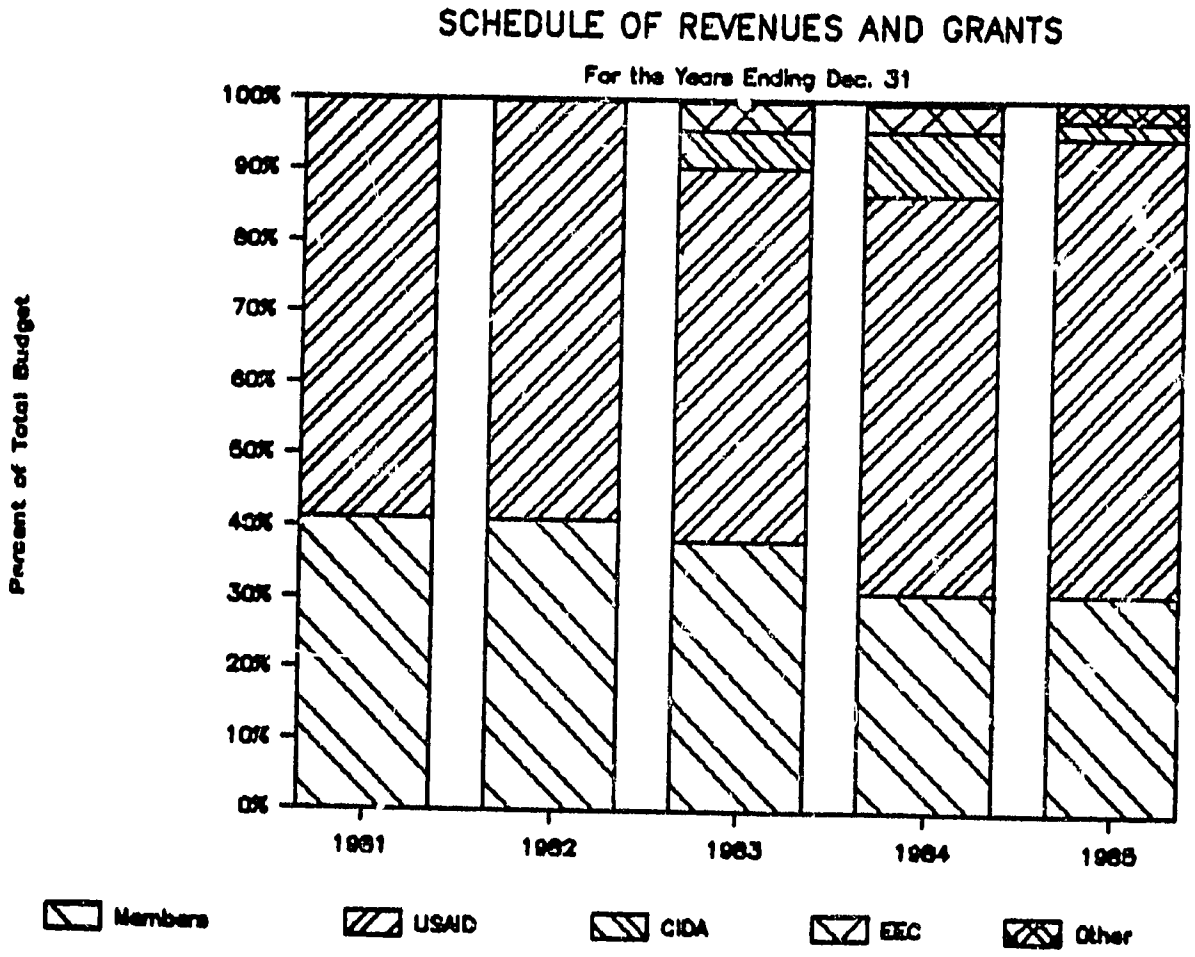
As discussed above, the steady trend of USAID's support to CAIC has been directed increasingly towards Training and Technical Assistance.

Exhibit V.6

PERCENTAGE BREAKDOWN OF REVENUES AND GRANTS

Revenue Sources	1981	1982	1983	1984	1985
Membership Contribution	41.3%	40.9%	38.0%	30.9%	30.8%
USAID Grant	58.7%	58.9%	52.4%	55.8%	64.2%
CIDA Grant	--	--	5.4%	8.9%	2.2%
EEC Grant	--	--	4.0%	3.9%	--
Other	--	0.2%	0.3%	0.4%	2.8%
TOTAL REVENUES	100.0%	100.0%	100.0%	100.0%	100.0%

Source: PMM



171X

Exhibit V.7

Percentage USAID Funding of CAIC Costs

COST ITEM	TOTAL 1983	BY USAID	% USAID	TOTAL 1984	BY USAID	% USAID	TOTAL 1985	BY USAID	% USAID
Employment	771	458	59.40	782	375	47.95	831	462	55.60
Operating	389	158	40.62	513	170	33.14	382	140	36.65
Program	742	409	55.12	1031	768	74.49	938	786	83.80
	1902	1025	53.89	2326	1313	56.45	2151	1388	64.53

Exhibit V.8

Percentage USAID Funding for CAIC Department Costs

DEPARTMENT	TOTAL 1983	BY* USAID	% USAID	TOTAL 1984	BY USAID	% USAID	TOTAL 1985	BY USAID	% USAID
OA/BB	395			638	284	44.51	519	245	47.21
E.D.D.	279			374	286	76.47	331	211	63.75
T&T/A	541			745	657	88.19	815	768	94.23
ADMIN.	687			568	85	14.96	484	163	33.68
TOTAL	1902	1025	53.89	2325	1312	56.43	2149	1387	64.54

* USAID total funding broken down by Department unkown

Source: PMM

172

Exhibit [illegible]

USAID FUNDING FOR CAIC'S DEPARTMENTS - MARCH 1, 1985 - FEBRUARY 28, 1987

	Current Budget	Of Which Funded By USAID	% of Budget Funded By USAID
Organizational Affairs/ Business-Government Relations			
Employment	183	-o-	-o-
Overhead	65	44	67.7%
Program	520	355	68.3%
	768	399	52.0%
Training & Technical Assistance			
Employment	276	172	62.6%
Overhead	90	41	45.6%
Program	392	392	100.0%
	758	606	76.9%
Economic Development			
Employment	201	66	32.8%
Overhead	85	35	41.2%
Program	161	166	100.0%
	447	262	58.0%
Administrative			
Employment	351	168	47.9%
Overhead	175	56	32.0%
Program	60	60	100.0%
	586	284	48.5%

Source: CAIC/USAID budget

With regard to the problems that have arisen between CAIC and USAID concerning accounting reports, it appears that many of the financial issues raised by USAID in the past are still unresolved: We are advised that CAIC's Accountant devotes no less than 50% of her time to USAID related reporting procedures. One of the difficulties relates to the fact that USAID documentation requires submission of vouchers and receipts in a specific format which is quite different from the filing procedure established by CAIC's own auditors. Apparently this requires a double filing system of bills and vouchers which has been quite time consuming.

Also, the numerous amendments made to CAIC/USAID's budgets at various times in the past have created difficulties in tracing program and project costs over time, as the dates of the amendments bear no relationship with audit statements' dates. It appears that these problem issues will not be properly corrected until CAIC and USAID make a combined and concerted effort to address them. Ideally, the CAIC Accountant should be provided with further technical assistance in USAID's reporting procedures, which could take place either at CAIC or USAID.

4. Income from Other Donors

Although USAID has provided the largest portion of grant assistance to CAIC over the past five years, the organization has also received grants from CIDA and EEC and, earlier in 1986, a small grant from C.I.D.

a. Grants from CIDA-CALAC

The Canadian Association for Latin America and the Caribbean (CALAC) provided the channel through which the Canadian International Development Agency (CIDA) gave grant assistance to CAIC. The original agreement between CAIC and CIDA was signed in September 1982, in the amount of CAN$250,000. An additional CAN$215 600 was granted to CAIC in October 1982 with both agreements dated to expire on 31 March, 1984. Subsequent to 31 December, 1984, agreement was made to extend an additional CAN$500,000 for use in 1985-1986. CAIC made use of these funds to supplement the institution building process, including such matters as librarian services at CAIC, newsletters, directories and training for affiliated chambers, as well as other miscellaneous support activities.

CAIC utilized those funds at the rate of BDS$105,000 in 1983, BDS$210,000 in 1984 and BDS$48,000 in 1985. Unfortunately, CALAC

was shut down in early 1986 with the result that all CIDA grants to CAIC were cut off. CAIC's Executive Director reports:

> At the moment, various entities, among them the Canadian Chamber of Commerce and the Canadian Manufacturers Association are trying to form a separate Canadian entity, to take CALAC's place as CIDA's Canadian partner. It is unlikely that this process will be completed before Spring of 1987.

b. Grants from E.E.C.

Through the delegation of the Commission of the European Community in Barbados, the European Economic Communities (E.E.C.) provided a US$100,000 grant to CAIC in July 1982. This was dated to expire on December 31, 1984. The grant money was used to provide salaries for a second economist in the Economic Development department as well as an Industrial Engineer for the Technical Assistance department. BDS$78,000 was expended in 1983 and BDS$92,000 in 1984. No further grants have been made by the E.E.C. to CAIC under Lome III, which has devoted itself exclusively to the public sector, although new channels to the EEC appear to have opened through CAIC's Caricom/DFA (Departements Francais d'Amerique) Task Force, which may bring in new funds for CAIC's use through the Guadeloupe and Martinique Chambers of Commerce and Industry.

c. Grants from C.I.D.

Early in 1986, the Center For Industrial Development (C.I.D.) in Brussels provided US$23,000 to CAIC for the purpose of covering the travel and related cost of transporting participants to a wood-working seminar in the region in February 1986. The funds were expended by CAIC and no additional grants have been made, although CAIC's Executive Director reports that "C.I.D. is in touch with CAIC with a view to doing follow-up in-plant training with the companies which participated in the wood working seminar. This is likely to occur early in 1987, with CAIC playing a coordinating role."

5. Income from Other Sources

In addition to the normal revenues received from its membership, donors and services, CAIC has received a variety of special and in-kind contributions, and lines of credit which have assisted the organization through periods of difficulty and enabled it to carry out special functions without interruption. Examples of these special contributions are discussed below.

175x

a. Loans from Membership

When CAIC was faced with a cash flow crisis during 1982, five corporate members of CAIC came forward with unsecured, interest-free loans to the organization. These loans, totalling in excess of BDS$100,000 were, with the exception of one loan, generously converted by the creditors into additional, voluntary contributions in 1983, thus removing the need for CAIC to repay the obligation.

From an accounting viewpoint, these were treated as "membership contributions received in advance." The one remaining corporate loan was later treated in a similar manner, and cash repayment is not expected. A representative of the latter creditor indicated that the firms who came to the assistance of CAIC in 1982 felt an obligation to assist the organization and would probably never press for repayment.

This generous action on the part of CAIC members should certainly be considered as "beyond the line of duty" of normal member/organization relationships and is indicative of the high esteem in which the members hold CAIC and its Executive Director.

b. Special (Advance) Contributions

On various occasions, in addition to those described in section "a" above, some CAIC members have provided advance payment of dues to the organization. In effect, these prepayments represented interest-free money, which CAIC could draw upon instead of resorting to its (more expensive) overdraft privilege at the bank. These "additional contributions" (including the pre-payments described above) totalled almost BDS$300,000 as of December 31, 1983. As of this writing, CAIC has BDS$28,856 in advance payment of dues on its accounts. Whether such contributions represent additional monies or advance monies, the effect is to ease the cash flow of the organization in times of immediate financial crisis.

c. Board Directors' Contributions

In speaking with various CAIC Board Directors, they all voiced the comment that they devoted considerable time and expense in connection with CAIC functions and meetings including travel, accommodations, communications and other costs.

Distances between the island nations makes travel a time-consuming endeavour. To an active businessman time is costly and irreplaceable. One of the former presidents of CAIC estimated that up to 30% of his time, during his term as

President, was devoted to organizational business affairs, including numerous visits to local Chambers of Commerce on each of the national island communities. While the Directors' contributions to CAIC cannot be valued with any degree of accuracy, it appears that this voluntary assistance to the organization is substantial.

d. In-Kind Contributions

Although not measurable, CAIC receives contributions from its affiliate organizations and other members in the form of goods provided and services performed on behalf of CAIC. A typical example might arise from a training program held in, say, St. Kitts. While all of the detailed planning and organizational work is done by CAIC, it nevertheless calls upon the local Chamber of Commerce in St. Kitts to send out invitations, place phone calls, make arrangements with the local hotel, and to perform a variety of other functions. By utilizing the resources of the local national Chamber, CAIC is spared considerable time and expense for which reimbursement is not expected.

e. Bank Loans

CAIC has had the availability of BDS$100,000 in overdraft privileges from its bank throughout the period covered by this review and has, at times, made extensive use of this line of credit. As a short term financing mechanism, such bank loans are considered a necessary evil by most businesses. However, in the case of CAIC, use of this source of credit added another heavy burden (in the form of interest expense) to operational costs when the organization was already experiencing deficit working capital problems.

As indicated in the PMM mid-year audit dated June 30, 1986, CAIC obtained a BDS$300,000 loan from a local bank during the first half of this year, for the purpose of effecting leasehold improvements to their new location on Hincks Street. The loan, unsecured at a variable 9.75% rate of interest, is repayable over a five year period commencing January 1987 with monthly principal and interest payments of BDS$6,337. This loan, coupled with an annual rent of BDS$159,600, leaves CAIC with heavy overhead expenses for their office facility, totalling over BDS$235,000 per year.

177X

f. Rental Income

The substantial expense of rent and leasehold improvements mentioned above was incurred in anticipation that the S.E.A. Project (funded through USAID in 1986) would occupy space in the CAIC office facility and would be paying enough rent to CAIC to defray much of the combined loan/lease costs. CAIC's Executive Director reports:

> Of the 7,600 sq.ft. of space leased in the Musson Building by CAIC, the SEA project occupies and will pay for 3,107 sq.ft. of this space and CAIC is negotiating with a few companies, with a view to leasing approximately 1,000 sq.ft. of space. As and when this occurs, CAIC will be occupying 3,493 sq.ft. of space, compared to approximately 3,250 sq.ft. at its previous location.

g. Income from the Magazine "CAIC Calling the Caribbean"

There is some indication, (although details are not available in the audits), that magazine subscriptions for "CAIC Calling" amounted to about BDS$12,000 in 1983; BDS$15,000 in 1984, and BDS$3,000 in 1985. 1986 figures are not yet available. This magazine, which began as a monthly publication, was recently converted to a quarterly one, and is produced at a reported cost of BDS$20,000 annually.

In view of the apparent shortfall of subscription revenues to offset the full production costs, advertising revenue would be the obvious source to make up the difference. While the magazine was launched with considerable enthusiasm and board support late in 1983, advertising has been considerably reduced during the past year or so. Currently, the magazine (which is not funded by any grant money) appears to be running at a loss rather than yielding surplus revenue.

The magazine is said to have a circulation of about 1,000 copies quarterly, with subscription prices of US$40 in the European market, US$20 in the US market and BDS$25 (or EC$ 30) in the Caribbean market. The Organizational Affairs/Business-Government Relations Department (OA/BG) is responsible for the content of the magazine, a time consuming editing function which is taken seriously to uphold the image of the organization. OA/BG also has responsibility for soliciting advertisements, an effort which, so far this year, has not been very successful (see Chapter II). In view of the losses faced by the magazine at this time, some serious consideration should be given to either (1) putting it on a paying basis or (2) contracting out the responsibility of publishing and selling the magazine to

professionals, or (3) ceasing its publication. In fact, CAIC has recently concluded an agreement to contract out the magazine, (particularly advertising sales) with OA/BG retaining editorial authority.

h. Income from the Radio Program "Caribbean Business Whirl"

This weekly radio service has been produced and made available in the Caribbean area through the assistance of Neal and Massy Holdings Limited, (who provided the funding for production costs for the previous two years), and Angostura Bitters, (who are financing these costs during the present year). CAIC has been able to obtain approximately BDS$40,000 annually toward production costs. While this might be considered "income" for CAIC, it is used entirely on production expenses, consultant's time and other costs.

In order for the program to be heard by a large audience, it is essential to find sponsors who will buy prime time slots in support of the radio program. To date, and since 1983, CAIC has been unable to obtain sponsor support for the show (See Chapter II). Although sponsor support would not provide direct revenue for CAIC, frequent airing of the program would have an intangible benefit for the organization.

i. Income from the television mini-series "Free To Choose"

In 1984, USAID financed the purchase of regional television rights to this film and CAIC was able to subsequently sell and/or lease the film to member chambers and other public and private sector groups. As wide circulation through the region was the primary purpose behind USAID funding, the selling/leasing price was set low and, in some case, further reduced for the smaller countries. Revenues were reported to be BDS$1,810 in 1984 and BDS$1,500 in 1985. There has been some interest in repeating the film in several countries recently but, as far as producing revenue for CAIC, the film has little potential.

j. Miscellaneous Income

Minimal revenue of BDS$930 was received in 1984 from the sale of CBIN subscriptions or services and computer paper. No revenue from these sources are shown in 1985.

179x

k. Trends In "Other Income"

Throughout the five and a half years of CAIC's existence since revitalization, the one common thread of funding by "other sources" has been the special contributions of substantial amounts of time and money by the individual Board Directors of CAIC and their corporate membership. From advance contributions, to loans, to sponsorship of communication, to purchase of advertising and absorption of radio production costs, the Directors and corporate membership have literally carried CAIC over some critical financial gaps.

To a major extent, the overall contribution made by the Board of Directors and corporate members is unmeasurable, but invaluable.

C. COSTS

There are three basic ways in which CAIC's costs may be reviewed and compared over the review period. First, by the functional expense categories of employment costs; operating costs and program costs; secondly, by department and thirdly, by program.

1. Functional Breakdown of Costs and Total Costs

As illustrated in Exhibit V.10, the period 1981 through 1985 showed a substantial increase in total costs, which rose from BDS$778,000 in 1981 to a peak of BDS$2,326,000 in 1984 and dropped slightly to $2,151,000 in 1985. The most substantial portion of this increase took place in program costs, which increased 320% from 1981 to 1985. Over the same period, employment cost rose 162% and operating expenses increased only 61%. There are some distortions in these figures, where certain employment costs (such as employing a Deputy Executive Director, as well as other key personnel) have been absorbed into "program costs". Nevertheless, the organization has substantially increased its total costs within this limited review period. The mid year 1986 audit gives an indication that operating expense will probably rise substantially due to the cost of leasehold improvements and added rental costs for CAIC's new office.

2. Departmental Costs

Exhibit III.11 breaks down costs by departments within CAIC. It should be noted that two departments, Training and Technical Assistance, were functionally combined but, for program purposes, have been shown separately.

Exhibit V.10

SCHEDULE OF EXPENSES

For the Years Ending Dec. 31

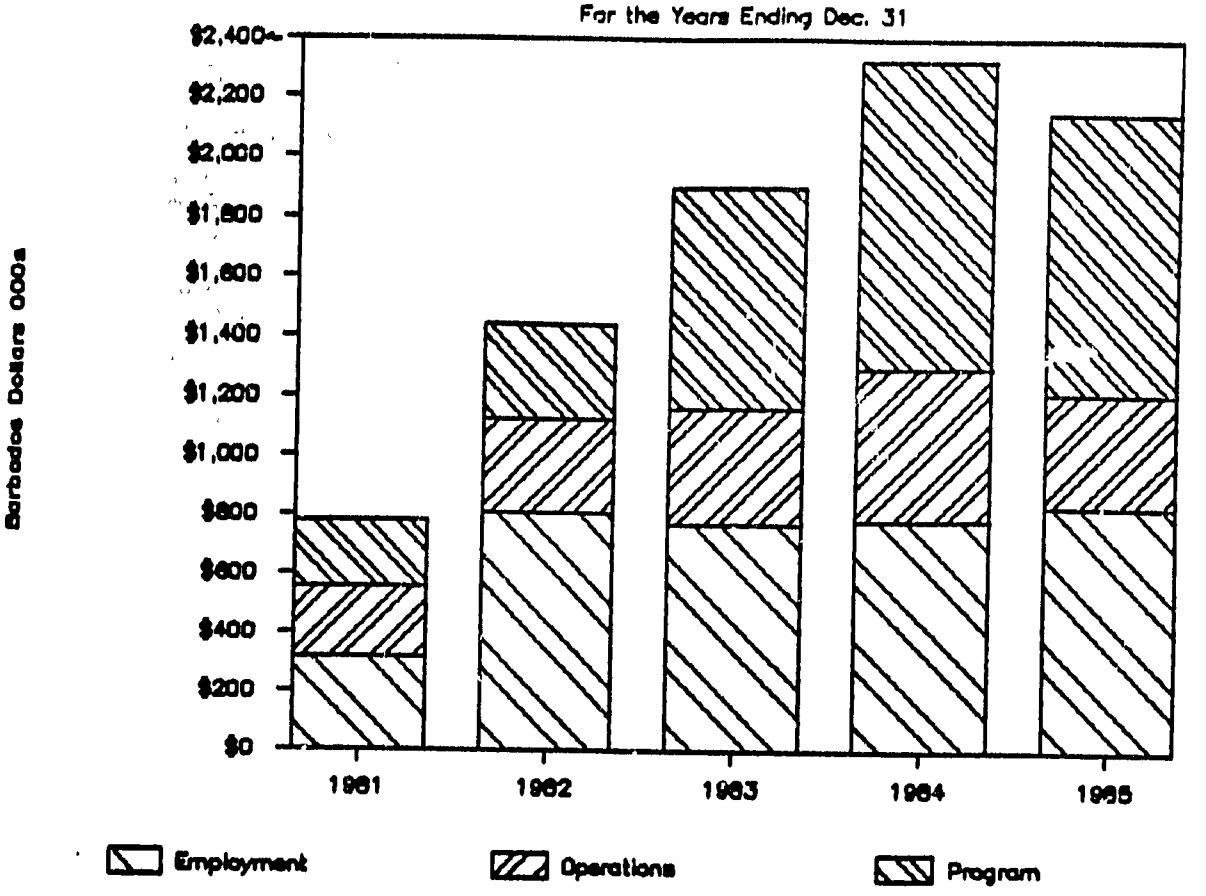
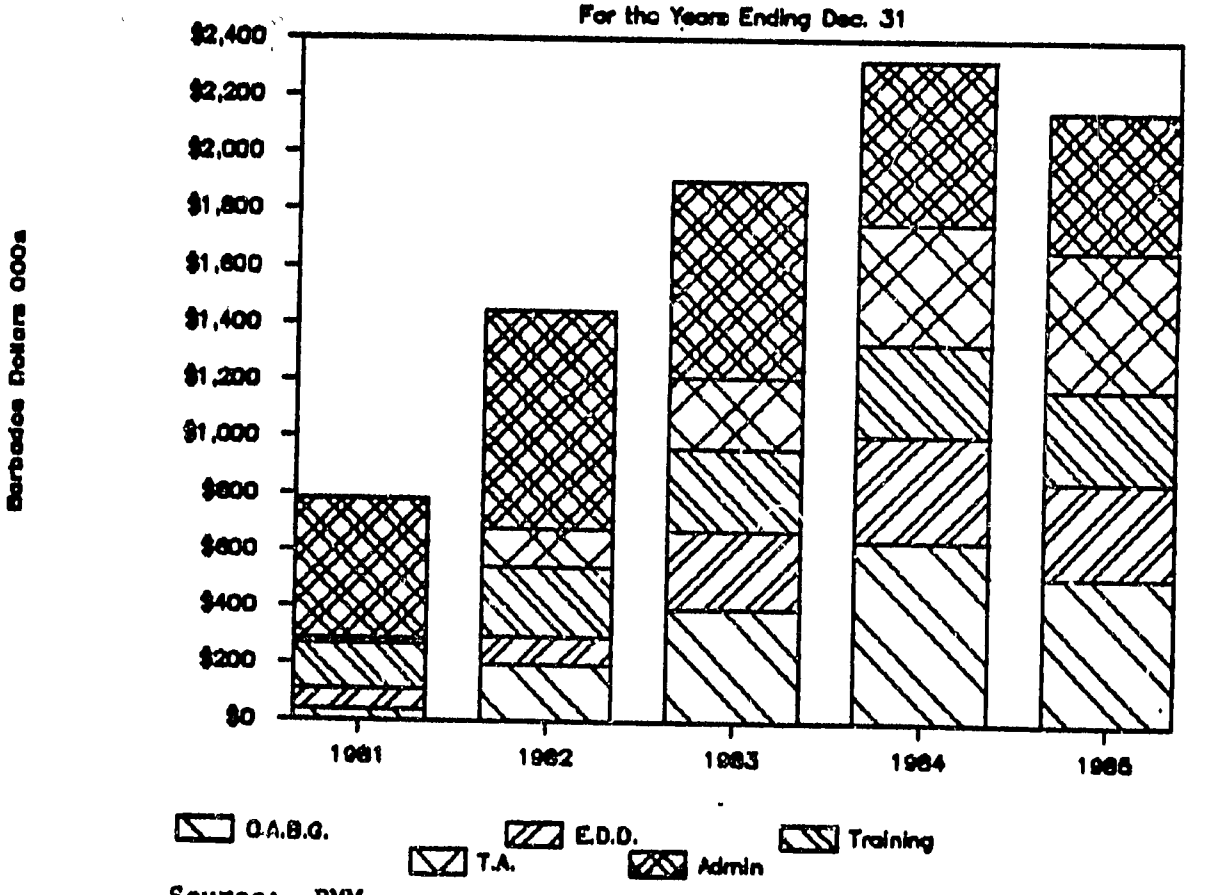


Exhibit V.11

DEPARTMENTAL DIVISION OF EXPENSES

For the Years Ending Dec. 31



Source: PMM

181X

a. Organizational Affairs/Business-Government Relations Department (OA/BG)

Costs have increased from BDS$40,000 in 1981 to BDS$519,000 in 1985, a thirteen-fold increase in the four year span. A major portion of this increase is attributable to the cost of the Local Affiliates Development Program (LADP) which is budgeted for $302,000 in the current year. The OA/BG department also handles most of those programs which are funded from CAIC's own revenues (primarily membership contributions).

b. Economic Development Department

Costs have increased from BDS$69,000 in 1981 to BDS$332,000 in 1985, nearly a five-fold increase in the period. Employment costs are high in this department, which has two senior professionals plus one junior professional as well as secretarial support. Program costs have been fairly stable in the past three years.

c. Training/Technical Assistance Department

Costs in this department, which is the recipient of the largest portion of USAID's funding, have increased from BDS$167,000 in 1981 to a level of BDS$816,000 in 1985, a four and a half fold increase. The costs in this department include considerable amounts of travel as well as meetings, seminars and workshops. The department does have a potential to produce revenue in some instances, by charging for its services.

d. Administration

The costs in this department were lower in 1985 than in 1981. Moreover costs have been reduced steadily from the peak of BDS$765,000 in 1982 (as CAIC was building up its staff and facilities) to the BDS$484,000 level in 1985. While expenditure has declined for this department, the official budget for it has increased. Viewed against USAID's growing concern with CAIC's compliance problems, the fall in expenditure is puzzling. The question may be asked: Given an increase in the administrative budget, why didn't CAIC devote more of those available resources to solving its administrative difficulties in complying with USAID regulations?

3. Program Costs

Using the CAIC/USAID budget projections for the year March 1, 1986 through February 28, 1987, the projected direct program costs for CAIC are presented in Exhibit V.12 (refer to Exhibit V.9 above for total costs, including salaries and overhead).

From the breakdown of costs by program shown in Exhibit V.12, it becomes apparent that the BDS$165,900 of non-USAID programs are costs which CAIC must fund itself (if no donor will assist) and, if necessary, must control. While the designation of "organizational costs" (those oriented toward institution building within CAIC and its local affiliates) versus "private sector costs" (those oriented toward improving the productivity of the corporate members of CAIC and the private sector at large) is debatable in some instances, it would appear that budgeted costs are 60% oriented toward organizational matters, with 40% directed toward the private sector.

4. Trends

The broad review of costs through the period 1981-1985 shows substantial increases in CAIC's costs with emphasis placed on programs related to Training and Technical assistance. As 85% of that department's (T/TA) programs are directed toward the private sector membership, we may conclude that the trend of USAID grant assistance to CAIC will probably emphasize direct assistance to private sector members. We may also note that if membership dues continue to decline, the budget for the OA/BG department may have to be reduced in the future.

D. FINDINGS RELATED TO THE INSTITUTIONAL DEVELOPMENT GOAL OF THE PRIVATE SECTOR PROGRAM'S "GENERIC SCOPE OF WORK"

This section applies the "Generic Scope of Work" (introduced in Chapter I, above) to the institutional development goal of RDO/C's Private Sector Program, utilizing observed trends in CAIC's membership growth and financial position. It draws most heavily upon observations contained in Chapter II on Membership and Commitment and those contained in this chapter on Revenues and Costs, but also utilizes the findings of the evaluation with regard to the policy and economic development goals treated in the previous two chapters. It is particularly apt to examine the institutional development goal at the end of the chapter on finances, since **the single most important indicator of the vitality of a business association is growth in membership contributions**. Membership contributions not only provide a measure of the level of membership commitment, they also form the ultimate basis for organizational self sufficiency.

183X

PROGRAM BY DEPARTMENT	USAID FUNDED	GOJ FUNDED	CARIVIEW	PRIVATE SECTOR
Organizational Affairs/ Business-Government Relations				
Chamber Institute	20100		20100	
J.A. Program	20100			20100
Free To Choose	4000		4000	
Private Sector Forums	8100			8100
Organ. Meetings		20000	20000	
CARICOM Meeting		10500	10500	
Miami Conference		5000	5000	
ACP-EEC Meetings		7000	7000	
CAIC Calling		22300	22300	
Inside CAIC		3600	3600	
Library		20200	20200	
Caribbean Business Whirl		46600		46600
CANA		12700	12700	
Membership Drive		18000	18000	
LADP	302200		302200	
TOTAL	354500	165900	445600	74800
Economic Development Department				
Counter Trade	10100		10100	
CBIN	40300			40300
Policy Research	44300		44300	
CMC	20100		20100	
CBI Implement	46300		46300	
TOTAL	161100		120800	40300
Training/Technical Assistance				
O.J.T.	50400			50400
RGTF (Garment)	60400			60400
RATF (Food)	60400			60400
RFTF (Furniture)	60400			60400
TF/Maritime	60400			60400
CARICOM Assist.	60400		60400	
T.A.F.	39600			39600
TOTAL	392000		60400	331600
Administration				
Man. Assist.	60400		60400	
GRAND TOTAL	968000	165900	687200	446700

Source: CAIC/USAID Budget

184

Goal Statement

> **To increase the capacities, efficiency, and sustainability of institutions serving the private sector.**

This goal is substantially in accordance with the primary objectives of CAIC, as set forth in their revitalization document, "Creating the Future," and of RDO/C as set forth in the PSIA project paper in 1981, although "increased efficiency" is not explicitly mentioned in either document. Increased efficiency does seem, however, on the basis of interviews with CAIC's membership and leadership, to be an important implicit component of the goal. Institutional development has remained an important component of the project through the three year period covered by the 1984 Grant Agreement (see Chapter I.D and Appendix C), although the policy and economic development goals are receiving an increasing amount of attention as the ultimate objectives of the project. It has been assumed from the outset of the PSIA project that institutional development is one of the important preconditions for both policy change and economic development- and having met most of their targets for revitalization, they are now concentrating on the latter goals. In fact, the policy and economic development goals also contribute vitally to the institutional development goal, and the three can be seen to be mutually reinforcing.

Supporting the institutional development goal are the following **standardized purpose elements**:

- To create and attract membership to business associations
- To broaden the constituency of business associations
- To integrate the efforts of members of the business community to improve conditions of doing business
- To promote the purposes and programs of the business organizations among the public at large
- To encourage dialogue between government and business on matters of mutual interest

In slightly different words, these purposes are articulated in the opening pages of "Creating the Future" and repeated in the PSIA project paper. The logical relationship between the purposes and the goal as described below may be less deterministic than hopeful, but can indeed carry strong inspirational force.

185X

Causal Paths:

If USAID and principal business leaders in a region support an innovative program of enlightened self interest, public relations, policy advocacy and business development through their business associations, then seven basic benefits will result:

1. A change in attitudes within the business community itself concerning its public responsibility and its public image

2. A better image of the private sector among the general public

3. An expanded socioeconomic base of participation and leadership within the business community

4. Increased productive efficiency for individual enterprises,

5. Improved policy environment for business

6. Improved economic conditions

7. Increased socioeconomic stability

To the extent that significant benefits along the lines listed above are perceived to have occurred by the business associations' constituency, the active constituency supporting business associations with their resources will expand on a sustained basis and the financial base of these institutions will be strengthened to the point where they will become self sustaining.

Evaluation Evidence

The evidence on the extent to which the purposes have been achieved suggests that CAIC has made considerable progress toward its objectives, but still has a significant distance yet to travel. The evidence on the extent to which the anticipated outcomes have been achieved is mixed; and the degree to which CAIC can claim credit for the achievements is less than completely clear. The evaluation has found evidence of the following:

After its revitalization in 1981, CAIC grew rapidly, attracting new membership throughout the region, among corporations and national business organizations. Between 1981 and 1984, the number of paid-up members in CAIC grew three-fold, from 37 members to 111. However, the number of paid up members has fallen

by 9% between 1984 and December 31, 1986, and it is too soon to determine whether this drop represents an aberration in a generally upward trend, or the beginning of a new, downward trend. CAIC has lost some members to the regional economic decline of the previous three years (some businesses reportedly closing completely, some withdrawing from membership for lack of time and money to devote to the organization, and some falling into arrears due to cash flow problems which may or may not prove temporary). Other members may have dropped their membership or fallen into arrears due to waning interest in the association.

During the past six years, CAIC's constituency has broadened from its original core membership of (primarily) large, established regional commercial enterprises in the MDCs to include medium sized and smaller firms in manufacturing and other sectors of the economy in the OECS as well as the MDCs: the proportion of "small" and "medium" sized firms in CAIC's total corporate membership has grown from 56% in 1981 to 70% in 1984 and 72% in 1986. Organizational members, often both Chambers of Commerce and Manufacturing Associations, were recruited from each of the Caricom nations, as well as the Bahamas, Haiti, the French Departments, the Dutch-speaking island of Curacao, and Venezuela. CAIC's Board of Directors contains representatives from each region, and from a variety of industrial and commercial sectors. However, there is evidence that several small firms joined CAIC to take advantage of subsidized training or technical assistance services, but then allowed their membership to lapse afterward. Some small businesspeople interviewed have expressed the feeling that they are disenfranchised and lacking in regard among some of CAIC's leadership.

CAIC has made concerted efforts to integrate the various interest groupings among its membership. CAIC has facilitated the formation of a variety of task forces and councils for specific industrial sub-sectors. When membership groupings have initiated the formation of new councils on their own, CAIC has encouraged them to remain under the CAIC umbrella and to work in cooperation with the Association as a whole (see Chapter V for more detailed discussions on the workings of the Caribbean Manufacturers Council, the Council of Eastern Caribbean Manufacturers and the various industrial and special Task Forces). At times, however, CAIC has found it difficult to maintain unity within its membership on important policy issues. During the 1983/84 trade crisis, the Trinidad and Tobago Manufacturers Association lobbied its government for increased protection against the rest of Caricom, while CAIC was calling for all its members to refrain from endorsing new barriers to trade.

187

CAIC and its affiliates have **promoted the purposes of business organizations among the public at large**, through a variety of media, with some success. The radio program "Caribbean Business Whirl," one of the most important vehicles for reaching the general public in the Caribbean, has lacked for sponsors, but has nevertheless found regular air time on at least one popular Barbados station. The magazine "CAIC calling the Caribbean" has had similar difficulties in attracting advertisers and has been criticized for a lack of popular content. CAIC will be experimenting in 1987 with contracting out the magazine to a firm that will try to produce it on a commercial basis, which will include efforts to increase its circulation. The television documentary series "Free to Choose," produced by Milton Freedman and presenting a case for free market economic policies, has been shown with CAIC sponsorship and RDO/C funding in Barbados and the OECS states, with additional requests for the series from Jamaica, Trinidad and Tobago, and Martinique.

CAIC has increased its contact and **dialogue with governments and regional public sector institutions** on economic policy issues. CAIC now has observer status on the Caricom Council of Minister's Joint Consultative Group, and has encouraged regional labor representatives to participate more actively in this forum as well. CAIC also obtained observer status within the Caribbean Group for Cooperation in Economic Development (CGCED), the donor club for the Caribbean region. CAIC and its local affiliates have worked on government economic policy committees and/or successfully introduced tax reform proposals in Barbados, Grenada, Dominica, St. Lucia, Jamaica, and Montserrat.

As a result of CAIC's programs, many of which have been funded by RDO/C, there is evidence of various degrees of **achievement in the anticipated outcomes** which were cited above:

Many of the businesspeople interviewed in ten countries during the course of the evaluation said that some of their **attitudes**, and/or those of their fellow businessmen, **had changed** over the past six years, in part due to their membership in CAIC or participation in CAIC's activities. During interviews, they expressed greater interest in business-oriented training services, in exporting, and in public relations. The business organizations themselves, including both CAIC and many of its affiliates, have taken a greater interest in, among other things, communicating with the public sector and with labor, in environmental issues, and in human rights issues. There is considerable evidence that important portions of CAIC's constituency have embraced attitudes often described as "enlightened self interest" - a willingness to cooperate with other segments of society toward common purposes, and a willingness to invest efforts for long term and broadly

distributed benefits. Although some respondents indicated that CAIC helped promote these new attitudes, others suggested that CAIC's revitalization itself was made possible due to a change in attitudes which had preceded. These points of view are not mutually exclusive: It is probable that a change in attitudes among CAIC's leadership did bring about the revitalization process, and that the institution which emerged continued to promote the new agenda.

Most of the businesspeople interviewed said that they felt there was now a **better image of the private sector among the general public** than had prevailed in the 1970s. They reported that, since CAIC's revitalization, and in particular since CAIC and its affiliates began publishing their own magazine and newsletters, newspapers in Barbados and several other Caribbean countries have added a "business page" and begun reporting the views of businesspeople on economic and political issues. On the other hand, broader social forces were also at work, and there seemed to be a movement toward the political center in the region from both ends of the spectrum.

CAIC has made some progress toward an **expanded socioeconomic base of participation and leadership within the business community.** As discussed above, CAIC's membership has definitely broadened to include a large proportion of "small" and "medium" firms. CAIC's leadership has broadened somewhat, although there are still many disaffected voices among the ranks of the smaller and newer entrepreneurs (especially the manufacturers), which are often reinforced by traditional social cleavages. The promotion of leadership from the ranks of smaller firms is an area for further effort by CAIC.

There is some evidence at the micro-level of **increased productive efficiency for individual enterprises** that have received training and/or technical assistance services from CAIC. However, evidence of bottom-line impact (e.g., increased productivity, sales or employment) is available for only a few firms; many others, according to interviews with service beneficiaries, have achieved improvements at an intermediate level (e.g., improved supervisory practices or employee morale) and anticipate positive bottom-line results in the coming years. (For more details, see Chapter III, Training and Technical Assistance).

Many of the businesspeople interviewed believed that there had been some **improvement in the policy environment for business** in the past six years since CAIC's revitalization. Tax reform legislation has been introduced to Parliaments in Barbados (and passed), Grenada, St. Lucia, Dominica, and Jamaica. Public sector institutions, which used to keep the private sector at arms length, have begun to solicit advice from the business

community. For the first time, an official Caricom meeting (on the Caricom Enterprise Regime) was actually held at CAIC's office; the delegates have recommended to the Caricom Council that CAIC should represent the private sector on the Authority which will administer the regime. The Caricom Heads of Government have asked CAIC to choose four people to represent the private sector on a team to study and recommend changes in the basic development strategy to be pursued through the year 2000. Intra-Caricom trade has been an important issues for CAIC, and during 1983-1986, they had to devote considerable effort to resist growing protectionist pressure in the region, (and sometimes within their own ranks). The legislative agenda of CAIC's constituency is still very long, but some of the initial efforts look promising, and CAIC's constituency are still optimistic and enthusiastic.

There is scant evidence of any general **improvement in business conditions** in the region. Much of the Caribbean experienced economic decline at some time during the period 1982-1986, and recovery thus far has been limited. Due in part to CAIC's policy advocacy activities in tax reform and trade, some groundwork may have been laid for increased investment, production, and employment in the future.

The objective of **increased socioeconomic stability** was cited by most businesspeople interviewed as the most important to them: they feel that stability is a vital component of the "business climate" and an essential precondition to economic growth. Most expressed the opinion that the region is somewhat more stable today then it was in the late 1970s, and expressed guarded optimism for the future: the social experiments of the past are looked upon with disfavor by most segments of the population, but the current mood in favor of moderation may prove fragile. Many among the leadership of CAIC believe that the association has over the past few years contributed to the region's stability, and liken their dues payments to "insurance premiums" which ensure that organizational resources are always available for mobilization when action is deemed necessary. The analogy is apt, but suggests the following irony for the institution: when risks decline, people pay fewer premiums.

The final question with regard to the institutional development goal is: to what extent have the PSIA project activities and achievements over the past six years increased the capacity, efficiency and sustainability of CAIC and its affiliates?

There is evidence that the self-reinforcing cycle anticipated by "Creating the Future" began in 1980/81 and continued through 1984/85. Dues receipts, following membership trends, grew substantially during the first few years, and the initial targets

set for CAIC in the 1981 PSIA project paper were comfortably met. Since that time, however, CAIC has lost ground. From 1981 to 1984, dues receipts grew by over 340%, but have fallen by over 10% since that peak. If this trend continues, then the sustainability of CAIC is cast in doubt.

Although other resources, notably donor funding, is also available to the organization, and the drop in membership receipts represents less than 3% of the 1986 budget for CAIC, the association has reason to view the drop with great concern:

CAIC proclaimed the goal of financial self-sufficiency in the revitalization document, "Creating the Future" in 1980. They espoused the goal of increasing financial self-sufficiency in their 1984 Grant Proposal to USAID, and stated that they expected USAID funding to decrease over time. A reasonable long term contractual strategy for a private sector business organization receiving donor funding would be for donor funding to decline as membership contributions grow (although perhaps at a slower rate, in order to maintain the incentive to increase membership). Eventually, membership contributions and earned income (from services) would become the major sources of revenue for the organization; this should enhance the credibility of the organization and the pride of its membership. Eventually, donor funding would become unnecessary, and the organization would be self-sustaining.

In fact, the proportion of USAID assistance in CAIC's budget has been growing over the past three years for a variety of reasons, (some of which are probably beyond CAIC's short run control). At the same time, the proportion of the total budget met by membership contributions has declined steadily since 1981.

The explicit contractual agreement between USAID and CAIC is that the USAID grant funds to CAIC be matched in a ratio of not less than 2:1 by CAIC counterpart contributions in cash and/or kind. CAIC's executive director has stated that although the definition of "kind" is an elusive one, USAID gave verbal assurance that "kind" would be broadly interpreted and could include such items as the cost of air travel and hotel accommodation incurred by CAIC board members at their own expense in attending official CAIC meetings. In fact, CAIC's cash income from membership and "Other" (non-donor) sources through 1985 has stayed within the 2:1 ratio; but if recent trends continue, USAID contributions could easily rise above two-thirds of CAIC's cash revenues and may have done so already in 1986.

As of this writing, USAID is CAIC's sole active external donor for the current period. It is not reasonable for CAIC to expect that RDO/C will support a business organization while it slides

191 x

complacently backwards down a long slippery slope. In fact, in many respects, any advocacy oriented business organization finds (as its private enterprise membership experiences every day) that it has to keep running just to hold ground.

In summary, note that in assessing CAIC's progress toward the institutional development goal, the evaluation team did **NOT** examine the professional capabilites of the CAIC staff; instead, a "market measure" of institutional health was used. By this measure, CAIC's immediate condition is in some doubt - the chain of causation leading from the resources and efforts of regional business leaders and USAID to increased capacity, efficiency, and sustainability within CAIC contains links of uncertain strength. That uncertainty can be resolved in the near future by the objectively verifiable and measurable indicator of renewed growth in membership contributions.

CHAPTER VI. RETROSPECT AND PROSPECT

A. INTRODUCTION

The Executive Summary of this report provides a resume of findings, conclusions, and recommendations together with lessons learned from this evaluation. Each of the five previous chapters of the report contain evaluation findings pertaining to particular aspects of CAIC's performance.

The present Chapter provides a synthesis of the judgments presented in this evaluation. Section B ties together key findings and insights in terms of six common themes. Section C explains the study's recommendations. Section D discusses lessons learned from the perspective of USAID's program.

The PSIAP evaluation was carried out by Louis Berger International, Inc. at a time when RDO/C and CAIC were starting to consider together the magnitude and character of future USAID funding of CAIC activities. That project redesign effort was being initiated by a joint CAIC-RDO/C Task Force as the evaluation was coming to a close. Determination of future funding levels and project redesign are by their nature forward-looking endeavors, which take into account overall funding constraints, program balance, and other matters not within the purview of the present report. The present evaluation is necessarily retrospective in its viewpoint, focussing on past performance. However, at the request of RDO/C, the evaluation team did focus considerable effort on those findings and recommendations which it deemed worthy of consideration by the Task Force in its future deliberations.

The evaluation activity was initiated with the preparation of a self-evaluation by the Executive Director and principal departments of CAIC. Following its field surveys, the evaluation team prepared chapters of the present evaluation report. Each of these chapters was reviewed in turn by CAIC, and written comments were returned to the evaluation team. The present chapter draws on both the original self-evaluations and on the subsequent commentary. The evaluation procedure is described in further detail in Section I.B and in Appendix B. All of CAIC's evaluation submissions are reproduced in Appendix D.

193+

B. PRINCIPAL EVALUATION ISSUES: AN INTERPRETATIVE SUMMARY

This section deals with six interrelated themes running through the evaluation-- themes which members of the evaluation team encountered repeatedly in their interviews in ten countries, and in their examination of the performance of various project functions by CAIC and RDO/C. The six themes may be described as follows:-

1. Over statement of Goals, Targets and Achievements
2. Mixing of Advocacy and Development Functions
3. The Conundrum of the Constituencies and the Hats
4. Differing Viewpoints Concerning Regional Economic Integration
5. USAID requirements and Industrial Interaction
6. Financial and Institutional Self-Sufficiency

The overall assessment of PSIAP was, on balance, distinctly favorable. The evaluation team concluded that despite some specific shortcomings in the performance of CAIC and RDO/C, the project achievement has been quite remarkable. Moreover, the underlying objectives of CAIC's leadership appear quite compatible with those of the United States Government in the region and with RDO/C's private sector program, in particular. At the same time, the evaluation team found a fairly high level of misunderstanding and antagonism prevailing between the two organizations.

As the evaluation proceeded, and as the team began to form opinions as to the quality of performance of project functions, a central question emerged, involving most of these six themes discussed in this section:

> Given the collaboration of RDO/C and CAIC in what in fact has been an important and fundamentally successful project, why did each organization focus so much attention on the limitations of the other and seem so reluctant to give the other credit for positive accomplishments? Why has so much energy been focussed on the portion of the glass that is empty rather than the portion of that is full?

The following subsections seek to provide an answer to that central question as well as to tie together the common threads of the evaluation findings in terms of six major themes.

1. Over-statement of Goals, Targets, and Achievements

Several sections of this report have referred to the unrealistic targets contained in the Logical Frameworks submitted by CAIC as a part of its 1984 funding proposal. The problems of proposal-engendered target inflation have emerged in at least three evaluations of RDO/C's private sector projects conducted in 1986, and the responsibility for such inflation must be widely shared: among donors, implementing agencies, and consultants. The pressures to report good news and project a favorable picture of the future are significant in any organization and in any procedure which allocates resources among competing claims. Yet when a system fails to discourage or correct exaggerations contained in marketing documents, it endangers its own capacity to deal with reality. It also tends to undermine respect for project planning as a management discipline in the implementing organization.

Mr. Thompson writes:

> When funding proposals of this kind are made, as was the case when CAIC's last three year plan was done in 1983, internal management estimates of what is realistically possible are often changed, on the ground that higher targets are essential to the "selling" the proposal to USAID - Barbados and Washington. To get a proposal accepted and to move from describing and justifying programmes to actually implementing them, coerces internal management into accepting, albeit reluctantly, the higher quantitative targets. (Comments, December 22, 1986)

It was not prudent for RDO/C to permit a situation to develop in which, for a period of nearly two years, the only targets relevant to PSIAP were contained in a marketing document submitted by CAIC.

The process which has led to the inflation of expectations concerning results is by no means limited to the donor funding process. It is virtually embedded in the circumstances which a regional business organization faces in attempting to unite and mobilize its constituencies.

In Creating the Future (January, 1981), the Task Force for the Reorganization of CAIC announced the following goal in the area of economic development:

195x

...we will promote new and expanded business activity to create jobs and raise income levels by identifying and recruiting new industry, and working closely with them on any development problems. We will develop the organization as a channel for development funds...

At the same time, we will promote exports of Caribbean industries and regional businesses through joint ventures and trade barrier reductions, help identify opportunities for entrepreneurship within the region, assist Caribbean companies to become effective and competitive, and make credit available for regional business at attractive rates. We will, in addition, work for a more equitable distribution of the fruits of enterprise between peoples of the Caribbean nations and between the nations themselves of the Commonwealth Caribbean. (See Mr. Thompsons' comments on pg. D-43).

As an energizing manifesto and call for the private sector in the Caribbean region (and the development community) to rally to an enlightened cause, this 1981 statement is admirable. As a practical prediction of the capacity of a business association to change the face of a region profoundly affected by external and internal forces beyond its control, the statement has considerably less merit.

Eloquent statements of intentions beget eloquent explanations concerning results actually achieved. In its self-evaluation, the Economic Development Department writes:

Over the first two (2) years of USAID's three (3) year grant Agreement with the Caribbean Association of Industry and Commerce (CAIC), the Economic Development Department (EDD) made a significant contribution to the SURVIVAL of the regional private sector, especially the manufacturing sector.

The word survival is used here for good cause. For when the three-year programme with USAID was still in its conceptualization stage and discussions with CAIC's affiliates and relevant persons/organizations were still taking place early in 1984, the hope was that many of the difficulties confronting the regional private sector would have been resolved during 1984, to coincide with the launching of this new three (3) year programme. It was further hoped that the effects of the worldwide economic recession on Caribbean economies would have subsided during 1984 and that the objectives of the Caribbean Basin Initiative (CBI) would have been realized relatively quickly. Unfortunately, these hopes have not materialized.

196

> In fact, what happened was the difficulties confronting the regional private sector, especially those related to intra-Caricom trade, extra-regional exporting, and investment attraction, became even more intractable. Meanwhile, several private businesses have collapsed; investments have been curtailed; losses, rather than profits, have been incurred amounting to several million dollars; jobs lost; and the confidence of the private sector badly shaken.
>
> ...Notwithstanding these harsh realities, Department staff are of the opinion that a great deal has been achieved given the modest financial and human resources available. Indeed, the stage has been set for improved departmental performance not only with respect to the survival of the regional private sector, for we have already insured this, but rather to its sustained development at a time when the economic environment has improved somewhat, and most Caricom Governments have stated publicly, their intention to allow the private sector to be the 'prime mover' for economic growth in their respective countries. (CAIC Self-Evaluation, September 10, 1986)

Without the benefit of work plans and financial projections for which management is prepared to be held accountable, retrospective evaluation takes on a forensic character, in which the participants seek to attribute shortfalls to external circumstances or to each other, and collaborative pursuit of improvement becomes more difficult. Real achievements and expectations for the future are rendered less credible as each organization seeks to distance itself from the overstatements of the past, at the same time they are making fresh promises for the future. There is need for a realistic, hard-headed, common-sense management-oriented process to intervene between the rounds of conceptualization and rhetoric. <u>CAIC and RDO/C should develop a set of targets for PSIAP which are satisfactory to both, which are tied to financial commitments on both sides and for which both are prepared to be held accountable.</u>

2. Mixing of Advocacy and Development Functions

The problems created by the intermixing advocacy and development functions are a significant theme of this evaluation. The evaluation team has concluded that postponement of direct attention to this underlying problem has contributed to a confused financial strategy and a troubled administrative style. Mr. Thompson has prepared a lengthy comment on this subject that deserves careful attention. A portion of that comment is reproduced here. Another portion is set out in the discussion of financial self-sufficiency in Subsection B-6 below.

197X

While I cannot speak for USAID, I believe that it is fair to argue, on CAIC's behalf that from the time of its revitalization in 1981, it realized that it would have to operate in a kind of dual role. First, one of general advocacy on issues with which the regional private sector as a whole was concerned and wished to have influenced in the direction of policy choices which it judged important to its survival and profitability (e.g. key CARICOM trade and investment issues). The potential of well-articulated representation on such issues was seen especially by the larger M.D.C. subscribers - but also in part by those companies classified as large in O.E.C.S. terms - as important, sometimes even crucial, to their well being. They viewed their subscription payments as a kind of insurance premium which could buy them the commercial protection they needed from public sector policies which were designed with little thought for their effects on the private sector or were even hostile to its interests.

On the other hand, CAIC realized that its membership in the so-called LDC's, the O.E.C.S. countries and Belize - both corporate as well as organization - viewed their generally smaller subscriptions as valuable, in that it would provide a channel for developmental-type aid: institution building for Chambers and Manufacturers' Associations; technical assistance and training for individual firms or groups of companies.

Thus, from its very inception, the CAIC Secretariat was locked into this dilemma of a dual role. USAID Grant resources were focussed, with some justification, on grounds of greater need, on O.E.C.S. rather than CARICOM-based activity. Initially, however, greater encouragement was given by USAID for addressing CARICOM-wide needs than has been the case in the last year or two. The greater part of those Grant funds was consciously addressed to the training and technical assistance needs of small and medium-sized (but <u>not</u> micro) O.E.C.S. firms...

This basic problem of limited resources at a time of raised private sector expectations, following the publicity attendant on the establishment of the CAIC Secretariat in Barbados in 1981, meant that advocacy issues themselves, when they were not dictated by pending public sector legislation or administrative action requiring private sector representation, had to be carefully chosen and restricted to those issues for which available funding would allow an adequate response. From time to time, CAIC would seek USAID's authority - sometimes given - to spend Grant

funds on what were essentially advocacy issues. An example is the case of corporate and personal tax reform in CARICOM countries.

Advocacy issues, such as important CARICOM trade and investment issues, are generally difficult to measure on any precise cost/ benefit basis. This is particularly so at the commencement of work on any given issue, since the complexity and duration of the representation required depend, in large measure, on the receptivity or the lack of it, by relevant government Ministries and allied institutions, to the initial thrust of the private sector case. It needs to be borne in mind that CARICOM is made up of thirteen sovereign governments and promoting consensus amongst them, in relation to policy issues favorable to the private sector, is a task whose difficulty should not be lightly underestimated.

The evaluation team found four main areas in which mixing of development and advocacy caused problems which it would have been better to anticipate at the start: (1) project design and implementation strategy; (2) organization and personnel; (3) membership promotion; and (4) self-sufficiency. The first two of these subjects are discussed in the present subsection. The membership issue is dealt with at the end of the following subsection (B-3) entitled "The Conundrum of the Constituencies and the Hats." A separate subsection (B-6 below) is devoted to the issue of financial self-sufficiency and to the closely related matter of CAIC's membership service to the MDC's. The evaluation team did not deal with CAIC's Small Enterprise Assistance (SEA) Project, which was launched shortly before the initiation of the evaluation, but some relevant comments are contained in Subsection B-3 below.

As background to the discussion which follows, the reader is referred to a review of past project design and evaluation documents contained in Appendix C of this report and to the Generic Scope of Work contained in Appendix A. The latter document establishes three goals for USAID's Private Sector Program in the areas of economic development, institution-building, and policy reform.

To the extent that USAID's original project paper (1981) speaks to the intended rationale of the project, it seems clear that the idea was that economic development (particularly investment) would follow from the revitalization (institution building). The 1984 Grant Proposal indicated a narrowed focus on OECS states but retained the basic rationale: Investment and other employment creating effects were to follow from a continued emphasis on institution-building. Although the details of the project

199x

agreement in fact permitted some funds to be used for purposes of policy advocacy, the project rationale does not include a policy purpose or goal. Given the facts that the interests of the organization's principal contributors were mainly in the area of policy, the skills of key staff members lay in the area of policy advocacy, and the region itself was facing significant policy issues, policy advocacy became a significant de facto purpose of the project as it was implemented in the real world.

At the same time, the investment promotion axis of the project, the one which gave the Private Sector Investment Assistance Project its name, turned out to be its weakest reed. It was not that the EDD staff were not trying; it was that they were not succeeding. Unfavorable economic conditions furnish only a partial explanation. Firms from the French territories were making investments in both the MDC's and LDC's of Caricom whilst EDD was, in effect, spinning its wheels. At the same time, RDO/C's financial support of EDD's relatively modest investment programs was being dwarfed by the Mission's financial support for the investment promotion efforts of PDAP, CFSC and other projects-- efforts which RDO/C thought at the time were, or were becoming, reasonably successful. From a program perspective, one might have concluded that it would be better for CAIC to close down its investment promotion activities and shift the resources to the functions it could perform best. But foreign assistance programs seldom operate that way, and that did not happen.

The economic development goal for the RDO/C Private Sector Program described in the Generic Scope of Work (Appendix A) encompasses the results of training and technical assistance functions that were assigned to CAIC departments other than the Economic Development Department. These functions were carried out with reasonable skill and effectiveness. They certainly did not transform the economic environment, but they did create a reasonable degree of customer satisfaction, particularly in the case of training. The evaluation produced some solid evidence of contributions of technical assistance to employment and other economic development objectives at the micro level. Where training and technical assistance were provided together with adequate follow-up, outcomes were favorable.

Viewed with the benefit of hindsight, it was a mistake for RDO/C to assign investment promotion functions to CAIC without first being sure that the organization's budget could support a key staff member with business experience and promotion skills. Similarly, it was a mistake for CAIC not to recognize that leadership skills in library research and the forensic use of economic analysis are seldom found in combination with practical skills in sales and marketing in the same individuals.

A more fundamental shortcoming (again seen with benefit of hindsight) could have been RDO/C's inability at the time of project extension (1983-1984) to recast the project in simpler, more policy-relevant terms. The project purpose could have been tied more closely to CAIC's strengths and to the region's need to open up CARICOM trade. Instead one has the sense, that at the time of the extension in grant funding the project was being put in something of a straightjacket, in that the project was ostensibly focussed on institution-building and on economic development within the OECS states-- and anything else had to be worked in around the edges. Emerging from that straightjacket to deal with CARICOM problems required no Houdini-like dexterity on CAIC's part, but it would have been better if the matter had been laid on the table at the time the grant was extended and if a dialogue had resulted in an agreement on the general policy objectives of the project.

In fact, the chances of a dialogue of that kind happening in 1983-1984 were virtually nil. The Private Sector Office was swamped. The Mission was essentially in a marketing mode, under immense pressure to design new, and generally much larger projects. To the extent that a concern with project management was in evidence, PSIAP, the midget among giants, was not considered to be a high priority item. Consultants were brought in to do the grant proposal. Advocacy/economic development and self-sufficiency issues were not squarely addressed. In the intervening period, the SEA project was added to CAIC's portfolio, forcing both CAIC and USAID somewhat reluctantly to address the organizational implications of combining advocacy and development functions in CAIC.

3. The Conundrum of the Constituencies and the Hats

There have been some misgivings within USAID concerning the use of AID funds to support an organization whose members include some of the largest and most successful firms in the Caribbean. By the same token, some CAIC members have had second-thoughts concerning the USAID relationship, and the possibility that the vital energies of their organization have been diverted by USAID funding from its primary mission. While neither set of misgivings appears to dominate the thinking of CAIC or USAID, the question of the underlying compatibility of the respective missions of the two organizations deserves some attention by each party and dialogue at the top management level.

Four types of constituency classifications are pertinent to PSIAP. USAID's general legislative mandate is oriented principally toward (1) those countries which are in the earlier stages of development and (2) the poor majority in developing

201X

countries. CAIC's primary constituency is composed principally of (3) relatively large firms principally located in the MDC's of Barbados, Trinidad, Guyana, and Jamaica; medium-sized firms located in the MDC's, medium-sized firms (often considered to be "large" within their local communities) located in the LDC's, and small firms in the LDC's. Viewed as a whole, CAIC's constituency consists of (4) many commercial firms, some manufacturing firms, and a few large regional firms engaged in both manufacturing and commerce. While the titular leadership of CAIC has been circulated among members from MDC and LDC countries, it is fair to say that the CAIC's basic philosophy, expressed in Creating the Future and applied in CAIC's lobbying activities, drew its original support from regional conglomerates, and reflected their enlightened self-interest. Although the viewpoint has now spread through a good deal of the business community, it continues to draw its core support from the larger firms.

CAIC has recently added RDO/C's Small Enterprise Assistance (SEA) Project to its activities. The SEA project explicitly includes very small ("micro") businesses, as well as small and medium-size businesses in the lesser developed countries of the OECS. Since many owner-managers of micro businesses can be considered to be members of the poor majority, they fit into the description of USAID's principal constituency. It is anticipated that PSIAP and the SEA project will eventually be merged into a single project of RDO/C assistance to CAIC. The merging of SEA and PSIAP may mute some of the "constituency" criticism of PSIAP (by including more of USAID's traditional constituency among the beneficiaries), but it does not squarely address the issue of extending USAID assistance to beneficiaries who are clearly not members of the poor majority.

As stated in the Strategic Plan of the Agency for International Development, Blueprint for Development, USAID's ultimate objective is:

> "... nothing less than a world in which extreme poverty, hunger, illiteracy and illness are essentially eliminated, a world in which free nations associate together on a basis of economic self-reliance." (page 7)

The plan sets overall targets for economic growth and the meeting of human needs, and defines an approach based on the "four pillars" of (1) policy dialogue, (2) institutional development, (3) utilization of the private sector and (4) technology research, development and transfer.

The evaluation team found evidence that the PSIAP project has made contributions in all four of these areas, particularly in the first three. While the intent of the "policy dialogue"

pillar is that the USAID missions themselves should undertake this activity (as indeed RDO/C has), the evaluation provides evidence that an AID-assisted business association can be effective in supporting this endeavor, particularly in the areas of tax policy and international trade.

With respect to the private sector, Blueprint for Development states:

> AID believes there are many things that government cannot do, or cannot do well. We reject the idea that government is the sole instrument for delivering the goods and services vital to the development effort. We seek the fuller participation of the private sector as an engine of economic growth. Private institutions can become self-sustaining without requiring continued infusions of public funds.
>
> As recommended by the President's task force on International Private Enterprise, we are seeking to increase the ways in which we channel assistance through non-governmental organizations, including non-profit and for-profit entities." (pp. 19-20).

The evaluation team found that CAIC's performance as a channel for delivering development services has been mixed, ranging from quite good in the case of training to quite poor in the case of CBIN. It is clear that substantial improvements in CAIC's performance and operating style can and should be made. At the same time, it is important to maintain a clear sense of perspective concerning alternative distribution channels.

The development dilemma of the Eastern Caribbean rests on its characteristics as a geographically, politically, and socially splintered archipelago. A large number of small island countries, each having its fair share of internal economic, ethnic, and geographic divisions, swing back and forth between the political left and right, and between inward-looking and outward-looking solutions to their national problems. Some models used for examining development alternatives in the Eastern Caribbean, have, in effect, squeezed the water out of the archipelago by assuming away the cost of a distribution system for development services-- or by assuming the presence of the larger range of leadership and institutional options associated with consolidated landmasses.

With regard to assistance for private business in particular, some have suggested that more funds be channelled directly to the national affiliates of CAIC and less to the umbrella organization, and that CAIC should concern itself more with its

203x

organizational members and less with its corporate members. They argue that national issues are of much greater importance than regional issues (the question of the relative importance of regional efforts is addressed in section B-4, below), assert that many of the accomplishments claimed by CAIC (with regard to, say, tax reform and trade) were in fact due to the efforts of national business leaders and their national business organizations, and suggest that more attention to the national affiliates would be the best way to ensure a broadening of CAIC leadership.

Continued vigorous assistance through CAIC to the national affiliates would clearly be beneficial, and new sources of leadership should indeed be encouraged. However, the evidence examined by the evaluation team, both from the Caribbean and the United States, suggests that it may be unwise to shift to a policy of emphasizing CAIC's organizational membership at the expense of its corporate membership. Before 1980, CAIC was an umbrella grouping whose membership included only organizational members. It was also largely inactive during that period and was described by many observers as "moribund." In the efforts immediately preceding revitalization, CAIC was advised by its USAID-funded Consultant, and by representatives of the US Chamber of Commerce to encourage direct corporate membership as well as organizational membership in order to insure the active interest influential members of the regional business community. A review of the literature on business and professional associations in the United States suggests that most major national/regional trade associations and Chamber-type bodies in the United Sates have both organizational and corporate (or individual) memberships (including the US Chamber of Commerce). Their vitality appears to derive from the synergy which comes from involving strong individual members while serving, and maintaining the capacity to mobilize, a relatively broad based business or professional constituency.

That a different CAIC might have established a different leadership style and different priorities in its advocacy efforts goes without saying. That the outcome might have been better is conceivable. But to think that "corporate representatives" are distinctly different from "organizational representatives" (when the national organizations are themselves made up of corporate members) or that "national business leaders" represent a fundamentally different group from "regional business leaders" is to miss an important point about the Caribbean. Like a small company of actors, the region has a limited cast of owners and managers who have the time to devote to the affairs of business associations. Individual firms are engaged in many lines of business; owners and managers play many economic and social roles; a single individual wears many hats. Many of the same individuals who make up CAIC's Board of Directors are key leaders

within their national business organizations (both Chambers of Commerce and Manufacturer's Associations). CAIC's Board is in fact explicitly designed to represent a broad constituency: most of the territories of Caribbean Basin, and a wide range of types of enterprises, including commercial, financial, industrial, agricultural, and service-oriented.

Some of those who express dissatisfaction with CAIC are in effect looking for a channel to the leadership of the newer, small and micro firms in the light manufacturing and service industries--one that, unlike SEA, has no close tie to an organization which includes old-line firms. But there is a question of where the indigenous leadership for such a channel is going to come from. Some of the managers and owners of the smaller and newer types of business have large measures of creativity and drive, but most of them lack the time, resources, and status within their communities to match the accomplishments of the CAIC core. CAIC has by no means cornered the market on leadership, and there are certainly businessmen who do possess the necessary qualifications and resources, who are not active members of CAIC. Such persons represent an untapped source of support and new ideas, but for the most part they share many of the socioeconomic characteristics of CAIC's present constituency.

There are three basic channels by which development services can be delivered to businesses in the Caribbean. The first is through government-controlled institutions, such as national development banks, national development foundations, and regional institutions controlled by governments. The second channel is through arrangements in which consulting firms manage the distribution of services to businesses and business-related institutions in the region. The third channel is that of institutions largely controlled by the indigenous private sector. The advantage of the third channel is that it provides direct access to the private sector. Each of these three channels (and some combinations of them) have been employed by RDO/C's Private Sector Projects. Although it would be premature to characterize other distribution systems utilized by RDO/C's private sector program, the evaluation evidence examined to date by LBII provides no substantial basis for believing that public sector or consulting firm distribution systems have been more cost-effective or have had greater development impact than have the projects implemented through private associations. Within the private sector network itself, there are certainly other ways in which resources could be channelled and other business leaders who could be involved-- but not very many of them.

In the end, one may doubt that any effective delivery system which is controlled by the private sector and which has a reasonable chance to be self-sustaining can exclude CAIC's basic

205X

constituency. One also may doubt that CAIC's basic constituency will devote any substantial amount of resources or creative energy to an organization which it does not, in the final analysis, control. Essentially on its own initiative, but with RDO/C funding support, CAIC's leadership started a new process of organizing the business community in the Caribbean in 1980. In the course of this process, the organization has become more geographically, culturally, and socially inclusive. The continuation of this process deserves USAID support.

During the course of the evaluation, the team sought to test the rhetoric of Creating the Future by putting to persons inside and outside the organization the questions concerning what CAIC stands for and what it expected the organization to do for them. The answers-- which concerned preservation of socioeconomic stability, lightening the loads of government regulation and taxation, promoting regional integration, increasing the productivity of individual firms, and reducing unemployment-- appeared to be in basic accord with United States policy in the region. There indeed was an undertone of support for a strong CARICOM common external tariff among the manufacturers, although they did not appear to associate CAIC with a protectionist stance. CAIC's policies seemed to be balanced by the strong presence of importers among its leadership and a view shared by the Board that the region must become more competitive (see Mr. Thompson's comments on page D-33). The evaluation team did not find any hard evidence of any serious protectionist thrust in CAIC's policy advocacy efforts. The team did not examine CAIC policy advocacy documents relating to international trade matters in detail. Nevertheless, it seems clear that CAIC will support relatively high tariffs where there is a strong element of value added (local labor and raw materials) in a regionally produced product-- and it is not inclined to alienate regional manufacturers, where it can avoid doing so.

The evaluation team did find USAID's support of CAIC's (not very successful) efforts at developing countertrade proposals rather curious. In terms of traditional free trade thinking, the most that can be said for countertrade is that it represents a second-best solution, albeit one that is very difficult to administer. In the end, the CAIC Board shelved the staff proposals on countertrade for precisely these reasons. Given the skills and experience available at CAIC and USAID, this effort should have been abandoned at an earlier stage, and the funds diverted to more attainable policy objectives.

The team does recognize that all programs of advocacy and policy research will have some unsuccessful elements, and it has the impression that CAIC learns from its mistakes. On the whole, CAIC has held to advocating practical measures which serve the

enlightened best interests of the business community. Comparing CAIC's basic policy posture with those advocated by some business associations in the United States and other industrialized countries, it appears that CAIC has shown a significant capacity to look beyond the short-term interests of its members and to identify their interests with the long-term interests of the region as a whole.

CAIC is an institution whose policies and programs are strongly supported by most of the large and successful firms in the region. These firms, clearly operating in their own enlightened self interests, have adopted the views expressed in "Creating the Future" and other CAIC literature -- that regional integration, increased productive efficiency, reduced unemployment, improved living standards, good labor relations, and ethical business behavior serve the interests of the business community in the Caribbean region. They, through their support of CAIC and through their individual efforts, have reached out to other echelons of business and have had some success at mobilizing smaller, newer, more ethnically diverse enterprises in the cause of systemic change. CAIC and its key members have, in effect, internalized some of the objectives set out in Blueprint for Development, and given them a distinctly Caribbean application. That an important and influential portion of CAIC's constituency is a social and economic elite should neither disqualify CAIC as an agent of change, nor invalidate the objectives which it is seeking to achieve. As long as CAIC holds to the course of constructive change, as long as it continues to reach out to a wider constituency and as long as it delivers its services effectively, it is a most appropriate development partner for USAID.

On the other side of the issue, there is a viewpoint, expressed by some members of CAIC, that involvement with RDO/C may have weakened the organization. While the proposition that serious damage has been done thus far is questionable, there clearly is cause for concern. Presumably, the case against USAID funding is (1) that CAIC has built up a bureaucracy with USAID funding, which it now finds (or will find, if and when AID funds are cut) difficult and humiliating to disassemble; and (2) that complying with USAID regulations and adjusting to RDO/C's dominant focus on the lesser developed countries of the OECS, have diverted management from its principal task of building up the constituencies in the MDCs which it needs to support its continuing efforts in the area of advocacy. The second point appears to have particular merit: it does appear that CAIC has potential MDC constituencies, particularly in Jamaica and Trinidad, which it could attract to its roles if it courted them and paid attention to their needs. The matter of compliance with USAID regulations is a serious one, which is dealt with separately in Subsection B-5 below.

207

The argument concerning the bureaucracy creation is not a particularly convincing one. CAIC appears to be moving toward a form of organization in which many of its USAID-supported functions in the OECS are organizationally separated from its advocacy functions. Organizations in the field of development characteristically expand and contract their staffs in response to market trends, sales success, and donor funding-- and they suffer no loss of face in so doing. By the same token, business associations that offer professional services to member companies make arrangements to adjust their staffing to supply and demand. The creation of public sector bureaucracies is a phenomenon associated with tenure, on the one hand, and, on the other hand, of powerful political pressures on governments to retain unneeded employees. It is precisely the absence of such powerful pressures, together with the expectation of self-sufficiency, which commend private institutions as channels of development assistance. Continued employment is a legitimate concern in any organization, and one which affects the quality of the staff which it can attract. One way for an association to handle funding uncertainties is for the organization to establish a reputation for excellence that is so generally recognized that a tour on its staff can become a stepping stone in a business, academic, legal or other professional career. A second way of dealing with personnel needs is to assign those employees who are regarded as essential to the long-term requirements of the organization to functions which directly relate to the priorities of the association's principal revenue-producing constituencies.

This evaluation concludes that USAID objectives can be served by supporting a mainline business advocacy organization if that organization itself has compatible objectives. Development programs do consume a significant portion of management time and energy. But this is an old problem for the private sector: Enterprises which take on new lines of business do indeed sometimes overreach themselves or lose their way. However, the more successful ones have learned how to add a new line of business without abandoning the old ones. A business association such as CAIC has a special problem, in that MDC members-- particularly the smaller and medium sized firms -- sometimes feel that CAIC's program is neglecting them, in favor of firms in the OECS states. But this is a problem which associations face and solve all the time. Surely the lesson of this project need not be that a business association takes on USAID's constituency at the peril of losing its own.

4. Differing Viewpoints Concerning the Importance and Merit of Efforts at Regional Economic Integration

CAIC is a regional Caribbean institution, devoted to the cause of regional economic cooperation on a free market basis. CAIC has devoted substantial effort to the task of keeping regional trade alive. Yet there is a strong view within the donor community (including USAID) that the entire concept of regional cooperation is a distinctly less promising area of endeavor than that of developing exports to the United States and other developed countries. CAIC and RDO/C tend to favor different primary strategies for the development of trade and the establishment of markets for Caribbean producers, but have managed to include both in the PSIAP agenda.

There are clearly strong centrifugal forces operating against regional integration in the Caribbean. There are significant political, economic, and cultural differences between the nations of Caricom (i.e., even excluding the French, Dutch, and Spanish-speaking territories). Local leaders are reluctant to dilute the importance of their positions by merging their functions with those of other territories. And, as the examples of Singapore and Hong Kong testify, relatively small autonomous economies sometimes can become very prosperous and dynamic by focussing on their export sectors. Meanwhile, some originally promising attempts at regional cooperation elsewhere in the developing world, for example, in East Africa, have proven to be disappointing failures.

On the other hand, many important historical and economic similarities bind the Caribbean as a region. People from the area readily identify themselves as "Caribbean" or "West Indian." There has been meaningful cooperation in education (e.g., through the University of the West Indies) and culture (particularly in sports). Many of the core members of CAIC are firms which operate throughout the Caribbean region. The members of Caricom work for regional economic cooperation and attempt to foster intra-regional trade and the coordination of macro-economic policy making in a manner similar to the EEC. It should be noted that, as with Caricom, many people in Europe bemoan the "irrelevance" and "ineffectualness" of the EEC. There are still many non-tariff barriers to trade and to the mobility of factors of production within the European common market, too. Yet it seems quite likely that a Europe without the EEC would have much more serious barriers to trade and contact, and significantly less prosperity.

For all of the frustration about Caricom, the barriers to intra-Caribbean trade and contact could be much worse. Intra-Caricom trade has grown for most of the past ten years (except for the

209x

1983-84 crisis, which both CAIC and Caricom strove mightily to overcome), and is considered very important by most businessmen in the region, especially the manufacturers. The Caribbean businessmen are understandably discouraged by the prospects for expanding extra-regional trade in the short run. Their historic export, sugar, is rigidly controlled by quotas in both the U.S. and the EEC. Textiles and apparel, light manufactures well suited to the resources and level of development of the region, frequently face the prospects of ceilings in the form of the Multi Fiber Agreement. CAIC supports the view that fostering intra-regional trade, and the ability to exploit the resulting scale economies, should allow Caribbean manufacturers to build up their capabilities to the point where they can compete successfully in extra-regional export markets. CAIC's efforts to widen the scope of the region, by including the French speaking territories of the Caribbean, has been hailed by businessmen in both communities as a significant, productive, and profitable achievement.

Caricom and CAIC have just recently begun work on an experiment to remove restrictions on the mobility of factors of production (capital, assets and personnel) in selected industries in Caricom. In addition, Caricom has fostered the co-ordination of macro-economic policies. Their working group on "Co-ordination of Fiscal Incentives," along with CAIC's publication "An Overview of Taxation in Ten Caricom Countries," has encouraged moderation as well as uniformity in fiscal policy.

If efforts toward Caribbean regionalism were subscribed to only by the relative handful of Caricom officials or an occasional politician, such efforts might be rightly dismissed as irrelevant. However, the willingness of CAIC's membership and Board to support and contribute to this activity suggests that it is not an impractical one, that a substantial portion of the private sector in the region is behind the notion of regional cooperation and believes that CAIC can be a positive force within it. Willingness to provide support is a form of "market test" of an idea. By historical analogy, the involvement of the business community in the Federalist movement in the early history of the United States was a harbinger of the feasibility of resolving the differences among the several states and of the achievability of union.

At the same time, CAIC and its members have provided strong support for the Caribbean Basin Initiative. CAIC's explanation for CBI's relatively slow start is that Caribbean businessmen, particularly Caribbean manufacturers, have not yet faced up to the magnitude of the changes which they must make - in the way they view themselves and their markets - in order to compete in the United States. The first step in the needed process of

210

transformation, CAIC argues, is for these manufacturers to break out of the comfortable isolation of their local markets and to start competing on a region-wide basis. The experience of region-wide competition and the market base which they can gain will then place them on a plateau from which they can ascend to competition in the U.S. market. Thus CAIC sees regional economic integration as a predicate to and companion of increased trade with North America. Others see the major needs as being the formation of joint ventures with local firms and for direct investment from the United States. They see bilateral, extra-regional trade as the major need, and regional integration as a minor side-issue.

Finally, it is worth noting that although CAIC and United States are working essentially toward common objectives in the region, each tends to see its own special contribution (increased extra-regional trade in the case of the United States and increased intra-regional trade in the case of indigenous Caribbean organizations) as being of central importance. Given that natural tendency and some potential competition over the available supply of program resources in the region, it is perhaps inevitable that each perceives the other's favored avenue of action as less meritorious than its own. However, CAIC has included both strategies in its activities (CBI Implementation for extra-regional export promotion and countertrade and ongoing dialogue with Caricom in support of intra-regional trade), and USAID has funded much of it. The two dimensions of the solution are compatible ones and can continue to be implemented in tandem.

5. USAID Requirements and Institutional Interaction

More than one observer has noted a fundamental disharmony between the USAID's objectives, on the one hand, of promoting the private sector as a means of increasing the efficiency and self-sufficiency of the economies of developing countries and two phenomena on the other hand that may accompany USAID funding:

- additional costs and administrative burdens which USAID's own requirements and operating style impose on private sector organizations.

- the use of USAID funding, regulations, and administrative leverage to move private sector recipient organizations in the direction of becoming "mini-USAIDs," which would reproduce USAID objectives, staff orientation and operating styles.

In the case of CAIC and PSIAP, there is evidence of the first phenomenon and some potential for the second. There has been

211X

misunderstanding and confusion over what USAID's auditors have determined to be shortcomings in CAIC's record keeping and financial practices -- and what CAIC perceives as USAID's tardily defined and changing administrative requirements.

CAIC has found it necessary to create a dual accounting system: one to meet its own requirements and conform to standard accounting procedures in the region, and another set to conform to USAID requirements and procedures. CAIC's Office Manager/ Accountant is heavily burdened in the aftermath of a USAID audit.

CAIC's management has been put on public view as a result of donor funding. Management's administrative style has been criticized in a number of USAID evaluations, including the present one. On its own part, USAID's project management has been lacking in consistent style, ranging from passive non-involvement to active intervention. CAIC has complained of unpleasant surprises as audit findings and tardily delivered administrative instructions require changes in its administrative procedures. RDO/C has not been reluctant to call CAIC's deficiencies to its attention, nor to remind CAIC that USAID is footing the larger part of the bill for the organization's activities.

The views of the evaluation team on these subjects are as follows:

a. With respect to CAIC's operating style, the principal concern of a donor should be with the setting of objectives and with the measurement of performance, not with whether the style is formal or informal, hierarchical or collegial, pressurized or relaxed, harmonious or confrontational. If the work is performed well, if the organization is meeting reasonable performance and financial targets, and if it is complying with its obligations with respect to administrative procedures, that should be the end of USAID's concern. A successful management should be given the latitude to choose its own way of getting the job done. On the other hand, if CAIC management is falling significantly short of reasonable performance targets, it should not be accorded latitude either by its own board or a donor. For this reason, the establishment of reasonable and achievable targets is very important.

While professional organizations in the United States and elsewhere are generally moving toward flexible, interactive, self-motivating, matrix-type approaches to organizational structure, this phenomenon is by no means universal. As described in Chapter III, the private sector management in the Caribbean has been characterized by a "top-down" management style, and CAIC has been no exception. Each of the previous

evaluations has commented on this phenomenon. Nonetheless, it bears noting that an organization with important functions in the area of advocacy is not likely to operate in the same way nor with the same ambience as an one whose sole function is delivery of development services. However amiable an advocate's exterior appearance may be, he or she primarily is a participant in an adversarial process--a fighter whose dominating objective must be to win. Successful advocacy organizations usually are meritocracies, in which considerations of competence, hard work, and success predominate over other values. Whatever their size, management structure, and outward appearance, they are almost invariably places where internal struggles over power, status, and resources are in evidence. There is a substantial formal and informal literature on this subject, centered on the American legal profession.

The evaluation did discover some evidence of discord within the CAIC staff, and occasional contentiousness in the dealings of some members of its staff with outsiders. Such friction detracts from the effectiveness of the organization and surely needs to be curbed in a membership association. On the other hand, there are functional limits on the importance of consensus within an organization. It would be a mistake if an overriding concern with these values were to deprive CAIC of its fighting trim. Differing types of functions call for differing styles of management, even when the two types of functions report to a single person. Development functions typically can be delegated and lend themselves to collegiality. Advocacy begets tight control under the leadership of a single capable commander.

However, the fact that managing advocacy and development functions within the same organization is a complex task does not justify managing them poorly. Although the present evaluation judges PSIAP, on balance, to be a success, this judgement does not justify a continuation of the management deficiencies which have occurred in the past. Nor does it justify a backward-looking complacency. Management needs to set goals for the future which are commensurate with its past accomplishments--and it needs to develop resource strategies, staffing patterns, and management styles which are appropriate to those future goals.

CAIC should continue the efforts which it initiated in the past to involve middle managers in the development of organizational policy, and should also examine areas where delegation of authority and responsibility can be increased. There are two distinct reasons for the continuation of this effort. The first, and most important, is that development of middle management capacities are important to the present efficiency and future capabilities of the organization. A second consideration is that

213X

RDO/C is an organization that places considerable emphasis on the development of middle management consensus in the making of decisions. It is almost inevitable that RDO/C's judgments of CAIC's overall management effectiveness will give a heavy weight to the way in which CAIC's middle managers are utilized.

On its part, the RDO/C' Mission's senior management should regularly attend CAIC Board meetings. Board meetings represent an excellent opportunity for RDO/C to understand and to interact with the leadership of the Caribbean business community. Inasmuch as CAIC is an organization whose members are themselves top managers of Caribbean companies, it is almost inevitable that they will attach great weight in such discussions and in their handling of partnership issues to the nature and level of RDO/C senior management participation in their deliberations.

b. With respect to the burdens of complying with USAID requirements, the problem is a serious one and it is deeply embedded in the respective structures and attitudes of USAID and CAIC. The problem of compliance with USAID regulations and financial requirements goes well beyond the PSIA project, beyond RDO/C's private sector program-- and well beyond USAID itself. The driving force is the U.S. Government's master framework of procurement regulations, and its legislative underpinnings. Changes in this framework, if they occur at all, will not come soon. In the meantime, any organization funded by USAID faces substantial administrative burdens and, ultimately, a requirement to build up knowledge of USAID regulations and their detailed application. Restrictions on allowable expenses; "Buy American" provisions on purchases of equipment, shipping and air travel; detailed requirements for documentation of expenses; contractual provisions mandating USAID approvals are an unavoidable reality. Some such requirements can be wavered or streamlined, but in the end there is a remaining irreducible load which is very significant, a load which mandates changes in the operating style of a private sector organization. The changes required of a private sector organization are costly, consuming of the time and energy of management, and can be deeply frustrating-- but they are a reality which cannot be avoided.

A certification concerning the adequacy of the grantees accounting system is a part of USAID's project design and approval process-- as it was in the case of CAIC. Conditions precedent, USAID regulations, requirements for approval, and other stipulations are set out in full or incorporated by reference in USAID project agreements with grantees-- as it was in the case of CAIC. However, the reality is that, apart from accounting and law firms, no private sector organization which enters into a funding arrangement with USAID for the first time is likely to have the internal capability of dealing with USAID

214

requirements. If it had maintained such capabilities in an ordinary commercial environment in the past, it would in fact have been burdening its members or stockholders with unnecessarily high overheads, and thus endangering its own survival.

It does seem inappropriate for an organization with the leadership competence of CAIC to argue that it didn't understand the fine print in its Project agreement with USAID and that it didn't understand the need to build up its administrative capabilities. However, the fact remains that USAID regulations are complex. The agency does not program funds for top management to spend its time mastering USAID regulations-- nor would this be a good use of the limited leadership resources of CAIC or other grantees in the Caribbean. Five things are required:

1) communication to CAIC's top management and to its membership the importance of proper documentation of expenditures of AID funds and a listing in plain language of the main USAID rules which vary from what businessmen would normally follow as a matter of common sense;

2) education of suitably qualified CAIC personnel in the USAID regulations up to a standard in which they can prevent major deviations from those regulations;

3) the creation of a reliable informal channel of communications between CAIC and RDO/C accounting personnel;

4) specialized professional and competent clerical assistance needed to solve accumulated backlog and special problems at CAIC;

5) the will and determination on the part of top management to see that these problems are solved as a matter of high priority, and that they stay solved.

Within RDO/C and other USAID Missions, detailed knowledge of the appropriate application of the full range of regulations applicable to a grantee organization is largely limited to legal personnel and to persons in the Controller's Office. Changes in requirements occasionally do occur as a result of amendments to laws, procurement regulations, standard operating procedures, as well as a result of interpretations made by persons responsible for overseeing USAID's administrative apparatus. On the whole, the application of regulations is fairly consistent when issues are presented to USAID officials who have daily responsibility for applying these regulations. However, gaining access to these officials and getting unequivocal answers from them may not be

215x

easy. RDO/C's Controller's Office has neither the responsibility nor the staffing to provide advice on financial management and on USAID regulations to USAID grantees, although it will occasionally do so on an informal basis. RDO/C 's Project Officers and others who deal with the grantee on a regular basis generally do not have a detailed knowledge of USAID regulations, nor can they, on their own, give authoritative interpretations of USAID regulations to grantee's accounting and administrative personnel.

Given the overall pattern, the main burden of identifying detailed problems in financial management and compliance with USAID regulations falls on the audits conducted by the State Department's Inspector General. However, by the time these audits are conducted, problems may have advanced to a serious stage, and deficiencies may come as a surprise to the grantee. Thus both Mission and grantee are locked into a legalistic ritual which recites for the record a set of circumstances which should not lead to problems-- and which regularly shoots itself in the foot.

Given the primary interest of the leadership of USAID Missions and heads of grantee organizations in issues other than application of USAID regulations-- and the basic intransigence of the structural problems in the system itself-- both Mission and grantee are prone to denial mechanisms-- rationales and attitudes which actually get in the way of finding solutions, and in fact lead to the continuation of the problems. In the case of PSIAP, these denial mechanisms include the following basically <u>unsound</u> positions:

a. This is a relatively small problem that can be solved if CAIC's Office Manager/Controller puts in some extra effort and overtime.

b. This is a relatively small problem which can be solved if somebody in RDO/C's Controller's Office puts in some extra effort and overtime.

c. This problem is completely CAIC's responsibility because the RDO/C Mission Director made a determination at the time the project originally was approved that CAIC had a proper and adequate accounting system; and the applicable USAID regulations were included or referred to in the Project Agreement signed by both parties.

d. CAIC has no responsibility for this problem because USAID's regulations are incomprehensible, because no two "experts" have the same opinion of how they should be applied to CAIC, and because the RDO/C's Controller's Office is always changing its mind.

This evaluation makes some specific recommendations concerning the solution of CAIC's compliance problems in Section C of this Chapter. But what is required most of all is a determination on the part of Mission and CAIC top management that these problems shall come to an end. Surely a Mission whose program is fundamentally oriented to releasing the potential of the private sector can find a way of transmitting needed knowledge of USAID regulations to an organization located five blocks away. Surely an organization whose members include firms with such substantial administrative and management resources, can find a way to provide some emergency assistance to its beleaguered Office Manager/Accountant.

6. Financial Self-Sufficiency

The goal of financial self sufficiency has always been espoused by CAIC, although the strength of the commitment to that goal appears to have been diluted somewhat over time. In "Creating the Future," in 1981, CAIC pledged that it would:

> ... in a period of three to four years, eliminate the need for grants from governmental agencies, domestic and foreign, and permit the Association to be adequately financed on a self-sustaining budget.

These words are repeated in the 1981 PSIA project paper which established the cooperative agreement between CAIC and USAID.

In the 1984 Grant Proposal's LogFrame however, as part of the end-of-project status for the three year program, there is a notably less ambitious statement:

> At the regional level, CAIC as the core private sector body will be able to meet its non-program costs from affiliate subscriptions and other earned income.

CAIC further states in the grant proposal:

> We understand that AID's commitment will decrease after this grant has expired and we are already working with other donors to have them share a greater proportion of the total funding requirement than they have in the past.

In fact, the proportion of USAID assistance in CAIC's budget has been growing over the past three years for a variety of reasons, (some of which are probably beyond CAIC's short run control). At the same time, the proportion of the total budget met by membership dues receipts have declined steadily since 1981. (Refer to Exhibit V.1 in Chapter V, above).

217x

As of 1983, CAIC was meeting approximately 64% of its non-program costs (employment plus overhead or "operating expenses") from membership contributions plus "other income." This proportion fell to 57% in 1984 and rose slightly to 60% in 1985.

With regard to CAIC's membership contributions, it has been pointed out both in Chapter II (Membership Trends and Commitment) and Chapter V (Revenues and Costs) that CAIC's membership contributions have been declining since 1983. Although the official membership list has held nearly stable over the past three years, many members have gone into arrears, and several have been in chronic arrears. For 1985, total arrears amounted to over BDS $37,000 (with an additional $17,000 charged off); 1986 arrears appear to be in the $50,000 to $60,000 range, or almost ten percent of total subscriptions due for the year. Cumulative arrears appear to exceed BDS $112,000 and may even approach $120,000. The cumulative arrears may amount to almost 5% of the total 1986 budget.

In terms of numbers of members, as of late 1986, CAIC appears to have one corporate member with previous arrears outstanding (but who is currently paying dues), 19 members in current arrears (of which six are organizational and 13 are corporate), and eight in chronic arrears, that is, in arrears for the current period with previous arrears still outstanding. Those in chronic arrears include four organizational members and four corporate members (Refer to Exhibit II.1 in Chapter II).

CAIC's Board of Directors regularly reviews the membership's position with regard to payment of subscriptions. It is the responsibility of all Board members to remind the membership from their territory to fulfil their financial obligations to CAIC. Although CAIC's articles stipulate that members must be paid up within 90 days of the due date or forfeit the privileges of membership, in practice, CAIC has been understandably reluctant to enforce the provision strictly. In times of economic decline, corporate members may experience cash flow difficulties. If there is any reasonable hope that the member may return to financial solvency, CAIC would rather not strike that member from its lists. This feeling is even stronger with regard to organizational affiliates: if they are in financial difficulty due to the inability of their members to pay, CAIC would rather wait or even write off debts than remove them from membership.

Nevertheless, the build up of both current and chronic arrears has proceeded at an accelerating rate since 1983; even though the worst of the region's economic decline is probably past and most of the Eastern Caribbean (the OECS and Barbados) has begun economic recovery. Whatever procedures CAIC may have for

addressing its membership problem, an early solution is clearly needed. CAIC must either collect from its current membership, quickly recruit new dues-paying members, or write off the debts and prepare its next budgets on the assumption that there will be no substantial increase in dues receipts in the near future. Dues payment, as tangible evidence of membership commitment, is one of the fundamental tests of the vitality and relevance of an organization such as CAIC. The organization will need to demonstrate to its constituency and to its donors that the recent decline in subscription and non-USAID donor revenues are abberations and not long term trends.

The explicit contractual agreement between USAID and CAIC is that the USAID grant funds to CAIC be matched in a ratio of not less than 2:1 by CAIC counterpart contributions in cash and/or kind. CAIC's executive director has stated that although the definition of "kind" is an elusive one, USAID gave verbal assurance that "kind" would be broadly interpreted and could include such items as the cost of air travel and hotel accommodation incurred by CAIC board members at their own expense in attending official CAIC meetings. In fact, CAIC's cash income from membership and "Other" (non-donor) sources through 1985 has stayed within the 2:1 ratio; but if recent trends continue, USAID contributions could easily rise above two-thirds of CAIC's cash revenues and may have done so already in 1986.

With regard to other sources of grant income, CAIC has met with some misfortune from two previously active donors. The Canadian International Development Agency, CIDA, had contributed BDS $105,000 in 1983 and BDS $210,000 in 1984. The money was channeled through CALA, the Canadian Association for Latin America and the Caribbean. CAIC made use of these funds to supplement the institution building process, including such costs as librarian services at CAIC, newsletters, directories and training for affiliated chambers, as well as other miscellaneous support activities. CAIC's latest agreement allowed for an additional CAN $500,000 for use in 1985-1986. CAIC drew BDS $48,000 of these funds in 1985.

Unfortunately, due to internal problems, CALA was shut down in early 1986 with the result that all CIDA grants to CAIC were cut off. There are at least two potential replacements for CALA as a conduit for CIDA funds, but CAIC does not anticipate a speedy revival of funding from this source.

EEC funds were provided to CAIC in 1983 (BDS $78,000) and 1984 (BDS $92,000). The grant money was used to provide salaries for the Deputy Program Manager in the Economic Development department as well as an Industrial Engineer for the Technical Assistance department. No further grants have been made by the EEC to CAIC.

219x

The Executive Director of CAIC reports that Caricom subsequently earmarked the entire EEC budget for the Caricom region for public sector projects. In response to CAIC's recent requests for renewed funding, the Caricom reportedly felt CAIC was adequately funded with the addition of the SEA project.

Early in 1986, the Center for Industrial Development (CID) in Brussels provided US $23,000 to CAIC for the purpose of covering the travel and related cost of transporting participants to a wood-working seminar in the region in February 1986. The funds were expended by CAIC and no additional grants have been approved although there may be some follow-up funding available for 1987.

Through CAIC's Caricom/DFA (Departments Francaise d'Amerique) Task Force, CAIC has obtained a new channel to the EEC. The Task Force revived the European-Caribbean Private and Public Sector Contact Meetings, which had been inactive since 1981. The first meeting is now scheduled for April, 1987. The Task Force is also negotiating with the EEC for more direct funding of the Caribbean private sector. During the second plenary meeting of the Task Force of September 1986, the EEC delegate made a commitment in principle to channel some EEC funds for CAIC private sector use through the Martinique-Guadeloupe Chambers of Industry and Commerce.

However, as of this writing, USAID is CAIC's sole active external donor for the current period. CAIC may need to make a more concerted effort to find alternative donors in order to broaden its base of support and reduce its financial vulnerability.

Examining the cost side of CAIC leads to the conclusion that, as presently organized and functioning, it has little likelihood of achieving self-sufficiency. However, it is possible to draw a distinction between CAIC's advocacy role on the one hand and its development role on the other. The policy-making advocacy role must, by its nature, be a "subsidized" operation in that it cannot generate its own revenues - leaving open the question of who foots the bill. USAID has funded some policy research and public relations activities on a case by case approval basis; the rest of CAIC's policy, public relations, and communications endeavors are supported by membership contributions.

This leaves those activities of CAIC which are directed toward development of the associations and the private sector as being potential revenue producers for the organization. Some programs, such as Training and Technical Assistance, CBIN and others, already have income producing characteristics which, if fully developed, could provide measurable amounts of revenue for CAIC. Other programs, not funded by outside donors, such as the magazine and radio programme, could be made into money-makers through

vigorous solicitations of advertisers and sponsors. If one accepts the premise that self-sufficiency is possible in certain aspects of CAIC's operations, then it becomes essential to understand the necessary steps to be undertaken, outlined below.

As a service organization which has been heavily dependent upon donor support, the Secretariat has functioned in a manner similar to a public sector organization, even though its objectives have been geared toward the private sector. Businessmen, in many cases, described CAIC as a bureaucracy, heavily dependent on donor support and the largess of a few key members.

Any effort to attain even a limited degree of self-sufficiency must, of necessity, begin at the Board level and continue down through the entire CAIC staff. Basically, the dissemination of the self-sufficiency philosophy involves ensuring that all those involved in running CAIC are aware of the fact that creating revenue is not only possible but is rewarding to the organization and to its staff. In particular, it involves changing the attitudes of Department Managers to become more conscious of money-saving and money-producing possibilities within their departments. From the view point of the Executive Director, it involves giving recognition and praise to Department Managers who have successfully demonstrated their ability to produce additional revenue or to reduce costs. On the part of the Directors, who are businessmen in their own right, it involves their establishing internal policies for CAIC which will develop the organization as an on-going business.

The Executive Director has stated that the Department Managers receive monthly reports on their budget position from the Accountant. Yet most questions on departmental budgets (particularly earned income and other non-donor revenues) addressed by the evaluation team to the Departmental Managers met with the same response: "You'll have to ask the Accountant." New expense/revenue forms introduced within CAIC appear to be more conducive to systematic financial reporting than those used in the past. However, it appears to the evaluation team that the attitudes of the Program Managers also need to swing farther towards a positive interest in cost-effective and revenue enhancing strategies for reaching their objectives.

Mr. Thompson reports that:

> This attitude to cost-benefit relationships [expressed in previously quoted paragraph on advocacy issues] - a response to perceived need in a climate of uncertainty - also tended to spill over into work on many developmental issues, but for a quite different reason. OECS firms which are in most need of technical assistance and training - the small and

221+

less well-established medium sized ones - are generally those least able to pay for most - and in a few cases any- of the direct costs of such help. Early in the Grant relationship, CAIC pointed this out to USAID. The latter's response was to urge that every effort should be made to collect at least 25% of the direct costs of such assistance, and in the case of very small firms with acute cash flow problems but otherwise deserving of help on merit, to make specific exceptions which could include underwriting the full cost of that help.

Given the efficient corporate grapevine which exists in the OECS countries, this came to mean in practice, for the majority of firms assisted, payment by them of 25% of the direct costs of assistance. Since these areas of activity were the major ones on which USAID Grant funds to CAIC were directed, it was perhaps understandably difficult to wean Programme Managers in these areas away from the notion of highly subsidized (up to 75%) forms of programme assistance. Later, when the Technical Assistance Fund (TAF) was established - a revolving fund initially funded at US $100,000 - tighter criteria were adopted by CAIC, which sought to recover - and often did - between a third and a half of the direct costs.

There are at least two possible strategies for moving in the direction of higher cost recovery, if not self-sufficiency, in the provision of such services, which should ideally be implemented together (but could also be implemented separately):

1. CAIC should include the costs of salaries and overhead in order to determine the full costs of its services. Full cost accounting should include an appropriate proportion of the salaries and related costs devoted to the service (e.g., if a particular training program takes two weeks of the Program Manger's time, then 2/52 * Program Manager's salary and fringe benefits should be calculated into the cost of that program). The costs of CAIC's rent, utilities, and other overhead expenses should also be estimated and similarly apportioned. Depending on the needs and the merits of the recipient of the services, CAIC and USAID may still choose to charge the equivalent of 25% of direct costs. Nevertheless, in order for Program Managers to gain a full appreciation of the total costs of their activities, the exercise should be undertaken and updated as necessary. In order to demonstrate the order of magnitude of the cost of overheads and salaries, relative to direct "program" costs, we may point out that in the 1984 - 86 CAIC budgets, "Employment" plus "Overhead" (or "Operating Expenses") averaged 127% of the direct "Program" costs.

2. CAIC could set a scale for the price of its services which is based on the membership category the client is in. For example, firms listed as "Regional MDC" members of CAIC could be charged 100% of the total cost of the service (including salary and overhead costs attributable to the service) plus an administrative fee. "Medium MDC" and "Extra-large LDC" companies might be charged 25% of the total cost. "Small LDC" companies might be charged 11% of the total cost (which would be equivalent to 25% of direct or marginal costs assuming the relevant salary and overheads amounted to 127% of direct costs).

Mr. Thompson has pointed out the similarity in the management style and financial strategy between CAIC's advocacy efforts and those development assistance efforts aimed at small, struggling firms. Both are essentially subsidized functions and are not easy to analyze on a cost-benefit basis (although neither would it be impossible to come up with reasonable estimates). These activities are contrasted to the provision of services to larger, more profitable firms:

> ... developmental assistance to established medium-sized and larger companies responds to a different beat: such assistance is amenable to a more hard-nosed, profit-oriented, arms-length approach.

The latter sort of "assistance" could also be viewed as consulting, which is usually a service sold to private, for-profit companies on a for-profit basis. In fact, given CAIC's limited resources, CAIC would in most instances have to make arrangements for consulting services with existing, professional consultants, both regionally based and external. This would put CAIC in the position of a middle-man. CAIC's ability to arrange access to high quality services might help it attract more large and medium sized firms, and might even become a source of revenue for CAIC. On the other hand, the ease with which the provider of services and the recipient of services can make contact would tend to limit the amount of financial and membership mileage CAIC could reasonably expect to obtain through such arrangements.

Bringing in less-established medium sized firms and small firms from MDCs (who are largely ineligible for RDO/C funded assistance but who could substantially broaden CAIC's socioeconomic base) might required even more effort. Consideration should be given to an awards program for entrepreneurial accomplishment; hotel, automobile rental, and other member discount programs; member insurance programs, a series of social events (which would be conducive to new business contacts among a larger and broader CAIC membership); foreign tours (at group rates) offering

contacts to extra-regional businesses, and a range of other activities designed to appeal to members.

The opinion was expressed by one Department Manager that CAIC could obtain more revenue from some of its meetings, conferences and seminars if they co-sponsored the affair with a local affiliate organization rather than leaving all arrangements to the latter. An example: the local affiliate might advise all who attend a conference to remit $200 to cover hotel, meals and incidental costs including any fee due to CAIC. In actual fact, the total costs might be only $190, thereby yielding $10 net revenue per participant. An affair such as the Annual General Meeting might provide substantial revenue for CAIC and the hosting local affiliate organization if proper planning was given.

Other cost cutting strategies should include the following:

- Overhead costs, especially those not covered by donor assistance, should be reviewed seriously at both department and administrative levels in CAIC. The questions to be asked are "Is this expense (e.g. trip) necessary?" "Is there a less costly way of achieving the same result?"

- Non-productive programmes, especially those not covered by grant assistance, should be scrutinized carefully by CAIC to weigh the value received against the costs incurred. In some instances, the long term priority of an important expenditure, (such as the costs of soliciting new members) may require the reduction or elimination of lower priority projects under a tight budget.

Although it has been determined that the new SEA project (not part of this evaluation) will take over CAIC's Technical Assistance activities and, presumably any revenues which might be produced, the evaluation team does suggest that the project should charge at least a nominal fee for its Technical Assistance. In fact, CAIC and USAID may wish to consider a new level of "Associate Membership" in CAIC which could be established as a precondition to SEA project technical assistance. This stipulation would have the beneficial effect of broadening CAIC's constituency to include more of the small business sector. The amount of the subscription is not the issue, but the broadened base could be important to CAIC's future expansion.

...

In summary, the Private Sector Investment Assistance Project, has been a qualified success. With USAID assistance, a regional business association has undertaken a reasonably effective and socially responsible program of advocacy, delivery of development services, and of business leadership. This program has had a manifestly favorable impact on public perceptions of the business community and on the attitudes of Caribbean businessmen themselves. It has had some positive impact on the policies and business institutions of the region, and there is evidence of positive economic impact at the micro-level. RDO/C's willingness to fund activities in support of the private sector, and to make innovations in project design, was well suited to the desire of business leaders to find a constructive response to a perceived socioeconomic threat. It seems reasonably clear that no other development institution would have funded such a project in the Caribbean in 1981. RDO/C gave CAIC latitude to develop its own approach, and has tightened its reins as problems in project administration have surfaced.

The judgement that this project has been successful must be qualified because the partners have not squarely come to grips with CAIC's administrative problems nor with the issue of its financial future. CAIC has not mapped a forward strategy which matches, in terms of membership growth or socioeconomic accomplishment, the vitality which it has demonstrated in the past. There is an undercurrent of grumbling both in RDO/C and in CAIC centered essentially on the adjustments which each institution has had to make to the ways of the other. CAIC's most vital signs: paid up membership and non-USAID revenues, in fact have begun to slip. It is not reasonable for CAIC to expect that RDO/C will support a business organization while it slides complacently backwards.

It is conceivable, but not likely, that the project may have reached a juncture where advocacy and development -- or the partners themselves -- must shake hands and part ways in peace. Or it may be that RDO/C and CAIC can together move the project a higher plateau with the two functions interlinked and reinforcing each other. The range of choices before USAID and the business leadership of the Caribbean in fact is quite wide. Whatever choice is made, this evaluation recommends that CAIC should consider the achievement of even higher levels of integration of the various elements within the business community as a goal worthy of its enthusiastic effort, and that measures of the attainment of that goal (or some other socially useful objective for which CAIC and RDO/C may be willing to be held accountable) be included in an agreement between the two parties.

225x

C. RECOMMENDATIONS

The recommendations of this evaluation are as follows:

1. Assumming agreement on common goals for the future USAID assistance to CAIC under the PSIA project should continue.

Essentially on its own initiative, but with RDO/C funding support, CAIC's leadership started a new process of organizing the business community in the Caribbean in 1980. In the course of this process, the organization has become more geographically, culturally, and socially inclusive. CAIC has successfully promulgated the view, among key portions of the private sector in the region, that regional integration, increased productive efficiency, reduced unemployment, improved living standards, good labor relations, and ethical business behavior serve the interests of the business community in the Caribbean region. As long as CAIC holds to the course of constructive change, as long as it continues to reach out to a wider constituency, and as long as it delivers its services effectively, it is a most appropriate development partner for USAID.

2. RDO/C and CAIC should together define a realistic common strategy for the future.

There are a range of conceivable outcomes, depending upon the willingness of the two institutions to make program and financial commitments, adjustments in their established patterns of organizational behavior, and their respective risk tolerances. At one end of the spectrum is a strategy which seeks to build on CAIC's accomplishments, remedy its weaknesses, and support it in the pursuit of excellence. Such a strategy would incorporate substantial elements of a synergistic approach to the relationships between policy advocacy, institution building, and development activities. It also involves significant opportunities and risks for CAIC's members, CAIC's staff, and for CAIC's funding agencies. At the other end of the spectrum of outcomes, there is a loss-cutting, retrenchment strategy, which seeks to protect essential functions against the dangers of over-commitment in an unfavorable funding environment. Such a strategy would limit advocacy functions to levels which members have shown themselves historically willing to support, undertake no new training and technical assistance services other than those supported by donors and recipients willing to pay for the fully allocated costs of such services, and focus on building units within the organization which can survive on their own. It is

beyond the scope of the present evaluation to determine where along that spectrum an optimum solution lies. However, the evaluation team strongly recommends that whatever choice is finally made should be made with a strong sense of reality concerning opportunities and risks, and with a strong determination to achieve improved levels of cost-effectiveness.

3. USAID's most recent project paper for PSIAP (1981) is very much out of date. An up-dated project prupose should be closely related with CAIC's strengths, and to the needs of CAIC's and USAID's shared constituency in the region. CAIC and RDO/C should develop a set of targets for PSIAP which are satisfactory to both, which are tied to financial commitments on both sides, and for which both are prepared to be held accountable. RDO/C should prepare an updated description of the project together with a new logical framework for it.

The 1981 project paper set out institutional development targets for CAIC which were largely met within the first two years. The only interim document ostensibly containing plans for the subsequent period was CAIC's 1984 Grant Proposal. This document contained performance targets which greatly exaggerated CAIC's capabilities. There is a pressing need for a realistic plan for future activities and in particular, a set of attainable performance objectives for which project management can reasonably be held accountable.

4. The CAIC management and professional staff should give immediate attention to the status of members whose dues are in arrears for the current period.

The accumulation of membership subscription arrears in CAIC has been growing at an accelerating rate since 1983. Although the numbers on the official membership list have stayed nearly stable since 1984, actual dues receipts have been declining. Not only do the arrears threaten CAIC's financial position, their growth also calls into question the degree of commitment of many of CAIC's members to the organization. CAIC will need to demonstrate to its constituency and to its donors that the recent decline in subscription receipts represents an aberration and not a long term trend. CAIC must either collect from its current membership, quickly recruit new dues paying members, or write off the debts and prepare its next budgets on the assumption that there will be no substantial increase in dues receipts in the near future.

227

5. **RDO/C should provide assistance to CAIC to develop and implement a comprehensive marketing program. This program should include strategies and action plans to broaden the CAIC's socioeconomic base, bring in new members, enhance self-sufficiency, and expand member services.**

After substantial growth in CAIC's membership during its first three years after revitalization, membership growth has halted and may possibly have reversed itself. CAIC has an urgent need for renewed growth in membership subscriptions and a continued broadening of its leadership as well as its base of support. Consideration should be give to an awards program for entrepreneurial accomplishment; hotel, automobile rental, and other member discount programs; member insurance programs; a series of social events; foreign tours; and a range of other activities designed to appeal to members. A second element of the program should include a financial strategy for increasing revenues derived from CAIC services. This strategy should include an analysis of the cost of providing subsidized services on the basis of full cost allocation as well as on the basis of marginal costs, an analysis of the capacity of firms receiving services to pay for them, a schedule of rates, and a set of criteria for the application of these rates. A third element of the program should be an action plan to attract donor financing accompanied by a set of proposed project and program profiles.

6. **CAIC should set up a Board Committee to work with the Executive Director on reviewing the organization and functions of CAIC. As an integral part of this review process, the Committee should establish and maintain a dialogue with RDO/C on matters considered by the Committee which could affect the efficiency and effectiveness with which USAID funds are administered, or which could affect the prospects for achieving project objectives.**

Modifications in CAIC's organizational structure are likely to be required as a result of the recommendations of the Special Task Force on CAIC, the evolving relationship of PSIAP with the SEA project, other new programs, and related financial imperatives. The Executive Director should have benefit of the support of the Board as this activity proceeds. RDO/C, as CAIC's partner in the cooperative agreement, (and one which brings significant requirements along with its resources), should be brought into the process in a way which permits full consideration of Mission views by the Committee throughout the course of the review and which minimizes the possibility of surprise and confrontation in the relationships between the two organizations.

7. **Realistic achievement targets should be established for each department; managers should be evaluated on progress toward these targets and against cost/revenue objectives-- as well as on the basis of general performance.**

Past established achievement targets for each of the departments were prepared as part of a selling effort aimed at an important donor who was thought to look with favor on bold forecasts. In most cases, the targets greatly overstated what could realistically be accomplished with the available resources. The targets were so exaggerated that Program Managers did not feel themselves to be accountable for them. With no other standards of measurement established, Program Managers were lacking an essential tool of self-discipline.

8. **Each CAIC department should be constituted as a cost or profit center. Each Program Manager should be regularly presented with information on costs and any revenues for his or her department, or, where appropriate, compile such information within the department. Consideration should be given to some form of incentive compensation tied to achievements in managing revenues and costs.**

In order to encourage the maximum possible use of cost-effective strategies for the pursuit of CAIC's objectives, Program Managers need not only to be aware of the status of their budgets but to be strictly accountable for them as well. Although Program Managers receive monthly reports from the Accountant's Office, the queries of the evaluation team directed to Program Managers about their budgets were almost invariably referred back to the Accountant's office. This was particularly the case with regard to each department's earned income and other non-donor revenue. The CAIC's Staff Development Workshop identified a specific need for further staff training, the introduction of performance standards and assessments, and compensation and rewards that are tied to the training and assessed performance. This need, particularly within the realm of CAIC's accounts, needs urgently to be addressed.

9. **The present Economic Development Department should be renamed and its role should be reconceptualized. A new designation should emphasize the unit's research, policy analysis, and advocacy activities as well as its specialized role in providing staff support to the Executive Director. Functions requiring business and promotional skills should be transferred out of the department.**

229x

Over the past three years, a high proportion of the Department's talents and resources have been committed to the areas of policy research and analysis, and its main successes have been in these areas. These functions have provided instrumental support to the policy advocacy and public relations activities of CAIC's Executive Director. The Department's responsibilities in the areas of investment and export promotion have also been attended to, although with notably less success. It is rare to find business promotion skills along with research, analysis and advocacy skills in the same individual. The professionals currently in the Economic Development Department are all inclined toward the latter endeavors. If CAIC is to continue with investment promotion functions, they should be lodged in another unit, staffed by personnel with training and experience in business promotion and marketing.

10. RDO/C should approve use of project funds for a program of training and assistance for CAIC's administrative staff of sufficient intensity and comprehensiveness such that both RDO/C and CAIC management are assured that the CAIC will fulfill USAID requirements. This program should include secondment of CAIC personnel to RDO/C for on-the-job training in the Controller's Office, briefing of CAIC top management on basic AID requirements, preparation of instructional materials for persons who charge expenses to CAIC, and, if necessary, supplementing CAIC's administrative staff with part-time or full-time assistance until it is entirely clear that USAID requirements are being and will continue to be met.

The problems of CAIC accounting personnel in complying with AID regulations and other requirements have been noted in previous evaluations and are still very much in evidence. Within RDO/C and other Missions, detailed knowledge of the appropriate application of the full range of regulations pertaining to a grantee organization is generally limited to legal personnel and to persons in the Controller's Office. Even when USAID regulations are well understood by the Grantee, the latter usually finds it necessary to keep two sets of accounts and two filing systems: one to comply with USAID procedures and one to comply with standard local accounting procedures. Such a double effort imposes very real and very substantial extra costs on the recipient institution. In addition, changes in USAID requirements occasionally do occur as a result of amendments to laws, procurement regulations, standard operating procedures, as well as of the preferences of personnel responsible for overseeing administrative responsibilities.

11. In calculating the costs of its services, CAIC should include the costs of salaries and overhead. CAIC should set a scale for the price of its services which is based on a proportion of the total cost of that service and the size of the firm and its ability to pay. USAID should include in its project agreement with CAIC a stipulation that revenues derived from training and other USAID-supported activities should be reported separately to RDO/C, and should enforce this stipulation promptly.

Under CAIC's current reporting procedures, billings for expenditures on USAID funded projects are expressed in "net" terms: total expenditures for a given period on a given project less revenues received during that same period through that same project. Both RDO/C and CAIC's office management need separate information of the total amounts that are being expended on USAID funded activities and the amounts of payments being recovered from these activities. Such treatment is a conventional and fundamental requirement of a good financial management information system, even if no USAID requirement for 25% minimum contribution were in existence. Regular provision of this kind of information will bolster a needed sense of financial discipline in CAIC's Program Managers and give top management the kind of information it needs for effective financial planning. It is regrettable that a key financial indicator required for internal financial discipline, monitoring of CAIC's compliance with USAID requirements and analysis of progress toward financial self-self sufficiency, has not been supplied on a regular basis over the course of the years.

12. A long term strategy for the Local Affiliate Development Program should be prepared by CAIC. This program should include requirements for matching funds and declining USAID contributions. Membership position, finances (including matching funds) and program performance should be monitored regularly. Changes should be required of those affiliates not meeting their obligations under the program.

The original recommendation for LADP, and the plan contained in CAIC's 1984 Grant Proposal, stipulated a matching system which would operate for a limited period of time in order for national business organizations to build up their infrastructure. In several instances, it appears that local affiliates made constructive use of their funds and were consequently able to attract new membership and initiate new activities. Other national organizations have been notably less successful with the same external resources. Although the evaluation team was able to visit several of the national Chambers and to get a sense of their vitality, there is little in the way of hard data, either

231

at CAIC or USAID, with regard to the impact of the LADP program: There are no files tracking the growth in membership of LADP recipients (essential evidence of program impact) nor on their financial position (which would be necessary to ascertain matching ratios).

13. The evaluation found that CAIC training personnel have had good success delivering training services, and in influencing attitudes of businessmen and educational bodies in the region in beneficial ways. This capability represents a resource of considerable commercial and social value. CAIC should develop proposals for USAID and other donors for funding of activities which build on this resource.

The evaluation team found that the reception of the business community and others to CAIC's training services and activities have been quite positive. The Training of the Trainers program and the dialogue with the Caribbean Examinations Council received particularly high marks. CAIC has developed a valuable resource, whose commercial and social applications should be carefully assessed. It would be desirable for CAIC to carry out a survey of the commercial market for training services in the Caribbean, focussing particularly on potentials in the MDC's. Such a survey should examine the price-sensitivity of demand for services and the prospects for CAIC full-cost coverage (including overhead and return for risks assumed). This study also should examine the capabilities and price structures of other suppliers of training services.

It is conceivable that the work CAIC has undertaken in creating links between the business and educational communities should be expanded, possibly to include work at the national as well as the regional levels. Given the degree of success which it has achieved, CAIC's Training and Technical Assistance Department should take a positive view of its potentials to provide a variety of privately and publicly funded services. Appendix E sets forth an approach, which could be put forward effectively on the basis of favorable survey outcomes and the full support of the CAIC Board.

14. CAIC should either develop a realistic staffing and marketing approach for its provision of CBIN service or drop the program entirely. Alternatives to terminating the service are transfer of the function within CAIC and/or decentralizing the service to the local affiliates in each territory.

There is scant evidence of any accomplishments in investment and trade promotion through CAIC's use of CBIN. Although a few users

expressed satisfaction with CAIC's provision of general market information through the use of CBIN, CAIC appears to be an ineffectual business broker. Where it has been able to provide potential business contacts, it has failed to follow up on these contacts, either to facilitate the process on an on-going basis or to ascertain the results. Use of CBIN in Martinique, where the Chamber of Commerce and Industry has its own terminal and businessmen are encouraged to make use of the terminal on their own (with assistance from Chamber personnel), has resulted in fruitful business contacts and subsequent investment.

15. The Executive Director and Board of CAIC should establish a policy advocacy agenda. Such an agenda should establish targets, the principal means of attaining those targets, and an estimate of the resources required. CAIC should install the equivalent of a legislative and regulatory tracking system to assist the staff in following up on the results of the Association's policy initiatives and communicating these results to others.

CAIC could do a better job of explaining its goals, strategies, and accomplishments in the area of policy advocacy, and there is some evidence of over-investment in certain kinds of policy advocacy research. Flawless assessment of the future is unattainable in an adversarial environment, but the application of resources to policy advocacy need not be totally dependent on intuition and hunches. Applying planning and financial disciplines to advocacy functions calls for different and perhaps more judgmental approaches than those typically specified for development projects. Nevertheless, such disciplines have been applied to major litigation in the United States as well as to other areas such as defense policy and major medical procedures, where uncertainty, requirements for tactical flexibility, and differing assessments of the values to be placed on outcomes are all very much in evidence.

The evaluation team found that it had considerable difficulty obtaining details of successful policy advocacy efforts from CAIC-- when both the success and the detailed evidence of success were ultimately available. It had something of the same problem in other areas of CAIC activity, but not to the same degree. It seems quite clear that an orderly means of recording and following up on results is needed. CAIC should install a legislative and regulatory tracking system. The system should include files on each issue pursued which: outlines the old situation (e.g., laws, policies, or regulations which CAIC wishes to alter); presents CAIC's specific proposals for change; contains newspaper articles, synopses of radio and television news coverage, copies of public speeches and transcripts of meetings, and CAIC's own memos on the subject (which should

document the process of negotiation and compromise); and finally, presents the final outcome (e.g., the text of new laws, policies, or regulations which followed the effort).

16. The Director of the RDO/C Mission should meet with the Executive Director and key members of the CAIC Board at least once a year to review the progress in implementing the PSIAP activities and other pertinent aspects of RDO/C's Private Sector program. In addition, the USAID project officer for PSIAP and members of Mission management (particularly those concerned with the private sector program) should regularly attend portions of CAIC Board of Directors' meetings focussed on matters of mutal interest to the Mission and the Board.

RDO/C is CAIC's major source of funding. CAIC is, potentially at least, RDO/C's most comprehensive and direct contact with the business community. It is important to both organizations that communications flow freely between the two organizations at top levels as well as at working levels. It would be desirable for the USAID Mission Director to meet periodically with the CAIC Executive Director and selected members of the Board. The interests of the two organizations in each other properly should extend well beyond consideration of the relative size of the funding which USAID provides to CAIC and beyond the specific concerns of the PSIA and SEA projects. RDO/C's total program is heavily oriented toward the private sector. Yet most of the dealings of RDO/C staff are with implementing organizations staffed primarily from the public sector, from universities, from consulting firms, or from non-profit institutions. The opportunity to deal on a wide range of issues with business leaders who are directly engaged in commerce, manufacturing, and other profit making ventures is an important one, and one that should not be missed. Sessions to be attended by RDO/C personnel should focus on matters of mutual interest and should be structured in a way which preserves the independence and confidentiality of Board deliberations affecting the affairs of the Association.

D. AID PROJECT LESSONS

Lessons of general application to other USAID projects--particularly to existing or potential private sector projects--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 Sates 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 therefor 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 countries 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. One organization certainly can perform both functions, but it should have a 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 scrutinized in particular: sure 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 (see Appendix D) 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, inconvenience, to normal business and association practices-- as USAID's regulations certainly do. Businessmen and business associations undoubtedly are capable of complying with special requirements and detailed procedures (they do this periodically

237X

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 they expertise to perform either of these roles. Fourth, Mission management often is reluctant to devote project resources to building the administrative capabilities of grantee, 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) a 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 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 incorporating a check on USAID compliance into the grantee's regular commercial audits, development of user-friendly 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.

AFTERWARD

A **Report of the Special Task Force on CAIC** (Jan. 12, 1987) sets forth "A Proposed Revised Strategy for CAIC and Its New Relationship to USAID."

The Task Force recommended that CAIC should differentiate its strategic objectives between those "Baseline" private sector advocacy efforts that any business association should conduct on behalf of its constituency and those development functions that can be carried out only with development funding. The recommended **Baseline objectives** were:

1. To foster the development of a vibrant private sector, which would contribute to the economic development of the region.

2. To effectively represent the interests of the private sector on major public policy issues affecting development of the region.

3. To provide technical assistance to local national private sector organizations within the limits of its resources.

The **development objective** of the organization would be pursued to the extent that funding was available:

4. To assist development agencies such as USAID in the design and implementation of private sector development programs in the region.

The organizational structure proposed by the Task Force would reflect the distinction between Baseline and Development Objectives. A "Baseline Organization" and "Internationally Funded Development Programs," would report separately to the Executive Director and the Board of Directors. The Baseline Organizational Structure would include Program Managers for "Private Sector Advocacy" and "Local Affiliate Development", along with a Manager for Administration and Finance. The organizational structure for the Development Programs would be divided into two sections: one focussed on the OECS countries, and the other focussed on the broader Caribbean region. Each would be guided by a committee of the Board of Directors which would also include other private sector representatives.

CAIC would pursue a strategy of broadening its base of support-through expanding membership (for which a special Board Committee would be appointed), selling more services to members, and through access to new donors. The Task Force Report noted that

239X

CAIC has already held discussions with the Inter-American Development Bank to fund an export development program. An important theme of the Task Force Report was the role which CAIC could play in connection with RDO/C's Private Sector Program.

In letters to the evaluation team leader, dated 19 and 26 January, 1987, the Executive Director outlined a number of specific, proposed changes in staff, structure and program activities. CAIC is considering the decentralization of CBIN. With respect to responsibility for this functions, Mr. Thompson writes:

> CAIC is now, in the context of looking at possible programme areas in any new grant agreement with USAID, examining the issue of export promotion and the role which CAIC might play in this, in the region. If export promotion does become a funded programme in CAIC, it will be staffed by a business-oriented professional with hands-on marketing experience...

The Economic Development Department itself will be changed to the **Economic Research and Analysis Department**, and will, presumably, devote itself more exclusively to policy research to support the Executive Director's policy advocacy efforts.

The Organizational Affairs - Business/Government Relations Department will be changed to the **Communications and Affiliate Development Department**. It appears that this department will focus on outreach, both to the national affiliates and to the larger public - to continue efforts to improve the image of the private sector.

In response to the findings and recommendations of the evaluation with regard to CAIC's compliance with USAID regulations, Mr. Thompson writes:

> At CAIC, we have come around to the view that if we are to undertake development programmes of the size and complexity of the SEA project, as well as likely developmental-type projects in training, export promotion and tourism, we need to staff up our Accounts area to cope satisfactorily with the USAID's financial reporting and procedures compliance requirements. We are going to **hire a top level Financial Controller** (emphasis added) and build a finance processing and reporting capability that we would <u>NOT</u> need, doing only our core functions of private sector advocacy and affiliate development, but that we <u>do</u> need for developmental projects of significant size.
>
> The other moral we draw is that if the <u>developmental</u> project <u>is</u> substantial, we should hire, for the life of the project

and make accountable for its success or failure, profit-oriented, hands-on private sector managers with adequate experience in the specific activity which is the subject of the developmental effort.

Finally, it should be noted that as of December 31, 1986, (i.e., after the text of the chapters of the evaluation report on membership and finances were prepared in late November, 1986) CAIC received BDS $13,730 in overdue 1986 membership subscriptions from seven of its members who had been counted as "arrears." The seven included three corporate members and three organizational members (including two LADP recipients) who had been listed as "current arrears" for 1986, and one corporate member who had been listed in "chronic arrears." These payments mitigate significantly, but do not reverse, the trends discussed in the main text of this evaluation: The number of paid up members of CAIC stands at 101 as of the end of 1986, down from 111 in 1984 and 103 in 1985. The number of members in current arrears stands at 12, up from 10 in 1985. The number of members in chronic arrears stands at 7, up from 2 in 1985.

FEBRUARY 16, 1987

APPENDIX A

EVALUATION SCOPE OF WORK AND OUTLINE OF GENERIC SCOPE OF WORK

PRIVATE SECTOR INVESTMENT ASSISTANCE PROJECT
Project 538-0043

A. PURPOSES OF EVALUATION

1. To assess the contribution of the project to development in its host countries as well as to meeting the long term needs of the region's business communities;

2. To identify lessons learned and make recommendations concerning future AID assistance to business organizations in the Caribbean; and

3. Provide recommendations for changes to increase the impact and/or efficiency of the project

B. FOCUS OF THE EVALUATION

The focus of the evaluation will be evenly balanced between analysis of project/program achievement, on the one hand, and assessment of institutional performance and related recommendations, on the other.

The assessment of project/program achievement will examine the extent to which the project has succeeded in mobilizing the business communities of the Caribbean region and contributing to constructive changes in public policies. It will also examine the contribution of the project to goals of increased employment, production, exports, productivity, and to improved living standards in six Eastern Caribbean LDC's. The assessment of institutional performance will center on organizational and program objectives, relationships between CAIC and business associations in individual countries, CAIC's financial record and its ability to develop an involved, stable, sustainable membership. The goals and purposes formulations contained in the Project Logframe will be analyzed, and recommendations for changes will be made, if appropriate.

C. PRINCIPAL EVALUATION TASKS

Principal evaluation tasks will include the following:

1. Identify and document verifiable illustrations of successful outcomes of CAIC activities, by means of specific evidence that the particular CAIC initiatives have had favorable development impacts.

2. Trace the policy initiatives of CAIC in some detail and develop a methodology for judging their actual or potential impact on Private Sector Program goals.

3. Draw quantitative conclusions, as appropriate, concerning the development impact of this USAID-funded project and/or suitable qualitative findings.

4. Present and analyze a country-specific financial framework, Disaggreagate CAIC and USAID costs by country and by function, including an allocation of central overhead. Provide comprehensive list of services provided by country over time. Show dues collected by country and by membership class over time. Show fees collected by country and by function.

5. Establish and, to the extent feasible, apply a framework for comparing results of policy, training, and technical assistance functions that can be compared across RDO/C projects.

6. Compare business conditions with trends in CAIC membership trends and dues, on a country-by-country basis.

7. Analyze receipts from services provided by CAIC with a view to determining their responsiveness to demand and their sustainability.

8. Analyze the coverage and quality of CAIC's data base.

9. Determine whether USAID's project goal, CAIC's organizational objectives, and CAIC's program have been compatible and properly focussed.

10. Make recommendations concerning the respective roles of the Board of Directors and the Staff and future program directions.

11. Examine CAIC's role within the AID's program of assistance to the private sector.

12. Apply Generic Scope of Work to CAIC's program, specifying purpose elements and defining causal linkages to the stated goals.

D. METHODOLOGY

LBII will prepare an Evaluation Work Plan which will be submitted for USAID clearance on or about October 17, 1986. This Work Plan will include instructions and forms which will permit CAIC to prepare a number of important preliminary inputs. These preliminary inputs will include the following:

-- Sampling universe (including names and addresses of persons and businesses in the six OECS countries who are CAIC members, as well as persons who are recipients of training and technical assistance, and policy advice. This sampling universe will be used both in the current evaluation and in a large-scale sample survey to be carried out in the Spring of 1987 (See LBII Revised Draft Work Plan, dated September 3, 1986).

-- Information on CAIC costs, services, and receipts, organized by country and function.

-- Information on CAIC membership composition and trends on a country-by-country basis.

-- Documentation of details of CAIC success stories.

-- Preliminary inputs for application of Generic Scope of Work.

A preliminary analysis of CAIC inputs will be made upon receipt of these inputs, on or about October 27, 1986. An analysis of the CAIC data base also will be undertaken about that time. Interviews with members of the Board of Directors will be carried out during the period when they are in Barbados for their regular meeting on October 31, 1986. The results of the preliminary analysis of CAIC inputs, the data base analysis, and the Board interviews will be utilized to determine whether any additions or changes in field survey instruments are required. Interviews will be carried out in Antigua, Dominica, Grenada, St. Kitts, St. Lucia, and St. Vincent by the entire evaluation team during the week of November 3. Interviews will include businesses which are not members of CAIC as well as those who are, and those members who show a variety of trends in their contributions. Interviews will also be carried out with government officials and local business associations, and spot checking of success stories will be accomplished. A one-day team review will be held on November 10, followed by analysis and preparation of draft materials. Methods for estimating economic impacts of policy changes will be developed, and tested against the results attributable to CAIC efforts. A draft summary of findings and

244X

conclusions will be prepared and submitted to AID on November 17. The draft final report will be submitted on November 24.

E. EVALUATION REPORT FORMAT

The evaluation report will contain:

1. An Executive Summary covering the purpose of the evaluation, the methodology used, findings, conclusions, and recommendations. It will also include comments on development impact and lessons learned. It will be complete enough so that the reader can understand the evaluation without having to read the entire document, that is, the summary will stand on its own as a self-contained document.

2. A copy of this Scope of Work. Any deviation from the Scope will be explained.

3. A listing of the evaluation team, including country personnel, each person's field of expertise and the role which each played on the team.

4. A clear presentation of the evaluation recommendations, in a separate section of the report, so that the reader can easily locate them.

5. A discussion of previous evaluations reviewed with a brief discussion of the conclusions and recommendations made in earlier reports. The evaluators will briefly discuss what use was made of previous evaluations in their review of the project.

6. A separate section on the development impact of the project. This section will clearly present the development benefits resulting from the project.

7. The project's lessons learned will be clearly presented. These will describe the causal relationship factors that proved critical to project success or failure, including necessary political, social and bureaucratic preconditions within the host countries and USAID. There will also be a discussion of the techniques or approaches which proved most effective or had to be changed and why. Lessons relating to replicability and sustainability will be discussed.

OUTLINE OF "GENERIC SCOPE OF WORK"

A. PROGRAM GOALS

1. Economic Development Goal:

To increase the contributions of privately owned business establishments and the institutions which serve them to employment, production, productivity, net foreign exchange earnings, and/or improved standards of living in specific Caribbean countries.

2. Policy Goal:

To improve the climate for private investment and expanded international trade in these countries.

3. Institutional Goal:

To increase the capacities, efficiency, and sustainability of institutions serving the private sector in these countries.

B. PROJECT PURPOSE ELEMENTS

(Intended results which contribute to the program goal)

1. To attract foreign investment
2. To encourage local investment
3. To develop land for industrial and commercial uses
4. To provide factory buildings
5. To provide long term financing for businesses
6. To provide short term financing for businesses
7. To provide financing for housing
8. To provide financing for consumer durables
9. To provide other consumer credit
10. To create financial institutions to serve unmet needs
11. To improve business management skills
12. To improve management systems
13. To improve record keeping and accounting skills
14. To improve skills of supervisors
15. To improve labor relations skills
16. To improve marketing skills
17. To improve skills of laborers and office workers
18. To develop investment promotion skills
19. To develop investment promotion institutions
20. To improve production methods
21. To introduce new technology

246X

22. To identify and tap new markets
23. To improve service or reduce costs of public infrastructure utilized by productive activities
24. To encourage risk-taking and entrepreneurship
25. To encourage reliance competition and market mechanisms of resource allocation
26. To divest state-owned enterprises
27. To replace government force account activities with government contracting
28. To establish groundrules under which enterprises and cooperatives can compete with government parastatals and force account activities on the basis of efficiency
29. To adopt tax structures which encourage private initiative
30. To reduce the burdons of import and export controls and other forms of regulation of the business community
31. To improve labor-management relations
32. To reduce distortions of market forces in international trade
33. To develop infant industries
34. To foster regional economic integration (increase market size and access)
35. To integrate the efforts of members of the business community to improve conditions of doing business
36. To create and attract membership to business associations
37. To broaden the constituency of business associations34. To encourage dialogue between government and business on matters of mutual interest
38. To promote the purposes and programs of the business organizations among the public at large
39. To convey to policy makers an understanding of the decision-criteria of foreign investors
40. To create or chnage government policies
41. To create or change legislation
42. To create or change government procedures and practices
43. To reduce imports
44. To promote exports

C. PROJECT OUTPUTS

(Outputs to be related to individual purposes)

1. Technical Assistance Tasks Completed (characterize and quantitfy tasks)
2. Promotional materials distributed
3. Trade shows attended
4. Prospects followed up

5. Visits made
6. Financing Drawn Down by End Users
7. Persons Trained
8. Manuals Prepared
9. Institutions in Place and Providing Outputs (characterize and quantify outputs)
10. License agreements made
11. Public Infrastructure Projects Services Provided
12. New ventures undertaken
13. Representations made to government officials and legislators
14. Divestiture plans prepared
15. Contracting procedures written
16. Policy studies completed
16. Labor-management conferences held
17. Relationships with decision-makers established
18. Memberships on policy-making bodies and advisory committees held
19. Recommendations on legislation, regulations, and procedures made
20. Media message circulation achieved

D. PROJECT INPUTS

(AID inputs, Other Donor inputs, and inputs provided by recipient institutions and individuals to be shown separately)

1. Funding
2. In-kind contributions
3. Policies
4. Planning
5. Project Management
6. Recruitment
7. Client interaction
8. Consultant support

E. CHANGES IN OTHER FACTORS

1. Macro-economic conditions in host countries and in countries which constitute their principal export markets and/or sources of supply.

2. Social, political and economic conditions as perceived by the target group.

3. Scale of problems addressed in comparison with scale of resources deveoted to problem solution.

2148x

4. Market conditions and technological trends in specific key industries and industry segments such as clothing and electronics prevailing worldwide or in particular export markets.

5. Government-policies external to those which are the subject of the program.

APPENDIX B: EVALUATION TEAM AND EVALUATION PROCESS

1. Team Assignments and Qualifications

The contract between USAID and Louis Berger International, Inc., under which this evaluation was performed, requires that a description of the roles and qualifications of members of the evaluation team to be included in this report. This appendix fulfills that requirement.

Harvey A. Lerner was the evaluation team leader. Mr. Lerner was responsible for articulating the findings, conclusions, and recommendations of the study, and made contributions to each chapter of this report. During the evaluation, Mr. Lerner visited Trinidad and Guyana, and carried out interviews in Barbados during the course of the evaluation. Earlier in 1986, Mr. Lerner made visits to Antigua, Grenada, St. Kitts, and St. Vincent and the Grenadines in connection with assignments on other RDO/C Private Sector Projects.

Mr. Lerner is Resident Project Manager in Bridgetown, Barbados for Louis Berger International, Inc. (LBII). He is responsible for evaluation, monitoring and project design activities for RDO/C's private sector program which LBII is carrying out under contract with USAID.

Mr. Lerner joined LBII in 1981 and has served as Director of Industry Studies since then. From 1979 to 1981, he was Regional Director of Litigation Consulting for Coopers and Lybrand. Earlier he served as Vice President for Consulting for Checchi and Company, where he was heavily involved in industrial development programs and in evaluation of USAID projects. He also directed a Checchi subsidiary specializing in management counsel to associations and non-profit institutions. Earlier, Mr. Lerner was a Special Assistant in an emergency planning agency in the Executive Office of the President of the United States, where he was concerned with international trade and industrial mobilization matters. He also has practiced law in Worcester, Massachusetts.

Mr. Lerner was graduated in 1954 from Wesleyan University in Middletown, Connecticut, where he was Phi Beta Kappa. He holds a J.D. degree from the Harvard Law School and a Master of Laws degree from the Georgetown University Law Center. He did graduate work in Business Policy at the Harvard Business School and in Economics at Georgetown University. Mr. Lerner has been active in alumni affairs in the Washington, D.C. area, serving as President of the Wesleyan University Alumni Association and as an officer of the Harvard Law School Association of Washington.

Aubrey Armstrong served as the team's specialist in training and technical assistance, and had principal responsibility for Chapter III of the report. He carried out interviews with businessmen and public sector officials in Grenada and St. Vincent.

Dr. Armstrong carried out consultancies for RDO/C (management training project design), CAIC (team-building and staff development), OECS, the Barbados Industrial Development Corporation, the Nation Newspaper, and other organizations located in the Caribbean. Dr. Armstrong was United Nations Advisor in Management Training Methods and Development Administration at the Caribbean Center for Development Administration (CARICAD) from 1980 through 1986. He left Guyana in 1979, after serving as director of the Guyana Management Development and Training Center for four years. Earlier he was on the Faculties of Woodrow Wilson School at Princeton University, Vanderbilt University, Fisk University, the University of Washington, and the University of Guyana. He has written widely on the subject of management training.

Dr. Armstrong received his Ph.D. from the University of Washington in International Business and Organizational Management in 1972. He was awarded an MBA degree by the Inter-American University of Puerto Rico in Industrial Relations, and a B.A. degree by the same institution in Economics and Business Administration.

James S. Brown is a personal services contractor, who has served as USAID's Project Officer for PSIAP since March of 1986. For the present evaluation, Mr. Brown carried out field surveys in Dominica and St. Lucia, and made a contribution on the impact of the Local Affiliate Development Program which was included in Chapter II on membership. Shortly following the completion of the field survey, he left the evaluation team to participate in the Miami Conference and to attend to other responsibilities on the PSIA and SEA projects. Mr. Brown provided comments on the drafts of evaluation chapters as they were written, but was not involved in decisions concerning major findings and recommendations of the evaluation team.

Mr. Brown has served with RDO/C since March of 1985, where he was initially involved in the design of the SEA project. Earlier, he served with USAID's Private Sector Bureau in Washington, where he headed a team designing projects in privatization, finance and support services for the Bureau. Mr. Brown owned and managed a firm which provided accounting services and management counsel to small-scale businesses in the Washington, D.C area. He also carried out consulting assignments in fourteen countries on private sector development.

Mr. Brown holds a Master's Degree and completed course work for his Ph.D. in foreign affairs, specializing in micro-economics from the University of Virginia and completed course work for a Ph.D in Business Management at Univ. Graduate School, Antioch College.

Jacqueline Coolidge was principal author of Chapter II, on CAIC's membership and commitment and prepared major portions of Chapter IV on economic development and policy advocacy functions. She also made significant contributions to each of the other chapters in the report. Ms. Coolidge carried out interviews in Barbados and made a special visit to Martinique, which was concerned with CBIN and with the development of business relationships between the French Caribbean territories and Caricom.

Ms. Coolidge, an economist who is a member of LBII's Development Economics Group, has specialized in studies of the economic impact of development programs and in the design of private sector projects. She was co-author, with Mr. Lerner, of a major study on the potential for privatization in Somalia's water resource development industry. She has prepared socioeconomic impact statements for proposals ranging from the expansion of a university in rural Cameroon to the establishment of a new prison facility in Georgia. She has also participated in a marketing study for agricultural produce from Honduras, focussing on access to the U.S. market. Prior to joining LBII, Ms. Coolidge worked as an independent consultant to the World Bank and the UNDP in Somalia and Indonesia, carrying out surveys of their technical assistance and capital development projects in those countries. She also served as a Peace Corps volunteer for two years in Botswana.

Ms. Coolidge earned an MPA from the Woodrow Wilson School of Princeton University, majoring in economics and public policy. Her Bachelor's degree, from the Johns Hopkins University, is in international affairs and international economics.

Donald Jones analyzed the finances of CAIC, and was principal author of Chapter V of this report. He carried out interviews in Barbados, both with CAIC staff and with members of the business community in that country.

Mr. Jones was President and Chief Executive Officer of commercial banks in New Jersey and Florida, and has held executive positions in banks in the New York City area. Mr. Jones spent ten years of his career as a member of the professional staff of Checchi and Company, an economic and financial consulting firm. There he served as Chief of Party for development banking projects in Cyprus, Bangladesh, Vietnam, and the Fiji Islands.

Mr. Jones served as team leader for a USAID-funded evaluation of development projects of the Institute for International Development, Inc. in Central America, South America, Asia, and Africa. He also carried out an evaluation of the Agricultural and Industrial Loan Board of the Solomon Islands for the Asian Development Bank. He performed a number of technical assistance assignments and feasibility studies for small-scale businesses and cooperatives in the United States under the auspices of the Texas Industrial Commission, the Model Cities Program, and the Office of Economic Opportunity. Mr. Jones co-authored, with Harvey Lerner, a paper entitled A Framework for Evaluating Development Financing Functions which was presented to AID's Evaluation Committee in Washington.

Roman Semkow carried out interviews in Antigua and St. Kitts, and conducted an analysis of the functions of CAIC's Economic Development Department. He also provided technical advice on assessing the impact of technical assistance provided to manufacturers to improve production methods.

Mr. Semkow is a business and industrial consultant who has combined work for private sector manufacturers, distribution organizations and investment banking and financial institutions with assignments for USAID on evaluation and design of private sector programs and projects.

Private sector clients served by Mr. Semkow have included major industrial and financial corporations in the U.S., Holland, Japan, Great Britain, and France. These assignments have included new product development, assembly-line productivity improvement, application of new technology, asset disposal, and analysis of the economics of off-shore operations.

In Morocco, Mr. Semkow analyzed the performance and limitations of public and private organizations supporting industrial investment and export promotion. For USAID Egypt, Mr. Semkow carried out a mid-term evaluation of a project executed by the Georgia Institute of Technology and by Westinghouse concerned with industrial organization and private sector development in that country. He prepared a Logical Framework for PRE for an industrial development project in Jordan. He was Advisor on Industrial Development to the Government of Mauritius for three years.

Mr. Semkow received the equivalent of a B.Sc. in Engineering from the Polish Naval Academy, and undertook graduate study at the University of Bordeaux.

2. PSIAP Evaluation Process

The evaluation of the PSIA Project began with the submission to USAID of a self-evaluation report prepared by the Secretariat of CAIC. The self evaluation contained two parts: The first part was an overview of the functions and achievements of CAIC over the past three years, prepared by CAIC's Executive Director, Mr. Pat Thompson. The second part contained more detailed assessments of the activities of each of CAIC's departments (Organizational Affairs/Business-Government Relations, Training and Technical Assistance, and Economic Development) prepared by each of CAIC's Programme Managers.

The LBII evaluation team assembled on October 28 1986, and reviewed CAIC's submission as well as the two previous evaluations of CAIC and other relevant project documentation. The evaluation team then met with CAIC's professional staff and developed a questionnaire for interviews to be conducted with members of CAIC, members of CAIC's local affiliates, and public sector officials who had worked with CAIC. The evaluation team was particularly interested in tracking CAIC's success stories, and therefore solicited and received guidance from CAIC on whom should be interviewed and what cases might be of interest. The members of the evaluation team also made contacts with persons knowledgeable about CAIC and PSIAP on their own initiative.

After field visits and interviews in eight countries (in addition to Barbados), the evaluation team met to discuss general findings and conclusions and to achieve consensus on the major evaluation issues, particularly with regard to project impact.

Preliminary drafts of each chapter were written for internal use. Each of these chapters were submitted to the Executive Director of CAIC, the Deputy Director, the relevant CAIC Program Manager (as applicable) and to selected RDO/C personnel. Comments were solicited in particular from CAIC, and the Executive Director duly submitted detailed comments on each chapter.

The final chapter of the report, containing the principal findings and conclusions of the evaluation as well as related recommendations, was written incorporating both the analyses contained in the previous chapters and the feedback received from CAIC and RDO/C personnel.

APPENDIX C: REVIEW OF PRIOR EVALUATIONS AND RELATED DOCUMENTS

This appendix reviews eight documents which themselves constitute evaluations of CAIC or which have an important bearing on evaluation issues. They are:

1. Creating the Future, November, 1980
2. USAID Project Paper for the Private Sector Investment Assistance Project, June, 1981
3. The March 1982 Evaluation Report by C.A. Pearson
4. The March 1984 Evaluation Report by E. Warfield, B. Phelps, and M. Deal
5. The CAIC Grant Proposal, April 1984
6. CAIC's Staff Development Workshop, November, 1984
7. CAIC's Internal Self Evaluation, August, 1986
8. USAID's Response to CAIC's Self-Evaluation, October, 1986

1. Creating the Future, November, 1980

The document entitled "Creating the Future" was the articulation of CAIC's vision for the future and its detailed plan of action for the initial revitalization efforts. The document described a structure for the new organization which would, among other things, "involve the top business executives ... in a strong policy development and participatory role; develop a meaningful partnership between business and governmental agencies; and develop a membership base... that will, in a period of three to four years, eliminate the need for grants from governmental agencies, domestic and foreign, and permit the Association to be adequately financed on a self-sustaining budget (emphasis supplied).

The association was to undertake programs in the areas of agriculture, distribution, energy, finance, manufacturing, media, mining, publishing, retailing, tourism, and transport. The geographic scope was the Commonwealth Caribbean; membership was to be expanded to individual companies operating in the region (providing they were at least 51% non-government owned). The Board of Directors was to be made up of influential and esteemed business leaders, with a composition broadly representative of the region, both geographically and functionally.

"Creating the Future" called for the appointment of an Executive Director to serve as chief executive and chief administrative officer. He would be responsible for operations, organization, and staff. The Board was to have program vice presidents to provide direction and determine policy for the various departments within the CAIC secretariat.

The document anticipated dues from membership of US$125,000 in 1981, $175,000 for 1982, and $200,000 for 1983. It also anticipated about $600,000 in funding from USAID, and additional funds from other donors at a later date. (In actuality, membership contribution exceeded expectations for the period as a whole, while the funds available from USAID were less than anticipated. See Chapter III for actual receipts).

In the new CAIC Articles of Association, reproduced within "Creating the Future", the object of the association "shall be to advance the civic, economic, cultural, and social betterment and interests of the people of the Commonwealth Caribbean." The mechanisms for the attainment of the objectives were to be as follows:

- Advice and assistance in the creation of a favorable economic climate.

- Mobilization and channeling of funds for investment in the private sector ... encouraging expansion and development of business ventures and ... [it] will conduct research and maintain data on economic sectors and provide technical assistance to business and industry.

- Development of training and leadership programs ... [it will] promote the expansion of trade from the region throughout the world and encourage international investment through joint ventures in the region.

In January 1981, as called for in "Creating the Future," CAIC produced a Recommended Planning Guide, which formed the basis for the workplans presented to USAID.

Major elements for the workplans for each department are discussed below.

Organizational Affairs

The Organizational Affairs Department was charged with, among others, the following major tasks:

- Double the present number of company members (approximately 100) by January;

- For internal communications - develop guidelines for program of regular communications from Board and Secretariat to members;

- For external communications - carry on a full scale communications program to promote the private enterprise system, advance the policies of the organization, advance all the programs of the organization, and publish an organizational service bulletin [for the exchange of information];

- Collect 75% of old CAIC payments in arrears, and recruit sufficient new members to meet membership dues targets;

- Appoint task force of Directors and Members to meet with volunteer heads of CAIC member (existing and potential) local and national business organizations;

- Determine needs of member firms regarding (among other items) Business/trade data, data on government policies and recommendations, help in lobbying locally developed policy positions, technical assistance to local organizations in internal affairs and service programs, and access to funding and/or credit;

- Appoint task force to determine ways to cultivate relationships with groups such as C/CAA, CALA, West India Committee, U.S. Chamber of Commerce;

- Appoint Directors to the task forces in each program area.

- Develop capability for ongoing media relations by hiring a press assistant, developing a comprehensive regional media list, and developing a strategy for approaching the media effectively;

- Develop programs to actively enhance the image of enterprise, including efforts to lobby public opinion on business's role in creating jobs and earning foreign exchange;

- Encourage its company members and, through its affiliates, all regional businesses, to be good corporate citizens in (among others) labor-management practices, environment and conservation, and neighborhood relations;

- Appoint a task force to recommend suitable informational publications for CAIC;

- Work to expand the scope of CAIC to include broader social responsibilities, e.g., emergency response (to hurricanes or other natural disasters), housing development, volunteer medical personnel, inter-regional transportation and cooperation on transportation matters between regions.

Business-Government Relations Department

The Business-Government Relations Department was responsible for (among other items) the following major functions:

- Develop at the regional level one to three joint task forces of business and government leaders for policy and action plans on new industry recruitment, alternate energy systems, coordination of entry-level skills training between highschools and employing industries;

- Develop staff capability to produce issue statements, white papers, and other policy documents reflecting the views of Directors, members, and staff research;

- Develop a strategy for direct lobbying by members or staff and assist affiliates to develop effective strategies for legislative intervention at the national level;

- Develop and nurture ongoing contact with appropriate regional, international and donor-country agencies and help local affiliates with these contacts at the national level.

- Carry out appropriate research and develop position papers in dealing with the concerns of Caricom countries such as trade relations and labor relations.

Economic Development Department

The Economic Development Department was held responsible for the following major tasks:

- Appoint a task force to develop master industry-attraction strategy, work with the new regional Caribbean Investment Corporation, and set specific short, medium, and long term goals;

- Since the new CAIC needs to show some immediate results before waiting for new reports and strategies, the following interim goals are suggested: a. At least 4,500 net new jobs region-wide by end 1982; b. At least two major new plants in targeted sectors in each actively participating country by end 1982.

- Create a task force to identify a few key products in which commercially viable local industry could be developed;

- Develop the staff capacity or create a small action-oriented task force to step in quickly to solve problems for potential new industry (e.g., governmental red tape, lack of shipping, uncertainty about labor climate or political climate);

- Create a task force to identify potential joint venture arrangements;

- Create a task force to work with public agencies and local affiliates to reduce intra-regional trade barriers and improve transportation and communication;

- Develop CAIC as a channel for development funds;

- Work with USAID to create a revolving private sector credit facility;

Technical Assistance Department

The Technical Assistance Department was to be responsible for the following major tasks:

- Develop a staff of persons able to gather, interpret and analyze practical economic data, identify practical business opportunities, analyze public policy, and project economic trends;

- Equip itself with sufficient resources to permit the logging, storing, manipulating, and retrieving of growing bodies of data;

- Issue small technical publications or updates on a regular basis;

- Respond to specific requests for data, including requests requiring staff investigations or analysis regarding government regulations, the metric system, etc. from member companies or organizations.

- Sponsor or co-sponsor technical seminars in business subjects;

- Develop within CAIC secretariat a permanent capability to provide short-term immediate services to small and medium size business in such areas as bookkeeping, marketing, management, and stock control;

- Explore the development of a leadership program at the national level, designed to assemble committed individuals who are capable of fulfilling future economic and governmental leadership positions and introduce them to all facets of the Commonwealth Caribbean;

- Operate a referral and placement operation to obtain qualified management consultants or technical assistants for member companies or associations.

Training Department

The Training Department had, among others, the following major responsibilities:

- Serve as a channel and administrative center for the provision of training program funds from AID and other donor agencies to businesses and business associations; possible programs could include - a company's entry level program to transfer needed skills to workers (guaranteeing them an immediate job and also greater long-term employability), a program by a local affiliate to develop a job-related curriculum component in local high school, a program to upgrade skilled foremen in manufacturing, a chamber program to teach basic entrepreneurship concepts to small proprietors;

- most training programs geared toward skilled labor (as opposed to management and technical personnel) would be conducted by the employing company;

- CAIC will actively encourage or co-sponsor programs serving its own training objectives;

- Develop a schedule of events to promote or co-sponsor, and plan to develop at least one educational conference under its own auspices that brings business leaders from a particular sector or production phase together to exchange insights on training;

- Schedule traveling technical lecture series (e.g., on inventory procedures by expert consultants;

- Appoint a task force to work with Business and Agriculture Department of region colleges and universities to develop joint recommendations for introducing a more practical component into curricula for future managers;

- Place donor sponsored programs of technical assistance for the transfer of technology and skills;

- Work with local affiliates, government agencies, companies, and non-profit organizations to support large scale training programs in skills for which the community wishes to attract industry;

- Function as a catalyst to prod action by government or local business in establishing skill training centers, and seek appropriate funding.

In many ways, Creating the Future is the clearest and most straightforward document of the eight reviewed in this section. It consists of a simple manifesto, clear statements of departmental goals, and a well thought out, if ambitious, plan of action for revitalizing the organization. Creating the Future is calculated to inspire action, and it did just that. It addresses major issues, including that of financial self-sufficiency, with conviction. Viewed with the benefit of hindsight, however, the strength of the document is also its weakness. Its authors apparently did not anticipate the tactical and strategic complexity of attempting to carry out advocacy and development functions simultaneously. Had Creating the Future been accompanied by long-term financial and staffing plans, modification of some of its moving rhetoric well may have been in order.

In retrospect, the statement of the major goal for the Economic Development Department (typically among the goals of the Chambers of Commerce and Industry elsewhere in North America) seems particularly ambitious in comparison with their achievements over the past six years:

> Promote the new or expanded business activity that will create jobs and raise income levels by identifying and recruiting new industry, identifying markets for new industry, developing promotional material, promoting a receptive climate, and helping potential companies solve problems with their potential sites.

In fact, the title, "Economic Development Department" has turned out to be something of a misnomer. Although the department has carried out some functions directly related to creating new business activity, its principal focus and most successful activity has related to "promoting a receptive climate." Essentially, it has functioned as a research and support staff for the Executive Director, helping him to carry out his advocacy functions. Given the general trends in Caribbean economic conditions described earlier in this Chapter and the subsequent funding by USAID of projects such as PDAP and IPIP designed to

carry out some of the same functions, concentration on advocacy support may have been a prudent use of limited resources. Nevertheless, the basic charter of the Economic Development Department remains unrealistically ambitious. As discussed in Chapter V, the Department should be renamed and its charter should be narrowed to the functions which it carries out best.

2. <u>The Private Sector Investment Assistance Project Paper, USAID, June, 1981</u>

In response to CAIC's request for funding, USAID and CAIC settled on a "Cooperative Agreement" for $400,000. The project paper associated with the project USAID referred to as the Private Sector Investment Assistance Project (PSIAP) was produced in June of 1981.

The goal of the project, as far as USAID was concerned, was "to mobilize the indigenous private sector for increased production and productivity so as to improve the economic base of the region. The purpose of the project is to strengthen the capacity of CAIC to stimulate investment and productive employment in the English-speaking Caribbean."

CAIC was intended as the vehicle through which assistance could be provided to affiliate business organizations at the national level, and to small and medium sized businesses themselves. The major thrust of the project was to revitalize CAIC itself, and ensure that it had the financial resource needed to start operations and extend services.

Although staff and overhead support would be available to the organization as a whole, USAID funding for program activities would be confined to the departments of economic development, research and data collection, and training; programs in organizational affairs and business-government relations would be financed primarily by the membership of CAIC.

The new structure as described in "Creating the Future," was repeated in the project paper, including the assertion that CAIC would develop a membership base that could eliminate the need for donor grants within a three to four year period.

USAID's rationale and strategy for the project had the following elements:

> The longer term objective will be to utilize a strengthened CAIC as a vehicle to provide for the managerial and technical assistance needs of small and medium sized firms; to "grow" entrepreneurs ...; to promote joint ventures; to organize the training of managers; to promote exports of

Caribbean products; to conduct research into ways of making better use of local raw materials; and to devise ways to meet the credit needs of small and medium sized business.

The immediate concern, however, was to ensure that CAIC was indeed re-established as a credible and viable organization, solidly supported by its membership. USAID funding was to help get the organization off the ground, and to prove itself (CAIC) to its constituency and potential constituency. If and when that foundation was laid, USAID would continue to work with CAIC in assisting the Caribbean business community productivity and capacity to generate employment, income, and foreign exchange. The preconditions to future support of CAIC were as follows:

> First, new CAIC leadership must have brought about a revitalized organization; have reestablished its credibility; have increased its membership; and obtained revenues in the form of dues. Secondly, CAIC must have made good faith attempts at obtaining financial support from donors such as EDF, CIDA (perhaps through CALA) IDB and OAS. Finally, CAIC must have made effective use and shown sound management of the initial AID seed grant.

In the detailed description of the program, USAID states that principal measures of progress towards achievement will be the time and financial resources key business leaders commit.

The end of project status for the first tranche of USAID funding for CAIC was to include the following:

- An Executive Director in place and fully operational, as well as an office "opened for business."
- Five operating divisions fully staffed and program plans underway or fully designed.
- Subscribed as new members business organization and Caribbean ... companies at a level at least sufficient to maintain CAIC's projected membership financial contributions
- Obtained $200,000 in membership dues and a one-time contribution.
- Improved communications through membership newsletters.
- Initiated establishment of a data bank and an on-going collection capacity.
- Undertaken active liaison with national and international businessmen's associations, donor agencies, Caricom and CDB.

- At least two major programs in each department designed and implemented or with firm plans for implementation.

- Succeeded in mobilizing support from other donors.

Intended beneficiaries would include member businesses of both CAIC and its affiliate organizations: directly, in receiving services from CAIC and indirectly as CAIC is able to act as a spokesman for business; enhance the image of business; effect legal, policy, and regulatory changes; and obtain increased levels of foreign capital.

The activities outlined in CAIC's Planning Guide (discussed above in the subsection on "Creating the Future") were repeated in the project paper, putting a greater relative emphasis on the departmental programs to be funded by USAID: training, technical assistance, and economic development. USAID then went on to highlight a series of "high impact activities":

- **Chamber Twinning**, which would take place through the Economic Development Department, and would pair national affiliate Chambers of Commerce with active Chambers in U.S. cities.

- **Junior Achievement**, which would support entrepreneurship among Caribbean high school students and teach them the fundamentals of private business activity.

- **Business Skills**, which would provide training for unemployed youth to develop vocational and business skills through established programs in Barbados, Dominica, and St. Vincent.

USAID did not expect to see (quantitatively) measurable impact after the first tranche of funding. Rather, it expected that the assistance to CAIC would ameliorate key institutional constraints in the region. The objectively verifiable indicators in the Logical Framework presented with the Project Paper emphasize not measurement of production and productivity or improvement in the economic base of the region, but rather 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 is held accountable for revitalizing CAIC, not for achieving development goals of the kind discussed in Chapter V of this report. The project paper was not subsequently amended, nor was the Logframe subsequently amended. In 1984, however, CAIC submitted a grant proposal to

RDO/C which included both an overall LogFrame for the project and individual LogFrames for CAIC departments. CAIC's 1984 proposal is discussed in Section 5. below.

3. The March, 1982 Evaluation Report by C.A. Pearson

The first comprehensive evaluation of CAIC, dated March 30, 1983, was prepared by Catherine A. Pearson, Associate Director, Caribbean/Central American Action. It was to evaluate CAIC's progress in achieving the purposes for which it was granted USAID funding under PSIAP, effective June 1981 through Dec. 1982. This period represented the initial start up phase of AID funding and of the revitalization of the moribund CAIC. The scope of work, carried out over a seven day period on site in Barbados, included extensive interviews with the Executive Director of CAIC and members of the staff; AID Officers overseeing the grant; current and past presidents of the CAIC Board; and representatives of various associations and organizations in Barbados. The USAID files were reviewed extensively. The report was structured to follow the Scope of Work documents of the CAIC/USAID co-operative agreement, which set forth two primary objectives: (1) the overall revitalization of CAIC and (2) improving the substantive Program Departments of the organization.

Pearson identified ten dimensions of the overall revitalization process to serve as criteria against which to measure progress, and then made point-by-point observations on each dimension. Pearson summarized the overall revitalization process by observing that CAIC had performed extremely well in those matters essential to the immediate establishment and impact of the revitalized organization. However, in those matters most essential to the long term ability to sustain an effective program -- fiscal control, efficient internal administration, lean staffing, strong strategic planning, good internal communication, morale-building management practices and mutually satisfying donor relations -- CAIC's performance revealed serious weakness requiring immediate attention.

Pearson concluded that CAIC, during its first year after revitalization, had established itself as a major player in the Caribbean scene; had successfully rallied the support of its former and new members; had gotten under way quickly with a strong Executive Director and staff; had stimulated the revitalization process in local affiliates, and was moving promptly into an action mode with responsive pilot programs.

On the negative side, Pearson found that CAIC showed a lack of timely forward planning; failure to adjust spending to budget and cash flow; poor working relationships with AID; weakness in

internal management, and potential program mis-direction. Pearson observed that the problems and weaknesses were capable of being remedied quickly.

The Pearson report recommended that AID extend its grant to CAIC and renew it at increased levels. Specific recommendations were made to both CAIC and USAID. As concerned CAIC, these recommendations included improving fiscal and administrative procedures; improving its relationship with AID; establishing long-term strategic planning procedures, and setting up an emergency process to ensure that a new program and budget could be in place in the immediate future. The recommendations pertaining to AID included the need to give an expression of confidence and commitment to CAIC; to establish a closer relationship with CAIC more as an equity partner than banker/supervisor; to make an immediate effort to correct past difficulties, and consider new funding areas including a deputy director slot and technical positions within CAIC.

In retrospect, the most noteworthy aspect of the 1982 Evaluation is probably the extent to which the findings, conclusions (both positive and negative) and recommendations (for both CAIC and USAID) written almost five years ago still remain valid today.

4. The March 1984 Evaluation Report

The second evaluation of CAIC was dated March 9, 1984, and was prepared by Elizabeth Warfield, then of AID/Washington, in collaboration with Bill Phelps and Mike Deal of RDO/C. It focussed on the period beginning January 1983 and running through early 1984. During this period, CAIC was concentrating on its advocacy role for the private sector in the region and on providing specific services to its members.

The objective of AID's cooperation with CAIC was primarily to enhance CAIC's administrative capacity so that it could play a leading role in the revitalization of the region's private sector. Toward this objective, USAID was looking for the following outputs:

1. CAIC must have the administrative ability to adequately represent the private sector's interests in the region and to assist its allied institutions in becoming more active at the local level;

2. CAIC's actions must result in a mobilization of resources among the region's private sector; and

3. The efforts of CAIC and its affiliates must have a direct impact on the region's production and productivity.

The focus of this evaluation was, first, on the objectives of the workplans developed by each department and approved by the USAID mission, and second, on management within CAIC.

The evaluation attempted to measure the performance of each department against its approved work plans, based on interviews with CAIC's Department Managers and with recipients of CAIC services (primarily the presidents of local affiliate organizations and PDAP advisors familiar with the local affiliates).

With regard to CAIC management, the evaluation inquired into:

- CAIC activity management,
- progress against the recommendations offered in the previous evaluation,
- CAIC - RDO/C working relationships, and
- progress towards self-sufficiency.

In general, CAIC received high marks for achieving recognition as the voice of the private sector within the region as a whole, and for its ability to unite and mobilize the private sector behind common goals.

On the other hand, national level efforts, in particular the revitalization of the local affiliates, were found to be notably less successful. In retrospect, however, this shortcoming appears to have had a variety of causes. In part, USAID had been unwilling to fund the type of institutional development being requested (infrastructure development, staff, and training). In other cases, local leadership was lacking to take positive advantage of any assistance. The report suggested limited assistance to the national private sector bodies in the OECS on a matching basis and for a limited period of time.

Department Activities

The major issues within the four departments were identified as follows:

Organizational Affairs/Business-Government Relations

The main objective of USAID was to strengthen the institutional capacity of national private sector bodies. One of the most important instruments for achieving this was to be the National Private Sector Fund, which was to facilitate income-generating projects for the national organizations. However, many of the local chambers were not, at that point in time, sufficiently developed in terms of infrastructure and staff capabilities, to respond to USAID's application preparation procedures. The

identified need, by the time of the evaluation, was for development of staff, office equipment and space, but USAID was reluctant to provide this type of support. The report suggested limited assistance to the national private sector bodies in the OECS on the following conditions:

1) That it be on a matching funds basis
2) That it be provided for a limited period of time
3) That it be linked with increased membership support
4) That it be related to a specific developmental activity

Training Department

The CAIC training program was designed to identify private sector training needs and serve as an administrative coordinating center and funding conduit for the provision of training programs to businesses and business associations in the Caribbean. In general, the training program was credited with solidifying CAIC's position among its member organizations and improving linkages among businesses in the region by providing a service responding to common needs expressed by the member organizations themselves.

Important programs during the evaluation period included On the Job training, assistance to small businessmen, top management programs, and training of trainers. The programs themselves were judged to be positive, but the evaluation suggested that more careful needs analysis and program follow-up were required, and that CAIC's training department should move into more of a coordinating role to match potential training recipients with established sources of training.

Technical Assistance Research and Data Collection Department

The major goal of the Technical Assistance Research and Data Collection Department (TARD) was "to enhance the effectiveness of business performance by providing technical assistance in areas such as production, marketing, management, communication and training." An important vehicle for this objective was to be through the Technical Assistance Fund, which delivered training internships and consulting services to members of CAIC. Other TARD activities included regional commodity workshops, a clearing house for technical assistance and consulting services, and direct information and research services.

Although this department was said to have improved its performance over the previous evaluation (especially since an industrial engineer was hired), the report concluded that the proposed activities overestimated the capabilities of the

department. In addition, the technical assistance application procedures seemed to be too burdensome for most businessmen to bother with. The regional workshops were considered helpful, although feedback was scanty. The information services were described as time-consuming, yet informal and largely undocumented.

Economic Development Department

Included in the major purposes of the Economic Development Department were: promoting increased trade and investment, working to provide assistance to national private sector bodies in project identification, and helping to develop a private sector development/merchant banking facility. An important component of the first effort was to be the Caribbean Basin Information Network (CBIN). Other activities included investment promotion through trade conferences, micro-business development, policy studies, and attendance at meetings of donors, CARICOM, and other groupings.

Achievements during the evaluation period were limited. The position of department head was not filled until late in the period being evaluated. The CBIN suffered set-up difficulties and was not yet in use. There had been no attempt to record the results of investment promotion activities. Research efforts went in directions other than those anticipated in the workplans, and were judged to consume a major portion of the department's limited time and resources.

The report recommended that the role of CBIN be more clearly defined, and that CAIC work more closely with existing investment promotion agencies and project identification efforts. With regard to research efforts, the report recommended that research priorities be agreed by a consensus of CAIC's membership and not just the Executive Director or a few influential Board members. This recommendation, however, might seem at odds with the philosophy espoused by Mr. Arthur Lumsden (the consultant who advised on the restructuring of the regional and local Chambers at CAIC's first "Organizational Affairs" Meeting in November 1981) to the effect that any business organization must rely heavily on the direction of a few key "heavy hitters" to make headway in gaining policy influence.

CAIC Management

The assessment of CAIC's internal management pointed to the mitigation (but not the solution) of several problems identified in the 1982 Report. These issues included a continued lack of strategic long term planning, and limited improvements in the

AID-CAIC fiscal management relationship and in the general relationship between the two organizations. The report suggested that priority should be given to both improving the request turnaround between USAID and CAIC and to maintaining a systematic flow of communication between the two organizations.

The 1984 evaluation team felt that coordination among senior staff, although improved over the year, was still deficient. On the other hand, staff morale seemed, at the time, to have improved over the situation prevailing during the first year (although, in retrospect, it appears as though the improvement was ephemeral).

In CAIC's financial status, the report noted cash flow problems which resulted in temporary delays and some cancellations of department activities. In addition, the report cited tardiness in billings and a lack of current accounting information. A financial analysis of CAIC and an end-of-project audit were recommended to precede additional funding.

Specific recommendations for CAIC management flowing from the evaluation included:

1. The creation of a new position of Assistant Director for Administration, to relieve the Executive Director of much day to day responsibility for staff activities (this was also proposed in the 1982 evaluation);

2. Management technical assistance for CAIC itself;

3. Efforts to update CAIC's strategic long term plans;

4. Regularly scheduled consultative meetings between CAIC and USAID.

The position of Assistant Director of Administration was in fact filled in August of 1986, more than two full years after the evaluation. The reasons for this delay are varied. While CAIC recruited for the position, USAID funding problems forced a delay in hiring. In the interim, CAIC's first choice among the candidate for the position was hired on another USAID project. At this point, CAIC ceased its efforts until USAID simultaneously came through with funding and insisted that the position be filled as quickly as possible.

AID's records show that it provided management technical assistance (as recommended in the report) as follows:

- Financial management (six person months)

- Information systems, including computer operations (three person months)

- AID financial reporting requirement (one person month)

- Membership development and communications (one person month)

It is understood that this assistance was provided in conjunction with the support provided to CAIC in preparing their 1984 Grant Proposal. Clearly, the timing and substance of the assistance in financial management and financial reporting was not sufficient to overcome substantial problems in compliance with USAID documentation requirements. Such problems were identified in detail by a USAID Inspector General's audit carried out in mid-1986. The present LBII evaluation finds that CAIC's internal financial reporting systems continue to be inadequate. It seems quite clear that problems identified in both the 1982 and 1984 evaluation reports have not yet been solved.

A detailed program statement included in a proposal for additional funding submitted in 1984 apparently has been treated by RDO/C as the fulfillment of the recommendation that CAIC's long term plans should be updated. This proposal/strategic planning document is discussed in the following subsection.

The fourth recommendation of the 1984 evaluation, that regularly scheduled meetings between CAIC and USAID take place, was not carried out until June of 1985 when the Mission retained a personal services contractor as Project Officer.

USAID's contacts with CAIC staff have increased since that time. However, until recently, these contacts largely had been limited to the Executive Director and his staff. It seems clear that periodic contacts between the Project Officer and selected members of the Board of Directors are in order. RDO/C is CAIC's major client and source of funding. It is important to both organizations that communications flow freely between them. By the same token, it would be desirable for the USAID Mission Director to meet periodically with the CAIC Executive Director and selected members of the Board. USAID's interest in CAIC should properly extend well beyond consideration of the relative size of the funding which it provides to CAIC, and beyond the specific concerns of the PSIA and SEA projects. RDO/C's total program is heavily oriented toward the private sector. Yet most of the dealings of RDO/C staff are with consultants and with implementing organizations whose staff is drawn primarily from the public sector, from universities, or from non-profit institutions. The opportunity to deal on a wide range of issues

with business leaders who are directly engaged in commerce, manufacturing, and other profit making ventures is an important one, and one that should not be missed.

5. PVO Field Support Grant Proposal to USAID, April 1984

In April of 1984, CAIC presented a three year grant proposal to USAID of $1,977,000. The purposes of the activities to be funded were to:

1. Unify and strengthen the institutional capacity of the national private sector affiliates of CAIC in each LDC and MDC territory of the Eastern Caribbean. Those affiliates would thus be able to more effectively service their members and to contribute tangibly to the economic development of their individual territories and of the region as a whole.

2. Improve the capability and effectiveness of those Eastern Caribbean private sector businesses which are or would become corporate members of CAIC. Those companies would as a consequence increase their investment in the light manufacturing and service base of the region; earn higher profits and so contribute more to public revenue from taxes; generate additional employment; raise skill levels and wherever practicable, increase foreign exchange earnings through greater exports.

In addition, the proposal called for: a shift of resources in favor of the LDC territories, country-specific strategies for private sector development, and the creation of a new post of Assistant Director for Programme Administration.

The grant would be used to: help local businesses become more efficiently managed and their employees better trained, identify and attract foreign investment and joint ventures, and push for changes in laws and regulations which inhibit private sector growth.

In an assessment of CAIC's activities over the previous three years it was said that CAIC was learning from its mistakes: "it probably attempted to do too much too quickly; it now has a better appreciation of the level of the workload..."

Nevertheless, the proposal which followed was extremely ambitious, sweeping, and diverse. Anticipated benefits included: higher employment, wages, and productivity for the labor force; increased sales and earnings for businesses; increased tax revenues for governments, decreased requirements for public expenditure, improved trade balances for the region, and better

quality and lower priced goods for local consumers. In addition, both CAIC and the local affiliates were anticipated to move significantly in the direction of self-sufficiency.

Major components of the proposal included:

- **The Local Affiliate Development Program** (LADP), which was designed to unify and strengthen private sector organizations in each LDC territory. Funds would be provided to affiliates on a short-term, matching basis, for specific plans developed by the affiliates themselves. This project would be supported by:

- **The Caribbean Organization Management Institute**, which would provide management training to the staff of the local affiliates. Anticipated outcomes were expressed primarily in qualitative terms.

- **The Caribbean Basin Information Network** (CBIN), a computer based investment and market information system, which would link the Caribbean region with the North American market. Anticipated outcomes included 12 new joint ventures, 20 technology transfer systems, and 20 raw material and equipment supply agreements.

- **Caricom and National Policy Research**, which would develop position papers on public policy issues. Anticipated outcomes were expressed primarily in qualitative terms.

- **Caribbean Manufacturers Council** (CMC), which would develop programmes to address the priority needs of regional manufacturers.

- **On-the-job Training**, which would be focussed primarily on the supervisory staff of private firms.

- **Human Resource Development**, or training of trainers. Anticipated outcomes included six fully trained HRD persons in each territory by 1987.

- **Other training programs**, with most anticipated outcomes expressed in primarily in qualitative terms.

- **Technical Assistance Fund**, which would provide funds for technical experts to assist individual companies.

- **Regional Commodity Consultations**, to create task forces to address regional economic concerns. Anticipated outcomes included: "Some of the Task Force priority problems will have been solved."

In addition, CAIC would collect baseline information about the condition of relevant sectors as a basis for judgement of eventual impacts (one of the few activities for which USAID funding was sought but not provided); would design and install new internal management systems in programme and budget development, fiscal management, AID reporting procedures, personnel management policies, and membership tracking and communication tools.

The basic purpose of this submission was to present and justify a proposed program of USAID funding for CAIC. It is fundamentally a selling document. While its target-setting sections are proficiently conditioned by stated assumptions, the targets themselves are heroic, particularly at the level of individual departments and projects. Perhaps at the time, consultants and staff thought the targeted achievements were within the realm of possibility. With the benefit of hindsight, it seems clear this proposal should not have been treated as a serious internal planning document. Whatever its merits as a demonstration of USAID project design and planning techniques and whatever its success as a marketing document, this proposal did not set targets that were realistic and attainable.

A comprehensive Logical Framework for the entire proposal was included, which presented as its measures of goal achievement the following:

1. Investment in the sector will rise by 25% over the plan period.

2. Private sector employment will rise by 15% over the period.

3. Exports will grow by 20% over the plan period.

Related assumptions included a continued economic recovery in the western world, and continued public sector co-operation. The assumptions, in this case, swamp the measures of goal achievement and render them almost meaningless in terms of CAIC accountability for development impact.

Accountability is much clearer at the purpose level. The project purpose is framed as follows:

> The private sector in the Caribbean will so improve its image, unity and strength that it will be able to play a major role in the economic development of the region.

The proposal LogFrame shows the following as indicators that purpose has been achieved (EOPS: End-of Project Status):

1. All private sector bodies in the region will be adequately staffed and institutionally strengthened-- each will have an Executive Director and supporting staff.
2. The several private sector bodies in the region will work cooperatively together and have a demonstrably strengthened role in economic policy making in the region.

3. At the regional level, CAIC as the core private sector body will be able to meet its non-program costs from affiliate subscriptions and other earned income.

The LogFrame provides that the first and third conditions could be verified from CAIC records. Verification of the second is to be made by identifying the passage of legislation or administrative reforms which impact favorably on the business climate in the region. It should be noted that neither the EOPS nor the means of verification attempt to measure economic impact. The EOPS are all institutional.

The financial analysis presented in the Grant Proposal deals only with USAID funding. Thus, although the third end-of-project condition sets a target with respect to CAIC's overall financial strategy, there is no discussion of this subject in the proposal.

Logical frameworks were also presented for each department of CAIC and for each individual sub-project. At the purpose level, the project LogFrames show a stunning amount of optimism concerning what could be achieved.

For example the Training Department was to carry out in-plant or on-the-job training in 80 plants in three years (resulting in a trained supervisory staff for all participating businesses by 1987), 24 small business development programs, 12 plant management programs (100% of all plants worked in will have a better layout and production flow; all plants will have well trained supervisory and management staff), ten top management programs (attitudes of top managers will be changed), seven human resource development workshops (each territory will have at least six fully trained HRD persons by 1987 who will design and administer training programs) nine tourism development activities (25% of all small and medium-sized tourism operations will have at least 50% of their staff well trained). All this, plus three evaluations, for BDS $361,500.

The level of ambition contained in this particular grant proposal is not atypical of successful proposals which have been submitted for other private sector projects. Proposals are designed to "sell" a set of projects to donors, and are almost invariably optimistic. The targets set in proposals deserve realistic review

before they are used for management and evaluation purposes. In the case of PSIAP, the grant proposal appears to contain the only plan of work generated since 1984 and the only attempt to revise the Logical Framework since 1981.

6. CAIC's Staff Development Workshop, November 1984

In November, 1984, the CAIC staff participated in a one day Staff Development Workshop, designed to provide a forum to review the operations of their organization, examine problems facing it, and to work out strategies for performance improvement.

The workshop objectives included: identifying team development strategies, reviewing the present role and mission of the organization as well as the goals and performance of its various units, identifying factors impeding the performance of the various units, and identifying performance improvement strategies.

Various teams created for the purpose of the workshop each wrote a description of the goals of CAIC as a whole. CAIC was described as a service organization existing to develop the regional private sector by delivering practical programs to its constituency, enhance public/private sector relationships, and co-operate with other sectors of the economy to solve the region's economic, social and political problems.

Each program manager wrote a description of their departmental goals, which are summarized below:

- The **Training Department** exists to strengthen the productive capacity of regional businesses and their employees by improving skills, techniques, and attitudes.

- The **Technical Assistance Department** exists to identify problems and needs of private sector members, identify resources, and develop programs aimed at solving problems.

- The **Organizational Affairs/Business-Government Relations Department** exists to unify and strengthen CAIC's affiliates, to be involved in community programmes to improve public/private sector relations, and to promote public relations.

- The **Office Administration and Accounts Department** exists to control expenditure and offer guidelines to departmental managers in financial management of programmes.

- **Administrative staff** exists to coordinate support activities needed to reach organizational goals.

- The **Economic Development Department** exists to implement programmes to contribute to improving the quality of private sector economic activity in the region.

The workshop teams identified those forces which impelled or impeded the realization of their goals, and used these to devise a set of new recommendations to deal with the impeding forces. The recommendations for CAIC, in the field of **Human Resources**, were to:

1. Adopt a Human Resource Development Policy which would include training of CAIC personnel at all levels, introduction of performance standards and assessment procedures, and introduction of compensation and rewards related to training and assessment.

2. Employ more of a team approach, especially among programme managers, in order to reduce interpersonal conflict, rivalry, and mistrust.

3. Adhere to a system of regular meeting to improve the flow of communication.

4. Share job descriptions and work programmes internally to avoid conflict.

In the field of **Management**, the recommendations were to:

1. Improve data processing, information storage, and management information flow.

2. Define and document organizational and operational policies.

3. Make the decision making process in the organization more flexible (especially with levels of authority of the office Administrator).

4. Strengthen interdepartmental coordination, involving more interchange of information of programmes and activities.

5. Expose senior managers to systematic discourse and analysis of their international, regional and national environment.

6. Upgrade the present office or find better accommodation.

In order to address the priority problems, the workshop concluded that it should set up a small internal task force, made up of different levels of staff, to examine the recommendations in more depth. The task force would assist top management in planning

for change based on the recommendations, and would monitor and document the resulting changes. In addition, the task force would examine alternatives for follow-up to the workshop, with a view to institutionalizing CAIC's capabilities for change.

It was reported by some members of CAIC's staff that the workshop succeeded in clearing the air and reducing inter-departmental rivalry. Many of the recommendations were implemented, although not all of them were sustained over the long run.

7. CAIC's Internal Self-Evaluation, August 1986

In preparation for the current project evaluation exercise, the Executive Director of CAIC, Mr. Pat Thompson, provided the evaluation team with an overview discussion document describing CAIC's objectives and past performance (as well as an outline of future strategy) and detailed departmental statements of activities and accomplishments over the past three years.

In this document, CAIC's "raison d'etre" was stated as follows:

> ...to optimize the policy role and to maximize the actual contribution of the regional private sector to Caribbean development... The policy role has essentially to do with influencing the creation of a suitable climate for increased investment and expanded trade. The actual contribution is mainly concerned with increasing private sector employment and with augmenting foreign exchange earnings by the sector.

As way of background, the Executive Director points out the fact that Caribbean economies are mixed economies, and it is therefore necessary to work toward public/private sector consensus. In addition, he suggests that in order to make its necessary contributions to the economy, the private sector itself needs to be strengthened at two levels: at the level of the representative private sector bodies and at the level of individual sectors and firms.

In particular, Mr. Thompson highlights the need to maintain and enhance private sector unity at both the national and regional levels, "combining wherever possible the traditional financial and trading skills of the older commercial sector, with the technical skills and entrepreneurial drive of the newer manufacturing sector." With regard to individual firms, there is a continuing need to increase efficiency and productivity, innovation, and creative responses to changing conditions.

Specific objectives for CAIC include, as a priority, the building up of a regional membership network. To build membership, the

Executive Director feels CAIC must deliver effective services both to local chambers (primarily institution building services) and to selected companies to increase their productivity and efficiency (primarily training, technical assistance, information, and a favorable business climate).
Within each department, the following self-assessments are offered:

Organizational Affairs/Business-Government Relations

The institution building component of this department, after the difficulties encountered during the first few years, finally began to bear fruit when USAID funded the Local Affiliate Development Program (LADP). Through LADP, local chambers were able to develop their infrastructure: to establish a permanent office and limited secretariat. Examples of proposals from local chambers for use of LADP funds were included.

Through the Caribbean Chamber Management Institute, the new managers of the local affiliates have been provided with training in membership attraction and retention, public relations, accounting, and organizational management.

The LADP and the Management Institute in turn allowed the local chambers to carry out functions and provide services of value to their constituency, to attract new members, and to take a more active role on their own behalf in policy advocacy, public relations, training, and technical assistance.

CAIC communications (a monthly newsletter, a quarterly magazine, a radio show, and the U.S. television documentary "Free to Choose") have informed CAIC's constituency and the public at large about the role of the private sector and about CAIC's activities. In addition, CAIC publications have been used to remind the private sector itself about the need to reform certain aspects of its own performance: to overcome divisions and to uphold an acceptable code of ethics. The self evaluation did not provide information on the circulation of CAIC's communications.

Sponsorship of a Junior Achievement program in Barbados (with some USAID funding) has reached over 200 aspiring young businesspeople and has proven very popular. JA also operates in Trinidad & Tobago and in the Bahamas. Unfortunately, expansion of the program has been hampered by difficulties in finding suitable program leaders, although the interest is there in Dominica, Grenada, and St. Vincent. Efforts are being made to train suitable program leaders and to launch new programs in these countries. Follow-up stories on JA "graduates" (e.g., JA members who went on to start up their own businesses) were not provided.

Economic Development Department

The Economic Development Department has probably the most ambitious scope of work of any of the departments in CAIC, with three major functions (research and advocacy, a data base on regional trade and investment, and macro-economic problem solving) and five separate program areas. The department made a number of very broad claims of achievement in its self evaluation, including the "survival of the regional private sector."

By program area, the self-evaluation reported the following activities:

Caricom and National Policy Research: Activities in this program area involved participating in meetings with regional and national policy making bodies, and preparing research papers. Meetings have taken place with Caricom officials, individual ministers of trade, "international agencies" (unspecified), and a variety of other groups, often organized by the department itself. Results cited include: formal representation for CAIC on public sector committees, specific trade agreements with Canada, increased investment from U.S. firms through the Caribbean Basin Initiative (involving US$70 million and 6,666 jobs, for which EDD claimed only partial credit), improved marketing as the result of EDD advice, and better appreciation of the role of the private sector on the part of the public at large and public sector officials in particular. However, EDD provided few details about these results, and did not demonstrate the links between its activities and the results claimed.

Research papers prepared by EDD included the following subject matters: a new multilateral clearing facility for export credit and foreign exchange; studies of trade between Caricom and the Departements Francaise d'Amerique (DFA); reviews of tax policies in ten Caricom countries, and intra-Caricom trade statistics. Results cited include the approval of a new, US$70 million Export Credit Facility (which has, however, been unable to obtain financing) and tax reform in several of the countries covered by the tax study. Other studies were said to provide information of value to the local private sector, although no specific feedback was cited.

The Caribbean Manufacturers' Council (CMC): The objectives of the CMC include the following: to foster communication among regional manufacturers, to provide a forum in which manufacturers can agree on a common position on important issues, to halt deterioration of common market trade arrangements, to expand the industrial base of Caricom, to lobby individual governments, and to adopt measures calculated to strengthen the common market.

The following achievements were cited for CMC: ratification of the 1984 Nassau Accord on Intra-Caricom trade, the CARIMEX trade exhibit (involving new sales contracts valued at US$16.5 million), and the creation of a new regional advisory body on export development in the Caricom Council of Ministers.

The self evaluation then asked whether the CMC's achievements have resulted in increased trade, investment, foreign exchange earnings, and jobs. The assessment offered was that CMC's efforts slowed the decline in regional trade (largely through lobbying efforts of the local affiliates at the national level), increased investment (reference to the earlier section on Caricom and National Policy Research), and reduced unemployment (national statistics cited, but no causal links explained).

Caribbean Basin Initiative (CBI) Implementation: The EDD has been a partner, along with the U.S. Department of Commerce and the Ministry of Trade in Barbados, in the implementation of CBI. An initial seminar, designed to explain the procedures for exporting to the U.S. market, was held in 1984, which had an attendance of 200. The seminar was followed by two pilot export marketing assistance projects, which have thus far (as of August 1986) identified forty producers in several product areas as potential exporters to the U.S. market. EDD said that "production and financial data have been computerized," and that studies were prepared for sixteen different products and submitted to potential producers.

The Caribbean Basin Information Network (CBIN): The CBIN is described as a "computerized information service designed to facilitate contacts between North American and Caribbean business, in order to promote trade and investment." The self evaluation said that about eighty enquiries were processed over the past year and a half. Three class A subscribers (those with their own terminal or modem, who can connect directly into the network) have been recruited. No figures were offered on the number of Class B subscribers, although the CBIN log for the most recent month was reprinted as an appendix to the self evaluation. The log listed five enquiries from three sources, each of which were "awaiting feedback from C/CAA." C/CAA was reported as having expressed satisfaction with CAIC's CBIN. Earlier this year, CAIC was contacted by Caricom, which was setting up its own computerized Trade Information Service, for advice. CAIC also used CBIN to provide the Caricom Secretariat with up-to-date statistical information on U.S.A. - Caricom trade. The CBI business bulletin, published by the U.S. Department of Commerce, is available on CBIN.

Options for Expanding Intra-Caricom Trade - A regime for Counter-trade with Currency Convertibility: This project was primarily a

research project with the aim of exploring new methods for expanding Caricom trade. In particular, EDD sought "to significantly reduce the amount of foreign currency needed to financ a given quantum of intra-Caricom trade."

A Countertrade workshop was held in 1984, during which a U.S. bank suggested a trilateral approach to resolving Guyana's debt of US$65 million to Barbados. The Barbados government was interested in the proposal and attempted to pursue the matter with Guyana (apparently without positive result). Countertrade principles were eventually incorporated into a US$70 million Export Credit Facility which was approved by Caricom (but which still awaits funding).

In 1984, CAIC submitted to the Caricom secretariat a proposal for the establishment of a Caricom Currency Unit for use in denominating intra-Caricom trade. While CAIC reports that the idea was accepted in theory by Caricom economists, there has been little impetus for its implementation. The CAIC Board of Directors decided against pursuing the matter.

Training and Technical Assistance

The stated aim of the Training and Technical Assistance Department is to upgrade managerial and operational skills and to introduce new techniques to individual firms to improve productivity. Specifically, the department is responsible for identifying training needs, designing training programs, arranging training services that are available through agencies other than CAIC, and coordinating and evaluating actual training exercises.

On the Job Training, involving diagnostic visits by CAIC and implementation often by outside agencies, has been provided to seven firms since 1984. Most of the participants were senior and middle managers.

Small business development training programs took place in two countries, involving 27 participants. Training focussed on bookkeeping and management skills. At least five new businesses were begun by participants following the program.

Plant management programs have been conducted for 45 participants over two years.

Top Level Management programs have been conducted on an annual basis in Trinidad & Tobago, Barbados, Jamaica, and Antigua; with special programs taking place in St. Kitts, St. Vincent, and Grenada. Over one hundred participants have been reached.

Human Resource Development, or Training of Trainers programs, have been provided in order to augment the resources of the CAIC Training Department. Participants of these programs have gone on to mount on-going national training programs independently or with CAIC collaboration. Details about these national training programs (such as numbers of training programs and numbers of participants) were not provided.

On the basis of feedback from training beneficiaries, the training programs were credited with increased production levels and productivity (measurable phenomena, although no data were offered) as well as increased discipline, initiative, intra-firm communication, responsibility and improved customer relations. Few details or concrete examples were provided.

Technical Assistance was provided in eight countries to "assist with the deployment of short term technical expertise to resolve specific technical problems, to facilitate short term attachment of production staff and for the conduct of in-plant technical training workshops." The results of these programs were clearer and perhaps more dramatic than for training, as most technical assistance programs were firm-specific and highly focussed. Results cited included new export markets and increased production capacity (quantifiable, although details were not provided), as well as: products that became "more marketable," an expanded product range, and increased production efficiency.

Evaluation of the Self-Evaluation

It seems to be well recognized and accepted, by CAIC's constituency and by its donors, that CAIC has been a remarkable force for private sector unity and advocacy in the Caribbean region. Achievements in these areas are difficult to quantify; and it is even more difficult to establish a causal relationship between CAIC's efforts and actual positive outcomes. The only evidence which can ever be gathered for this type of achievement is in the nature of perceptions: the perceptions of CAIC's constituency (backed by their willingness to support CAIC and its activities with their money, time, and effort), the stated perceptions of public sector officials who have worked with CAIC, the perceptions expressed by the local media, and the perceptions of CAIC's donors and their willingness to support the organization.

In some cases, CAIC was able to quote the speeches of public officials and to cite positive feedback from its constituency with regard to its intangible achievements. However, CAIC may wish to make more systematic efforts to document its accomplishments. This can be effected by maintaining files of newspaper clippings, letters from public officials, copies of

speeches, and tapes of news broadcasts. Evidence of this nature can then be used to demonstrate CAIC's positive impacts to the donor community, to its membership and potential members, and to the public at large.

Positive impacts with regard to CAIC's services (such as training, technical assistance, information, and communication) should be somewhat easier to measure. In most cases, it should be possible to count the numbers of people directly effected: numbers of subscribers to the magazine, and numbers of trade and investment agreements made through CBIN, as well as numbers of training participants in a program. "Bottom line" results are, again, more difficult to demonstrate. Nevertheless, feedback can and should be solicited from service recipients and kept on file. CBIN should follow up on investment inquiries, training participants should be asked to report on results in writing (probably a simple one page form with space at the bottom for comments is all that a businessman would bother with).

Evidence of this nature can then be used as a management tool to sell more services and/or to refine the substance and quality of the services provided by CAIC.

What CAIC needs to do is to create dossiers of its achievements and to use those dossiers to market itself: among its existing membership, to potential members, to those potentially interested in its services, to public officials in the region, to the media in the region (and through it, to the public at large), and to donors who seek tangible evidence of measurable positive impacts.

8. USAID Response to CAIC Self Evaluation

In a discussion paper issued later in August, 1986, the USAID Project Officer responded to CAIC's self evaluation. While expressing broad agreement on the aims and purposes of the project, USAID expressed concern that CAIC's goals were overly ambitious, and that CAIC may be overextending itself. CAIC may be performing several diverse functions sub-optimally; performance in general might be improved by focussing on a narrower range of tasks.

USAID points out that part of its statement of purpose for the project focuses attention on the institutional development of CAIC itself, and the resulting services CAIC can perform on behalf of its constituency, which in turn support CAIC. In this regard, USAID expressed concern over the quality of services delivered by CAIC, in light, again, of its ambitious agenda and the limited resources available to carry it out.

USAID noted that CAIC's self evaluation said little about the organization itself: of the Board of Directors, the secretariat, and their development. The questions were asked whether these elements of the organization were fully developed, or whether CAIC had even been concerning itself with its own internal development over the recent past.

With regard to CAIC's outputs to date, USAID acknowledged CAIC's role in strengthening local business organizations, its contributions to the development of public policy, sensitizing the private sector to new opportunities, and improving the image of the private sector in general. The question was then asked, "With this foundation laid, is it perhaps time to become more focussed?" Specifically, USAID suggested that CAIC choose two or three issues to address and on which to take action at any given time, and to develop a strategic plan toward achieving its goals on those issues. USAID stressed the role that could be played by the Board of Directors in both planning and implementing the chosen goals.

USAID also stressed the need for CAIC to take note of the needs and priorities of its membership as a whole, and to focus on serving those needs to retain and promote membership. An enthusiastic membership should, in turn, enhance CAIC's abilities in its role as an advocate on behalf of its membership.

In conclusion, USAID encouraged CAIC to review and update its goals and purposes, to review its objectives with a view to making them fewer in number and more easily measurable, to encourage more active Board participation, and to review the structure of the Secretariat with a view to tying it directly to measurable objectives.

Viewed in the light of a six year project history, the USAID response to the CAIC self-evaluation marks a watershed in the relations between the two organizations. What started as a collaborative effort in 1980 evolved toward a heavily grantee-led relationship, one in which CAIC's 1984 grant proposal (essentially a marketing document) apparently became the main guideline for the project. In the sense that CAIC is an organization with sophisticated leadership, which has been able to shape much of its own agenda, a re-examination by CAIC of basic project premises appears to be very much in order. At the same time, it should be recognized that USAID has in fact approved and funded the bulk of CAIC's program proposals over the past six years. Indeed, USAID quite probably added to the diversity of that agenda. Under these circumstances, both organizations need to engage in a realistic re-examination of what they are trying to accomplish together.

APPENDIX D

COMMENTS PREPARED BY CAIC'S EXECUTIVE DIRECTOR, MR. PAT THOMPSON, ON PRELIMINARY DRAFTS OF THE EVALUATION REPORT

This Appendix contains reproductions of the comments of Mr. Pat Thompson on the preliminary drafts of several chapters of the Evaluation Report. Full reproductions are presented for the Executive Summary, the Introductory Chapter (Chapter I), and the Chapters on Membership and Commitment (Chapter II), Training and Technical Assistance (Chapter III), and Revenues and Costs (Chapter V). Excerpts from Mr. Thompson's comments on the chapters on Economic Development and Policy Advocacy (Chapter IV) and Retrospect and Prospect (Chapter VI) are also presented.

Mr. Thompson's comments reflect a preliminary ordering of the chapters, which was subsequently revised. To avoid confusion, a cover page precedes the comments on each chapter. The order in which the comments are presented in this appendix reflects the order of the Chapters in this Draft Final Evaluation Report.

APPENDIX D.1

COMMENTS ON THE EXECUTIVE SUMMARY AND THE INTRODUCTORY CHAPTER (CHAPTER I OF THIS REPORT)

CARIBBEAN ASSOCIATION OF
INDUSTRY AND COMMERCE

December 22, 1986

Mr. Harvey Lerner
Louis Berger International
C/o USAID Regional Development
Office (Caribbean)
Broad Street
BRIDGETOWN

Dear Mr. Lerner:

As requested, I am attaching my comments to the Executive Summary and Chapter I of the draft of your Evaluation Team's report on CAIC.

The Abstract, Principal Findings and Conclusions, Recommendations and USAID Lessons Learned sections contain what is in essence the core of the Evaluation report. I have therefore commented in some detail on those sections and hope that you will find those comments helpful.

I agree with the suggestion in the second paragraph of your covering note, to the effect that certain portions of Chapter I might more usefully be placed in an Appendix to the report and replaced by a suitable summary in the body of the report.

Yours sincerely,

P.A. Thompson
Executive Director

ccs: Messrs G. Argento, J. Brown, D. Clarke - USAID
Ms. Jackie Coolidge - USAID
Mr. D. Cawley - CAIC

PAT:gj

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CARIBBEAN ASSOCIATION OF INDUSTRY AND COMMERCE

Comments by P.A. Thompson on the Executive Summary and Chapter 1 of CAIC Evaluation by Harvey Lerner of Louis Berger International

Comment

A. Draft Abstract

Quote: "Until very recently, neither CAIC nor USAID appears to have recognized that mixing of advocacy and development functions can create a confused financial strategy and a troubled administrative style".

Comment: This is an important judgement, worthy of a detailed reply. While I cannot speak for USAID, I believe that it is fair to argue, on CAIC's behalf that from the time of its revitalization in 1981, it realized that it would have to operate in a kind of dual role. First, one of general advocacy on issues with which the regional private sector as a whole was concerned and wished to have influenced in the direction of policy choices which it judged important to its survival and profitability (e.g. key CARICOM trade and investment issues). The potential of well-articulated representation on such issues was seen, especially by the larger M.D.C. subscribers - but also in part by those companies classified as large in O.E.C.S. terms - as important, sometimes even crucial, to their well being. They viewed their subscription payments as a kind of insurance premium which could buy them the commercial protection they needed from public sector policies which were designed with little thought for their effects on the private sector or were even hostile to its interests.

On the other hand, CAIC realized that its membership in the so-called LDC's, the OECS countries and Belize - both corporate as well as organizational - viewed their generally smaller subscriptions as valuable, in that it would provide a channel for developmental-type aid: institution building for Chambers and Manufacturers' Associations; technical assistance and training for individual firms or groups of companies.

Thus, from its very inception, the CAIC Secretariat was locked into this dilemma of a dual role. USAID Grant resources were focussed, with some justification, on grounds of greater need, on OECS rather than CARICOM-based activity. Initially, however, greater encouragement was given by USAID for addressing CARICOM-wide needs than has been the case in the last year or two. The greater part of those Grant funds was consciously addressed to the training and technical assistance needs of small and medium-sized (but not micro) OECS firms. USAID required, reasonably, that their Grant contributions to CAIC be matched - in cash and/or kind - in a ratio of not less than 2:1, by CAIC counterpart contributions. The precise definition of 'kind' was - and still is - an elusive one but USAID at the time verbally assured us that 'kind' would be broadly interpreted and would certainly include, for example, the value of air travel and hotel accommodation incurred by CAIC Board Members, in attending official C.A.I.C. meetings, at their own expense.

Comment (cont'd)

CAIC's limited but then growing subscription income was mainly used to defray administrative costs and to meet advocacy expenses, with an occasional contribution to developmental programmes in the areas of training and technical assistance as, for instance, to meet per diem costs of staff providing assistance on a project basis to an affiliate requesting specific help.

This basic problem of limited resources at a time of raised private sector expectations, following the publicity attendant on the establishment of the CAIC Secretariat in Barbados in 1981, meant that advocacy issues themselves, when they were not dictated by pending public sector legislation or administrative action requiring private sector representation, had to be carefully chosen and restricted to those issues for which available funding would allow an adequate response. From time to time, CAIC would seek USAID's authority - sometimes given - to spend Grant funds on what were essentially advocacy issues. An example is the case of corporate and personal tax reform in CARICOM countries.

Advocacy issues, such as important CARICOM trade and investment issues, are generally difficult to measure on any precise cost/benefit basis. This is particularly so at the commencement of work on any given issue, since the complexity and duration of the representation required depend, in large measure, on the receptivity or the lack of it, by relevant government Ministries and allied institutions, to the initial thrust of the private sector case. It needs to be borne in mind that CARICOM is made up of thirteen sovereign governments and promoting consensus amongst them, in relation to policy issues favourable to the private sector, is a task whose difficulty should not be lightly underestimated.

This attitude to cost/benefit relationships - a response to perceived need in a climate of uncertainty - also tended to spill over into work on many developmental issues, but for a quite different reason. O.E.C.S. firms which are in most need of technical assistance and training - the small and less well-established medium-sized ones - are generally those least able to pay for most - and in a few cases any - of the direct costs of such help. Early in the Grant relationship, CAIC pointed this out to USAID. The latter's response was to urge that every effort should be made to collect at least 25% of the direct costs of such assistance, and in the case of very small firms with acute cash flow problems but otherwise deserving of help on merit, to make specific exceptions which could include underwriting the full cost of that help.

Given the efficient, corporate grapevine which exists in the O.E.C.S. countries, this came to mean in practice, for the majority of firms assisted, payment by them of 25% of the direct costs of assistance. Since these areas of activity were the major ones on which USAID Grant funds to CAIC were directed, it was perhaps understandably difficult to wean Programme Managers in these areas away from the notion of

..../

highly-subsidized (up to 75%) forms of programme assistance. Later, when the Technical Assistance Fund (T.A.F.) was established - a revolving fund initially funded at U.S. $100,000 - tighter criteria were adopted by CAIC, which sought to recover - and often did - between a third and a half of the direct costs.

With the advent of the SEA Project - backed by much larger resources than the TAF ever had - training and technical assistance for micro, small and medium-sized firms in the O.E.C.S. will now be administered by the RC Unit of SEAP within CAIC. But SEAP's guidelines for such assistance still call for a recovery of not less than 25% of the direct costs of their help. In the interim, CAIC has gone more into the business of providing specific in-house training help based on a careful, prior, needs analysis, done in the business itself and in cooperation with its management. Help of this kind has been directed mainly at established medium-sized and large companies. CAIC has found it possible to realize from this targetted constituency, much higher proportions of direct costs, including in many cases 100% of the direct costs plus an administrative fee for CAIC.

The truth of the matter seems to be that advocacy and institution-building will continue to require a somewhat different financial strategy and a rather different administrative style. That strategy and that style are on the whole basically compatible with developmental-type assistance to private micro, small and less well-established medium-sized companies in a sub-region with the characteristics of the O.E.C.S. But developmental assistance to established medium-sized and larger companies responds to a different beat: such assistance is amenable to a more hard-nosed, profit-oriented, arms-length approach.

CAIC is evolving as an organization and its structure will change over time in response to changes in its environment and especially the shifting requirements of its members and customers. It is likely, in the next phase of its existence, to adopt a generally more profit-oriented approach, especially in respect of such developmental-type assistance as the resources available to it will allow it to undertake. But the duality inherent in trying to combine advocacy and institution building with developmental-type assistance will not go away. The dilemma can perhaps be managed better than CAIC has so far done, but it will not dissapear.

It will be interesting to see how the SEA Project performs if, as now seems likely, its catchment area is extended beyond micro, small and medium-sized O.E.C.S. firms to include larger ones as well. The problems inherent in trying to assist a range of companies straddling a wide stratum of size and sophistication call for a duality of approach. That duality will be manifested not only in financial norms and stipulations as between one group of firms and another, quite different in their respective organizational formats and assistance needs: it is likely, by inference, to call for different aspects of administrative style as well.

The most difficult judgement may well be to decide when any given firm being assisted should be graduated from an essentially subsidized to a basically commercial, arms-length kind of help. It may be of interest to observe that the international, multilateral donor institutions have not been notably successful in making this same kind of judgement in respect of their aid to developing countries.

B. Principal Findings and Conclusions

#10 - The Local Affiliate Development Programme (L.A.D.P)

Comment

This paragraph broadly represents fair comment on a quite difficult problem. It took CAIC two years to convince USAID that a programme like the L.A.D.P was essential if any truly important changes were to be effected in the private sectors of the O.E.C.S. states. Greater progress would by now have occurred in those countries if it had been possible to start the L.A.D.P earlier.

Even so, LADP's response to the private sector in specific O.E.C.S. countries will have to change as these countries develop and grow. Some needs will be more sophisticated than others and a uniform approach will be counter-productive. This means two things: first, in some O.E.C.S countries, greater attention will have to be paid to developing leadership qualities in a cross-section of their businessmen; and secondly, that a revamped LADP will need to be a more flexible instrument and that donors to that programme should eschew insistence on a neat, uniform pattern of assistance.

#11 - Caribbean Basin Information Network (C.B.I.N)

Progress on expanding this network and making it profitable has been disappointing, in part because enough top-management time has not been devoted to it but also because the Programme Manager with direct responsibility for it has not exhibited a commercial, market-oriented aproach to its development.

Caribbean Central American Action (C/CAA) is the core member of the network. Since its inception, there have been two changes in the network's technical computer advisor, with the third one, British Telecom, only recently assuming that responsibility. Some major changes seem likely and it would be wise to see what these mean to the basic operation of the network before ensuring a more commercially-oriented approach at CAIC.

#12 - Logical frameworks - quantitative targets

This paragraph makes a very important point succintly and effectively. When funding proposals of this kind are made, as was the case when CAIC's last three year plan was done in 1983, internal management estimates of what is realistically possible are often changed, on the ground that higher targets are essential to "selling" the proposal to USAID - Barbados and Washington. To get a proposal accepted and to be able to move from describing and justifying programmes to actually implementing them, coerces internal management into accepting, albeit reluctantly, the higher quantitative targets.

292 X

8. Principal Findings and Conclusions (cont'd.)

#14(a) - Services provided with substantial subsidy

Quote: "Externally, the provision of certain kinds of services without charge or with substantial subsidy may actually have inhibited CAIC's prospects for long-term financial sustainability".

Comment: The services are not specified in this paragraph but CBIN, the quarterly CAIC magazine and CAIC's radio programme have to date all been subsidized operations. CBIN is commented on elsewhere.

Business magazines and radio programmes aimed at the private sector in the Caribbean, generally have to be subsidized for an initial period before they acquire a reputation adequate enough to be self-supporting and profit contributing, by way of advertisement or/and other donor support.

CAIC may have allowed that initial period to be too protracted. But discussions are currently in train with different third parties, to improve the marketing and change the distribution of both magazine and radio programme so that, under these new arrangements, they can contribute to revenues rather than add to expenses.

#14(b) Cost Consciousness

Quote: "Top management has not been cost-conscious".

Comment: Top management has probably not been as cost-conscious as it might have been. But some reasons for this lie in the response given to the quotation from the "Draft Abstract" set out above.

#15 - CAIC's structure and management performance

Quote: "....CAIC management has fallen short of achieving private sector standards of administrative and financial efficiency, and has not performed well on complying with USAID procedures."

Comment: There is some truth in this judgment. However, the response to the quotation from the Draft Abstract gives some reasons for too readily assuming that a strict comparison with commercial private sector standards of administrative and financial efficiency might not be somewhat misleading. Where compliance with USAID procedures is concerned, while CAIC management must accept some portion of the blame, a good deal of it must also rest with USAID as a donor institution. Over five years of reporting, including internal financial statements and semi-annual audited accounts, no really serious critique of that reporting or attempt at providing structured assistance to put it into formats acceptable to USAID norms, was done, prior to the visit in 1986 of the USAID regional auditors.

#16 - Marketing

Comment: The paragraph as a whole is fair comment. As of now, systematic attention to marketing, as defined in the paragraph, will be a major concern of CAIC's Board and top management in 1987 and beyond.

B. Principal Findings and Conclusions (cont'd).

#17 - RDO/C and CAIC - mutual misgivings

Comment: The key issues are effectively presented. We believe that it will take regular CAIC/USAID dialogue at Board/senior management level to reduce the misgivings on either side, promote better understanding and lead to a more effective private sector programme in the region. CAIC will need to have such a dialogue with other donors as well and there is probably a case to be made - CAIC had earlier put it down as a specific project, but lacked both the funds as well as the 'political' means to achieve it - for a CAIC/joint donor dialogue, possibly on a once yearly basis, to reduce donor programme duplication and overlap and to maximize the use of scare resources.

#18 - CAIC's Long-term perspective vs the need for survival in the shortrun

Comment: This is a basic problem requiring on-going management attention. There is, as the earlier comment to the Draft Abstract argues at some length, an underlying dichotomy between the objectives of major CAIC contributors compared with those of the smaller and proportionately much less weighty contributors to CAIC membership income. The former perceive advocacy issues as their primary requirement from CAIC; the latter, as a rule, require developmental-type assistance but are generally not in a position to pay an economic price for such help.

The answer has to lie in some combination of first, the provision of varying services to all members, including the large MDC ones, for which the recipients will be prepared to pay an economic price; and secondly, the delivery of developmental-type assistance to such firms as are able to pay an economic price for it.

The larger firms by definition are those which themselves generate internally, a wide range of services of the kind which CAIC could otherwise try to provide to them. In addition, the focussing of developmental-type aid on those companies able to pay an economic price for it, would effectively exclude a large number, possibily a majority, of small and some medium-sized firms, especially those in the O.E.C.S. countries, from being attracted to become CAIC members and supporters. In a sense, the subsidized kind of help, to such small firms has now been transferred for delivery by the SEA project unit. Since the RCU unit of that project is within CAIC, CAIC might hope to retain - and possibly even to recruit into membership - some of that category of firms receiving assistance from SEA project. If that hope proves to be unfounded, CAIC would become financially more self-supporting but at the expense of continuing to be seen, this time with perhaps greater justification, as the champion mainly of the larger, already-established companies.

A sensible compromise can probably be worked out. But it will take time and no little effort.

B. Principal-Findings and Conclusions (cont'd)

#19 - The Think-tank Philosophy vs. addressing specific issues

Comment: It is not an "either/or" situation. Advocacy of private sector issues in the Caribbean does equire some research and some innovative thinking. Even in respect of CARICOM trade and investment issues, one often needs to come up with a wholly different way of looking at some on-going problems. This needs to be done in the context of a multiplicity of preparatory and interim meetings, often held outside of Barbados, generated by the relevant public sector agencies such as the CARICOM Secretariat, the OECS Secretariat and the Caribbean Development Bank. To ignore those meetings or to be not properly prepared for them risks leaving the regional private sector open to the accusation of not being interested in key policy issues or at least of not contributing effectively to their solution. The three public sector bodies mentioned above each count their staff in the hundreds and are generously funded by both member govenrments as well as external donors, including USAID.

Economic realities force us to make hard choices. But there are issues in which at least sections of our membership have "direct and immediate interest" which we are unable to address or to which we can pay only superficial attention. The issue of tax policy, for example, was one which we could only address with something like adequacy by:

i) hiring professional consultants to do all of the basic field work;
ii) making a special levy on most of our membership to meet the costs of i);
iii) using some subscription income, buttressed by some USAID donor funds - requested and agreed - to make up the shortfall in ii) above.

Given the funding and staff constraints, future efforts of that kind will need to rely on:

(a) very careful selection of issues where inherent importance and membership interest high enough to actually support a special levy coincide;

(b) partial use of external, hopefully regional consultants for chosen segments of complex field work which we cannot do ourselves but can afford to contract out;

(c) approaches to specific donors for assistance which can be justified on an assignment basis, preferably with measured outputs.

#20 - Communications between USAID and CAIC Board members or/and other institutions.

Comment: I am not aware of such discouragement in fact or as a matter of policy. Indeed, as explained earlier, we have tried in the past to promote dialogue between aid donors including USAID and ourselves, without success.

B. Principal-Findings and Conclusions

#20 - Communications between USAID and CAIC Board members etc.

Comment: (cont'd)

While organized contact between CAIC directors and USAID officials has been sporadic rather than regular, CAIC was certainly not approached to facilitate this, on other than on an adhoc basis. Viewed negatively, given USAID's physical communications facilities in the Eastern Caribbean and the constant travel of their staff to OECS territories, no one, least of all CAIC, could inhibit direct contact and discussion with several members of our Board on a one-on-one basis. In fact, we have some evidence that such contacts have been made, without any reference to the Secretariat.

#21 - CAIC membership

Comment: CAIC membership has been unable, perhaps inevitably, to sustain the original rate of growth. Peer pressure by existing Board members has been the most effective means of recruiting new members, but the key business leaders who can do this most effectively all have very limited time to spare from the job of running their own companies.

CAIC is looking at ways of broadening its services to earn income from existing membership and to attract new members. "Possibilities for significant expansion of membership" do exist in terms of the number of businesses of all sizes in the region which are outside of CAIC's existing membership. It would have been helpful if the evaluation report had mentioned some specific ways in which it thinks various categories of businesses can be attracted to join CAIC.

#22 - RDO/C and CAIC

Comment: We generally endorse the views set out in this paragraph. With regular dialogue and a genuine commitment to a real if unequal partnership, CAIC and USAID - RDO/C can reinforce each others's somewhat different approaches to strengthening and deeping the contribution of the private sector to regional economic development. Success of this kind would contribute to a better standard of living and quality of life for the people, especially those of the Eastern Caribbean but more generally those who live in the English-speaking CARICOM territories and indeed - even though to more limited extent - those of the wider Caribbean, including the French, Dutch and Spanish-speaking Caribbean.

C. Recommendations

#1 - Subscription arrears

Comment: Board attention to such arrears is done at at least six-monthly intervals, against the background of audited end-June and end-December statements. Specific cases are raised at quarterly Board meetings.

C. Recommendations

#2 - USAID reporting requirements

Comment: The suggestions in this paragraph would undoubtedly help. However, the most important need is for USAID to set out clearly and unambiguously, in writing, precisely what its several reporting requirements are. After five years of successive grant agreements with USAID, CAIC is learning for the first time in 1986, exactly what some requirements are.

#3 - Departments as cost or profit centres

Comment: Each department already receives an analysis of its expenditures set out under salary, direct overhead and programme expenses, with the latter broken down by progrtamme line item, showing current month's as well as cumulative budget and actual figures. They are required to report on major variances, favourable and unfavourable. They themselves are aware of revenues earned by their programme activities in any given month. These monthly statements have often been delivered late and have thus lost some of the benefits intended to flow from them at departmental level. We intend, with full computerization of our accounts, to return to a timely submission schedule.

The concept of a department as a profit or cost centre is a useful and valuable one. However, one needs to be careful not to put this concept on a precisely equal footing with the equivalent concept in a commercial private sector company. Advocacy issues for example involve spending mainly membership subscription income - and perhaps some donor funds as well - to try to influence public policy in identified ways. This takes time and much of the output cannot be quantified. The concept here has to mean spending funds as economically as possible, and where feasible, within a budget, to try to attain broadly stated objectives. The same is true of many affiliate development activities. The actual costs can reasonably be quantified over time but very rarely can the benefits be similarly quantified. Indeed there will always be those who question whether it is CAIC advocacy that entirely - or even mainly - led to given policy changes and there is no way of deciding such issues with certainty.

We should be aware of these difficulties lest we fall into an error similar to the one referred to earlier of setting realistically unattainable targets. A cost-conscious, economically sensitive approach is one which can - and should - be encouraged in most endeavours. But in a service-type Secretariat such as CAIC's, we ought not to glibly assume that all outcomes or benefits are easily quantified.

D. Aid Project Lessons

#5 - Strategic Planning Documents

Comment: While all sources and expenditures of funds may be reported in such documents for completeness sake, it should be emphasized that CAIC's Board would only be accountable to USAID for use of USAID grant funds and NOT for the use of its own subscription income or for grant or loan funds from other donors.

E. Evaluation Report - Brief History of CAIC in the context of the region

Pg. 12 - penultimate paragraph

Quote: "The P.N.P. administration in Jamaica nationalized the bauxite industry".

Comment: Jamaica did not - and indeed has not - nationalized the bauxite industry. What Jamaica did was to impose by legislation, a levy on each ton of bauxite produced. The legislation also imputed a minimum annual tonnage of bauxite produced, on the basis of past production, whether the minimum tonnage was actually produced or not from the commencement of the legislation.

It was Guyana, in 1971, which nationalized the ALCAN (Canadian) bauxite operation there and a few years later, the Reynolds (U.S.) bauxite operations as well.

Pg. 33 - CAIC Management

Quote: "The position of Assistant Director of Administration was in fact filled in August of 1986, more than two years after the evaluation. The reasons for this delay are not entirely clear".

Comment: Despite a recommendation in ealier evaluation reports to this effect, the previous USAID director had laid it down as policy that no futher USAID funds were to be made available to CAIC for spending on administration. Later, this policy was changed and CAIC advertised and went through the whole process of short-listing, chosing the best applicant and making him a job offer. USAID at the time was, for internal budgeting reasons, unable to release the funds to pay for the projected Deputy Executive Director. USAID, to whom the candidate had been made available for interview prior to his selection by CAIC, then asked whether they could use the candidate temporarily on a project in the Eastern Caribbean for which USAID did have funds available. CAIC agreed; USAID 'temporarily' hired the candidate and we learnt several months later that he had settled into the 'temporary' job and would be remaining there. CAIC had by this time become sceptical as to the degree of urgency with which USAID was regarding the recruitment of someone to fill that particular role.

In 1986, in the context of signing an amendment to the Grant Agreement, USAID put in a clause requiring recruitment of a Deputy Executive Director, indicating that on this occasion there was some sense of urgency. CAIC went through its files and attempted to locate and bring back for interview a few of the previously short-listed candidates for this position. As some of them had by then moved on to other jobs and other locations, this process took longer than usual. CAIC's leading candidate from a short-list of three (3) for the job - all of them seen by USAID - was initially enthusiastic but his employers, on learning of that interest, immediately improved the emoluments relating to his current job. He decided to stay where he was. An offer was then made to the present holder of the job and accepted by him.

APPENDIX D.2
COMMENTS ON THE CHAPTER ON MEMBERSHIP AND COMMITMENT (CHAPTER II OF THIS REPORT)

CARIBBEAN ASSOCIATION OF
INDUSTRY AND COMMERCE

November 27, 1986

Mr. Harvey Lerner
Louis Berger International Inc.
C/o USAID Regional Development Office
Broad Street
BRIDGETOWN

Dear Harvey,

Thank you for sending to me for comment, the preliminary draft of Chapter II of your Evaluation Report on CAIC. As requested, I have made some comments, in sequence, on this draft. I hope that you will find those comments useful when finalizing the draft.

I am asking our Accounts area to re-check the numbers mentioned in the draft under Membership Trends.

In the last paragraph of your covering memorandum, you ask for quantitative information on "the membership trends of local affiliates in the period 1980 - 86". I assume that you mean the kind of information covering the period 1980-86, similar to the data in your draft about CAIC membership trends. We do not have on file in CAIC, data of that kind on affiliate membership but if it is important enough for your report, we could telex our various affiliates requesting the data you require. I suspect that their membership records may NOT have been kept in a form which would facilitate the detail you need but we are prepared to ask for it and to forward to you, such detail as is available.

Yours sincerely,

Pat

P.A. Thompson
Executive Director

Attach.

PAT:gj

ccs: Geritt Argento)
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CARIBBEAN ASSOCIATION OF INDUSTRY AND COMMERCE (CAIC)

P.A. Thompson's Comments on the Memorandum dated November 25 from Harvey Lerner, including the Preliminary draft of Chapter II of his Evaluation Report on CAIC.

Reference	Comment
Pg.1 - B - Membership Trends:	There is a reference to C.M.C. and C.E.C.M. to the effect "neither....have dues-paying membership status". Both CMC as well as CECM were formed under Articles 54 (c) and (b) and 55 of CAIC's Articles of Association entitled "Department Affiliates" and "Miscellaneous" respectively. Those Articles read as follows:

Article 54 - Department Affiliates

54(a) - The Board of Directors on its own motion, or on motion of any group of not less than twelve (12) members, having common business or professional interests, may form within the framework of the Company, a division bureau, board or other department, however styled, for the purposes of promoting specific activities and of considering and recommending to the Board of Directors and Executive Committee, matters of particular interest to such business or profession.

54(b) - The Board of Directors may authorise or recognise the establishment of and may affiliate the company with other organizations, however styled, to be sponsored by separate business groups or agencies for promoting activities of general interest to such groups or agencies. Activities of such organizations may be financed in such manner as is approved by the Board of Directors or Executive Committee, independently of the Company's general operating funds.

Article 55 - Miscellaneous

No action by any committee other than the Executive Committee, nor any member, division, bureau, board, department, affiliate, employee, officer or director shall be binding upon or constitute an expression of the policy of the Company unless or until it shall have been approved by the Board of Directors.

Both CMC as well as CECM were established under the provisions of Article 54(a). They are comprised of CAIC members, organizational or corporate who already pay membership dues directly to the Association.

Reference | **Comment**

Pg.1: B - Membership Trends:

Article 55 - Miscellaneous (cont'd.)

CAIC provides funds to both organizations: to C.M.C. from a line item in CAIC's Economic Development Department budget and to CECM from an allocation in CAIC's Organizational Affairs Department for its Local Affiliate Development Programme. USAID approved the use of these funds for the purposes cited. CAIC in fact prepares the Agenda in liaison with the current President of each body, provides administrative meeting support and produces the Minutes of both C.M.C. as well as C.E.C.M. For those reasons, neither CMC nor CECM hold any direct membership as an entity in CAIC.

C.E.C.M, using in part the funds received from CAIC under the LADP programme, are setting up a small Secretariat of their own in Antigua.

Pg.1: B1 - Membership Trends: The preliminary draft states: "No national hotel or tourist associations are presently included in CAIC membership".

The statement is accurate. However, the relevant background is:

(a) On the private sector side, virtually all islands have national hotel associations which are separate from their national Chambers of Commerce and their national Manufacturers' Associations. In turn, at regional level, those national associations have membership in the Caribbean Hotel Association, (C.H.A.), based in Puerto Rico. CHA has recently agreed that CAIC could have a director on their Board, with CAIC reciprocating in respect of the CAIC Board.

(b) On the public sector side, most islands with a strong tourist base have a government appointed Tourist Board or Committee. Those bodies tend to liaise with the Gov't-appointed regional tourist body, the Caribbean Tourism Research & Development Centre (C.T.R.C), based in Barbados or/and with the Caribbean Tourism Association, (C.T.A.) another public sector agency involved in tourism.

Reference

Comment

Pg.7: B2 - Membership Trends

Pattern of dues payment and arrears

The preliminary draft says in para 2 of the section entitled 'Patterns of Dues Payment and Arrears': "Perhaps, too, CAIC places high priority on the retention of all its organizational members, and is particularly reluctant to strike them from its lists".

The statement is accurate, since the national organizational members are the only spokesmen for their category of membership in any given territory. All three of the national associations cited - the Jamaica Exporters Association, the Guyana Manufacturers Association and the Barbados Manufacturers Association have had great difficulty in maintaining their own financial viability. In Jamaica and Guyana, CAIC has set up local bank accounts because of the real difficulty of obtaining transfers to Barbados of membership payments in these two countries, due to an almost chronic shortage of foreign currency in both countries. The dues payment record in Jamaica as well as in Guyana results from the serious effect of the adverse national, economic circumstances since the early 1980's in both countries. In Barbados, the problem is due to weak leadership of the Association over the last few years, resulting in their inability to pay their subscriptions in full this year. Now that a new President has been elected and a professional advisor from CFTC brought in to revitalize the B.M.A. Secretariat, CAIC's Board has agreed to a reduced subscription from the B.M.A. for the current year. The only alternative would have been the B.M.A.'s withdrawal from CAIC. The new B.M.A. President has promised to make payment before the close of the current year. It is likely that for the next two years this level of subscription will have to remain in effect, while the BMA regains financial viability.

The Curacao Chamber has since the receipt of the USAID circular letter, decided to withdraw from membership. The reason given was that the majority of CAIC's resources were being deployed in addressing the problems of CARICOM countries, of which Curacao is not one.

ADIH - the Haitian Chamber - has asked to be allowed to withdraw from membership for one (1) year, in view of the current, turbulent and uncertain economic condition of that country.

Reference | Comment

Pg.9: B2 - Membership Trends

Patterns sof Dues payment and arrears (cont'd.)

Two of the French-speaking Caribbean members - the Chambers in Guadeloupe and Martinique respectively, continue to be very active within the context of the DFA/CARICOM Task Force and are present at virtually all CAIC meetings. They value the regional contact which CAIC membership provides and are anxious to promote greater trade and investment between their departments of France and the countries of the English-speaking Caribbean. A major conference "Caribbean Contacts 1987" is being planned for Martinique in late April, with funding provided by the French-speaking private sector bodies in the DFA territories, the French Government and the E.E.C. in Brussels. CAIC will make in-kind contributions relating to providing speakers from the CARICOM countries, private as well as public sector and helping with the overall organizational arrangements for the Conference, including the provision of rapporteurs for several sessions.

The Chamber in French Guiana, while maintaining its subscription payments has attended meetings on a sporadic basis.

Within the past month or so, due to the increased activity of CAIC Board members, requested by the CAIC's President at recent Board meetings, one additional organizational member - the Berbice Chamber of Industry and Commerce Limited and nine corporate members; Dominica (4) and St. Vincent (5) have joined CAIC, effective January, 1987. An application to join from the Hotel and Commerce Association in the British Virgin Islands has been made and a fee for membership has been quoted to them. Their reply is awaited.

Pg.20: D - Other Trends in Commitment

This section on pg. 20 refers to the underwriting by CAIC members of the cost of the radio programme "Caribbean Business Whirl" and the magazine "CAIC - Calling the Caribbean" but points out the difficulty experienced by the Secretariat in getting local sponsorship for airing of the radio programme and more advertisements for the magazine.

It may well be that those failures relate to lack of interest in the content of the programme and the magazine respectively. The Department responsible is already considering the suggestion of one CAIC Board member to carry more local, entrepreneurial success stories.

Reference | Comment

Pg.20: D - Other Trends in Commitment (cont'd.)

Two facts have to be faced. First to produce quality programmes with substantive local content requires either good local expertise to organize and produce such programmes and articles, or someone from CAIC going out to obtain the local content. It can be done but either way will cost CAIC additional expenditure, over and above current donor contributions.

Second, we ought not to underrate the persistence of parochial feelings in the Eastern Caribbean countries. A programme featuring a local success story would generally find a sponsor in that country but hardly anywhere else.

Nevertheless, we are committed to trying to get more local content in both the radio programme as well as the magazine; and we will search for the least expensive way of achieving this.

Pg.21: D4 - Donor Participation and Commitment

The EEC donor funds were used to underwrite the employment cost of the Deputy Programme Manager in the Economic Development Department, as well as the Industrial Engineer in the Technical Assistance Department - later merged with the Training Department and styled Training and Technical Assistance Dept.

Regional funds from the EEC under the Lome III Agreement have been wholly claimed for public sector projects by CARICOM Ministers, notably the OECS Ministers at CARICOM Council level as well as the level of Heads of Government.

While all private sector requests were denied funding, CAIC understands on good authority that one reason for the refusal of CAIC's specific request was the illogical but emotionally effective view propounded to the effect that CAIC had received an abundance of resources - the figure of US$10 million was cited - from USAID for the SEA Project and as such had no real need for funding from the EEC.

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APPENDIX D.3

COMMENTS ON THE CHAPTER ON TRAINING AND TECHNICAL ASSISTANCE (CHAPTER III OF THIS REPORT)

CAIC
CARIBBEAN ASSOCIATION OF
INDUSTRY AND COMMERCE

December 29, 1986

Mr. Harvey Lerner
Louis Berger International
C/o USAID Regional Development Office
(Caribbean)
Broad Street
BRIDGETOWN

Dear Mr. Lerner:

This note and its attachment is by way of response to your invitation to comment on draft Chapter V - Training and Technical Assistance Functions - of your overall evaluation of CAIC.

This chapter is basically favourable in content and my comments are understandably fewer in number. However, as noted in my last comment, the draft Chapter sent to me, ending on pg.19 seems incomplete. If this is in fact the case, I would be glad to receive the remaining pages.

Yours sincerely,

P.A. Thompson
Executive Director

ccs: Gerritt Argento)
Jason Brown) USAID
Darwin Clarke)

Jeannine Comma)
Dudley Cawley) CAIC

PAT:gj

P O BOX 258

CARIBBEAN ASSOCIATION OF INDUSTRY AND COMMERCE (CAIC)

Comments by P.A. Thompson on Chapter V - Training and Technical Assistance Functions - of the CAIC Evaluation by Harver Lerner of Louis Berger International

Reference

#3 - 1984 Grant Proposal Objectives and Targets
Bottom of pg. 8, top of pg. 9.
Unrealistic targets vis-a-vis available resources.

Comment: This was a problem which could be found in every segment of CAIC's Log Frames. The underlying reason is stated in the section "Logical Frameworks - quantitative targets" which forms part of the earlier overall comment on the Executive Summary and Ch. I of the Evaluation report itself.

Section D - Assessment of Results

Pg. 11 - Chambers' Training Programmes

Comment: The Grenada Chamber's "well-equipped Training Centre" got that way largely through CAIC intervention and CIDA financing, under the CAIC/CALAC/CIDA Chamber assistance programme. A Canadian expert in the training equipment field visited Grenada, on CAIC's recommendation and much of the actual equipment recommended was financed under that programme. This is noted later in the draft Evaluation Chapter on pg. 13. The reason why similar assistance has NOT been provided to other OECS Chambers was a lack of finance in the CAIC/CALAC programme. Had that programme continued, the intention was to phase in other Chambers, over a 3-4 year period, as funds allowed.

Follow-up - Pg. 17

Comment: The perceived lack of follow-up is due mainly to limitations of manpower and money, allocated to the training function within CAIC. A favourable result elicited demand for additional training from the companies who perceived training to have helped them; as well as from new companies hearing of the favourable results. With limited resources, one inevitably falls back on trying to help as many companies as possible in each country. This is to avoid the accusation of favouring a particular country or company, all of whom are paying subscriptions to CAIC. Inevitably, it means less follow-up than would otherwise be the case with larger, overall resources.

Pg. 18 - Findings related to RDO/C's Private Sector Programme by means of the "Generic Scope of Work"

Comment: This section is interesting as an explanation of the theoretical grounding by which various private sector projects, including the grant to CAIC, will be evaluated in a general context, related to USAID's Programme Plan version of its overall Logical Framework for private sector projects in the Eastern Caribbean; funded by USAID.

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Reference

Section D - Follow-up

Pg. 18 - Findings related to RDO/C's Private Sector Programme etc.

Comment (cont'd)

The document sent to me which ends with pg. 19 seems incomplete. Of the three goals for RDO/C's private sector programme - an economic development goal, a policy goal and an institutional goal, the papers sent to me only deal with an economic development goal in respect of CAIC's Training and technical assistance services. Even that section on "Economic Development Objectives" seems incomplete. Perhaps the last page or two of this Chapter were omitted in error.

P. A. Thompson

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CARIBBEAN ASSOCIATION OF
INDUSTRY AND COMMERCE

January 7, 1987

Mr. Harvey Lerner
Louis Berger International
C/o USAID Regional Development
Office/Caribbean
Broad Street
BRIDGETOWN

Dear Mr. Lerner:

Thank you for so promptly sending me the inadvertently omitted pages of the draft Chapter V - Training and Technical Assistance - of your overall evaluation of CAIC.

The entire last section of this Chapter, dealing with the methodology and problems of your evaluation techniques made fascinating reading. I am in basic agreement with the measurement norms which you are employing, although I have a few reservations about their total applicability to the Eastern Caribbean scene. I have set out those reservations in the Comments which are attached to this letter.

Yours sincerely,

P.A. Thompson
Executive Director

Attachment

ccs: Mr. Gerritt Argento)
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CARIBBEAN ASSOCIATION OF INDUSTRY AND COMMERCE (CAIC)

Comments by P.A. Thompson on pgs. 20-25 of Draft Chapter V - Training and Technical Assistance - of the CAIC Evaluation by Harver Lerner of Louis Berger International.

Reference

Pg. 23 - Causal Paths and Evaluation Evidence

Comment: CAIC has not in the past consciously tried to create a relationship between its training and technical assistance activities and its policy advocacy work. If such relationships are in fact found, they would be accidental rather than contrived. But the notion is an interesting one and we await the chapter in which causal relationship is examined, in order to assess how best it might be promoted in future.

Advocacy efforts in the past have depended almost wholly for their success on the quality of arguments advanced and the skill with which they are deployed. To a limited extent, for example in the case of the work of the CAIC Task Force on Taxation Reform, the regional reputation of hired external consultants (in that case Peat Marwick's good image in the OECS countries) has been a factor.

B. Institutional Objectives

Pg. 24 - Causal Path and Evaluation Evidence

Comment: While the theory is logical, in practice in areas like the OECS countries, the causal link is not as strong as one might suppose. There is something of a tradition in tiny economies, of private sector businessmen, especially small ones, joining an organization, local or regional, in order to obtain a specific benefit after which the membership is allowed to lapse. This tradition has affected CAIC and local Chambers alike.

The real solutiopn is to be able to be seen by such firms as a source of relevant, on-going assistance. They would then have some vested interested in maintaining their membership. But they believe - with more than a little truth - that CAIC or their local Chamber is faced with so much demand to satisfy with so few resources, that their 'turn' for repeat assistance may not come around for two or three years down the road. And they estimate - correctly - that all they need do then is to join again for another limited period. It is difficult to overcome such a self-serving perception of that cost/benefit relationship unless the resources available and the assisting institution's needs analysis methodology, can somehow coalesce to overcome it.

C. Pgs. 24/25 - Conclusions

Comment: First, it is good to read an 'external' endorsement for the continuance of the Training of Trainers programmes. CAIC introduced those programmes on the basis of its own assessment of need and its ability to meet that need. But our very first evaluation - the Cathy Pearson one - commented adversely on those courses as being too academic, without the benefit of field work outside of Barbados, where such courses are least needed, in priority terms. We had to fight hard and to change the title of the programmes in order to secure follow-up funding for them.

Reference

C. Pgs. 24/25 - Conclusions

Comment: (cont'd.)

Secondly, about measuring the demand for technical assistance and training to improve developmental impact, as against the on-going need for CAIC financial self-sufficiency. This is a persistent problem. The only adequate solution I can foresee is one referred to earlier. The CAIC Secretariat, assuming it has the funding to start a worthwhile programme of this kind will have to charge rates, in order to put the programme on a self-sustaining basis, that only large and established medium-sized companies can easily afford. For the period immediately ahead, the micro, small and less well-established medium-sized firms, will be able to get assistance of this kind, on a subsidized basis from the SEA project. It will not - at USAID's insistence and perhaps with some justification - be a mandatory requirement that such assisted companies take even a one-year membership at very low rates in CAIC, although they will have to be members of one or other national private sector entity recognized by SEAP, to be eligible for such assistance.

It will take good public relations as well as communications skills to convince such firms that although NOT mandatory, it would still be in their interest to join CAIC. Ultimately, that decision will not turn on the receipt of subsidized training and technical assistance itself, but rather on the availability of a range of other services from CAIC, which are of sufficient value in themselves and which CAIC members will be able to purchase at a preferred rate. It can be done but neither easily nor quickly. Genuine Caribbean development is a long-run proposition. While making every effort to promote such development, one has to try to avoid being an example of Keynes' famous long-run dictum.

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P.A. Thompson

APPENDIX D.4

COMMENTS ON THE CHAPTER ON ECONOMIC DEVELOPMENT AND POLICY ADVOCACY FUNCTIONS (CHAPTER IV OF THIS REPORT)

... By way of response to the three specific queries in the attachment to your memo to me of January 7:

i) I believe that your evaluation captures most of the specific legislative outcomes of our tax study. There were three verbal, generally favorable comments on the study: One by Prime Minister Compton of St. Lucia; another by Prime Minister Esquivel of Belize and a third by Chief Minister Osborne of Montserrat. I will check with our Library for the clippings, although I fear that they may have been misplaced or lost, like a few other documents, in our move from Wildey to Bridgetown.

ii) Our contribution to the new Caricom Export Credit Facility (C.E.C.F) was indirect. In arguing for the reinstitution of the Caricom Multi-lateral Clearing Facility, (C.M.C.F.) we mentioned the Export Credit Facility as a kind of compensatory device, if the C.M.C.F could not immediately be rehabilitated.

The C.E.C.F. is designed primarily to make available to regional manufacturers, various forms of pre and post shipment credits, to assist them with the expansion of exports.

Because it will be located and administered at the Caribbean Development Bank (C.D.B) (as opposed to the C.M.C.F. which was the child of the regional Central Banks and administered by the Trinidad and Tobago Central Bank), it is likely to attract both regional private sector financial support from donors participating in the Caribbean Group for Cooperation in Economic Development (CGCED), especially those with non-borrowing membership in CDB such as the U.K., Canada, West GErmany, France etc. and from the U.S.A. CDB has a good track record with its member governments of efficiently administering public sector funds.

The CMCF, in contrast was, as its name implies a multi-lateral clearing facility administered on behalf of the regional Central Banks by the Central Bank of Trinidad and Tobago. The intention was to enable levels of intra-CARICOM trade to be sustained, even where one or more member countries was experiencing foreign exchange shortages. The clearing device offset trade debits against trade credits over a period and only required of countries with foreign exchange shortages that they clear their net debits over a period of time. The hope was that, given time to pay their net debits, such countries could be helped out of their temporary difficulties, without impairing their ability to import from fellow CARICOM states, by reason of temporary foreign exchange shortages alone.

It did work for a while and might still be working today but for lax administration by the Central Bank of Trinidad and Tobago

(and to some extent insufficient oversight on the part of the Barbados Central Bank). That laxity allowed Guyana to run up an inordinate debt without the discipline of periodic payments or if in continuing default, the sanction of credit suspension. Guyana's debt is technically owed to the CMCF: in practice, it is debt for Barbadian exports to Guyana, which Barbados has been unable to recover from the C.M.C.F., the latter having exhausted its liquidity.

iii) On counter-trade, the governments of Guyana and Jamaica and more lately, of Trinidad and Tobago, have been showing an interest in counter-trade. The latter is of course only needed where a country's exports are, for one reason or another not easily marketable for foreign exchange. Your evaluation correctly records our effort to promote countertrade between Barbados and Guyana, as one means of liquidating, over time, the latter's debts to the former under the CMCF scheme. Although not formally implemented, Barbados is now buying some Guyana products, with Guyana accepting as payment, an equivalent reduction in its CMCF debt to Barbados. A triangular counter-trade arrangement would, we believe, speed up the liquidation process relating to that debt, but as far as we know, such a scheme has not been put in place.

To effectively promote counter-trade in CARICOM countries, we would need to have the blessing of each Ministry of Finance and a mechanism existing at each Central Bank in the region, to record and facilitate counter-trade transactions and to prevent foreign exchange 'leakage'. In the absence of either formal blessing or the establishment of the relevant mechanisms, counter-trade cannot take off and CAIC is suspending further work and expenditure of resources in this area, until such time as the necessary environment is in place.

Finally, three bits of information, attesting to the public sector's growing cooperation with CAIC and respect for its views:

- First, as you know, precedent was recently set by the holding of an official CARICOM meeting attended by governmental representatives from across the region, at CAIC's new offices. This meeting was about the CARICOM Enterprise Regime (C.E.R), a scheme with considerable potential for starting the process of breaking down intra-regional barriers to the unimpeded flow of capital, skills, good and services across CARICOM.

  The meeting was concerned with re-drafting the original agreement written ten or more years ago, signed by some member states but not formally ratified by at least four of them, as legally required to bring the scheme into being.

CAIC made major inputs to that meeting and the delegates have recommended to the CARICOM Council that there should be a private sector representative on the Authority which will administer the regime and that CAIC be that representative.

- Second, the CARICOM Heads of Government has directed the CARICOM Secretariat to convene a team of relevant persons in the region to study and recommend changes in the basic development strategy to be pursued by CARICOM States, mainly by way of regional policies, to serve the region to the year 2000.

The CARICOM Secretariat was in touch with me, firstly to ask me if I would serve on the team, (which I agreed to do) and secondly, to help them choose, given certain criteria, three other private sector representatives, of whom two should be from the OECS countries. The ones chosen to fit the criteria and who may be able to spend the time needed to contribute effectively were Tommy Gatcliffe of Trinidad and Tobago, Peter Harker of Antigua and Charmaine Gardner of St. Lucia. An initial meeting was held recently, but only Charmaine Gardner and I of the private sector four were able to be present.

- Third, [many of] the economists of the region ... [who] have been rethinking their basic approaches to economic development in the Caribbean - will be holding a major conference in Jamaica in early July to rethink economic policy for the region and its political imperatives. Unlike ten years ago, they now believe that a private sector input to those deliberations is desirable and they have invited me to participate and to read a paper at the Conference. It is a measure of the distance CAIC has travelled since 1981.

Reference | Comments

Pgs. 6/8 - Countertrade:

The promotion of the ideas of countertrade and a common currency unit for CARICOM have been shelved because there is not, for the time being, the political will to bring them into being. Where the idea of a common currency unit is concerned, our belief is that in time CARICOM governments will come to see the virtues for intra-regional economic development of either a common currency unit or alternatively the introduction of a scheme of currency harmonization similar in design and intent to the European Monetary System.

Pgs. 8/14 - The Caribbean Basin Information Network (.C.B.I. N)

There can be no disputing the conclusion that CBIN, as presently organized in CAIC, has been a failure: the reasons given in the evaluation are accurate. CAIC is now, in the context of looking at possible programme areas in any new grant agreement with USAID, examining the issue of export promotion and the role which CAIC might play in this, in the region. If export promotion does become a funded programme in CAIC, it will be staffed by a business-oriented professional with hands-on marketing experience. One of that manager's tasks would be to explore the options cited in the evaluation report in order to determine feasibility, costs and estimated net contribution to CAIC. Within this perspective, three specific things would happen:

(a) The existing staff member in the Economic Development Department whose time is fully spent in this area would be transferred to a new unit,; to be set up if found feasible, and to report to the marketing manager.

(b) The marketing manager would himself report to the Deputy Executive Director.

(c) Some version of the fourth alternative set out in the Evaluation REport would be the option which CAIC would explore in depth.

An export promotion unit in CAIC would well be the nucleus of a Business Development unit, operating on a "hands-on", commercially-oriented, market-driven basis.

Pg. 36 - Reduction of trade Barriers against goods from outside the Caribbean

CAIC is for free and fair international trade. But CAIC also has to face the realities of current world trade, in which no country, including the U.S.A., fully honors that commitment. Wherever in the Western world free and fair trade affects a domestic industrial or commercial constituency, the affected constituency inevitably seeks and generally obtains some form of protection, often temporary, sometimes of longer duration. This is true of the developed, already industrialized countries: for instance, protection for U.S. and Western European domestic Car and other consumer durable goods producers, against Japanese imports. If the comparatively wealthy and leading industrialized countries of North America and Western Europe find it necessary, from time to time, to put up protectionist barriers of one kind or another, to protect their indigenous producers, it seems inequitable as well as unrealistic to expect that small, open, vulnerable CARICOM economies, with rates of unemployment far higher than in North America or Western Europe will not, from time to time, use protectionist measures to enable their still maturing industries to survive and high unemployment not to go still higher in the short-term.

CAIC's manufacturing member associations strongly support selective protectionist policies to enable their members to survive. At the expense of being accused of supporting the views of our larger commercial members who, as importers, are understandably less concerned with supporting such policies, CAIC has consistently taken the position that protectionist policies are NOT in the long-term interest of CARICOM manufacturers themselves. Such measures may sometimes be needed to help fledgling industries to survive. Even so, they should be selective, be no more than is strictly necessary to achieve the specific objective and should be limited in duration. We believe that policy stance will bear comparison with that of most trade associations in the western world today.

E - Summary: Part 10 on pg. 40

Assessing the precise - and sometimes even the general - impact of public advocacy work is inherently difficult. When the public policy to be influenced or changed is one requiring regional consensus, sometimes unanimity, amongst thirteen sovereign countries, separated by large stretches of water and each battling with varying, pressing domestic issues, the difficulties are inevitably compounded and the time scale for achievement protracted.

It is true that we need nonetheless to seek for some yardsticks of assessment, however imperfect those measurements might be: one does have to account, in some fashion for the utilization of relatively scarce resources of money and skilled manpower and the limited resource of time. But we also need to face the reality that the assessment task is of a different order than that involved in evaluating a given range of training assignments or a programme of specific technical assistance initiatives. An analogy with the Washington D.C. institution of lobbying may not be far off mark: reputable Washington lobbyists are notoriously expensive. But none of them succeeds in every assignment. Success in any given assignment is not always proportionate to time used or the resources of skill and finance employed. The best lobbyists doing everything that is humanly possible sometimes fail. In public advocacy, the efficient use of time skill and finance is not easily equated with "success" or "failure". But lobbyists are not about to go out of business. We can only do the best we can with the resources available to us and hope - to vary the metaphor - to be judged like good ball players, on some overall batting average rather than on one or two selected games.

APPENDIX D.5

COMMENTS ON THE CHAPTER ON REVENUES AND COSTS (CHAPTER V OF THIS REPORT)

CARIBBEAN ASSOCIATION OF
INDUSTRY AND COMMERCE

December 2, 1986

Mr. Harvey Lerner
Louis Berger International Inc.
C/o USAID Regional Development Office
Broad Street
BRIDGETOWN

Dear Harvey

I have received and read the preliminary draft of Chapter III of your Evaluation Report on CAIC and, as requested, am enclosing my comments on this Chapter.

I hope that you find them useful.

Yours sincerely,

P.A. Thompson
Executive Director

Encls.

ccs: Geritt Argento - USAID
Jason Brown - "
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331

CARIBBEAN ASSOCIATION OF INDUSTRY AND COMMERCE (CAIC)

Comments by P.A. Thompson on the Preliminary Draft - Chapter III of the Evaluation Report on CAIC, conducted by Harvey Lerner of Louis Berger International Inc. for USAID - Regional Development Office, Caribbean - Barbados

Reference	Comment
Pg.1: A - Introduction, 2nd Para:	
	Quote: "During the course of this review, it became evident that certain underlying financial data could not be obtained or factually verified."
	Comment: At this point in Ch. III, it does NOT indicate precisely what these unavailable data were.
	Later in the review, there are some clear indications, but they are scattered over the whole review and nowhere neatly summarized.
Pg.6: 1(d) - Income from Membership dues	
	Because the greater part of membership subscriptions is paid in the first half of the year - generally by the date of CAIC's Annual General Meeting in late April or early May, the first half of the year shows few cash flow problems but the second half and particularly the last three months, reverses that pattern.
	In order to better manage the year-end cash flow, a few regional MDC members (e.g. Goddard's Enterprises and Neal and Massy) generally pay their following year's subscriptions in advance, in December of the previous year.
	In earlier years, e.g. in 1982, four members lent CAIC Bds$25,000 each or Bds$100,000 which they later allowed to be classified as additional contributions, writing off those as interest-free loans in their books.
Pg.6: (a) - Amount of subscriptions - last para.	
	The LDC countries receiving LADP funds generally authorize CAIC to deduct their membership dues from the LADP funding, rather than going through additional transactions, at extra cost. Thus, the subscriptions of Montserrat and Belize will be collected in 1986, when their LADP funding is disbursed. Belize has only recently responded to our repeated requests for a documented application. Montserrat had responded earlier but the documentation sent was inadequate. They have recently submitted a revised request. Both requests will be processed before year-end.

322X

Reference | **Comment**

Pg.10: Second para

Quote: "Surprisingly, Guyana, an MDC which technically is outside the sphere of USAID assistance, accounted for 61/2% of total corporate dues collected in 1982".

Comment: Both the Chamber of Commerce and the Manufacturers Association in Guyana are organiational members of CAIC and there are a few corporate members as well. Within the last six weeks, another organizational ;member, the Berbice Chamber of Commerce has joined (Berbice is a county in north-eastern Guyana). In Guyana, as in Jamaica, members experience great difficulty in obtaining foreign exchange permission to remit subscription payments to CAIC in Barbados. Recognizing this, CAIC has set up local dollar accounts in both Guyana as well as Jamaica. These accounts are used to meet the accommodation expenses of visiting CAIC personnel to those territories, as well as to conduct programmes in them.

CAIC has in effect been doing for the private sector in Guyana, what it previously did for the private sector in Grenada during the Bishop regime - keeping it alive and in reasonable spirits until an environment more favourable to private sector growth emerges.

Pg. 11, 2: Revenue from Services

Quote: "The Department Managers do not keep specific project or program records, pertaining to costs and revenues..."

Comment: Departmental Managers are, however, provided with monthly cost analyses by line item of their department's employment, direct overhead and programme costs, showing monthly and accumulative expenditure status, with the programme component detailed by line item. The major reason for this is to enable them to exercise cost control in their own programmes and to avoid exceeding line items by more than the allowed 15%, provided that the overall departmental budget remains within the approved limits. Each programme Manager knows from his/her own records the gross estimated revenue from each project which is offset against gross estimated expenditure to yield net expenditure figures.

When all the vouchers for any specific project reach CAIC, he/she can compare this with the budgeted revenue and expenditure amounts shown on the internal P.E.R.F. (Programme Expenditure Request) form which is made up when authority to incur expenditure on the project is initially sought.

Reference **Comment**

Pg. 11,2: Revenue from Services (cont'd.)

The form has recently been re-designed to facilitate that comparison but the re-design has only been done in the last few months. The Evaluation may not have found any fully completed PERF forms from which the information sought could have been extracted. The estimated profit or loss on each project can however be found on each PERF form.

Pg.12, 2: Revenue from Services (last para.)

Quote: "Attempts to trace back revenue by department, by reviewing the ledger kept in the Accounting office proved inconclusive and covered a period of less than a year."

Comment: While this is true for earlier periods, within recent times an analysis of the re-designed PERF forms when completed, should yield this information.

Pg.13: On the Job Training

Quote: "Unfortunately, this system does not provide CAIC with an incentive to "make a profit", nor does it give the Dept. Manager an opportunity to build up a surplus (over direct costs) within CAIC".

Comment: The reasons for the Training Department shifting mainly to On-the-job Training courses are threefold:

First, they allow CAIC to recover all its direct costs and generally to earn a surplus or 'profit' over and above those costs.

Second, CAIC had found that since USAID gave funding to BIMAP to conduct similar courses in the O.E.C.S. countries, BIMAP was doing what were in effect 'training and technical assistance projects' for a fixed fee, which in most cases was lower than 25% of the direct cost of such projects, making it impracticable in many cases, for CAIC to compete for this type of business.

Third, as CAIC, BIMAP and everyone else has found, most small to medium-sized LDC companies - generally those most in need of help - are precisely the ones which are strained even to pay 25% of direct costs of on-the-job training.

In the light of BIMAP's advent into the OECS market, supported by USAID funding, CAIC has shifted more and more to On-the-job training for medium and large companies, which cost CAIC and/or USAID little or nothing, and more often than not earns for CAIC, a surplus over its direct costs.

Reference | **Comment**

Pg.21, 4(a): Grants from CIDA/CALA

Quote: "There is little indication that CIDA grants will recommence in the immediate future".

Comment: CALA is not shut down temporarily but for good. Its former President is now facing criminal charges for fraud in Toronto.

CIDA prefers - althought it is not a legal mandatory requirement - to fund regional private sector projects in the Caribbean through a Canadian entity which receives the funding directly from CIDA and is accountable to CIDA for its use. That entity, in turn, negotiates an agreement for that portion of funds to be spent in the Caribbean - which itself is negotiable by CAIC with the Canadian entity - and then signs an agreement - somewhat along the lines of USAID Grant Agreements - but considerably shorter - with CAIC for the execution of the Caribbean leg of the programme. At the moment, various entities, among them the Canadian Chamber of Commerce and the Canadian Manufacturers Association are trying to form a separate Canadian entity, to take CALAC's place as CIDA's Canadian partner. It is unlikely that this process will be completed before Spring of 1987, given CIDA's reservations after the CALAC experience.

Pg.21, (c): Grants from C.I.D.

Comment: C.I.D. is in touch with CAIC with a view to doing follow-up in-plant training with the companies which participated in the wood working seminar. This is likely to occur early in 1987, with CAIC playing a coordinating role.

Pg.24, (e): Bank Loans

Quote: "This loan, coupled with an annual rent of Bds$159,600, leaves CAIC with heavy overhead expenses for their office facility, totalling over Bds$235,000 per year".

Comment: Of the 7,600 sq.ft. of space leased in the Musson Building by CAIC, the SEA project occupies and will pay for 3,107 sq.ft. of this space and CAIC is negotiating with a few companies, with a view to leasing approximately 1,000 sq.ft. of space. As and when this occurs, CAIC will be occupying 3,493 sq.ft. of space, compared to approximately 3,250 sq.ft. at its previous location.

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APPENDIX D.6

COMMENTS ON THE CHAPTER ON RETROSPECT AND PROSPECT (CHAPTER VI OF THIS REPORT)

... As mentioned on the telephone, we have decided, on the merits of a portion of the Evaluation's proposals, to change the names of two CAIC departments, as set out below:

1) Organizational Affairs - Business/Govt Relations Dept.
   changed to: Communications and Affiliate Development Dept.

ii) Economic Development Dept.
   Changed to: Economic Research and Analysis Dept.

You will also note from my comments attached to this letter that in the context of USAID's substantive, mandatory financial and compliance reporting requirements, we will be recruiting a Financial Controller with appropriate qualifications and experience to raise that reporting to standards you have mentioned as generally obtaining in our policy advocacy function.

Finally, we have prepared a presentation for the Caribbean Group for Cooperation in Economic Development (CGCED), a copy of which is enclosed for your information. You will notice that;

(a) We have mentioned the fact of your current Evaluation;
(b) We have drawn on Appendix "E" of your Evaluation REport, in preparing the section of our CGCED presentations, on "Training".

This presentation was prepared and reproduced over the week-end, on the basis of inputs from myself, Pat Carmichael and Ike Douglas and with overall editing by me. For this reason, I was unable to check with you for your approval, prior to the use of much of the ideas in your Appendix "E" on Training. I hope that you will approve in retrospect our use of some of that material.

I also hope that the comments and the other general points in this letter are helpful to the concluding phase of your evaluation of CAIC.

Reference | Comment

Pg. 93 - Quotation from "Creating the Future"

The Louis Berger evaluators are probably aware that "Creating the Future" was written by a U.S. Chamber official, with a good track record of Chamber management in the U.S.A.; Mr. Arthur Lumsden. I had not formally joined CAIC at the time that document was put together: in fact, for much of that time I was still living in Guyana and traveling to Barbados and Jamaica, as circumstance warranted and as my Guyana work schedule allowed.

However, I was present at the sessions which Mr. Lumsden held with private sector persons in Barbados. His method was to encourage his audience to tell him what they would like the private sector to do and become. Not unnaturally in such a situation, everyone reaches for the stars. The over-riding objective was to come up with a document which could be said to have emanated from the wishes and concerns of the Caribbean private sector, but which could in the process be converted into a slick, glossy marketing document which would persuade USAID to put substantive funds into private sector development. It did NOT represent a carefully constructed and cost strategy designed to achieve specific ends in a given time period, using available financial and human resources. Indeed, between the presentation and broad acceptance of "Creating the Future" by USAID, the promised funding declined by US$200,000 by the time I got back to Barbados to set up the CAIC Secretariat. The reason given was not that USAID had any problem with the proposal as submitted: rather that, in the interim, some prior claim on the available funds had been made and what was offered was what was left in the kitty at that stage. Orders of magnitude for spending on the broad sub-heads identified in the Lumsden document were pruned across the board to get the sums right. One then proceeded to the setting up of an office, the hiring of initial staff and the fleshing out of work programmes in the broadly accepted areas, with such resources as were available. It was neither a scientific nor a tightly-reasoned approach to funding the start of a serious project. But given the need for early, tangible results to ensure follow-on funding, it was all that was immediately available to get us started.

Pg. 17. Intra and extra-regional trade - their relative importance to economic development in CARICOM

As the Evaluation argues, the two approaches are complementary rather than exclusive. The building up of intra-regional trade, concentrating attention on the need for competitive pricing and dependable, on-going quality is a proving

328X

ground for most small and medium-sized private sector businesses in the region. ...

Pgs. 19/22 - The burdens of complying with USAID requirements

Most of what the Evaluation says is true. At CAIC, we have come around to the view that if we are to undertake development programmes of the size and complexity of the SEA project, as well as likely developmental type projects in training, export promotion and tourism, we need to staff up our Accounts area to cope satisfactorily with the USAID's financial reporting and procedures compliance requirements. We are going to hire a top level Finance Controller and build a finance processing and reporting capability that we would NOT need, doing only our core functions of private sector advocacy and affiliate development, but that we do need for developmental projects of significant size.

The other moral we draw is that if the developmental project is substantial, we should hire, for the life of the project and make accountable for its success or failure, profit-oriented, hands-on private sector managers with adequate experience in the specific activity which is the subject of the developmental effort.

These staff additions will entail additional direct costs, on a periodic contract basis. But it is illusory to try to contain costs by stretching mainly advocacy-oriented managers to try to fit the implementation imperative of developmental-type projects.

Pg. 27 - Financial Self-sufficiency

The first quote on pg. 22 is by Arthur Lumsden in the document "Creating the Future" which he wrote essentially to obtain initial funding from USAID for the newly-revitalized CAIC. The other two quotations were either written by or edited by me.

Pg. 25 - Last Sentence

It was not the EEC but rather the CARICOM Ministers sitting in Council and especially the O.E.C.S. Ministers who thought that the financing we were getting to implement the SEA project- which has little to do directly with Lome III programmes - was sufficient for us and warranted denying us the funding under the Industry section of the EEC's regional budget for the Caribbean, proposals for which funding had been approved and recommended by their own public sector technicians. ... The only answer is to try to lobby the politicians more effectively at national level, mainly through our affiliates, so that they do not go to the Council meeting with their minds already ... made up, about the allocation of regional funds.

Pg. 31 - Other cost cutting strategies

The question of associate membership in CAIC based on technical assistance delivered by the SEA project.

At the time of negotiating the SEA project grant, I raised this very issue in explicit terms. USAID's reaction was a clear "No". It would be helpful to know whether there has been a change of view about this. USAID at the time said that it would consider other ways of making up the shortfall to CAIC income, which would result from the absorption of the technical assistance function by the SEA unit, but to date no alternative ideas have been put forward.

Pg. 31 - "Net" costs and revenues

In every set of audited CAIC accounts, we show the gross cost, then the contribution by donors to the specific category of cost, then the 'net' cost. The contribution by donors is the reimbursable content of project implementation. If there were no donors, the gross and net costs would be the same. But since we would not undertake major development-type activities without donor support, the actual numbers would be much smaller.

Pg. 35, Point 8 - Long-Term Strategy for the L.A.D.P

CAIC WILL prepare a revised, long-term strategy for the L.A.D.P., but one of the essential components of such a strategy is that expenditure of the funds should be responsive to user-demand. This means that the CAIC strategy for LADP can have a common framework and basic rules of procedure, e.g., matching funds from Chambers and a gradual phaseout of USAID financing. But the "nitty-gritty" of specific proposals will vary appreciably amongst users who are at varying stages of growth and sophistication.

APPENDIX E
A POSSIBLE FUTURE STRATEGY FOR CAIC's TRAINING AND TECHNICAL ASSISTANCE DEPARTMENT

The evaluation team found that the reception of the business community and others to CAIC's training services and activities have been quite positive. The Training of the Trainers program and the dialogue with the Caribbean Examinations Council received particularly high marks. CAIC has developed a valuable resource, whose commercial and social applications should be carefully assessed.

In order to carefully target future training resources and plan future training programs, CAIC should undertake an analysis of the market for training and technical assistance in the Caribbean with the aim of determining the sensitivity of demand to price (elasticity of demand) with particular attention towards:

(a) segmenting the services market in terms of type of service (e.g., top management training, in-plant training, industrial engineering services, financial consulting services, marketing, and other services) and type of recipient (e.g., large diversified firm vs. small local firm),

(b) assessing the existing and potential capabilities and price structures of other providers of training services,

(c) estimating the prices required to elicit graduated levels of demand for the market segments (as described in "a", above), and comparing these prices to the costs of running the relevant programs.

These data would be used to determine the prospects for CAIC to price its services, at the upper end of the market, on the basis of full cost coverage (including overhead and return for risks assumed). The data could also be used to determine the level of subsidy which would be required at the lower end of the market in order to make up the difference between the cost of providing a beneficial service and the ability of smaller firms to pay for it. In effect, CAIC would move toward a two-fold approach to the marketing and pricing of its training and technical assistance product:

1. The first marketing/pricing approach is characterized by a proactive selling mode in which the services are actively marketed and sold at full economic cost;

2. The other marketing approach is characterized by the <u>response mode</u> in which the "service" is provided in response to the validated requirements of the small and micro businesses which required subsidies.

If the market survey determines that there is un-met demand for training and technical assistance services in the Caribbean, and if continued training programs can find continued Board and donor support, then CAIC may wish to establish the functions of its Training and Technical Assistance Department as follows:

(a) identifying training needs through needs analyses and organization diagnosis at the firm level;

(b) organizing or assisting in the delivery of quality training and technical assistance;

(c) evaluating the results of completed training programs to assess impact and to identify alternative training strategies as necessary;

(d) organizing the broad, region-wide training system developed by CAIC, maintaining contact with new trainers and consultants as well as the resources and materials at their disposal, and assisting in upgrading or updating skills and resources as necessary on the basis of the needs of CAIC's clientele;

(e) documenting the training process, in order to assess training impact and to track the causal links between provision of service and bottom line impact; and

(f) collaborating with other agencies delivering training in the region (including those connected with the SEA project, BIMAP, UWI, the public school system, and other regional providers of services) in order to eliminate redundancy and to ensure that gaps in the range of available services are filled.

This inter-linked approach could be marketed by CAIC as its "developmental" model, with CAIC and its donors together funding the substantial investment costs involved. To support the effort, a resource and documentation center should be created in which written Caribbean case studies, films, training manuals and packages and other readings can be made available. This resource bank can then feed the Caribbean private sector training system. (Special funding may be required to prepare case studies and to adapt material).

Within the training and technical assistance delivery system, a register of outside trainers and consultants (including private or independent consultants as well as those working with established institutions within the public school system, BIMAP, UWI, and the SEA project) should be kept. "Orientation" and "feedback" sessions should be held with these individuals to ensure maintenance of a high and consistent quality of services within the CAIC approach.