

PD-AAX-241

A.I.D. EVALUATION SUMMARY PART I

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

IDENTIFICATION DATA

A. REPORTING A.I.D. UNIT: <u>RDO/C</u> <small>(Mission or AID/W Office)</small> (ES# 538-88-06)	B. WAS EVALUATION SCHEDULED IN CURRENT FY ANNUAL EVALUATION PLAN? yes <input checked="" type="checkbox"/> skipped <input type="checkbox"/> ad hoc <input type="checkbox"/> Eval. Plan Submission Date: FY <u>88</u> , Q <u>1st</u>	C. EVALUATION TIMING SEE D Interim <input type="checkbox"/> final <input type="checkbox"/> ex post <input type="checkbox"/> other <input type="checkbox"/> <div style="text-align: right; font-size: 1.2em;">13N 54437</div>			
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 FACD (mo/yr)	Planned LQP Cost (000)	Amount Obligated to Date (000)
538-0079	- Dominica Small Enterprise Dev. Project (ex-post)	81	6/30/86	417	417
538-0102	- Caribbean Marketing Assist. Project (ex-post)	83	12/31/85	390	390
538-0133	- Small Enterprise Assist. Project (interim)	86	2/28/91	11,850	5,900
538-0136	- National Foundation Assist. Project (ex-post)	85	4/18/85	520	520
538-0035	- C'bean Credit Union Dev. I Project (ex-post)	80	12/31/85	1,486	1,486
538-0135	- C'bean Credit Union Dev. II Project (ex-post)	85	12/31/86	535	535

ACTIONS

E. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR <p style="text-align: center;">Action(s) Required:</p> <p>Based on the Evaluation results, RDO/C should collaboratively with CAIC review the Small Enterprise Assistance Project (538-0133) with a view to refocusing or if necessary redesigning the project.</p>	Name of officer responsible for Action <p style="text-align: center;">Jason Brown</p>	Date Action to be Completed <p style="text-align: center;">March 31, 1988</p>
(Attach extra sheet if necessary)		

APPROVALS

F. DATE OF MISSION OR AID/W OFFICE REVIEW OF EVALUATION: mo 12 day 16 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	<i>Jason Brown</i>	(in draft)	<i>Darwin Clarke</i>	<i>James Holtaway</i>
Typed Name	Jason Brown		Darwin Clarke	James Holtaway
Date:	<u>1/27/88</u>	Date: _____	<u>07/27/88</u>	<u>1/28/88</u>

Clearances: C/PSO:CPatalive
 Date 01/27/88

C/PRM:DMutchler
 Date AS

D/DIR:ABisset
 Date AB

H. EVALUATION ABSTRACT (do not exceed the space provided)**Small Enterprise Cluster Evaluation**

The Small Enterprise Cluster consisted of six projects aimed at assisting the development of small/micro businesses in the Eastern Caribbean countries and Barbados, thereby stimulating income, employment and a broadening of the entrepreneurial base. The Dominican Small Enterprise Development Project, The National Development Foundation Assistance Project and a major Component of the Small Enterprise Assistance Project (SEAP) provided credit and technical assistance to micro enterprises. They also focused on establishing and strengthening the National Development Foundations (NDFs) and WID Ltd. Three different institutions have been involved in the implementation of these projects, the National Development Foundation of Dominica (NDFD), the Pan American Development Foundation (PADF) and the Caribbean Association of Industry and Commerce (CAIC). The Caribbean Marketing Assistance Project implemented by Partners of the Americas, was designed to assist manufacturers in three countries to export to the U.S.. The Caribbean Credit Union Development Projects provided support for the development of the Caribbean Credit Union movement. They were implemented by the World Council of Credit Union (WCCU) and the Caribbean Confederation of Credit Unions (CCCU). This evaluation (10/19-11/10/87) was part of a private sector program evaluation being conducted by Louis Berger International, Inc. (LBI) and was based on visits to seven countries, discussions with USAID and implementing agency officials, a review of project documents and interviews with beneficiaries. The major findings and conclusions are:

- The projects supporting the NDFs and WID have been very successful in creating effective credit/training institutions to provide assistance to the micro-business sector. They have produced a steady stream of success stories: of struggling, sub-viable micro sector entrepreneurs who utilized credit and technical assistance to expand to the scale required for viability. However, accomplishments of SEAP beyond this has been meager.
- The Credit Unions fulfill the working capital requirements of their small business membership and are often responsive in providing the equivalent of overdraft facilities for the informal sector.
- CMAP was poorly conceived and designed and its results were meager. Its goal (increased Caribbean exports) and its target beneficiary group (micro and small businesses) were incompatible.
- The evaluation recommended that: (i) RDO/C should continue to support NDFs and WID at current or expanded rates of loan disbursement; (ii) SEAP should be expeditiously redesigned with a view to streamlining activities; and (iii) RDO/C should encourage cooperative relationships between the NDFs and credit unions wherever feasible. A major lesson identified by the evaluation is that project designs should not rely heavily on "voluntary" activity to accomplish ambitious goals as was the case with CMAP.

I. EVALUATION COSTS

1. Evaluation Team Name	Affiliation	Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (US\$)	Source of Funds
Jackie Coolige-Louis Berger, Int'L Inc.		538-0119-C-00-6027	29,430	Project
Rodney Wilkinson	"]	
Susan Bain	"]	
Harvey Lerner]	

2. Mission/Office Professional
Staff Person-Days (estimate) 3

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

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A.I.D. EVALUATION SUMMARY PART II

I. 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: 01/25/88

Title and Date of Full Evaluation Report: Small Enterprise Assistance Cluster, January 1988

SUMMARY OF EVALUATION FINDINGS

The RDO/C Small Enterprise Cluster consisted of six projects: the Dominica Small Enterprise Development (DSED), National Development Foundation Assistance (NDFA), Small Enterprise Assistance (SEA), Caribbean Marketing Assistance (CMA) and Caribbean Credit Union Development (CCUD). The purpose of this evaluation was to assess the economic impact on micro and small businesses, to examine parameters of sustainability of NDFs and the relevance of RDO/C's use of these organizations and to provide a base of information for an analysis of alternative future strategies for the SEA project. The evaluation was based on a review of project documents, field visits, interviews with RDO/C implementing agency personnel and a purposive but varied sample of beneficiaries.

The primary objectives of DSED and NDFA projects implemented by National Development Foundation of Dominica (NDFD) and Pan American Development Foundation (PADF) respectively, were to establish a mechanism for providing seed capital to micro businesses, technical assistance to small entrepreneurs in production, marketing, accounting and small business management and to assist in establishing and strengthening National Development Foundations in the Eastern Caribbean LDCs and Barbados. The goals of these initiatives were to stimulate employment, increase incomes, and broaden the entrepreneurial base. The purpose of the SEA project implemented by CAIC was to increase the ability of local entrepreneurs to establish, expand or increase the efficiency of their businesses. The goal was to increase levels of employment, income, productivity and economic growth in the Eastern Caribbean countries. Delivery of assistance to micro enterprises was to be effected through the NDFs and WID Ltd., while National Coordinating Committees (NCCs) were to be established for the delivery of technical assistance to small and medium scale enterprises.

The evaluation found that these projects have had a significant positive impact on the development of viable businesses and on entrepreneurs who would not otherwise have been able to access the banking system or receive training, technical assistance and business advice. Through mid 1987, the NDFs and WID had provided approximately 1000 loans valued at \$2 million. Given the length of time they have been in operation and the circumstances in which they work they are reasonably cost effective and have a manageable level of arrears. The SEA project has had a significant impact on the effectiveness of the NDFs and WID as credit institutions. However, these institutions are unlikely to become self-sufficient in the near future as they currently receive 70% of their revenue from donor agencies.

Accomplishments of the non-NDF activities of the SEA project have been less than spectacular. For example, only one NCC has been formed and is functioning successfully. The establishment of NCCs has proven to be more difficult than anticipated and technical assistance and training has been slow in getting started. Experimental programs expected to provide venture capital and new sources of loan financing for small and medium sized enterprises have not yet been undertaken.

The purpose of the CMAP was to provide comprehensive marketing assistance to Caribbean micro/small scale manufacturers. The goal was to improve the competitive position of Caribbean entrepreneurs and increase their sales in the U.S. markets. The components included partnership development; market research/assessment missions; product

SUMMARY

development, design and quality control; observational training visits; trade missions; and a brokering/cleaning house function. The evaluation team noted that CMAP overall has had no lasting impact on increasing the sales of Caribbean made products in U.S. markets. The most significant accomplishment under CMAP has been in the area of training and technical assistance in product quality, which resulted in improved marketability and business management techniques. The project suffered from a focus on firms too small to approach the U.S. market and an over-reliance on volunteer assistance both in the U.S. and the Caribbean.

The CCUD I and II projects were implemented by the World Council of Credit Unions (WOCCU) and the Caribbean Confederation of Credit Unions (CCCU). These two closely related projects were intended to provide support for a program of increased mobilization of local savings and the channeling of these funds back into productive and provident investments by members. The overall goal was to improve the quality of life for the peoples of the region. The project focused on providing technical assistance for institutional strengthening to the credit union movement at the regional, national and local levels. The evaluation report indicates that the purpose and goal of their projects were easily achieved. Credit union membership increased by 63%, savings by 147% and loan volumes by 139%. However, the contribution of project outputs to that purpose and goal appears to have been marginal.

CONCLUSIONS

1. The projects supporting the NDFs and WID have been very successful in creating effective credit/training institutions to provide assistance to the micro-business sector. The model of providing business services coupled with credit has proved to be successful and should serve as a guide to the design of future private sector projects in the region.. The arrears of the NDFs/WID compare favorably with commercial financial institutions and have dramatically outperformed most DFCs operating in the OECS/Barbados.
2. The SEA project has been an effective source of support to the NDFs and WID. However, accomplishments of SEA beyond this have been meager.
3. The Credit Unions, utilizing internally generated resources exclusively, have a portfolio of productive loans in the OECS which is 50% larger than that of the NDFs. In particular, they fulfill the working capital requirements of their small business membership in the region, and are often responsive enough to provide the equivalent of overdraft facilities for the informal sector. However, the credit union's primary function still lies with the provision of consumer credit and housing loans, which are repaid out of the salaries of the borrowers. Generally, credit union staff lack project appraisal skills and can offer little in the way of business advice to their clients. They appear to be more willing to lend for short term purposes than for long term purposes.
4. CMAP was poorly conceived and designed, and its results were meager. It's goal (increased Caribbean exports to the U.S.) and its target beneficiary group (micro and small business) were incompatible. The resources provided were insufficient to achieve the objectives set. There was too great a reliance on "voluntary" and part time effort to achieve marketing results which required a considerable level of effort, supported by a heavy application of resources and expertise. However, CMAP did provide useful technical assistance to improve the general marketability of goods and services produced by small businesses in the area.

RECOMMENDATIONS

1. RDO/C should continue to support the NDFs and WID at current or expanded rates of loan disbursement. The NDFs and WID should be encouraged to increase the amount of income (especially earned income and domestic donations) they bring in from sources other than RDO/C.
2. The redesign of the SEA project should take place as expeditiously as possible, with an eye to streamlining activities.
3. RDO/C should encourage (but not insist upon) cooperative relationships between the NDFs and the credit unions in countries where there appears to be good potential for complementary activities. In particular, it makes sense for NDFs to encourage their clients to join a credit union to gain access to working capital. At the same time, credit unions should encourage their business membership to seek training/technical assistance/business advice at the NDFs for an appropriate fee. Thus the NDFs may help the credit unions increase their membership and the credit unions may provide a new source of fee income to the NDFs. As is already occurring in St. Kitts, NDFs can also provide training to credit union staff in project appraisal techniques.

LESSONS LEARNED

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

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

2. Success at the purpose and goal levels of a project do not necessarily mean that the project itself was a success, as the initiative and resourcefulness of project "beneficiaries", combined with positive external events, may heavily outweigh project activities in any analysis of attribution.

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

Small Enterprise Cluster Evaluation, Final Report, January, 1988,
Louis Berger International, Inc.

ATTACHMENTS

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

RDO/C is satisfied with the quality of the report. In our opinion it is responsive to the scope of work, provides adequate answers to the questions posed and reflects a careful assessment of the SEA cluster. The evaluators' account of their findings, conclusions and lessons learned are most informative and should be useful to the Mission as the Private Sector Strategy is reviewed in the near future. For example, the report indicates the successes and the failures of initiatives within the Small Enterprise Cluster and suggests an appropriate mode of assistance for small enterprise development. In particular, the Mission and CAIC are using the report as the basis for a review and redesign of the SEA project.

Given the limited time available, the evaluators were creative in their attempts to measure economic impact. In order to assess impact at the firm level and to aggregate at the institutional level, the evaluation team visited a purposive but varied sample of project beneficiaries. Measurement was done by attribution on the basis of firm viability, entrepreneurship, business skills and loan repayment.

The executing agencies' views of the report are similar to those of the Mission.

MISSION COMMENTS ON FULL REPORT

XD-AX-241-A

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Evaluation of the

RDO/C Private Sector Projects:

SMALL ENTERPRISE CLUSTER

538-0079 Dominica Small Enterprise Development Project

538-0102 Caribbean Marketing Assistance Project

538-0133 Small Enterprise Assistance Project

538-0136 National Foundation Assistance Project

538-0035 Caribbean Credit Union Development I Project

538-0135 Caribbean Credit Union Development II Project

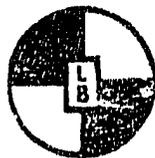
Final Report

**Prepared for
USAID, RDO/C**

**by Louis Berger International, Inc.
January 1988**

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January 14, 1988

Mr. David Mutchler
Chief, Program Division
USAID Regional Development Office/Caribbean
P.O. Box 302
Bridgetown, Barbados

RE: Evaluation of "Small Business Cluster Projects":
538-0079 Dominica Small Enterprise Development Project
538-0102 Caribbean Marketing Assistance Project
538-0133 Small Enterprise Assistance Project
538-0136 National Foundation Assistance Project
538-0035 Caribbean Credit Union Development I Project
538-0135 Caribbean Credit Union Development II Project

Dear Mr. Mutchler:

Enclosed herewith, please find five copies of our final report for the above-referenced project evaluations. Note that we have made some minor revisions to the text, and have included comments from CMAP and CCCU in Appendices F and G, respectively. Comments have not been received from other implementing agencies.

Thank you very much for your assistance in completing this task.

Sincerely,

Jacqueline G. Coolidge
Evaluation Coordinator

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SMALL ENTERPRISE CLUSTER EVALUATION

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LIST OF ABBREVIATIONS

BDD	British Development Division
CAIC	Caribbean Association of Industry and Commerce
Caricom	Caribbean Common Market
CCCU	Caribbean Confederation of Credit Unions
CDB	Caribbean Development Bank
CDF	Cooperative Development Foundation of Canada
CIDA	Canadian International Development Agency
CMAP	Caribbean Marketing Assistance Project
CTCS	Caribbean Technological Consulting Services (CDB)
CUNA	Credit Union National Association, Inc.
DFC	Development Finance Corporation
EEC	European Economic Community
EDF	European Development Fund (EEC)
EDS	Economic Development Sub-committees (CMAP)
FIT	Foundation for International Training
FND	Foundation for National Development (St. Kitts/Nevis)
HIAMP	High Impact Agricultural Marketing and Production
IAF	Inter-American Fund
IDB	Inter-American Development Bank
IDC	Industrial Development Corporation
IECS	International Executive Service Corps
IVS	International Voluntary Services
LBII	Louis Berger International, Inc.
MCF	Matching Credit Facility (for SEAP)
NAPA	National Association of the Partners of the Americas
NCC	National Coordinating Committee (for SEAP)
NDF	National Development Foundation
NRDF	National Research and Development Foundation (St Lucia)
OECS	Organization of Eastern Caribbean States
PADF	Pan American Development Foundation
PCV	Peace Corps Volunteer
RCU	Regional Coordination Unit (of SEAP)
RDO/C	Regional Development Office/Caribbean (USAID)
SBIC	Small Business Investment Corporation (for SEAP)
SEAP	Small Enterprise Assistance Project
UNDP	United Nations Development Program
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
VITA	Volunteers in Technical Assistance
WID	Women in Development, Ltd.
WOCCU	World Council of Credit UnionsOECS

Exchange rates used: US\$1.00 = B\$2.00 = EC\$2.70

All costs expressed in U.S. dollars unless otherwise specified.

SMALL ENTERPRISE PROJECTS CLUSTER EVALUATION

EXECUTIVE SUMMARY

I. INTRODUCTION

This evaluation report is devoted to the assessment of six of RDO/C's "small enterprise" private sector projects. Each of the projects has assisted micro or small to medium enterprises with credit, training, technical assistance, and/or business/marketing advice. The six projects are: Dominica Small Enterprise Development Project (538-0079), National Foundation Assistance Project (538-0136), the Small Enterprise Assistance Project (SEAP, 538-0133), Caribbean Credit Union Development - Phases I and II (538-0035 and 538-0135, respectively) and the Caribbean Marketing Assistance Project (CMAP, 538-0102). Section II discusses the first three as interrelated projects providing credit and associated training and technical assistance to micro and small businesses. Chapter III discusses the Credit Union projects, focussing on credit union loans to the productive sector. Section IV discusses CMAP. Section V of this Executive Summary provides overall evaluation conclusions, recommendations, and lessons learned.

The evaluation team performed its field work during Oct. 19 through December 10, 1987. The team reviewed relevant project documents, and interviewed RDO/C project officers, implementing agency project managers, and the Executive Directors, selected Board members and staff of each of the NDFs and WID. A purposive but varied sample of entrepreneurs of businesses assisted by any of the six projects, including noteworthy success stories, received field visits and short interviews. The focus of the evaluation is on economic impact, measured in terms of the investment in, establishment and expansion of viable micro and small enterprises, and associated employment, sales and foreign exchange earnings. Evaluation team members conducted field visits in each of the member nations of the Organization of Eastern Caribbean States (OECS - Antigua/ Barbuda, Dominica, Grenada, St. Kitts/Nevis, St. Lucia, St. Vincent and the Grenadines) and Barbados, acquired relevant information on each project's activities since its initial implementation, and reviewed the financial positions of each of the NDFs and WID.

II. MICRO-ENTERPRISE CREDIT AND ASSISTANCE PROJECTS: THE NDFs/WID

A. Background & Project Designs

The National Development Foundations (NDFs) of the territories of Antigua, Barbados, Dominica, Grenada, St Kitts, St Lucia and St Vincent received assistance under three USAID projects which are

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examined in this evaluation. These projects were The Small Enterprise Development Project supporting The National Development Foundation of Dominica (No. 538-0079), The National Development Foundation Assistance Project (No. 538 - 0136), and the on-going Small Enterprise Assistance Project (No. 538-0133). These projects are described below.

The Small Enterprise Development - National Development Foundation of Dominica (NDFD) project was a \$300,000 grant (amended to \$417,000) signed in September 1982. The primary objectives were to establish a revolving loan fund to provide seed capital for micro businesses in Dominica, provide technical assistance to small entrepreneurs in production, marketing, accounting and small business management and to assist in strengthening the institutional capabilities of the NDFD. The project was to establish a system of credit for potentially viable small productive businesses which have limited or no access to assistance from traditional credit sources, to create a more productive and vibrant small business sector in Dominica, and to improve the managerial and technical business skills of small entrepreneurial groups and individuals. This project finished in June, 1986 and assistance to the NDFD was taken up by the SEA Project (see below).

The National Development Foundation Assistance project provided a \$0.52 million grant to the Pan American Development Foundation (PADF) with a design very similar to the Dominica NDF project described above. It was to operate in Antigua, Barbados, St Lucia, St Vincent and the Grenadines, and St Kitts/Nevis. The grant was made for the period January 1, 1985 through December 31, 1985. Assistance to the involved NDFs was later taken up by the SEA Project (see below).

In addition, the Grenada National Development Foundation and Women in Development, Limited of Barbados received funding from USAID directly, and have since been incorporate into the SEA Project. These projects are not individually evaluated in this report but information on their finances and clientele are included in the present evaluation.

The Small Enterprise Assistance (SEA) project was a \$10 million grant signed in 1986 to provide technical, management, marketing, and financial assistance to micro, small and medium - scale enterprises in the seven OECS territories and Barbados. \$5.6 million has been obligated through December 1987. The project was to be implemented through a grant to the Caribbean Association of Industry and Commerce (CAIC), which was to establish a distinct organizational unit within its structure to administer the project. The project consisted of two main

FINAL EVALUATION REPORT

components: assistance to micro enterprises and assistance to small and medium scale enterprises.

For the delivery of assistance to micro - enterprises, sub grants were to be made to the National Development Foundations established in each of the OECS nations and Barbados and to WID. For the delivery of assistance to small and medium scale enterprises, sub-grants were to be made to those national private sector entities comprising the National Coordinating Committees (NCCs) in each OECS territory. The NCCs were to be responsible for working with local business people to identify and clarify needs in order to provide an appropriate technical assistance, training or financial response.

The purpose of the Small Enterprise Assistance Project was to increase the ability of local entrepreneurs to establish, expand, or increase the efficiency of their micro-, small-, and medium-scale enterprises in order to produce and sell their goods and services in the local, regional, and extra regional markets. The goal was to increase levels of employment, income, productivity and economic growth in the Eastern Caribbean countries by assisting in the development of privately owned productive enterprises.

B. Project Activities

The Dominica Small Enterprise Development Project, The National Development Foundation of Grenada Project, The National Development Foundation Assistance Project and Small Enterprise Assistance Project provided a combined budget of \$4.1 million for the NDFs and W.I.D. The funds made available by these projects were used by the NDFs to provide credit to small enterprises as well as technical assistance/business advice and for institutional support. The SEA Project, in addition, has provided some training and technical assistance services to small and medium business clients in the Eastern Caribbean, although usually without the input of any NCCs.

C. Project Impact

1. Lending by NDFs/WID

A total of \$2.7 million of the projects' obligated funds were allocated for lending to the micro - business sector. A country by country analysis of the NDFs lending activities is presented in Table 1. On the basis of information collected from the NDFs data base, the statistics show that as at 30 September 1987, the NDFs have disbursed a total of \$2.5 million to 1460 micro-businesses which have led to the creation or maintenance of 2868

Table 1

STATUS OF SEAP OBLIGATED FUNDS AND EXPENDITURES
AS AT SEPTEMBER 30, 1987

	Amount Obligated \$000	Expenditure To Date \$000	Obligated Funds Remaining \$000
T.A./TRAINING FUND	791	172	619
T.A./TRAINING AGREEMENTS	770	502	268
NON-NDF CREDIT	100	0	100
Pilot Matching Fund	50	0	50
SBICS	50	0	50
N.D.F./M.I.D	2478	1672	806
Credit	1561	1023	538
Technical Assistance	445	310	135
Administration	472	339	133
OPERATING COSTS	965	441	524
C.A.I.C Admin Fee	9	3	6
R.C.U	731	420	311
N.C.C.s	175	18	157
Other N.G.O.s	50	0	50
AUDIT/EVALUATION	150	0	150
POLICY ADVOCACY	12	8	4
C.A.I.C ADMINISTRATION	88	14	74
TRAINING	59	8	51
L.A.D.P	101	0	101
EXPORT DEVELOPMENT	40	0	40
CONTINGENCY	76	0	76
TOTAL	5630	2817	2813

jobs. The average loan size was \$1723, and the average arrears rate (over 30 days) was 7% of the outstanding portfolio.

2. Institutional Support

A total of \$855,000 of the projects' obligated funds were allocated for supporting the administration, and \$600,000 for the technical assistance/training budgetary requirements of the NDFs and WID. Table 2.2 shows that USAID projects provided 57% of the NDFs and WID budgetary requirements for 1986 and 55% for the nine months to 30 Sept. 1987. The staffs of the NDFs appeared to be highly effective and competent in their service to micro-enterprises.

The NDFs have been put under considerable pressure to begin preparing for "life after USAID." Some believed they were expected to become "self-sustaining" as rapidly as possible. Most have made serious efforts to broaden and deepen their income base. However, as pointed out in a recent USAID Evaluation Study, institutions serving the micro-sector can generally not achieve financial self-sufficiency, and yet well run ones can exhibit very high socioeconomic cost benefit ratios given adequate resources.¹ A reasonable goal for institutions such as the NDFs is to keep costs and arrearage to a minimum, to diversify sources of income and to avoid over-dependence on any one source including a single donor. Such efforts are especially important in an era of budget cutbacks that will affect even the best of projects.

3. Impact on Credit Recipients

The evaluation team visited between seven and sixteen loan recipients for each of the NDFs and WID. The samples were not random, and are best described as purposive but varied (a range of urban and rural; production, service, and retail; successful and struggling), with a special effort to include noteworthy "success stories."

The evaluation team was able to document an impressive set of success stories from the NDFs and WID (highlighted in Appendix B of this report). Most of them had started up operations on a very small (sub-viable) scale. After an independent start-up, they approached their NDF for a loan, which they used to expand their business to viable proportions. In the clear success stories, entrepreneurs were able to pay off their NDF loans on schedule or nearly on schedule from the proceeds of the business,

1. USAID Evaluation Special Study No. 28, "Searching for Benefits," June, 1985, pg. xi.

Table 2

NDFs SOURCES OF REVENUE 1986 AND 1987

Country	1986 (January- December)							1987 (January- September)						
	Total Revenue U.S.\$ (1)	Donor Funding				Other Sources		Total Revenue U.S.\$ (5)	Donor Funding				Other Sources	
		USAID U.S.\$ (2)	% of Total (3)	Other U.S.\$ (4)	% of Total (6)	U.S.\$ (4)	% of Total (7)		USAID U.S.\$	% of Total	Other U.S.\$	% of Total	U.S.\$	% of Total
Antigua	105088	69551	66	27751	26	7786	7	86024	47570	55	28018	33	10436	12
Barbados	131425	69855	53	31028	24	30502	23	106000	73484	69	8168	8	24348	23
Dominica	146103	72351	50	35576	24	38176	26	130286	72351	56	16294	13	41641	32
Grenada	155608	140669	90	0	0	14939	10	64826	38909	60	0	0	25917	40
St. Kitts	94179	36551	39	44821	48	12807	14	70226	30270	43	22924	33	17032	24
St. Lucia	229466	62018	27	28665	12	138793	60	132269	65061	49	17434	13	49774	38
St. Vincent	57107	46810	82	8864	16	1433	3	27476	11590	42	14174	52	1707	6
N.I.D	148174	115751	79	12203	8	20220	14	N/A						
Total	1067149	613556	57	188908	18	264656	25	617107	339235	55	107017	17	170855	28

Notes

(1) Total revenue derived from all sources. These figures were extracted from the audited accounts

(2) Funds received under the SEAP and PADP projects to support administrative and technical assistance expenditure.

(3) Funds received from IAF and F.I.T

(4) Funds from other sources includes interest from loans, membership dues, donations and projects

(5) These figures were extracted from the NDF's unaudited income and expenditure statements

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to continue to expand or improve the business, to provide an income for themselves (however irregular) and to provide reasonably secure employment for others.

The majority of interviewees, however, found that the path to business viability was less smooth. Typical NDF/WID loan clients periodically experienced cash flow difficulties (often of a seasonal nature) and fell behind in their loan payments at some point. The majority of these borrowers, however, were committed to loan repayment and caught up on their payment schedule as quickly as possible. A few have had their loans rescheduled. As demonstrated by the low overall arrears rates of the NDFs, the clients who fall into serious arrears are a small minority. The low arrears rates of the NDFs/WID appears to be related to the frequent contact between loan officer and client, and to the business advice and bookkeeping assistance provided by the NDF.

D. Non-NDF Activities under SEAP

The SEAP project contained four non-credit activities. These were: the establishment of National Coordinating Committees (NCC); the identification, facilitation, and evaluation of technical assistance and training given to small and medium size businesses in the region; the establishment of pilot Matching Credit Funds in two countries to assist in the financing of small and medium scale enterprises which would not otherwise qualify for commercial loans, and the establishment of Small Business Investment Companies on a pilot basis in two countries to stimulate increased local capital investment and complement commercial bank financing for small and medium scale enterprises.

To date, a NCC has been established and is functioning in Dominica, and NCCs have been established in St. Lucia, St. Kitts and Antigua but are not yet functioning. No NCCs have been set up in St. Vincent or Barbados. Technical assistance and training to small and medium size businesses were channelled directly through the RCU and through technical agreements with International Executive Services Corporation (IESC), International Voluntary Services (IVS) and Witherspoon International Corporation (WIC). No progress has been made to date with the establishment of the matching credit funds and the Small Business Investment Companies.

The formation of an established, registered, and functioning NCC was finalized in Dominica on November 16, 1987, although the NCC has been operational for several months and was in fact built up from a pre-existing grouping of "developmental" minded members of the Dominica business/financial sector. The Dominica NCC has already referred three projects to SEAP, and two requests are currently under review. Most members of the Dominica NCC

believed that it is important for screening and vetting of requests for SEAP resources to take place within the country by a representative cross section of the productive sector. They pointed out that they were better aware of national priorities, needs, opportunities, conditions, and personalities than a multi-lateral staff based elsewhere could ever be. The NCC provides a locally available channel to international resources, which would be difficult for small or struggling local firms to tap on their own. In addition, the NCC supports relationships within the private sector and between the public and private sectors.

E. Conclusions, Recommendations, and Lessons Learned

1. Conclusions

1. The projects supporting NDFs and W.I.D. have been very successful in creating vehicles for the delivery of credit, technical assistance and business assistance to micro businesses in the OECS and Barbados. USAID projects which have channelled funds through the NDFs and W.I.D. - including the ongoing SEA project - have had a significant positive impact on the development of viable businesses and of entrepreneurs who would not otherwise have been able to access the banking system or receive needed training, technical assistance and business advice. The model of providing business services (and maintaining frequent contact with clients) coupled with credit, has proved to be successful and should serve as a guide to the design of future private sector projects in the region. Given the length of time they have been in operation and the circumstances in which they work, they are reasonably cost effective and have a manageable level of arrears - lower in most cases than the DFC portfolios examined in previous LBII evaluations. They are worthwhile institutions fulfilling an important role in RDO/C's private sector portfolio and are deserving of continuing USAID support. W.I.D. has supported many entrepreneurial women, providing them opportunities they feel they would otherwise lack in the business/financial community at large.

2. The NDFs and W.I.D. are dependent upon donor funding to finance their administrative and loan operations expenses and are unlikely to become self-sustaining in the near future. The NDFs/W.I.D. currently receive over 70% of their revenue from donor agencies, and over half from USAID alone. Attempts to encourage the NDFs and W.I.D. to diversify and increase their revenue base and operate as efficiently as possible must be pursued, as across-the-board budget cuts facing USAID may affect even the best of projects. The degree of self-sufficiency for the NDFs is closely related to the scale of their loan portfolios - the larger the portfolio, the more they can benefit from efficiencies of scale. From this point of view, the NDFs should

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be encouraged and assisted to grow. However, the constraints within which these micro-sector institutions operate must be recognised. The NDFs and W.I.D. provide credit and technical assistance to primarily the small informal sector in small and fragmented island economies. The scope for increasing the loan portfolio and therefore the revenue to be earned from lending is limited by the size of each economy and average size loan is limited by the sector within which these institutions are operating. With regard to other sources of income, it should be noted that while there is some additional revenue to be earned from providing complementary services to the micro and small sectors, the NDFs should be careful not to engage in risky new activities that would cause a long term net revenue drain.

3. The SEA project has had mixed success in achieving the objectives set for the project up to 30th September 1987. The SEA project has been an effective source of support to the NDFs and W.I.D. It has provided valuable technical assistance and institutional development support to these institutions and has had a significant impact upon their effectiveness as credit institutions to provide support to the micro business sector. In respect of the creation of the NCCs, MCF, SBIC and the delivery of technical assistance and training to the medium business sector, the accomplishments have been less spectacular. One NCC in Dominica (the one country where one has been successfully formed and is functioning) is performing valuable screening and referral functions on behalf of the SEA Project and is simultaneously strengthening linkages between the micro and formal sides of the private sector. The formation of such NCCs should be vigorously pursued and rewarded in all countries where SEAP operates. However, the creation of meaningful, functional, and active NCCs is difficult in most countries, and cannot be forced or rushed. The formation of NCC is not a strictly necessary vehicle for the delivery of training and technical assistance.

2. Recommendations

1. RDO/C should continue to support the NDFs and W.I.D. and should encourage them to increase the size of their loan portfolios. Wherever necessary, additional support should be given to the NDFs and WID to increase their capacity and efficiency in delivery of technical assistance and business advice, as this seems to be a critical factor in the NDF/WID success in stemming business difficulties before they lead to serious arrears.

2. In planning for the future, the NDFs and W.I.D should be encouraged to pay more attention to increasing sources of income such that they gradually but steadily decrease their reliance on

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USAID and other donors as a source of support for operations. Options which have been mentioned in some cases initiated include the following:

(a) Diversifying and increasing the range of training and technical assistance to the micro and small business sector and charging fees for services, preferably through incorporation in a client's loan package. The services that could be explored include bookkeeping services, marketing assistance, and production assistance.

(b) Increasing interest rates, especially on higher risk loans.

(c) Improving loan screening procedures and collection measures to reduce arrears and/or rescheduling.

(d) Initiating separate income generating projects (which may include equity investments, small business incubation centers including rental space, taking on management contracts). These projects, however, may be regarded as high risk ventures and should be rigorously studied before implementation.

(e) Increasing contributions from domestic and other external sources (such as Chambers of Commerce, banks, and in some instances, government, as well as other external donors).

(f) Forming cooperative relationships with other institutions including a sharing of activities, space, equipment, and/or personnel. Such institutions may include the Credit Unions, business organizations, IDCs or Development Banks. Care must be taken, however, that the effectiveness of the NDFs in serving the productive micro sector not be impaired in a merger with a larger institution whose own interests lie elsewhere.

3. The project should be redesigned as expeditiously as possible with respect to the delivery of training and technical assistance via NCCs and the formation of the MCF and SBICs. In countries where there is a will and desire to establish NCCs then the establishment of these institutions should be encouraged and supported. The concept of the NCCs is sound if the pre-conditions for its formation and proper functioning exist in the countries. In those countries where there is no will or interest in creating NCCs, the alternative mechanisms for the delivery of technical assistance and training should be pursued. The SEAP "condition" that NCCs be formed in a country before training and technical assistance can be provided to needy businesses should

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be dropped and replaced with more appropriate positive incentives.

3. Lesson Learned

The concept of delivering credit and technical assistance as a package to beneficiaries have been shown to be a successful model and may have important implications for future USAID credit programs for the region. Even if business training is not well absorbed by an individual client, the frequent contact between the NDF/WID staff and clientele (facilitating timely delivery of trouble-shooting assistance and advice) appears to be closely associated with their low arrears. There may be a heavy tradeoff between overhead costs (to support a high staff/loan portfolio ratio) and arrears. Similarly, since careful screening of loan applicants allows the NDFs to choose those most likely to succeed, pressure to disburse loan funds too rapidly may result in a higher arrears rate.

III. CREDIT UNION PROJECTS

Caribbean Credit Union I and II were closely related projects which were to "provide support for a program of increased mobilization of local savings and the channeling of these funds back into productive and provident investments by Caribbean Credit Union members and their families." The overall goal was to improve the quality of life for the peoples of the region.

A. Project Designs and Budgets

More specific objectives of Credit Union I were to channel assistance through the Caribbean Confederation of Credit Unions (CCCU) to various national Credit Union Leagues and thence to individual credit unions, which would improve the affiliates' management capabilities, and lead to increased credit union membership and services to that membership. The project would also provide a special channel to the Dominica Credit Union League "in order that the credit union movement can assist in Dominica's reconstruction [after the hurricanes]." Credit Union I was to run from 1980 through 1985, with a budget of \$2.6 million dollars for general activities and an additional \$2.87 million for Dominica. USAID, channeling funds to CCCU through the World Council of Credit Unions (WCCCU) would provide almost \$1.5 million; the rest would be provided by CDF/CIDA, CCCU, and CUNA Mutual.

Credit Union II was to further build up the range of services to the membership, and aim for technical and financial self-sufficiency for credit unions. CCCU was to develop its training

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and technical assistance services, and the national credit union leagues would be encouraged to develop national financial systems. USAID provided a budget of \$535,000 for the calendar years 1985 and 1986, and CIDA and CDF would provide an additional \$1.2 million. The project was to benefit the entire Caribbean region, but USAID funds were specifically earmarked for assistance to the OECS.

B. Project Activities

The Credit Union Projects have been evaluated three times previous to the current evaluation. The most recent evaluation was the End of Project evaluation conducted in late 1986 under the leadership of John H. Magill. The evaluation concluded that the credit union movements had "grown significantly during the past seven years. During this period membership increased 63%, savings 147% and loan volumes 139%. These were the highest average credit union growth rates in the world... An estimated 31.4% of the total population of the Caribbean is associated with the credit union movement."²

It was also noted that almost all the individual credit unions were self sufficient from internally generated income. The projects were said to have succeeded in developing a framework of supporting credit union institutions virtually from scratch. However, it was difficult to attribute much of the successes at the credit union level to the project activities, which were focussed almost exclusively at the regional and national levels. General problems noted included declining growth rates, low rates of return on credit union assets, unrealistic interest rates on loans, relatively high delinquency rates and high expense to income ratios. The project itself was described as overly ambitious, with unrealistic expectations and time frames. "Most important, the design lacked a realistic strategy for sustaining the [regional and national] institutions beyond the end of project funding".

Major evaluation recommendations included a greater market orientation, more attention to increasing savings mobilization and improvements in operating ratios. National credit union leagues should provide more services (including promotion, national financial systems and bonding insurance) to the unions. CCCU should develop a realistic development and financial self sufficiency plan. In general, the movement should work to improve the legislative and regulatory environment affecting the credit unions. Recommendations for future external assistance stressed

². J.H. Magill, "An Evaluation of the Phase II Caribbean Credit Union Regional Development Project," Feb. 1987, pg. I-1.

that such assistance should: stimulate internal savings mobilization (external assistance programs often provide disincentives to internal capital formation), involve bottom-up planning and encourage alternative organizational models.

C. Impact on Small Enterprises

The Magill Evaluation reported that there was an estimated portfolio of US\$1.5 million in "production loans in the OECS, with an annual loan volume of almost 2000 loans totaling \$1.2 million." Although not a specific objective of the project, the credit unions were said to have increased their role in lending for agriculture and other productive/business purposes in recent years. The current evaluation visited credit unions in Dominica, St. Kitts, Nevis, and St. Vincent. Each of these countries' portfolio in productive activities is described in the main evaluation report.

The evaluation team interviewed a total of 17 credit union members who had taken out productive loans. Most were established businesses, and a high proportion had used credit union loans to finance working capital (which most other financial institutions are reluctant to provide). Credit Unions were particularly useful in assisting their business members through cash flow crises, and could be said to substitute for the overdraft facilities that micro-firms cannot hope to obtain from commercial banks. Some members, however, turned to their credit unions to finance more conventional capital investments (equipment, vehicles, and building improvements) and expanded repeatedly on this basis. The Roseau Credit Union, in particular, can be described as a full-service financial institution, although one member interviewed was growing too rapidly for them to service. Several had combined NDF loans for capital investments with Credit Union loans for working capital.

Credit Union members displayed a great seriousness toward repayment of their credit union loans, and a high proportion paid them back ahead of schedule. Most commented that their credit unions were highly responsive and required minimum security for loans. There was a clear sense of "membership" which is stronger than the client relationships felt with the NDFs. The Credit Unions, however, can offer little in the way of training, technical assistance, or business advice, in which some interviewees expressed interest.

D. Conclusions, Recommendations, and Lessons Learned

1. Conclusions

1. The Credit Unions appear to be excellent sources of financing for small business members of credit unions, in that they are highly responsive, make few demands for collateral, and are willing to finance working capital (which other financial institutions, including the NDFs, are reluctant to provide). Operating exclusively with internally mobilized financial resources, the credit unions in the OECS alone (i.e., excluding Barbados) have a combined portfolio of business and agricultural loans which is 50% larger than those of the NDFs in the OECS (whose loan funds are externally provided), and provide almost twice as many loans in a single year as the NDFs have provided since their inception. In addition, the members of the credit unions appear to have a higher degree of commitment to loan repayment than do many of the clients of other financial institutions. There was a strong sense of "membership" expressed by the interviewees, which is perhaps stronger than the client relationships felt with the NDFs. Letting down your credit union means letting down your friends and neighbors, and your reputation and good standing in the community to boot.

2. A shortcoming of the credit unions as a source of business financing is that they have little background in project appraisal and little to offer in the way of business advice, training, or technical assistance for their micro-business clientele. The majority of credit union members are not self employed, and the majority of credit union loans are for consumer purchases, housing, and other non-income generating purposes. The staff of the credit unions are usually relatively unfamiliar with the financial requirements of businesses, or with assessing loan applications in terms of project feasibility. Micro-entrepreneurs are often weak on their business skills, which in turn has a direct impact on the efficiency and success of their business venture. In some Eastern Caribbean countries, such micro-entrepreneurs may be semi-literate and unable to keep proper record of loan payments without assistance.

2. Recommendations

1. Most Credit Union staff could benefit from further training in project appraisal techniques to improve their effectiveness and confidence in lending for productive purposes.

2. Provided staff training can be made available as suggested above, USAID could consider the credit unions as effective vehicles of financial assistance to micro and small business, especially for the provision of working capital and quick-

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response loans which would function for the informal sector as the overdraft facility functions for formal sector businesses.

3. Lessons Learned

1. Success at the purpose and goal levels of a project do not necessarily mean that the project itself was a success, as the initiative and resourcefulness of project "beneficiaries," combined with positive external events may heavily outweigh project activities in an analysis of attribution.

IV. THE CARIBBEAN MARKETING ASSISTANCE PROJECT (CMAP)

The Caribbean Marketing Assistance Project (CMAP) was a pilot project designed by the National Association of the Partners of the Americas (NAPA). The original intent of the Project was to test the effectiveness of the Partners model (comprised of volunteer committees in the Caribbean and "Partners" volunteer committees in New York state) as a mechanism for conducting marketing activities. The Project focused on micro and small business entrepreneurs in the Caribbean by providing marketing assistance to improve the competitive position and increase the sales of their products and services in the United States market.

A. Project Design

The CMAP design involved the utilization of Partners' Economic Development Sub-Committees (EDS) in Dutchess County, Rockland County and Capital District in New York State and the creation of respective counterpart committees in Barbados, Dominica and St. Lucia. The role of the EDSs was to plan, implement and assess economic development/marketing assistance for projects identified between the North/South Partnerships. Peace Corps Volunteers were originally assigned to the Project to provide day-to-day logistical and project support for the EDSs, and to assemble a data base to assist Caribbean and U.S. business persons involved in the Project. CMAP was originally designed for implementation over a 3 year period commencing April 29th, 1983.

In June 1984 the Project underwent major revisions which included changes in program management and redefinition of the Sub-committee structure. For various reasons, the PCV's were replaced 18 months into the Project by paid Coordinators, hired locally. The original CMAP/USAID grant was obligated for \$335,640. At the point of redesign, the second year budget was revised to cover increases in transport, communications and other support costs required with the addition of the Project Coordinators and a consultant for the New York EDSs. The total counterpart contribution through Partners was \$516,450.

B. Previous Evaluations

In January 1985 an evaluation of CMAP was performed. The evaluation was conducted 21 months after the initiation of the Project and 7 months after Project revision. The overall recommendation was that USAID continue to support the CMAP at its then current rate of expenditures. The evaluation notes that while the overall goal and purpose of the project remained the same, CMAP took a different shape in each country and eventually became three projects in one. The report goes on to say that the Partners model, which was based primarily on volunteer services, was not sufficient to carry out the marketing activities as mandated by the Project design. However, when provided with paid Coordinators, the Partnership structure performed much more effectively. This recommendation took into consideration the momentum the Project had gained since the hiring of local Coordinators and the consistency of CMAP activities in relation to the revised Project objectives.³ On the basis of the evaluation findings it was the decision of RDO/C to fund the Project through December 1985 at the then current expenditure rate. This resulted in an increase in the life of project funding to \$390,000.

C. Impact on Small Enterprises

In Barbados the focus of the CMAP project was on small/medium sized manufacturers and hotels. There was a CMAP trade fair held in Albany in 1985, and other CMAP tours to the US for Barbadian manufactures and hoteliers, which were described as very informative for the participants (providing important insight into the size and diversity of the US market, the range of technology and supplies available and the competition they faced), but a disappointment in terms of immediate marketing opportunities. The tours improved contacts between the partnerships, and led to more specific training and technical assistance projects, including furniture production techniques geared toward the U.S. market, and a software package for hotel management and accounting. The hotel tours led to some special packages for groups of US tourists to visit beneficiary Barbadian hotels during the "low" season.

In Dominica the CMAP project concentrated on the tourist industry (restaurants, hotels, and hiking trails, and on small manufacturers). The restaurateurs and hoteliers participated in a six week training program in culinary arts, and appeared to

³. Heather A. Clark, "An Evaluation of the Partners of the Americas Caribbean Marketing Assistance Project, Feb. 1985, pp.1-11.

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benefit a great deal. Given the small size of the tourist industry in Dominica, the island has a few noteworthy restaurants and hotels, most of whom credit CMAP for their high standards. Training and technical assistance trips were arranged for the manufacturers, which received mixed reviews. A handicraft marketing thrust floundered. During a CMAP seminar, it was suggested that tourism promotion should focus on the "natural" aspects of the island. Two groups working with the Ministry of Forestry were subsequently sent for training in the building and maintenance of forestry trails. Those trained are currently working to reestablish existing trails.

In St. Lucia, the CMAP project was aimed primarily at micro-enterprise and handicrafts. Most project activities provided technical assistance in the areas of quality control, packaging, and local marketing. For exports, CMAP activities with the handicrafts industry included a training seminar on the marketing of straw goods for the U.S. market. The exposure through this experience provided valuable insight for the beneficiaries to the competitive U.S. market place. Two U.S. straw basket wholesale distributors expressed interest in importing St. Lucian baskets, but to date the market has not been established.

D. Conclusions

1. The CMAP overall has had no lasting impact on increasing the sales of Caribbean made products in U.S. markets. The most significant accomplishment under CMAP has been in the area of training and technical assistance in the area of product quality. As a result of these activities some entrepreneurs were able to improve upon their trade or craft, as well as learn valuable business management techniques. These activities in turn improved the marketability of products and may have improved the competitive position of firms within the regional and tourist markets, but were ineffective beyond this.

2. The disappointing performance of the project appears to be primarily due to a variety of design flaws, including:

a. A focus on firms too small to approach the US market, regardless of the level of assistance provided (especially in St. Lucia and Dominica). Many small entrepreneurs who visited the US under CMAP spoke of feeling "overwhelmed" and were unable to follow up on the few contacts established with potential buyers.

b. A reliance on volunteer activity, which should not have been expected to be sufficient to make a critical difference in reaching the ambitious export marketing objectives of the project.

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- c. An inadequate budget to support the activities required to fulfill project objectives. A move toward higher levels of effort near the end of the project showed more promise, but depleted the budget too fast to allow for necessary followup activities.

In short, the resources/inputs of CMAP were inappropriate and insufficient to achieve the outputs and purposes described in the project design.

3. More to the point, CMAP appears to be an example of a project that was expected simultaneously to address the needs of struggling entrepreneurs in the micro-sector (increased market opportunities) and to achieve significant macro-economic objectives (growth in production, employment and export earnings), and which succeeded in accomplishing neither.

4. The Caribbean Marketing Assistance Project was designed as a pilot project to test the Partners' model of using professional volunteers to provide marketing assistance to micro, small and medium sized businesses in the Caribbean. As the Project implementation progressed in each country it took a different shape and eventually became three projects with different target clientele and objectives. While the overall goal and purpose of CMAP remained unchanged, achievement was difficult to attain even after increasing the level of effort (replacing PCVs with local full time coordinators) given the level of businesses that participated and activities undertaken to meet their needs. The "test" of the partnership model for marketing assistance (relying in heavy measure on the voluntary contributions of professionals from both the U.S. and the Caribbean) should be judged "negative."

V: OVERALL CONCLUSIONS, RECOMMENDATIONS, AND LESSONS LEARNED

A. Conclusions and Comparative Analysis of Institutions Serving the Micro/Small Business Sector

1. The projects supporting the NDFs and WID have been very successful in creating effective credit/training institutions to provide assistance to the micro-business sector. The NDFs and WID between them have produced a steady stream of success stories: of struggling, sub-viable micro-sector entrepreneurs who utilized credits to expand to the scale required for viability. By providing business advice and "hand-holding" along with credits, the NDFs and WID have helped many entrepreneurs acquire basic bookkeeping and business management skills, which (along with simple frequent contact with clients and the ability to

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provide timely trouble-shooting assistance) appear to have kept arrears to a minimum for these institutions. The arrears of the NDFs/WID compare favorably with commercial financial institutions and have dramatically outperformed most DFCs operating in the OECS/Barbados.

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

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

4. CMAP was poorly conceived and designed, and its results were meagre. Its goal (increased Caribbean exports to the U.S.) and its target beneficiary group (micro and small business) were incompatible. The resources provided were insufficient to achieve the objectives set. There was too great a reliance on "voluntary" and part time effort to achieve marketing results which require a considerable level of effort, supported by a heavy application of resources and expertise. However, CMAP did provide useful technical assistance to improve the general marketability of goods and services produced by small businesses in the area. Many interviewees expressed a continuing need for export marketing assistance, and a dissatisfaction with the marketing assistance available through existing channels (including the SEA project).

B. Recommendations

1. RDO/C should continue to support the NDFs and WID at current or expanded rates of loan disbursement. The NDFs and WID should be encouraged to increase the amount of income (especially earned income and domestic donations) they bring in from sources other than RDO/C.
2. The redesign of the SEA project should take place as expeditiously as possible, with an eye to streamlining activities.
3. RDO/C should encourage (but not insist upon) cooperative relationships between the NDFs and the credit unions in countries where there appears to be good potential for complementary activities. In particular, it makes sense for NDF to encourage their clients to join a credit union to gain access to working capital. At the same time, credit unions should encourage their business membership to seek training/technical assistance/business advice at the NDFs for an appropriate fee. Thus the NDFs may help the credit unions increase their membership and the credit unions may provide a new source of fee income to the NDFs. As is already occurring in St. Kitts, NDFs can also provide training to credit union staff in project appraisal techniques.

C. Lessons Learned

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

The disappointing performance of the CMAP project was due in large part to the assumption that part time, voluntary activity on the part of individuals in small U.S. cities and small Caribbean islands would permit Caribbean micro-business to penetrate the U.S. market and bring about a significant increase in Caribbean exports to the U.S. Voluntary activity can be very useful in advisory and coordinating functions. However, even for such limited purposes, the number of successful businesspeople in the Caribbean who carry prestige within the community, have practical ideas to offer and resources to back them and limited. The subset of such individuals who are also interested in promoting development and who have time to devote to Board of Advisors/Directors responsibilities (and heavy and time-consuming responsibilities they usually are!) is extremely limited. Aside from running their own businesses in a period of regional economic decline, many committed businesspeople are asked to sit on the Boards of their national business association, regional business groupings, political committees, local educational institutions, philanthropic societies, churches, and now National Coordinating Committees. Although it is always worthwhile to seek

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out new talent and new sources of innovative support for donor activities, donor assistance to needy entrepreneurs (who have the least time and resources to devote to any activities outside their own struggling enterprises) should not be held up indefinitely by the search for active members for new advisory committees.

2. Success at the purpose and goal levels of a project do not necessarily mean that the project itself was a success, as the initiative and resourcefulness of project "beneficiaries" combined with positive external events may heavily outweigh project activities in any analysis of attribution.

SMALL ENTERPRISE CLUSTER EVALUATION

CHAPTER I: INTRODUCTION

This evaluation report is devoted to the assessment of six of RDO/C's private sector projects that are focussed on the development of micro, small and medium sized businesses in the Caribbean. Each of the six projects has assisted micro or small to medium enterprises (also referred to generally as "small business" throughout the rest of this report) with credit, training, technical assistance, and/or business/ marketing advice. The six projects can be grouped as follows:

Small Enterprise Credit and Technical Assistance Projects: These include the Dominica Small Enterprise Development Project (538-0079), the National Foundation Assistance Project (538-0136), and the Small Enterprise Assistance Project (SEAP, 538-0133);

The Caribbean Credit Union Development Projects - Phases I and II (538-0035 and 538-0135, respectively); and

The Caribbean Marketing Assistance Project (CMAP, 538-0102).

Section II of this discusses the first set as interrelated projects providing credit and associated training and technical assistance to micro and small businesses. It also touches upon two additional projects which provided assistance in the past to Barbados' Women in Development, Ltd. and to the Grenada NDF before these institutions received funding through the SEA project. Section III discusses the Credit Union projects, focussing on credit union loans to the productive sector. Section IV discusses CMAP. Section V of this report provides overall evaluation conclusions, recommendations, and lessons learned.

This Introductory chapter describes the background to and methodology of the evaluation, and outlines the Generic Scope of Work used by LBII in each of its evaluations of RDO/C's private sector projects. It also discusses a range of small enterprise projects carried out by funding agencies other than USAID in the region.

Appendix A contains the scope of work for the evaluation. Appendices B - D provide greater detail on each of the individual sub-projects examined by the evaluation team, organized by project (Appendix B: NDFs/WID/SEA, Appendix C: Credit Union Projects; Appendix D: CMAP). Appendix E describes the evaluation team members, assignments and qualifications. Appendices F and G, respectively, contain the comments of the CCCU and CMAP on the draft evaluation report.

A. BACKGROUND OF PRIVATE SECTOR PROGRAM EVALUATIONS

The evaluations of the small enterprise projects represent six of some fourteen evaluations of projects within the ambit of RDO/C's Private Sector Program, which Louis Berger International, Inc. is carrying out for USAID over a period of a year and a half. Project evaluation results will be synthesized and incorporated into two Private Sector Program reports. A "Generic Scope of Work" (see Section B.2, below) is applied in each evaluation to analyze the project designs within a standardized program framework. Use of a standardized program framework facilitates comparisons among projects and integration of the results of individual project evaluations into the program reports.

The six projects were evaluated together because:

1. Recent guidance from USAID's Latin America and Caribbean Bureau favors clustered, program-related evaluations, where grouping is possible;
2. All six projects are designed to benefit micro, small and medium sized businesses.
3. The NDF/WID/SEA projects and the Credit Union projects all provided credit to small businesses.
4. The NDF/WID/SEA projects and CMAP all provided technical assistance to small businesses.

B. EVALUATION METHODOLOGY

1. Geographic and Temporal Scope of Evaluation

The evaluation team performed its work from October 19 through December 10, 1987. The team reviewed relevant project documents, and interviewed RDO/C project officers, implementing agency project managers, and the Executive Directors, selected Board members and staff of each of the NDFs and WID. A purposive but varied sample of entrepreneurs assisted by any of the six projects, including noteworthy success stories, received field visits and short interviews.

The focus of the evaluation is on economic impact, measured in terms of the investment in, establishment and expansion of viable small enterprises, and associated employment, sales and foreign exchange earnings. Evaluation team members conducted field visits in each of the member nations of the Organization of Eastern

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Caribbean States (OECS - Antigua/ Barbuda, Dominica, Grenada, St. Kitts/Nevis, St. Lucia, St. Vincent and the Grenadines) and Barbados, acquired relevant information on each project's activities since its initial implementation, and reviewed the financial positions of each of the NDFs and WID.

2. Analysis of Project Achievement, Impact, and Attribution

In order to assess impact at the firm level, and to aggregate at the institutional level, the evaluation team visited a purposive but varied sample of project beneficiaries in each country for a short interview covering the background to business start-up, the nature of the project assistance received (e.g., credit, business skills training), the outcome and current status of the business, and the degree to which the outcome observed can be attributed to the project. The questionnaire is reproduced in Appendix A.3 of this report. The responses were categorized and analyzed on a scale of High (3), Medium (2) and Low (1) as follows:

FIRM LEVEL ACHIEVEMENT

Firm Viability: High means business appears to be expanding in a sustainable fashion, medium means business is roughly breaking even, low means business is declining or requires frequent cash infusions to maintain size.

Entrepreneurship: High means new lines, new markets, or noteworthy initiative, risk-taking, creativity and innovation; low means little innovation or initiative in production or marketing.

Business skills: High means proprietor keeps regular and detailed records of business operations and appears to deal successfully with customers, suppliers, and staff; low means proprietor fails to keep adequate records, has little knowledge of firm's financial performance, and appears to have difficulty dealing with customers, suppliers, and/or staff.

Employment:

a. numbers of employees measured as approximate full time job equivalents; b. estimated annual payroll; c. does proprietor take a regular salary and if so, how much on an annual basis? d. degree business is important as proprietor's source of income: High, medium, or low.

Type of business: production - manufacturing, cottage industry, agriculture, fishing or agroprocessing; service - e.g., hairdressing, restaurant, repair; retail - e.g. shopkeeping and vending operations.

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Loan Repayment: High means consistently on schedule or ahead of schedule in repayment; Medium means that client has been late with some payments or has fallen behind and since caught up; Low means client has built up serious arrears.

PROJECT ATTRIBUTION

Credit for Startup: High means project credit was crucial to start up of business, other sources not possible (note: NDFs and Credit Unions are treated as a single category of "project credit" serving the micro sector); medium means project credit facilitated start up, other sources possible but unattractive; low - other sources readily available; nil - started up without project assistance.

Credit for Expansion: (as above).

Training/Technical Assistance/Business Advice: High means project personnel very important to development of client's business skills; low means little or no business assistance received.

RDO/C PRIVATE SECTOR ANNUAL ACTION PLAN INDICATORS

Loan Amount: US dollars from project sources.

Total Investment: US dollars - often rough estimate and may include purchase of land or existing buildings and/or start up capital.

Foreign Exchange Earner?: yes response includes significant earnings from tourists.

3. The Generic Scope of Work

The projects being evaluated have been designed (and in some cases redesigned) over a period of some seven 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 these evaluations analyzes the project designs in terms of a standardized program framework and identifies the "bottom line" development impacts of the projects discovered during the course of the evaluation. Use of a standardized framework makes it easier to compare these projects

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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, with elements relevant to the six projects evaluated in this report highlighted and referenced.

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's private sector projects 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 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 over forty "purpose elements," a master list to which each RDO/C private sector project can be related at the purpose level.

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

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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 projects. This economic development goal statement fits reasonably well with the goal statements of the six projects under consideration in this report. 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 (e.g., employment creation resulting from a project may take place even while unemployment in general is increasing).

The other goal relevant to this evaluation, similarly developed on the basis of comparisons of all the projects in the private sector program, is simultaneously a goal in its own right and an intermediate goal toward the economic development goal defined above.

Institutional Goal Statement:

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

In many respects, the institutional development goal serves the economic development goal: If viable institutions have been created which serve the private productive sector, then the increase in productivity, production, and sales which result should lead to increased employment, income, foreign exchange earnings and standards of living.

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 outputs of the project are being achieved, how do these contribute to the fulfillment of project purposes? 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, about nineteen can be associated with at least one of the four projects evaluated in this report. These project design causal paths are described in each separate project chapter, below.

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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 instances, the connection is clear: a loan provided to a particular company allows it to expand to viable proportions, providing income to the proprietor, employing more people, and increasing production and sales at that company. In other instances, the connection is less clear: A Caribbean garment producer received assistance through a marketing project to attend a tour of the garment industry in the United States. He was disappointed to discover that access to buyers was much more difficult to arrange than he had anticipated and in fact was not accomplished during the tour. The producer decides that the best approach for him to the U.S. market would be direct contact with the consumer through mail order catalogs. If such a scheme was eventually successful, it may be that the entrepreneur was in fact assisted by the marketing project, in that he had gained insights into the nature of the U.S. market and subsequently devised his own ways around the constraints he found.

The key evaluation question is not, "Did things get better after the project 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, the evaluation team had no "control group" identical in all important respects to the firms visited for this evaluation.

Given the lack of a readily available and cost-effective control group, the present evaluation has sought information, often subjective, 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-analytical" level: for example, quantitative and anecdotal evidence that production of individual small business has increased as a result of loans or technical assistance provided through one of the six projects. 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.

C. BACKGROUND TO THE SMALL ENTERPRISE PROJECTS: Other Projects Aimed at Small Business in the Caribbean

Donor agencies other than USAID have also initiated a variety of projects aimed at small business in the Eastern Caribbean. While it was beyond the scope of this evaluation to undertake an exhaustive survey of these other projects, the evaluation team did endeavor to reach number of other donor agencies and obtain information on other, similar projects. The information gathered includes projects carried out by the British Development Division in the Caribbean, the CDB's Caribbean Technological Consultancy Services, the United Nations Industrial Development Organization, and the U.S. Peace Corps (including their "Small Business Resource Handbook").

The British Development Division (BDD) was among the first of the development agencies to work in the Eastern Caribbean, and was operating long before the nations of the OECS attained independence. The BDD initiated Self Help Programmes and Community Development Programmes (including some micro-enterprise development) in some territories as early as the mid 1970s.

A 1982 review of such programs in Dominica outlined the activities undertaken and assessed their impact. The programs tended to focus on rural communities and on community projects, such as the building of village clinics, schools, water catchments, and feeder roads; or on developing income generating projects. The projects usually utilized a combination of donor resources, domestic government resources, and local labor. The review concluded that the Dominica scheme "has been successful in meeting the needs of people in rural and deprived areas... although clearly some local councils have been more effective than others..." The program worked with a budget of about \$150,000 in grant funds, and supported about 300 community projects, under 10% of which were directly income generating (and therefore comparable to the RDO/C projects discussed in this evaluation report). The income generating projects included boxing plants for local produce, fishing cooperatives, and sports facilities. The boxing plant was described as revenue "saving" rather than revenue earning, in that it saved local crops from losses during transport. The fishing coop was aimed at improving productivity. The sports facilities (mostly the creation of level playing fields) represented about 5% of projects, and "were clearly being extensively used by much of the community."

A small business loan scheme associated with the community development project in Dominica was included in the review. As of early 1982, the loan scheme had a portfolio of about \$22,000. The maximum loan size was EC\$2,500 (just under US\$1,000), and carried interest rates of 10%; arrears were somewhat under 20%. "Many of the businesses which have received loans are thriving.... The types of business which have been assisted recently include chain saw operators, bakeries, shoemakers and mechanics." Many of the

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projects were community operated, including the bakeries: "we were told that the community baked two or three times a week at a cost of approximately \$30/bake which would produce a revenue of between \$110 - \$140... At the moment profits from the bakery are being used to repay the loan... but once this is repaid, funds will be channelled back into the community." The loan scheme ran into difficulties due to "loans" made to the parent Self-Help Program (which went into arrears) and funds lost by the Treasury.¹

Small loan schemes initiated through the BDD's community development schemes elsewhere in the OECS had mixed fortunes, according to a 1987 internal BDD review. Some loan schemes got off to a bad start during 1976 - 78 with confused administration: funds went out as both grants and loans and sometimes a mixture of the two to a single recipient. Interest was rarely charged and arrears were high. The loan schemes were revamped and standardized starting in 1979 as revolving loan funds which carried an interest rate under a legally enforceable agreement. Loans committees were formed, training was provided for the administrative staff, and technical assistance by Peace Corps volunteers and VSOs were made available. The loan schemes reportedly functioned reasonably well during the early 1980s, but included beneficiaries of a social strata even lower than those served by the NDFs: those who had a great need for assistance but who often had difficulty achieving a viable scale of operation even with assistance. Several of the loan schemes were in any event soon swamped when the Community Development Departments who ran the programs took on a large variety of new projects initiated by other donors with inadequate staff and funding to cover overheads.

For the programs discussed below, descriptive information is available, but reviews, assessments, or evaluations are not.

The CDB's Caribbean Technological Consultancy Services Network (CTCS) is operated by the Technology and Energy Unit of the CDB in cooperation with regional and national institutions, laboratories and industrial enterprises. The CTCS provides assistance to productive enterprises in project appraisal, trouble shooting in production, operations, accounting, supply and organization. They can assist in selection of appropriate equipment and machinery, in factory layout and production flow. The network can access technical assistance expertise through UNIDO, VITA and other organizations. It's principal areas

¹. British Development Division in the Caribbean, "Review of the Community Development and Self-Help Programme, Dominica" April, 1982.

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include agro-industry, food processing, furniture and garment manufacturing, paper and plastic, building materials and energy production. The assistance is available to anyone in the English speaking Caribbean. Fees are charged on the basis of the cost of the service and the means of the client. Minimum fee is \$750 in local currency.

The United Nations Industrial Development Organization (UNIDO) and the UNDP have sponsored a variety of industrial development projects throughout the Caribbean. The great majority of these projects, however, are jointly sponsored by government and tend to benefit parastatals and public sector enterprises. UNIDO can and does undertake projects on behalf of private sector clients, but the application process is lengthy and tedious; and private sector clients usually find themselves treated as low priority, after public sector projects.

CARICOM and UNDP together sponsored a workshop on "Entrepreneurship Development in the Caricom Region" in October of 1987. The purpose of the workshop was to design a three year project to promote and support the start up and expansion of small businesses, and to promote the idea of self employment as a career option for people leaving the educational sector, for the unemployed or for "those with latent entrepreneurial talent."

In UNIDO's Entrepreneur Development Programmes (which have already been implemented elsewhere in the developing world), prospective entrepreneurs after selection are put through development processes which teach them the elements of business start-up and the running of a business. This includes the preparation of a loan application to a bank or other lending agency, marketing and sales, bookkeeping, and other assistance. There then follows "hand-holding" or technical assistance to help the fledgling company grow and become independent.

The project (not yet signed and approved), to be titled "Promotion and Development of Entrepreneurship, Small-Scale Industry and Productive Investment in the Caribbean, Phase I", is expected to last for three years and include inputs through the UNDP and other donor agencies of \$2,544,000.

The immediate objectives of the program are as follows:

1. Development of a number of new and existing local entrepreneurs who will start-up or expand small to medium-scale manufacturing industries. Special emphasis to be placed on the development of identified cottage producers into small-scale entrepreneurs.

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2. Increase the flow of investment capital to Caribbean manufacturing enterprises for a) potential entrepreneurs in start-up new industries, and b) existing entrepreneurs wishing to expand or diversify current operations.
3. Establish a network of local institutions in each country with capability to carry out small-scale industry development programme and develop a support system for these institutions within government and/or private organizations.²

The Peace Corps' "Small Business Resource Handbook" provides information about a wide variety of sources of assistance for small business, including the Peace Corps/Eastern Caribbean "Small Projects Assistance Funds" and PCV Small Business Advisors. The Book provides information on and/or addresses of:

- 1) Commercial Banks
- 2) Commercial Lenders
- 3) Development Banks and Development Finance Corporations
- 4) The Caribbean Financial Services Corporation
- 5) National Development Foundations
- 6) National Ministries of Community Development and their Small Business Development Funds (see BDD above)
- 7) Women In Development, Ltd. (Barbados)
- 8) HIAMP (High Impact Agricultural Marketing and Production)
- 9) About 35 Private Voluntary Organizations or Non-Governmental Organizations (mostly based outside the Caribbean and serving world-wide).

The Peace Corps itself has a Peace Corps Partnership Program, which attempts to find U.S. non-government sponsors for projects suggested by its Volunteers. It has program grants ranging from about \$200 to \$6,500. In addition, there is a Peace Corps/Small Projects Assistance Program to support small community self-help efforts through direct grants to community organizations. Both the Peace Corps programs and the other 30 odd sources listed at the back of the handbook are geared toward community development projects, and generally not toward private small business.³

Among donor projects aimed at the private micro-sector in the OECS/Barbados, it appears that RDO/C's are among the largest and most successful of those in operation, although it should be

2. UNDP Project Document (unsigned)

3. Peace Corps/Eastern Caribbean "Small Business Resource Handbook", August 1987.

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noted that other agencies, notably the IDB, EDF, and CIDA, have made major contributions to the subject projects of this evaluation.

CHAPTER II MICRO-ENTERPRISE CREDIT AND ASSISTANCE PROJECTS

A. BACKGROUND AND PROJECTS DESIGN

The National Development Foundations (NDFs) of the territories of Antigua, Barbados, Dominica, Grenada, St. Kitts, St. Lucia and St. Vincent received assistance under three USAID projects which are examined in this evaluation. These projects were: the Small Enterprise Development Project supporting the National Development Foundation of Dominica (No. 538-0079), the National Foundation Assistance Project (No. 538-0133) and the on-going Small Enterprise Assistance Project (No. 538-0136). In addition, the Grenada National Development Foundation and Women In Development, Limited of Barbados received funding from USAID. (The latter two projects are not individually evaluated in this report, but information on their finances and clientele are included in the present evaluation.)

Section A of this chapter describes the projects' background, designs, goals and purposes. Section B summarizes previous evaluations of the Dominica National Development Foundation and of WID, and the Deloitte, Haskins & Sells assessment of the financial systems of all the NDFs. Section C describes the impact of the projects at the institutional level, utilizing the data base maintained at SEAP, while Section D describes the projects' impact at the firm level. Section E describes the non-credit component of the SEA project. Section F applies the "Generic Scope of Work" and Section G provides the evaluation conclusions, recommendations and lessons learned.

1. The Dominica Small Enterprise Development Project

The Dominica Small Enterprise Development Project consisted of a grant to the National Development Foundation of Dominica (NDFD). The purpose of the grant was to provide support for a program to promote the development of small/micro business throughout the country; and thereby to stimulate income and employment generation and broaden the entrepreneurial base in Dominica.

(a) Project Design

The grant had a number of specific objectives which it set out to attain:-

1. To establish a system of credit for potentially viable small productive businesses which had limited or no access to existing credit.
2. To improve the managerial and technical business skills of micro and small businessmen.

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3. To encourage and facilitate greater collaboration between the more established businesses and micro businesses for expansion of the private sector.

To attain these objectives the project provided for:

1. the establishment of a revolving loan fund through the commercial banking system to provide credit for micro businesses in Dominica;
2. the hiring of Dominicans to work as Small Business Extension Officers to provide advisory services and training to entrepreneurs in production, marketing, accounting and small business management;
3. the hiring of U.S. and local consultants to provide technical assistance and training for NDFD's small business extension officers; and
4. the hiring of a Dominican Counterpart Executive Director, who was to understudy the Executive Director assigned to the NDFD under the European Development Fund with the expectation that the counterpart Executive Director would assume the duties of the Executive Director within two years. Loans provided from the revolving fund were not to exceed \$5,000 and were to be used to purchase equipment or raw materials and finance working capital and establishment costs.

(b) Implementation of Project

The Dominican Small Enterprise Development Project was initiated on September 30, 1982 and the anticipated completion date was September 30, 1985. The completion date was extended to April 30, 1986 and the budget was revised to provide \$417,000. The allocation of funds were as shown below.

Allocation of Funds - Dominica Small Enterprise Dev. Project

	\$ 000
Administration	15
Revolving loan fund	288
Technical assistance	99
Audit and accounting	11
Evaluation	<u>4</u>
	<u>417</u>

2. National Development Foundation Assistance Project

(a) Project Background

The National Development Foundation Assistance project was a \$0.52 million grant to the Pan American Development Foundation (PADF) to provide support for a program to promote the development of small/micro - businesses in the countries of Antigua, Barbados, St Lucia, St Vincent and the Grenadines, and St Kitts/Nevis. The grant was made for the period January 1, 1985 through December 31, 1985. The funds were allocated as follows:

	<u>\$000</u>
Administration	60
Training/Counselling	40
Commodities	30
Revolving Loan/Generated /Fund	330
Project Officer	60
	<u>\$ 520</u>

(b) Purposes and Goals

The purpose of the Project was to provide support for a program to promote the development of small/micro businesses and thereby stimulate income and employment generation and broaden the entrepreneurial base in participating countries.

(c) Project Design and Strategy

The specific objectives of the project were to:

1. Provide resources for a system of credit for potentially viable small productive businesses which have limited or no access to assistance from traditional credit sources.
2. Create a more productive and vibrant small business sector in the participating countries.
3. Improve the managerial and technical business skills of small entrepreneurial groups and individuals.
4. Increase individual earnings and employment for marginal entrepreneurial groups.
5. Encourage and facilitate greater collaboration between the more established businesses and micro businesses for expansion of the private sector.

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To achieve the stated objectives, PADF would assist participating NDFs by establishing and administering Revolving Loan Funds/Guarantee Funds within the Commercial Banking System to provide capital for micro businesses in their respective countries and bring nationals to work as small business extension agents who will provide advisory services and training to entrepreneurs in production, marketing, accounting and small business management.

3. National Development Foundation of Grenada

A \$0.7 million grant was made to PADF in September, 1984 to assist the local private sector in organizing a National Development Foundation of Grenada to deliver business, accounting, and managerial assistance for the start up and improvement of new and established micro enterprises, and to make credit available to them. The expiration date of the grant will be 31 December, 1987. The expected project outputs at the end of the three year projects were, inter alia, to implement a loan program which provided credit and technical assistance to low-income persons for small business development; that an administratively sound NDF will be fairly established; that the staff will be qualified to train and assist micro business in marketing, production, bookkeeping, costing and pricing; over 350 loans will have been made; over 400 micro enterprises will have benefited from training and approximately 1,000 jobs will have been created.

4. Small Enterprise Assistance Project

(a) Background and Rationale

The Small Enterprise Assistance (SEA) project provided technical, managerial, marketing and financial assistance to micro, small and medium-scale enterprises in the seven OECS states and Barbados. The project was implemented through a grant to the Caribbean Association of Industry and Commerce (CAIC).

For the purpose of this project, micro and small businesses were combined into a single category and defined as enterprises with less than 10 employees, sales less than \$35,000 per annum and assets less than US\$15,000. Medium scale enterprises were defined as enterprises with 10 to 50 employees, sales in the US\$35,000 to US\$250,000 range, and up to US\$75,000 in assets. Micro, small and medium businesses, as defined for the SEA project, possess at least some of the following characteristics: They are loosely organized, with little or no formal management structure; individual proprietorship, family owned or partnership structured. Start-up capital is normally provided from savings

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or borrowed from family or friends and they have had limited or no formal management training, simple or no formal bookkeeping at all, with their assistance needs not being satisfactorily served by existing institutions.

The rationale behind the SEA project was that micro, small and medium-scale enterprises play important roles in the Eastern Caribbean in that these types of businesses contribute significantly to expanded employment opportunities and higher incomes, and are relatively efficient users of capital and credit. Additionally, it was rationalized that small and medium sized businesses were often the source of general business skills training for other sectors of the economy. The decision to create SEA was made in response to four separate but related factors which all seemed to point to a need for providing assistance to the micro, small and medium-scale enterprises. Although these needs vary by island, sector of the economy and by entity, they included limitations in the areas of: market access, administrative capabilities, technical capabilities and credit.

1. **Market Access:** An AID sponsored Partnership for Productivity (PEP), Inc. study entitled "Pre-Feasibility Study for a Small Business Development Strategy in the Eastern Caribbean", listed market access, market information and knowledge and marketing skills as principal concerns of small and medium businesses. The problems of marketing were identified as being particularly acute in the region.

2. **Administrative Capabilities:** Micro, small and medium-scale enterprises lack the knowledge and application of basic business tools such as accounting, bookkeeping, inventory management, cost analysis and business and financial planning. The absence of these capabilities contributes to operational inefficiencies which retard business growth and effective institutions have not emerged to address these problems.

3. **Technical Capabilities:** Technical constraints confront micro, small and medium size businesses. The lack of technical training, the limited availability of qualified technical assistance and the limited availability and high cost of adequate facilities are all problems that retard the growth of these enterprises.

4. **Credit:** The access to credit is another constraining factor that confronts micro, small and medium size businesses in the region. The inability of these businesses to convince banks and other financial institutions of their credit-worthiness, the lack of collateral security, the inability to prepare loan proposals and business plans, are among some of the problems that these enterprises have to overcome.

(b) Project Goals and Purposes

The purpose of SEA has been to increase the ability of local entrepreneurs to establish, expand or increase the efficiency of their micro, small and medium-scale enterprises, in order to produce and sell their goods and services in the local, regional and extra-regional markets.

(c) Project Design

The SEA project consisted of a \$10 million grant to CAIC to serve the eight countries of Antigua/Barbuda, Barbados, Dominica, Grenada, Montserrat, St. Kitts/Nevis, St. Lucia and St. Vincent and The Grenadines. In order to meet the goal and purpose stated above, the SEA project consisted of the following six elements:-

1. Assistance to micro enterprises through National Development Foundations (NDFs) and the Women In Development (W.I.D.) programs. The support was two-fold:
 - (a) institutional support to the NDFs and W.I.D. in terms of technical assistance and financing to help in NDF and W.I.D. establishment, organization, management and staffing;
 - (b) and direct assistance to NDF and W.I.D. borrowers via the extension of grants to the NDFs for the provision of counseling regarding micro enterprise project identification, preparation and implementation and the provision of financial assistance via revolving and guarantee loan funds.
2. The establishment of National Coordinators to facilitate delivery of technical, managerial and marketing assistance to small and medium-scale enterprises.
3. The co-ordination of the provision of training assistance to entrepreneurs and supporting institutions (NDFs, National Coordinator, banks, business associations).
4. The establishment of pilot matching credit funds (MCFs) for commercial bank loans in two countries to assist in the financing of small and medium-scale enterprises which would not otherwise qualify for commercial bank loans.
5. Facilitation of the establishment of small business investment companies (SBICs) on a pilot basis in two countries to stimulate increased local capital investment and complement commercial bank financing for small and medium-scale enterprises.

6. The establishment of a SEA Regional Co-ordinating Unit (RCU) within the Barbados office of CAIC to facilitate and co-ordinate all project activities on a regional basis.

(d) Implementation of the Project

The SEA project was initiated on February 25, 1986 and the anticipated completion date will be February 24, 1991. \$5.63 million was obligated by USAID for the fiscal years 1986 and 1987. The remainder is to be obligated over the rest of the project. The first disbursement under the project was made in June 1986 and as of September 30, 1987 \$2.8 million was disbursed. A summary of the allocation of obligated funds to September 30, 1987 is set out in Exhibit II.I.

B. PROJECT ACTIVITIES

The Dominica Small Enterprise Development Project, the National Development Foundation of Grenada Project, the National Development Assistance Project and the Small Enterprise Assistance Project as at 30 September, 1987, provided a combined budget of \$4.1 million for the NDFs and W.I.D. The funds made available by these projects were used by the NDFs to provide credit to small enterprises, as well as technical assistance/business advice and for institutional development. The funds were allocated as follows:-

	<u>PADF</u>	<u>NDFD</u>	<u>SEAP</u>	<u>TOTAL</u>
	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
Institutional Development	353	30	472	855
Credit	820	288	1561	2669
Technical Assistance	71	99	445	615
	----	----	----	----
	<u>\$1244</u>	<u>\$417</u>	<u>\$2478</u>	<u>\$4139</u>

1. Previous Evaluations

The National Development Foundation of Dominica was evaluated three times prior to this evaluation. The most recent evaluation was conducted by Michael A. Evans, S.J., in August, 1986.

The evaluators concluded that the NDFs loans have had a considerable, positive impact on employment (maintenance and creation) as well as income generation for micro-level Dominican entrepreneurs. The loans had also contributed to the development of entrepreneurial attitudes towards business and work on the part of the loan recipients, or have at least served to support

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EXHIBIT II.1

STATUS OF SEAP OBLIGATED FUNDS AND EXPENDITURES
AS AT SEPTEMBER 30, 1987

	Amount Obligated \$000	Expenditure To Date \$000	Obligated Funds Remaining \$000
T.A./TRAINING FUND	791	172	619
T.A./TRAINING AGREEMENTS	770	502	268
NON-NDF CREDIT	100	0	100
Pilot Matching Fund	50	0	50
SBICS	50	0	50
N.D.F./W.I.D	2478	1672	806
Credit	1561	1023	538
Technical Assistance	445	310	135
Administration	472	339	133
OPERATING COSTS	965	441	524
C.A.I.C Admin Fee	9	3	6
R.C.U	731	420	311
N.C.C.s	175	18	157
Other N.G.O.s	50	0	50
AUDIT/EVALUATION	150	0	150
POLICY ADVOCACY	12	8	4
C.A.I.C ADMINISTRATION	88	14	74
TRAINING	59	8	51
L.A.D.P	101	0	101
EXPORT DEVELOPMENT	40	0	40
CONTINGENCY	76	0	76
TOTAL	5630	2817	2813

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and augment those attitudes that existed previously. The NDFD, it was found, had numerous strengths and it has had a strong positive impact on small-level Dominican entrepreneurs. The evaluators made the following recommendations: First, that there was a need to diversify the portfolio of projects that NDFD funds so as to maintain the level of employment and income generation that the program has been able to effect in the past.

Second, that although the concept of providing technical assistance together with credit as a package is commendable, the NDFD may either have to reconsider its insistence on acceptance of technical assistance as a condition for loan disbursement or put some teeth into it. The evaluators found that technical assistance was viewed by some clients as a "hoop" to jump through to get the loan. The evaluators concluded, however, that the insistence on technical assistance before loan disbursement (i.e. seeing technical assistance as a long-term process) was a positive step.

Third, that the NDFD and its clients would be better served if greater accountability from both Field Officers and clients could be achieved.¹

An evaluation of W.I.D completed in January 1987 by B.E.O Brown, of International Voluntary Services (IVS) estimated that lending activity from Feb. 1985 through May 1986 affected 90 people directly, involved 107 employees, and led to an average net increase in affected incomes in excess of 50%. In repayments, the evaluation reported that 50% were consistently current with their repayment schedules, with the rest ranging from "tardy with good explanations" to bad projects. About 85% of the interviewees had been able to make some improvement to their place of business; 80% had recommended W.I.D to others.

Major evaluation recommendations included a tightening and rationalization of the organizational structure, a speeding of the loan approval process, and more emphasis on technical assistance in business operations.²

The NDFs' financial records and reports were reviewed by Deloitte, Haskins & Sells (the consultants) in 1986 in order to

1. Michael A. Evans, S.J. "The Impact of Credit on Small Entrepreneurial Projects: An Evaluation of the National Development Foundation of Dominica," August, 1986.

2. B.E.O. Brown, "The Impact of Credit on Small Entrepreneurial Projects - An Evaluation of WID Limited, Barbados"; January, 1987.

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determine if their accounting systems conform with general accounting principles applied on a consistent basis. The consultants reported on each NDF separately but certain general conclusions were drawn and recommendations made which applied to all the NDFs. The consultants recognized that in small organizations with a small staff it is difficult to implement the level of internal control normally expected in larger organizations. However, they recommended that the accounting function be strengthened, separate from the Executive Director, with an individual who has sufficient experience to provide full-time accounting functions with the provision of necessary control reports on a timely basis. They recommended in general that the NDFs improved their loan appraisal procedures and approvals and monitoring procedures especially in respect to delinquent accounts. They also recommended that staff training programs be instituted which will serve to increase individual capabilities in terms of a greater awareness of micro-sector business operating problems, especially in terms of market viability; loan appraisal procedures and lending criteria techniques and providing borrowers with meaningful technical support.

Our evaluation findings indicate that the NDFs have made significant strides in implementing the recommendations of the consultants' report. All the NDFs, with the exception of St. Vincent, have in place a full-time Accounting Officer. Proper accounting procedures have been implemented and the NDFs are producing timely management information reports. Income and expenditure statements to September 30, 1987 were made available to the Evaluation Team by all the NDFs. The loan procedures have also improved considerably since the Deloitte, Haskins & Sells report.

2. Institutional Development and Sustainability

USAID provided \$0.855 million of funding to assist with the administrative expenses of the NDFs and W.I.D and to assist with the development of these institutions. NDFs are local, private sector, not-for-profit organizations promoted, established and guided by voluntary, local private sector leadership. These institutions through a combination of activities which includes business advice, technical assistance and credit have planned and implemented programs which have supported small and micro scale entrepreneurs who have no or limited access to traditional banking credit and assistance. The NDFs have developed into efficient and effective institutions which are delivering their programs at a relatively low cost.

The SEA project is continuing to provide assistance to support the development of the NDFs and W.I.D. One of the objectives of the SEA project is to make the NDFs and W.I.D strong, vibrant,

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well managed private sector institutions with efficient and competent staff and Board and effective credit and technical assistance delivery mechanisms. The evaluation evidence has shown that the SEA project is meeting its objective with respect to the NDFs. We have found well managed, efficient organizations with dedicated Boards.

Exhibit II.2 summarizes the sources of revenue for the calendar year 1986 and the nine months January to September 1987 for the NDFs and W.I.D. The Table shows that for 1986, 75% of these institutions' revenue was contributed by donor agencies (including 57% from USAID) and in 1987 (January to September 30) 72% was contributed by donors (including 55% contributed by USAID).

All the NDFs have recognized the need to seek new avenues for the funding of these institutions and some of them have designed plans to reduce their dependency on external donor funding. The National Development Foundation of Dominica for example, has identified the problem of self-sufficiency as one of the challenges that confront the organization while it continues to take on the protracted task of developing the small business sector. The NDFD has identified and is perusing a number of programs to diversify its revenue base while not yet abandoning the basic concept of the NDFD. These programs include the erection of a Small Business Complex, the construction of factory shells for small business enterprises, establishing a Fund-Raising Committee to tap funding from the local business community, taking over the project loan portfolio from the commercial banks (who had administered most project loans until mid 1986) and substantially increasing, diversifying and strengthening the loans portfolio. They have recently taken on two management contracts for HIAMP. The St. Lucia NRDF is involved in Literacy and Rural Development programs and serves as a resource center for local and overseas Researchers. The NRDF also operates a hostel and catering facility as income generating activities.

Our evaluation findings have shown that there is some scope for increasing the non-donor revenue base of the NDFs but there are three important constraints that must be considered: First, all of the Foundations are relatively young and immature organizations, the oldest NDF is not yet six years old. Second, the ability to earn revenue from their loan portfolio is limited by the size of the economies that exist in these islands and the number and average size of the loans. The ability to earn revenue from other activities is similarly limited by the scale and fragmentation of the island economies in the OECS and Barbados.

The average loan portfolio of the NDFs and W.I.D as at September 30, 1987 was \$185,000. Assuming that the NDFs could each double

EXHIBIT II.2

NDF's SOURCES OF REVENUE 1986 AND 1987

Country	1986 (January- December)							1987 (January- September)						
	Total Revenue U.S.\$ (1)	Donor Funding				Other Sources		Total Revenue U.S.\$ (5)	Donor Funding				Other Sources	
		USAID U.S.\$ (2)	% of Total (3)	Other U.S.\$ (4)	% of Total (6)	U.S.\$ (7)	% of Total (8)		USAID U.S.\$ (9)	% of Total (10)	Other U.S.\$ (11)	% of Total (12)	U.S.\$ (13)	% of Total (14)
Antigua	103088	69531	66	27751	26	7786	7	86024	47570	55	28018	33	10436	12
Barbados	131423	69853	53	31028	24	30502	23	106000	73484	69	8168	8	24348	23
Dominica	146103	72351	50	35576	24	38176	26	130286	72351	56	16294	13	41641	32
Grenada	153608	140667	90	0	0	14939	10	64826	38909	60	0	0	25917	40
St. Kitts	94179	36531	39	4821	48	12807	14	70226	30270	43	22924	33	17032	24
St. Lucia	229466	62018	27	28665	12	138793	60	132269	65061	49	17434	13	49774	38
St. Vincent	57107	46810	82	8864	16	1433	3	27476	11590	42	14179	52	1707	6
W.I.D	148174	115751	78	12203	9	20220	14	N/A						
Total	1067149	613356	57	188908	18	264656	25	617107	339235	55	107017	17	170855	28

Notes

- (1) Total revenue derived from all sources. These figures were extracted from the audited accounts
- (2) Funds received under the SEAP and PADP projects to support administrative and technical assistance expenditure.
- (3) Funds received from IAF and F.I.T
- (4) Funds from other other sources includes interest from loans, membership dues, donations and projects
- (5) These figures were extracted from the NDF's unaudited income and expenditure statements

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their portfolios within two years, the maximum contribution that could be expected from the loan interest component towards the revenue requirements of the NDFs would be in the order of 35-40%. Some scope does exist for the NDFs to diversify their income base by charging fees for some of the technical assistance and business advice that they are currently providing and also broadening the range of services on offer. These charges could be levied as a flat fee for service, or by increasing the rate of "interest" charged on loans to compensate for the additional services provided, or by increasing the loan amount to pay for these services. Additionally, the NDFs could developed comprehensive bookkeeping and/or technical assistance packages not only for the NDFs' borrowing customers but for any micro or small businesses in the respective country.

There also exists a potential for deriving revenue from special projects such as the establishment of small business centers, provision of shells for small businesses, and other related ventures. From the experience of the more developed NDFs such as St. Lucia, our estimate of the potential revenue that can be derived in the long run from these other charges plus membership fees and local contributions could be in the order of an additional 20 to 25%. Our projections indicate that in the long run, mature, well functioning NDFs operating within the confines of small island economies providing credit, technical assistance and other appropriate services to micro and small business could generate between 55 to 65% of their revenue requirements from their lending program and other activities but would require external donor funding to cover the rest of their expenses.

One dilemma facing the NDFs concerns their mandate to "graduate" successful clients to the commercial banks at the same time that the NDFs are expected to improve their own financial performance. The number of "graduates" is an important measure of the success of the NDF; but the NDFs are reluctant to send away their best clients (those with the largest loans and best repayment records), as such clients yield the highest incomes and incur the fewest costs. In fact, many clients are themselves unwilling to switch to the commercial banks, as the latter are much more demanding in terms of security and repayment, and have little or no assistance to offer. Most of the potential graduates interviewed by the evaluation team would not willingly leave their NDF unless their borrowing needs exceeded the NDF's loan ceiling.

Although some small business loan programs operating in other countries have achieved near or complete "self sufficiency", these programs have all operated in much larger economies, with loan portfolios many times larger than those of the NDFs and have generally benefited from much more favorable scale economies.

A USAID Special Study of several specific small business assistance projects in Latin America and Africa noted that "None of these projects is successful as measured in conventional terms of interest income covering administrative cost and capital erosion... [yet] All the projects enjoy an undiscounted benefit cost percent ratio greater than unity with four out of five internal rates of return above 100 percent.... The lesson to be drawn is that self-sufficiency or project sustainability, although highly desirable, should not be equate with economic success, nor its absence with a failing project."³

3. Lending Activities

The three projects being evaluated, along with the National Development of Grenada project, provided a combined budget of \$2.7 million to the NDFs and W.I.D for lending to micro-businesses. With the exception of the Grenada NDF no quantitative targets were set with respect to the number of loans to be disbursed. The project designs required that the lending should be directed towards those micro and small businessmen who would not normally have access to the traditional banking system. Exhibit II.3 summarizes the status of the loan portfolio of the NDFs and W.I.D from inception to 30 September, 1987.

The loan portfolio of the NDFs and W.I.D represent a mix between older loans extended under the bank guarantee scheme and newer direct lending. The NDFs in St. Lucia, Antigua, St. Vincent, Dominica and St. Kitts started off their lending activities under the guarantee scheme whereby commercial banks provided the loans to NDFs' clients and the NDFs guaranteed 80% by way of deposits at the banks. All of these NDFs with the exception of St. Vincent have now gone into direct lending following the pattern of the Barbados and Grenada NDFs and W.I.D, whose lending have all been direct.

The NDF and W.I.D credits were used to finance short, medium and long term loans to small enterprises particularly in the areas of agriculture, services and small manufacturing. As seen in the table above the arrears rates vary between 3 to 14%, with an overall average of 7%. The above figures do not reflect \$10,000 of loans written off by the St. Vincent N.D.F and \$5,000 written off by the Antigua N.D.F. If these were added to the arrears figures at 30 September 1987, it would increase the overall average level of arrears to 8%. For the annual report, the Dominica NDF accountant writes off loans that are over six months in arrears but maintains them in the arrears calculations.

³. A.I.D. Evaluation Special Study No. 28, "Searching for Benefits," June 1985, pg. xi.

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Exhibit II.3

Summary of NDFs/W.I.D. Lending

Country	No of Loans (1)	Amount U.S.\$ (2)	Average Size U.S.\$ (3)	Amount Outstanding U.S.\$ (4)	Amount of Arrears U.S.\$ (5)	Arrears % (6)
Antigua	70	207213	2960	125065	3276	3
Barbados	87	316082	3633	296445	11179	4
Dominica	491	605576	1233	181727	26250	14
Grenada	191	385081	2016	288803	27044	9
St. Kitts	232	335639	1447	179743	8591	5
St. Lucia	117	271388	2320	163945	9960	6
St. Vincent	30	42779	1426	12338	1331	11
W.I.D	242	351497	1452	155638	9791	6
Total	1460	2515255	1723	1403753	97422	7

Notes

- (1) No of loans disbursed since the inception of operations.
- (2) Principal amount disbursed since inception of operations.
- (3) Average size of loans disbursed.
- (4) Principal amount outstanding at 30 September 1987.
- (5) Amount of principal and interest in arrears over 30 days at 30 September 1987.
- (6) Amount in arrears over 30 days as a percentage of principal outstanding at 30 September 1987.

Source: SEAP/RCU

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The loan officers vigorously pursue them, and the DNDP has collected almost US\$5,000 on some \$13,000 of loans "written off" since 1984. In addition, some of the NDFs have rescheduled some of their troublesome loans. Our estimate of the effect of these rescheduled loans on overall average arrears would be to increase the figure by another 1% (i.e., to 9%).

Data on the distribution of loans by sector for each NDF/WID are incomplete, as some NDFs started reporting to RCU on lending by sector in 1986, others in 1987, while two NDFs have not yet made any such reports. A breakdown of lending by sector on the basis of the data available is as follows:

Sector	% of Loans (No.)	% of Loans (Value)
Farming	11	13
Fishing	6	6
Manufacturing	25	31
Services	21	24
Retailing	21	12
Other	<u>16</u>	<u>15</u>
TOTAL	100	100

Source: SEAP/RCU

The largest single sector for NDF lending has been manufacturing, followed by services. Productive loans (farming, fishing, and manufacturing) account for 42% of NDF loans, and 50% of loan funds. The Executive Directors and Board members of the NDFs expressed to the evaluation team a distinct reluctance to lend for retail businesses, stating a preference for more "developmental" and productive lending. However, in cases where entrepreneurs would be providing a needed service to a community otherwise lacking a general store (and where there was little competition to endanger business success), the NDFs would provide such loans.

Very few of the NDF borrowers are foreign exchange earners (except for those in the tourist industry), and most NDF clients (including the manufacturing and service businesses) probably involve net, but relatively minor, foreign exchange expenditures. Given the narrow industrial base in the OECS, and the scale of business served by the NDFs, it would be unrealistic to expect major net foreign exchange earnings or savings associated with the projects.

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4. Technical Assistance

The projects examined in this evaluation provided \$0.6 million to the NDFs and W.I.D to provide technical assistance and training to their borrowers. The technical assistance provided by the NDFs and W.I.D have taken the form of general business advice, and assistance in bookkeeping, marketing, supplies and general "handholding."

The majority of technical assistance services offered to the NDF clients have been provided at no charge. The interest rate charged by W.I.D includes a 2% fee to cover some of the costs of providing technical assistance and training.

Exhibit II.4 summarizes the number of recipients receiving technical assistance and training under the SEA project.

Exhibit II.4

Summary of Technical Assistance and Training for
Micro-Entrepreneurs under SEAP

Location	T.A./training participants
Antigua	125
Barbados	344
Dominica	192
Grenada	125
St. Kitts	115
St. Lucia	250
St. Vincent	51

	1202

C. PROJECT IMPACT, INSTITUTIONAL LEVEL

The NDFs and W.I.D have disbursed a total of \$2.5 million in loans in the OECS and Barbados to 1460 borrowers. The average size of loans disbursed was \$1723. The evaluation team findings indicate that the NDFs and W.I.D have made a significant contribution to employment in the OECS and Barbados. Based on the information made available to the evaluation team from these institutions and the reports sent to RCU, it appears that some 2868 jobs were created or sustained by the NDFs and W.I.D lending program. An institutional breakdown is provided in Exhibit II.5.

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Exhibit II.5: Jobs Affected by NDFs/W.I.D Lending Program

	<u>Male</u> (2)	<u>Female</u> (2)	<u>Total</u> (2)
Antigua	107	68	175
Barbados	222	125	347
Dominica	557	327	884
Grenada	320	128	448
St. Kitts	167	78	245
St. Lucia	204	68	272
St. Vincent	41	20	61
W.I.D. (3)	109	327	436
	-----	---	-----
	1727	1141	2868
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Notes:

1. Source of Data - NDF's and W.I.D data base
2. Jobs Affected - Employment at loan recipient firms: refers to jobs created as well as sustained.

D. PROJECTS IMPACT AT THE FIRM LEVEL

The evaluation team visited the eight NDFs in the Region and W.I.D. in Barbados. A total of seventy-five loan recipients were interviewed, with a range of seven to seventeen for each institution. For purposes of this analysis, and to conform the number of client interviews in all NDF's, only ten of the seventeen interviews conducted in Dominica are included for evaluation purposes. Six interviews from a previous LBII study in St. Lucia (the Pilot Survey of Micro-Business, conducted in May of 1987) are added to the four conducted there this November. Therefore the total number of client interviews considered for this evaluation's impact analysis was seventy-four. The selection of clients was not a random sample but can best be described as a purposive grouping. The interviewees varied across a range of urban and rural clients in the productive, retail and service sectors, and included success stories, struggling businesses and "deadbeats".

The client interviews followed a standard questionnaire format developed by the evaluation team. (See Appendix A.3 for a sample questionnaire.) The questionnaire was designed primarily to measure firm achievements and Project attributions. "Firm level achievement" was measured in terms of business viability, entrepreneurship, the management skills of the proprietor, level

of employment generated and/or sustained, importance of the business as the sole source of household income and the client's repayment record. "Project attribution" was measured according to the relative importance of NDF/W.I.D. credits for business start-up and/or expansion, and the importance of training/technical assistance to the client's business development. Questionnaires for each NDF/W.I.D. were analyzed according to an Achievement and Attribution Scale of High (3), Medium (2) or Low (1). An overall average was then computed for each indicator. (See Chapter I.B.2 for more discussion of the Achievement and Attribution Scales). The questionnaire was also designed to provide data relevant to RDO/C's Private Sector Annual Action Plan Indicators such as NDF/W.I.D. loan amount, client's total business investment, and foreign exchange earnings. Detailed assessments of achievement and attribution, by country/institution, as well as summaries of the interviews, are contained in Appendix B.

1. Firm Level Achievement

Of the 74 businesses considered in this analysis, 39 were in the productive sector, 21 were in services, and 14 were in retail. The overall averages and significant patterns that have emerged are discussed below.

The most typical pattern that emerged from the interviews can be described as follows: An individual started a micro-enterprise (e.g., a small vegetable farm, a metal-working firm, a mini-mart, or a beauty salon) on a part time basis or while unemployed, financed from personal savings and/or informal loans from family or friends. The business over the first several months was usually sub-viable, in that it had to wait for payment from a finished job in order to pay for materials for a new job. It was usually not yielding a sufficient income to remunerate the proprietor for his/her time much less opportunity cost of capital or entrepreneurial risk (the latter two factors generally not explicitly considered by the entrepreneur anyway). Gross earnings fluctuated considerably and may have fallen off completely on a seasonal basis. The firm may have had a small payroll, but tended to pay by the day or on a piece rate.

After a period of time, the entrepreneur realizes that expansion is required for viability. The entrepreneur approaches the NDF for a loan which will (if approved) often lead to a doubling or more of the gross assets of the venture, and will often include working capital to buy stocks of materials in bulk, which can be kept on hand (and replenished) to allow for timely responses to new orders. Such firms can usually not approach either a commercial bank or even a DFC due to lack of security. Some firms start from scratch with an NDF loan, but most of the interviewees had already established on their own. "Established" firms have an

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edge on new start-ups in that they have already demonstrated seriousness of purpose, initiative, and responsibility; and probably a market and a payment record (to suppliers, for instance) as well. They are reasonably good risks for an NDF.

After expansion with an NDF loan, the firms often exhibit increases in gross business earnings ranging from 50% to over 100%. Employment often increases slightly, moving from part time to full time work and to fixed weekly wages. Many firms after expansion still experience periods of cash-flow difficulty (tourism/agriculture drive most Caribbean economies on a seasonal basis) and may fall behind on their loan payments. The firm may still be bringing in revenues, but the entrepreneur (and her/his family) may have little or no other income, and family needs must take precedence. For serious businesspeople, suppliers take next priority and the NDF takes third. Typically, as the season picks up, the entrepreneur catches up on loan payments.

The specific findings of the evaluation team for each key variable are described below:

Business Viability - (Average: 2.3) The analysis of the client responses indicates that NDF/W.I.D. businesses interviewed have, on average, a better than medium level of viability: They are breaking even, in some instances showing a margin of profit and are able to maintain adequate cash flow levels without frequent cash infusions. However, most of the proprietors fail to maintain adequate financial records, so it was difficult to accurately determine the financial health of the firms. If interviewees claimed financial health for their enterprise, repaid their loans in a timely fashion, and lived primarily from business income, they were classified "medium". The "highs" in the group were clearly expanding production, financed at least in part from surplus generated by their business. It should be noted, however, that most of the loans disbursed to interviewees are less than two years old, and therefore long term "sustainability" cannot yet be determined.

Entrepreneurship - (2.4) NDF/W.I.D. loan recipients interviewed demonstrated, on average, a medium-to-high level of entrepreneurship. They were "holding their own" in the market place, and were able to meet market demands with a significant level of initiative and creativity. The "highs" in the group displayed a great deal of initiative and were actively cultivating new markets - taking substantial but calculated risks either with new products or new clientele. Entrepreneurship, followed by "business skills" (see below) is probably the most crucial factor in business success. Loans can facilitate business growth, but without the initiative and skill of the entrepreneur, loan funds would go to waste.

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Business Skills - (2.0) Clients interviewed demonstrated a moderate level of skill in business operations. One third did not maintain detailed financial records on a consistent basis, had minimal knowledge of their firm's profitability and were only able to express the financial status of their business in "ball park" terms. The "highs" (another one third) were keeping good business records and appeared to be well in control of their business.

Through discussions with NDF/W.I.D. field officers and clients as well as a review of client files, the evaluation team found that an assessment is made by NDF staff of the client's capability in record keeping. If it is determined that assistance is required, the field officer recommends this to the client, and frequently ends up establishing a very rudimentary "cash in/cash out" ledger in a notebook that is left for the client to maintain, in many cases only to discover on the next site visit that no entries had been made. (This marks a convenient distinction between the "lows" and the "mediums").

Among those with basic knowledge of business record keeping, many did not manage their time sufficiently to allow for this task and viewed it as a waste of time. The team also observed a clear reluctance on the part of many micro business owners to maintain written records. This was often attributed to the desire for confidentiality within the small community. In addition, there was a fear of government-imposed regulations and taxes, and for this reason, many businesses visited appeared to be "quasi-official" at best; most were not legally registered (much less incorporated) and a surprising number did not have signs posted to identify the establishment. While the NDF's encourage their clients to keep records of cash transactions, register their businesses, erect signs, and promote business, these are not strict requirements for NDF credits.

Employment - Of the businesses interviewed, just under one half were one person operations; just over half had generated at least some additional employment, often at the point of expansion. Our analysis indicates that among the interviewees, as a direct result of NDF/W.I.D. credits, an average of 2.1 full time job equivalents were created or sustained (above and beyond the business owners themselves). The average annual payroll for those businesses visited was US\$5149 p.a.

The average salary of the proprietor, (among those who kept track), was US\$5048 p.a. (sometimes including more than one individual). Those who keep track of their draws, however, tend to be those with higher business skills and a higher degree of business viability than the average interviewee. The majority of

interviewees indicated they do not pay themselves a regular salary: most proprietors use cash receipts to replenish stock and take periodic "cash draws" to cover personal expenses. On a "high" (3) to "low" (1) scale of importance, the majority of proprietors indicated that their business was the primary or sole source of household income (average response: 2.7).

Loan Repayment - (2.7) The average loan recipient had a good repayment record, although a majority of clients regularly fall behind and catch up on a seasonal basis. The business may experience periodic cash flow problems due to seasonal difficulties, market changes, unwise business decisions or just plain "bad luck". Some clients, mainly those affected by seasonal declines, make quarterly lump sum payments when they have sufficient cash. The overall low arrears rate at the NDFs (the overall average of arrears over one month old as a percentage of principal outstanding is only 7%), along with the analysis of client comments, confirms that there is a strong repayment commitment by NDF/W.I.D. clients.

The evaluation team attributes the excellent repayment record to the relationship maintained between field officers and clients for technical assistance and business counselling. Field officers visit clients on an average of once per month, during which time loan payments, along with counselling or assistance, may take place. With this level of client contact, the NDF/W.I.D. is a position to monitor business development and deal with problems in repayment before arrears become serious.

2. Project Attribution

Credit Start-Up (Average response: 2.9) Of the thirty-three clients receiving start-up credits (45% of those interviewed), thirty one stated that the loan was absolutely critical to their being in business, and that they had no alternative sources of financing (with the occasional exception of credit unions - also considered "project attribution" for purposes of this cluster evaluation). Some indicated they may have eventually saved enough to finance start up on their own, but that would have taken much longer. The other two who "started up" with NDF loans invested significant sums of their own money at the same time.

Credit for Expansion (2.9) Forty seven clients (64% of those interviewed) received credits for business expansion; six of these clients had also received NDF/WID start up financing. The evaluation team found that as a general rule, NDFs/WID are more likely to fund existing businesses, where the business is clearly viable and the client has demonstrated initiative in marketing the product or service.

The WID focus on entrepreneurial women is noteworthy. Most interviewees considered their WID credits to be quite important to the expansion of their businesses to viable proportions, and even those few who were in a position to approach other lending institutions insisted that WID was much easier to work with. One woman remarked, "WID treated us like people; the banks treated us like 'WOMEN'."

Training\Technical Assistance\Business Advice (2.0) The analysis indicates a very moderate rating for the importance of NDF/WID training/technical assistance to business development (although this is an average over all clients interviewed, including those who do not need assistance and those who have not availed themselves of assistance). However, the evaluation team noted that business advice provided by NDF/WID field officers was well received and many clients appreciated the special interest the NDF/WID took in their business. Those clients not requiring assistance had established an acceptable system of record keeping which they (or a relative) maintained. The majority however, did not maintain consistent business records, and many failed to keep even simple ledgers set up by the field officer to record "cash in/cash out". The NDF/WID field officers recommend training/technical assistance as appropriate. However, clients often do not take advantage of these opportunities, deferring them or refusing assistance all together. A correlation can be seen here between the business skills indicator and the moderate use of hand-holding for improving business management.

Examination of some of the other indicators (such as proprietor's own salary) is often revealing. Almost all clients in Nevis of the FND interviewed by the evaluation team cited a specific figure for their own salary, and then indicated how regularly they drew it; while almost all WID clients said they drew cash for themselves "only irregularly," without specifying an amount. The Nevis FND loan officer noted that she encourages her clients to establish a salary for themselves and to keep track of it.

3. Action Plan Indicators

Although the sample of clients interviewed for this evaluation were not scientifically selected, the analysis of interviewees does present some rough estimates of relevance for RDO/C's private sector Annual Action Plan Indicators.

The average loan size for clients interviewed was US\$3,608 (sometimes involving more than one loan), but it should be noted that for the overall portfolio, the average loan was \$1,776. The average total business investment of clients interviewed was US\$7210. Therefore, the ratio of investment cost to loan amount among interviewees was 2:1. The total amount disbursed through

the NDF/WID Project as at 30 September 1987 was US\$2.2 million. Based on the data collected during the field visits, the total investment associated with this Project might be as high as \$4.4 million.

No reliable data exists on foreign exchange earnings, but of the businesses interviewed 12% are earning some foreign exchange, usually through tourism or regional exports.

4. Success Stories and Other Outcomes

LBII in its SEAP monitoring system report states that "success stories are examples of the best that the organization has done, and hopefully can do again in the future... success stories are supposed to provide tangible evidence of a direct link between the stated purposes or goals of a project, and the achievement of those purposes at the firm level"⁴. The study goes on to say that the overall relevance and impact of a project can be determined by the success stories. During the field visits, the evaluation team met a wide array of loan recipients; with some NDFs/WID more willing to show their warts than others. Among the seventy-four interviews, the team discovered 15 examples of success stories (each of which is highlighted as such in Appendix B). These success stories provided evidence, in varying degrees, of the impact the NDFs/WID have had in assisting the micro entrepreneur in carving out a niche in the market place. The vignettes that follow provide two examples of success stories, two more "typical" clients and one "deadbeat."

Success Story #1: Harvey Greaves, owner of H.G. Blocks Limited worked in the British Army for a number of years before returning to his country in 1983 to set up a concrete block making plant. He brought back the equipment from the U.K. on his return only to find that it was practically useless. Not to be deterred, Mr Greaves decided to assemble his own machine using some of the parts from the machine he brought in from the U.K.

Mr. Greaves borrowed E.C.\$16,000 in November 1985 from the N.D.F to assist him in purchasing a concrete mixer. Prior to this he mixed his concrete manually.

H.G. Blocks records show that prior to the assistance received from the N.D.F that he was employing 4 people. His workforce now stands at 10. His payroll prior to receiving assistance was approximately E.C.\$80,000 per annum and his payroll is now approximately E.C.\$250,000 per annum. His annual revenue prior

⁴. LBII, "Project Monitoring System for the Private Sector Office of RDO/C" Oct. 1987, pg. 47.

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to assistance was estimated by Mr. Greaves to be in the region of \$200,000, and his records show that annual revenue now stands at E.C.\$725,000. Mr. Greaves is now in the process of assembling a much larger concrete block-making machine. He plans to replace the current machine and is going to sell it to another manufacturer on another island.

Success Story #2: Anthony Knight worked in marketing and sales for a local screen printing operator and Carl Young worked as an artist for the same firm. A year ago they decided it was time to go out on their own. With EC\$2000 of their own resources, they started Screen Print Designs. Carl did the screen printing on T Shirts supplied by the customer while Anthony worked at developing their market. With this team effort, volume steadily increased as their reputation for quality work and timely delivery spread.

By early 1987 Screen Print Designs had reached its peak in production using hand made equipment and a "solar" drying system. Anthony approached the NDF for a loan of EC\$20,000 to purchase a sophisticated 4-screen printing apparatus and a dryer. He travelled to the U.S. for orientation and training on operating and maintaining the new equipment. With the new printing apparatus they are able to do four colors in a design and now charge per color instead of a flat fee per shirt. Production has increased 100 % and they are able to produce an even higher quality of printing. Anthony's records show that before they had the equipment, their maximum volume per day was 200-300 shirts; sales for the first year totaled EC\$40,000. With the new equipment their volume has increased to 1000 shirts per day; annual sales are expected to exceed EC\$175,000 this year. Screen Print Designs employs three full time persons who work on the screen printing orders, while Carl is using his artistic talents to expand the business into sign making. They have just completed a sign contract for one of the island's largest firms, and have been assisting NDF clients by making their business signs. They do have their problems, however: During the evaluation team's field visit, the area experienced a power outage. Carl explained that this is happening frequently and is seriously affecting production. They are thinking they may have to buy a stand-by generator if they are to meet deadlines on orders and keep their customers happy.

More typical case #1: Alwin Sharpe has always loved to work on cars. After leaving school he apprenticed with an autobody shop across the road from his home. Later he went to another island for two and one half years to perfect his skills. There he was able to save a little money and buy his own tools. In early 1983 he returned home and set up Alwin's Autobody Repair Shop in an open area on family property. He invested about EC\$5,000 of his

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savings to get started, and hired three of his friends to work for him. At first the business was very disorganized. Alwin didn't keep track of expenses, sometimes he didn't have enough money at the end of the month to pay his friends or buy supplies; tools were misplaced and every time the rain fell he was unable to paint the cars.

In March of 1985 a friend encouraged him to go to the NDF for a loan to construct a workshop. Alwin received a loan for EC\$13,000 to build a sheltered work area with a concrete floor and a galvanized roof. He secured the loan with the deed to land he owns in the island. The loan wasn't quite enough to finish construction, but he moved in any way. With the help of the NDF field officer, he organized the work area and received assistance in establishing a system of record keeping.

In February of this year, Alwin asked the NDF for another loan. This time he wanted to purchase a compressor, an electric sander and spray painting equipment. He had been irregular with repayment of the first loan but based on the apparent viability of the business and its potential for growth, the NDF refinanced the remaining balance on his first loan and disbursed an additional \$7500. With the new equipment Alwin is able to handle five to seven cars in a week, and has hired three more men to help. He is now thinking of finishing the workshop; an industrial engineer who works with the NDF (through IVS) is assisting him with the plans. In spite of the new equipment, Alwin says his business is seriously affected by the breaks in electrical service that occur on a daily basis, but he is not in a position to purchase his own generator and hopes the power company is able to resolve their difficulties soon.

Alwin recognizes his need for advice on the day-to-day management of the shop, but he's always very busy when the field officer comes; sometimes he is not even there. He intends to bring his books into the office but just hasn't get around to doing that either. He's explained to the field officer that his cousin is helping him with the accounts and has all the books. He says he is serious about repayment of his NDF loan, but falls behind periodically because he is too busy to get around to coming in to town to make a payment.

Typical Case #2: Wendy Gibson has been operating her beauty salon for about six years. She started up on her own, with loans from friends and from the Development Bank. She had one assistant to start with. Her Salon grew steadily over the first few years, until she had a staff of five. Two of the employees earn a commission of about B\$650 per month; the rest of her payroll is about B\$12 - 15,000 per month. In 1985, she started up her hairdressing school, but it wasn't very well equipped. She

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applied for a loan from the NDF for US\$7,500 for the hairdressing school. The salon brings in about \$27,000 per year.

Ms. Gibson used the NDF loan to purchase class books, manikin heads, training tapes, and chairs for the school. The school had nine graduates last year, and has 12 students this year for a nine month course, including "advanced training" (for which the new materials were required). The "advanced course" raises the tuition per student from \$1250 to \$1500. The school brings in about \$7,500 per year. Ms. Gibson does most of the teaching, but brings in a bio-chemist for 1.5 to 2 hours per week, for which she pays \$10 per hour. She fell into arrears for a few months earlier in 1987, but has since almost caught up. She recently obtained a new loan from a commercial bank for B\$20,000.

Ms. Gibson says that the NDF is easier to work with than either the development bank or the commercial banks, and says that if she couldn't have gone to the NDF, it would have slowed her down, and she would probably have deferred her investment for a couple years.

Deadbeat Story: Our classic "deadbeat" story is The Garment Center. Henry Short has been operating his garment manufacturing firm for five and a half years, making men's pants and shirts and school uniforms for the local market. In 1982, he started the operation with EC\$4000 from his savings and a loan from the NDF for EC\$12,000 for working capital and equipment. The business didn't do too well, but in spite of what he called "little set backs", he eventually paid off his loan, several months behind schedule. In 1984, he asked the NDF for credits for working capital in the amount of EC\$15,000.

Mr. Short was new in the garment industry and had no previous experience managing a factory. However, he was keen on operating the business himself, so the NDF assisted him with setting it up. This marked the beginning of a long involved relationship between the NDF and The Garment Center. Initially, the staff provided assistance in management and production. Mr Short employed twelve people in production and one secretary. However, when it became apparent that the business was not holding its own, and that management was the biggest problem, the NDF arranged for Mr. Short to go overseas for training. In addition, Mr. Short also received periodic help in production, management and marketing from other small business assistance programs for the island, including the IDC, CDB and CMAP. No extent of training or technical assistance seemed to make a difference in improving the management of his business. The company was on the brink of receivership on several occasions and yet, Mr. Short was determined to carry on, his way.

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In July 1987 debts were piling up, the NDF loan was over 12 months in arrears and the firm was again threatened with receivership. At the risk of losing the only home-grown garment manufacturing firm on the island, the IDC, together with the NDF facilitated a large two year joint venture agreement under the 807 programs with a U.S. firm to keep The Garment Center in operation. This arrangement was set with the understanding that Mr. Short's son, Jeffrey would assume management of the factory and Mr. Short would not be involved in any aspect of the business. Four months into the contract it became apparent that Jeffrey couldn't manage the business either and was not responding to assistance being provided through NDF and IDC. With regularity, he kept missing his appointments with the field officer in charge of his project. The NDF is now directly involved in setting up the accounting system and monitoring production while the IDC is supervising the financial management. The Garment Center is currently fifteen months in arrears.

D. NON-CREDIT COMPONENT OF SEA PROJECT

The SEA project contained five non-credit activities. These were: the establishment of National Coordinating Committees (NCC); the identification, facilitation and evaluation of technical assistance and training given to small and medium size businesses in the region; the establishment of pilot Matching Credit Funds in two countries to assist in the financing of small and medium scale enterprises which would not otherwise qualify for commercial loans, and the establishment of Small Business Investment Companies on a pilot basis in two countries to stimulate increased local capital investment and complementary commercial bank financing for small and medium scale enterprises, and the establishment of a SEAP Regional Co-ordinating unit (RCU) within the Barbados office of the Caribbean Association of Industry and Commerce (CAIC) to facilitate and coordinate all project activities on a regional basis.

The RCU is established within CAIC. The major outputs of the RCU to date have been related to development and strengthening of the NDFs and W.I.D. These have included:

- (a) The design and implementation of uniform performance criteria and reporting standards for the NDF and W.I.D. This is now fully functional and the NDFs and W.I.D. report to the RCU on a monthly basis providing information on loans, approvals, disbursements, job impact, technical assistance delivered and on analysis of expenditure.
- (b) The design and implementation of uniform performance criteria and reporting standards.

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- (c) The completion of a feasibility study to establish an NDF in Montserrat as a window within the Credit Union.
- (d) Organizational analysis and management recommendations for NDFs in St. Vincent, St. Lucia, Antigua and Dominica.
- (e) Implementation of management seminars and workshops for NDFs and WID, in conjunction with PADF and the Cranfield School of Management, U.K.
- (f) Assisting NDFs in developing policies and procedures for credit financing, T.A., and training, as well as internal policies for staff development, project monitoring, annual planning, and reporting.
- (g) Coordinating with PADF computer consultants to Antigua, St. Kitts and Grenada in order to strengthen accounting, project monitoring and reporting capabilities.
- (h) Initiating RCU collaboration with the British Development Division in funding micro-business development through NDFs.

With respect to small and medium scale enterprise development, the RCU has contracted with International Executive Service Corps (IESC) and regional consultants to provide technical assistance and training to enterprises and businesses in the small and medium sector. The RCU has also directly sponsored entrepreneurs on a selective basis to attend trade and marketing shows. In addition, it should be noted that the SEA project took over the training and technical assistance functions of the older CAIC project. For an assessment of CAIC's Training and technical assistance programs (judged, on balance, favorable), refer to LBII's evaluation of CAIC, completed in June of 1987.

The SEA project was expected to establish two additional credit institutions, a Matching Credit Fund (MCF) and a Small Business Investment Company (SBIC). The MCF would match one-for-one credit provided by the bank which should induce banks to lower their perceived risk by linking credit facilities to project-sponsored technical assistance, reducing the bank exposure on a particular project by 50 percent and allow banks to secure their 50 percent with all the available security. This was supposed to ensure that technically feasible, financially viable projects were not abandoned because traditional lending institutions did not find them bankable due to lack of equity, collateral or guarantees. The SBIC was to create venture capital firms providing long term financing to small enterprises either in the form of equity, term debts or guarantees. To date, however, SEA has made little progress in establishing such institutions.

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One of the objectives of the SEA project was to establish a National Coordinating Committee in each island to facilitate the identification, processing and evaluation of technical assistance and training to SEAP beneficiaries. There appear to have been major difficulties in establishing NCCs in most territories. An NCC has been established in Dominica and is functioning, NCCs have been set up in Antigua and St. Kitts but are not yet functioning and the NCCs in St. Vincent and St. Lucia are being formalized. It is unlikely that an NCC will be established in Barbados because of the strength and competitiveness of existing private sector bodies. The problem to date in setting up NCCs seemed to be related to the fact that a standard role cannot be perceived for each NCC and that the necessity and/or composition of the NCC must vary with local business conditions. The best that seems possible for the RCU is to act as a facilitator in bringing together private sector groups and individuals to support such a concept.

The formation of an established, registered, and functioning NCC was finalized in Dominica on November 16, 1987, although the NCC had already been functioning for several months, and was in fact based on a pre-existing grouping of financiers/businesspeople involved in private sector development.

Earlier attempts to formalize the "NCC" (so-called for the SEA project) in 1986 were not successful, and reportedly foundered on issues of the range and composition of representation of interest groups and personalities. (Its composition also faced the opposition of the Prime Minister). The present NCC was formed from scratch during 1987. The very effort to formalize the NCC was the most difficult aspect of the exercise, according to the Chairperson of the Committee. The informal grouping which had been functioning effectively (involving quiet understandings, agreements to disagree and practical allocations of responsibilities) very nearly fell apart when members were officially designated to represent specific constituencies. Public posturing and domestic politics became new hindrances. There were lengthy disagreements about where the NCC should be housed and who should chair it.

The membership of the NCC includes three representatives from the DAIC, two from the NDF, one from the Industrial Development Corporation (IDC - a government agency), one representing the hucksters, one from the Youth Skills Training Program and one from the Agro Industry Development Agency. The current chairperson of the NCC is Ms. Anita Bully, (also the Executive Director of the DNDF). The office will be housed in the Dominica Association of Industry and Commerce (DAIC). A tentative budget for the Dominica NCC has been prepared, which would fund the services of a part-time Coordinator. Once the NCC budget is

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approved, the NCC will recruit a part time National Coordinator, who will be responsible for publicizing the NCC and working with potential clients to prepare formal applications for consideration by the NCC Board, and then by SEA.

Initial requests usually are brought to the attention of the NCC by its members, who are in contact with their respective "constituencies" (however informal). The Chairperson of the NCC circulates specific proposals among the NCC members before each meeting, and the proposals are discussed and approved during the meetings. Agreed upon priorities for the Dominica NCC include projects involving export potential, employment generation, manufactures, and linkages with other sectors of the national economy. Most firms requesting SEAP assistance will be expected to pay a percentage of the direct cost of delivering that assistance. More successful firms, which could afford to pay for their training or technical assistance would be referred to other channels, such as the Commonwealth Secretariat.

The Dominica NCC has already referred three projects to SEAP: representation at trade fairs in Bahamas and St. Croix for Dominica manufacturers (where the furniture makers, in particular gained contacts in new markets and even took some new orders); a marketing trip through seven Caribbean islands for the Dominica Candle Makers Cooperative; and a training trip to Miami for two workers in a metal-working firm. The latter is due to take place later in 1987. Requests currently under review by the Dominica NCC include a management specialist for a local garment manufacturer, and computerization of accounts and operations at a lumber and cement factory.

Most members of the NCC insisted that it is crucial for screening and vetting of requests for SEAP resources to take place within the country by a representative cross section of the productive sector. They pointed out that they were better aware of national priorities, needs, opportunities, conditions, and personalities than a multi-lateral staff based elsewhere could ever be. The NCC provides a locally available channel to international resources, which would be difficult for small or struggling local firms to tap on their own. In addition, the NCC supports close relationships within the private sector (i.e., between the micro/informal sectors and the larger, better established formal sectors) and between the public and private sectors. There has already been at least one instance where assistance to one firm in Dominica could be provided by another, without having to draw upon SEAP resources: A large established firm assisted the a small cooperative in improving their packaging and in equipment and maintenance repair. On the other hand, some individuals note that SEA technical assistance had been provided before there was an

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"NCC" and that it is provided to countries without an NCC. They wondered why a formal NCC was really necessary at all.

As for the future of the Dominica NCC, most members of the committee interviewed by the evaluation team expressed doubts that a competent, respected person could be recruited to fill the "part time" National Coordinator position budgeted for by SEA. Competent individuals with the expertise, initiative, and credibility required for the position are likely busy full time and more with their own endeavors. They felt that a full time position with an adequate salary would be more likely to draw a strong candidate.

E. GENERIC SCOPE OF WORK

1. Project Design Elements

A general description of the Generic Scope of Work used in LBII evaluations of RDO/C private sector projects is contained in Section I.B.2. The goals of those projects providing funding and assistance to the NDFs were to "strengthen indigenous private sector organizations whose programs would have an immediate impact on small enterprise development and employment" and would "increase levels of employment, income, productivity and economic growth in the Eastern Caribbean countries by assisting in the development of privately owned productive enterprises." The goals of these projects can be seen to fit within the Economic Development Goal of the Generic Scope of Work:

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.

Additionally, some of the activities of these projects were aimed at the institution building goals, described in the Generic Scope of Work as follows:

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

The underlying objectives of these projects were to establish a system of credit for potentially viable micro and small productive businesses which had limited or no access to existing credit, to improve the managerial and technical business skills of micro and small businessmen, to increase both the bankability and viability of their enterprises and to encourage and facilitate greater collaboration between the more established

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businesses and micro businesses for expansion of the private sector. The purpose of the SEA project was to increase the ability of local entrepreneurs to establish, expand, or increase the efficiency of their micro-, small-, and medium-scale enterprises in order to produce and sell their goods and services in the local, regional, and extra-regional markets. The Evaluation Team has identified the following purpose elements from the Generic Scope of Work which are relevant to Micro Enterprise Projects:

- To encourage local investment.
- To provide long and short term financing for businesses.
- To create financial institutions to serve unmet needs.
- To improve business management skills.
- To improve record keeping and accounting skills.
- To encourage risk-taking and entrepreneurship.
- To integrate the efforts of members of the business community to improve conditions of doing business.
- To create and attract membership to business associations.
- To reduce imports.

Project outputs were to include loans to micro and small businesses, the delivery of training and technical assistance to micro and small businesses and training and technical assistance to improve the NDF institutions. Inputs of the project would include funds, personnel, and other resources for training, technical assistance, institution building activities and credit.

2. Causal Paths

The NDFs micro enterprise projects were designed to make loan financing available to micro and small businesses through the NDFs and W.I.D. The most important need served was the provision of long and short term financing, which was not usually available for these micro and small businesses through the traditional, commercial banking system. This financing was considered necessary for many micro-small scale local investments to take place at all, since because of the constraints facing these types of enterprises, (i.e. severe lack of equity or working capital to initiate or expand operations, lack of collateral security to offer to traditional credit institutions and the informal nature of these types of businesses), the traditional commercial banking

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sector was reluctant to provide any type of credit to these micro-small scale enterprises even under the best of circumstances. The availability of these new sources of financing were expected to encourage risk-taking and entrepreneurship in the region by creating new opportunities to start new businesses and expand existing ones.

The new investments taking place as a result of the NDFs and W.I.D. lending programs would contribute to business growth, new production and employment and, thereby, to improved standards of living. The emphasis of the project on micro and small sized businesses was based on the assumption that micro and small scale enterprises contribute significantly to expanded employment opportunities and higher incomes and they are relatively efficient users of capital and credit.

The micro enterprise projects were also designed to provide technical assistance to micro and small businessmen to improve their business management skills and record keeping and accounting skills. The technical assistance, if successfully applied would address most of the constraints to developing micro and small businesses and increase the bankability and viability of micro and small enterprises enabling them to increase productivity, production and employment.

With respect to the institutional development goal, the projects provided for institutional support to the NDFs and W.I.D in terms of technical assistance and financing to help in NDF and W.I.D establishment, organization and management to help to create financial institutions to serve unmet needs. The SEA project was expected to establish two additional credit institutions, a Matching Credit Fund (MCF) and a Small Business Investment Company (SBIC). The MCF would match one-for-one credit provided by the bank which should induce banks to lower their perceived risk by linking credit facilities to project-sponsored technical assistance, reducing the bank exposure on a particular project by 50 percent and allow banks to secure their 50 percent with all the available security. This was supposed to ensure that technically feasible, financially viable projects are not abandoned because traditional lending institutions did not find them bankable due to lack of equity, collateral or guarantees. The SBIC was to create venture capital firms providing long term financing to small enterprises either in the form of equity, term debts or guarantees.

3. Evaluation Evidence

The micro enterprise projects permitted the NDFs & W.I.D to disburse \$2.5 million to 1,460 micro and small enterprises. The loans all represented short and long term financing for

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businesses which were described by most borrowers interviewed as critical for local investments. In this regard, these micro enterprise assistance projects were appropriately designed and proved to address a critical constraint. In providing new opportunities for micro and small businessmen who would not have otherwise had access to credit, these programs can be said to have encouraged risk-taking and entrepreneurship. Many of the loans seemed to have created a pool of viable micro and small businesses as indicated by the relatively low level of arrears. The low level of arrears further indicates that the project resources were efficiently utilized.

The technical assistance aspect of the programs appear to have had some impact on the business management skills on micro and small scale businessmen and has increased their record-keeping and bookkeeping skills also contributed to the efforts of the NDFs and W.I.D in keeping their arrears under control (in part perhaps just through regular contact with the clients). The technical assistance provided to the NDF staff has led to technical self-sufficiency within each of the NDFs.

Whereas the projects have succeed in creating financial institutions as far as the NDFs and W.I.D is concerned, the SMCs and SBIC have not yet been created.

G. EVALUATION CONCLUSIONS, RECOMMENDATIONS AND LESSONS LEARNED

1. Conclusions

1. The projects supporting NDFs and W.I.D. have been very successful in creating vehicles for the delivery of credit, technical assistance and business assistance to micro businesses in the OECS and Barbados. USAID projects which have channelled funds through the NDFs and W.I.D - including the ongoing SEA project - have had a significant positive impact on the development of viable businesses and of entrepreneurs who would not otherwise have been able to access the banking system or receive needed training, technical assistance and business advice. The model of providing business services (and maintaining frequent contact with clients) coupled with credit, has proved to be successful and should serve as a guide to the design of future private sector projects in the region. Given the length of time they have been in operation and the circumstances in which they work, they are reasonably cost effective and have a manageable level of arrears - lower in most cases than the DFC portfolios examined in previous LBII evaluations. They are worthwhile institutions fulfilling an important role in RDO/C's private sector portfolio and are deserving of continuing USAID support. W.I.D. has supported many entrepreneurial women,

providing them opportunities they feel they would otherwise lack in the business/financial community at large.

2. The NDFs and W.I.D. are dependent upon donor funding to finance their administrative and loan operations expenses and are unlikely to become self-sustaining in the near future. The NDFs/W.I.D. currently receive over 70% of their revenue from donor agencies, and over half from USAID alone. Attempts to encourage the NDFs and W.I.D. to diversify and increase their revenue base and operate as efficiently as possible must be pursued, as across-the-board budget cuts facing USAID will affect even the best of projects. However, the constraints within which these micro-sector institutions operate must be recognised. The NDFs and W.I.D. provide credit and technical assistance to primarily the small informal sector in small and fragmented island economies. The scope for increasing the loan portfolio and therefore the revenue to be earned from lending is limited by the size of each economy and average size loan is limited by the sector within which these institutions are operating. While there is some additional revenue to be earned from providing complementary services to the micro and small sectors, these institutions should be careful not to engage in new activities that would cause a net revenue drain.

3. The SEA project has had mixed success in achieving the objectives set for the project up to 30th September 1987. The SEA project has been an effective source of support to the NDFs and W.I.D. It has provided valuable technical assistance and institutional development support to these institutions and has had a significant impact upon their effectiveness as credit institutions to provide support to the micro business sector. In respect of the creation of the NCCs, MCF, SBIC and the delivery of technical assistance and training to the medium business sector, the accomplishments have been less spectacular. The NCC in Dominica (the only country where one has been successfully functioning), is performing valuable screening and referral functions on behalf of the SEA Project and is simultaneously strengthening linkages between the micro and formal sides of the private sector. The formation of such NCCs should be vigorously pursued and rewarded in all countries where SEAP operates. However, the creation of meaningful, functional, and active NCCs is difficult in most countries, and cannot be forced or rushed. The formation of NCC is not a strictly necessary vehicle for the delivery of training and technical assistance.

2. Recommendations

1. RDO/C should continue to support the NDFs and W.I.D. and should encourage them to increase the size of their loan portfolios. Wherever necessary, additional support should be

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given to the NDFs and WID to increase their capacity and efficiency in delivery of technical assistance and business advice, as this seems to be a critical factor in the NDF/WID success in stemming business difficulties before they lead to serious arrears.

2. In planning for the future, the NDFs and W.I.D should be encouraged to pay more attention to increasing sources of income such that they gradually but steadily decrease their reliance on USAID and other donors as a source of support for operations. Options which have been mentioned in some cases initiated include the following:

(a) Diversifying and increasing the range of training and technical assistance to the micro and small business sector and charging fees for services, preferably through incorporation in a client's loan package. The services that could be explored include bookkeeping services, marketing assistance, and production assistance.

(b) Increasing interest rates, especially on higher risk loans.

(c) Improving loan screening procedures and collection measures to reduce arrears and/or rescheduling.

(d) Initiating separate income generating projects (which may include equity investments, small business incubation centers including rental space, taking on management contracts). These projects, however, may be regarded as high risk ventures and should rigorously studied before implementation.

(e) Increasing contributions from domestic and other external sources (such as Chambers of Commerce, banks, and in some instances, government, as well as other external donors).

(f) Forming cooperative relationships with other institutions including a sharing of activities, space, equipment, and/or personnel. Such institutions may include the Credit Unions, business organizations, IDCs or Development Banks. Care must be taken, however, that the effectiveness of the NDFs in serving the productive micro sector not be impaired in a merger with a larger institution whose own interests lie elsewhere.

3. The project should be redesigned as expeditiously as possible with respect to the delivery of training and technical assistance via NCCs and the formation of the MCF and SBICs. In

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countries where there is a will and desire to establish NCCs then the establishment of these institutions should be encouraged and supported. The concept of the NCCs is sound if the pre-conditions for its formation and proper functioning exist in the countries. In those countries where there is no will or interest in creating NCCs, the alternative mechanisms for the delivery of technical assistance and training should be pursued. The SEAP "condition" that NCCs be formed in a country before training and technical assistance can be provided to needy businesses should be dropped and replaced with more appropriate positive incentives.

3. Lesson Learned

The concept of delivering credit and technical assistance as a package to beneficiaries have been shown to be a successful model and may have important implications for future USAID credit programs for the region. Even if business training is not well absorbed by an individual client, the frequent contact between the NDF/WID staff and clientele (facilitating timely delivery of trouble-shooting assistance and advice) appears to be closely associated with their low arrears. There may be a heavy tradeoff between overhead costs (to support a high staff/loan portfolio ratio) and arrears. Similarly, since careful screening of loan applicants allows the NDFs to choose those most likely to succeed, pressure to disburse loan funds too rapidly may result in a higher arrears rate.

CHAPTER III. CREDIT UNION PROJECTS

This chapter discusses the Caribbean Credit Union Projects, Phases I and II, which were completed December 31, 1986. Section A describes the project designs. Section B outlines project activities and outcomes. Section C discusses project impact, focussing on the impact of credit union loans for productive purposes. Section D assesses the projects in terms of LBII's Generic Scope of Work. Section E contains evaluation conclusions, recommendations, and lessons learned.

A. PROJECT DESIGNS AND BUDGETS

Caribbean Credit Union I and II were closely related projects which were to "provide support for a program of increased mobilization of local savings and the channeling of these funds back into productive and provident investments by Caribbean Credit Union members and their families." The overall goal was to improve the quality of life for the peoples of the region.

More specific objectives of Credit Union I were:

1. To assist individual credit unions to increase membership, to mobilize member savings, and to provide timely and low cost credit services.
2. To assist the Caribbean Confederation of Credit Unions to assist member credit union leagues and Credit Unions to design and implement successful development programs for member credit unions.
3. To assist member credit union leagues develop their affiliates' management capabilities to provide services to credit union members.
4. To strengthen and provide support to the Dominica Credit Union League and affiliated credit unions, in order that the credit union movement can assist in Dominica's reconstruction.

Credit Union I was to run from 1980 through 1985, with a budget of \$2.6 million dollars for general activities: primarily training programs for credit union personnel, institutional planning, and development and implementation of standard guidelines and models for Credit Union Activities. An additional \$2.87 million was provided for Dominica for special reconstruction activities. USAID, channeling funds to CCCU through the World Council of Credit Unions (WCCU) would provide almost \$1.5 million; the rest would be provided by CDF/CIDA, CCCU, and CUNA Mutual. The budget breakdown was to be as follows:

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<u>LINE ITEM</u>	<u>U.S. DOLLARS (000s)</u>
<u>CCCU Regional Development</u>	
CCCU Headquarters	1,189
Country Development Grants	559
Technical Assistance	539
Overhead	<u>313</u>
Subtotal	2,600
<u>Dominica</u>	
Technical Assistance	109
League Support	<u>102</u>
Subtotal	270

An Eighteen Month Evaluation Report (Feb. 1982) found that the project was "clearly meeting its fundamental objective of strengthening the Caribbean credit union movement's institutional capabilities to provide financial services...[but that] the level of achievement in meeting project objectives is clearly less than expected." CCCU headquarters development was behind schedule, as was the country development grant component of the project. The project design itself, however, was described as unrealistic in its expectations.

A "Second Evaluation Report" prepared in Feb. 1984 found that "CCCU has achieved most of the institutional development objectives specified in the project design, the first evaluation, and the institutional analysis. The confederation has successfully overcome the organizational problems identified during the first evaluation and has accelerated completion of the project implementation objectives and activities."

Due to a variety of circumstances, including optimistic project design assumptions and a fall in the value of the Canadian dollar, funding for the project was exhausted ahead of schedule, and a follow on project with new funding was approved. Credit Union II was to concentrate on:

1. Strengthening the ability of credit unions and leagues to provide an appropriate portfolio of services to their members while aiming for technical and financial self-sufficiency as prime goals;
2. Consolidation of CCCU's development service capabilities, particularly training and technical assistance;
3. Development of national financial systems;

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4. Further organizational development of the CCCU headquarters.

The original plans for Phase II called for a five-year project, with a "seed capital" loan fund to facilitate lending for productive purposes. However, the project as ultimately approved had only a two year life and no seed capital was ever provided.

USAID provided a budget of \$535,000 for the calendar years 1985 and 1986, and CIDA and CDF would provide an additional \$1.2 million. The project was to benefit the entire Caribbean region, but USAID funds were specifically earmarked for assistance to the OEC. The project funds were to be disbursed as follows:

FINANCIAL PLAN (U.S.\$ 000s)

<u>LINE ITEMS</u>	<u>TOTAL</u>
A. CCCU Core Operations	711
CCCU Projects Operations	392
B. Techn. Assistance, Int'l	463
Techn. Assistance, In-Country	190
C. Country Development Projects:	
Credit Union Mgt. Development	80
Development Fund	25
Country Grants	247

GRAND TOTAL	2,107

B. PROJECT OUTCOME

The most recent evaluation of the Credit Union Development Project (prior to this one) was the End of Project evaluation conducted in late 1986 under the leadership of John H. Magill, with the assistance of LBII evaluators participating under the auspices of RDO/C's private sector office. The evaluation concluded that the credit union movements had "grown significantly during the past seven years. During this period membership increased 63%, savings 147% and loan volumes 139%. These were the highest average credit union growth rates in the world... An estimated 31.4% of the total population of the Caribbean is associated with the credit union movement."¹ Savings in the region, excluding Jamaica and Trinidad and Tobago, reached \$54.1 million and loans outstanding reached \$55.4 million.

1. J.H. Magill, et.al., "An Evaluation of the Phase II Caribbean Credit Union Regional Development Project," Feb. 1987, pg. I-1.

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It was also noted that almost all the individual credit unions were self sufficient from internally generated income. The projects were said to have succeeded in developing a framework of supporting credit union institutions virtually from scratch. However, many of the accomplishments at the credit union level might well have been achieved without the project. The evaluation noted that "Few project resources were dedicated to credit union management development and these efforts came too late in the project to have a significant effect on credit unions... The project often called for outputs at the level of the movement (league and credit union) over which CCCU had no control, and only limited influence."² National credit union league managers suggested that increasing interest rates and tougher lending policies, coupled with decreased interest rates on savings accounts at local commercial banks were important external factors affecting credit union growth. In some countries, notably Barbados, tax legislation was introduced which favored credit union dividend earnings over other interest earnings on savings.

Problems noted for the credit union movement included declining growth rates, low rates of return on credit union assets, unrealistic interest rates on loans, relatively high delinquency rates and high expense to income ratios. The project itself was described as overly ambitious, with unrealistic expectations and time frames. "Most important, the design lacked a realistic strategy for sustaining the institutions beyond the end of project funding". Although the individual credit unions could carry on most of their activities without any external assistance, the national leagues and CCCU would have to curtail the activities, services, and expenditures radically in the absence of renewed external funding.

Major evaluation recommendations included modernization of the credit unions, an increase in their technical skills, a greater market orientation, more attention to increasing savings mobilization and improvements in operating ratios. National credit union leagues should become more active, should provide more services (including publicity, national financial systems and bonding insurance) to the unions and improve their monitoring and reporting systems. CCCU should develop a realistic development and financial self sufficiency plan. In general, the movement should work to improve the legislative and regulatory environment affecting the credit unions and improve auditing support.

2. Ibid, pg. I-3.

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Recommendations for future external assistance stressed that such assistance should: focus on credit union growth and development, encourage the transition to modern, technical credit union operations, stimulate internal savings mobilization (external assistance programs often provide disincentives to internal capital formation), aim at self sufficiency for national leagues and sustainability for CCCU, involve bottom-up planning and encourage alternative organizational models.

Discussions with the Director of CCCU for the present evaluation reveal that CCCU has since developed "model" legislation for national credit union leagues to adapt and propose in each country. In agreement with the Magill evaluation, the credit union movement has re-examined the emphasis on national credit union leagues in countries where the credit union membership, in absolute terms, is small enough to be served by one or two simple credit unions (such as St. Kitts and Nevis). The CCCU is promoting credit union modernization and improvement of accounting and reporting, and has contracted with a Canadian firm for standardized software for credit union accounts and reports. This software is in turn being provided to individual credit unions for a fee based on their membership size.

C. IMPACT OF CREDIT UNION LOANS FOR PRODUCTIVE PURPOSES

1. Institutional Analysis

Although not a specific objective of the project, the credit unions were said to have increased their role in lending for agriculture and other productive/business purposes. Within the OECS, the estimated portfolio in "production loans" (business and agriculture) was US\$1.5 million, with an annual loan volume of almost 2000 loans totaling US\$1.2 million. Data from sample credit unions examined during the 1986 evaluation indicated that, in the Caribbean as a whole, about 3% of credit union loans went for agricultural purposes and another 5% or more went to small businesses. This represented a 17% increase in loans to these two categories since a 1983 survey conducted for the Phase II proposal. Another 20% of loans in the 1986 sample went for "vehicles," many of which are used for productive purposes (e.g., taxis, trucks, vans).

The Magill evaluation noted that lending for productive purposes tends to be constrained by a relative shortage of loanable funds, loan ceilings which are often lower than business investment needs, and the greater degree of risk associated with business loans (because the ability of the borrower to repay is often dependent upon the success of the business venture). In terms of employment, the 1986 evaluation assumed a capital:labor ratio of

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7:1 and an average income of \$2000 per job (cited as probably conservative for the region), and estimated that credit union business and housing construction loans were sustaining about 250 jobs in the Eastern Caribbean.³

The Director of CCCU also suggested, in discussions with the evaluation team, that the credit union movement should be providing more services to small business, and went so far as to feature this potential aspect of credit union service in a recent major address to the Barbados Cooperative Credit Union League at their 30th anniversary dinner. Specific services mentioned included provision of working capital loans as well as bookkeeping and other administrative services, which could be provided for a fee.⁴

The current evaluation visited credit unions in Dominica, St. Kitts and Nevis, and St. Vincent. Each of these countries' portfolio in productive activities is described below.

At the Dominica Credit Union League (a very sophisticated league of 22 member credit unions, involving a portfolio totaling almost US\$9.0 million), data on credit union loans in the country for 1986 indicated that over 1000 loans for a total of US\$1.6 million or 18% of the national portfolio had been disbursed for "Business purposes" (including agriculture, huckstering, land purchases, furniture making, bakeries, and automechanics), with an additional 1000-plus loans totalling \$1.4 million lent for vehicles, many of which were trucks, buses and vans used in support of productive endeavors. The manager of the League office said that small business took to the credit unions like "ducks to water." There were no data on repayment.

At the Roseau, Dominica Credit Union, reports on the cumulative balance as at Oct. 30, 1987 included \$227,000 for Business, Equipment, and Agricultural Expenses (representing 5% of the total portfolio) and an additional \$723,000 for Vehicle Purchases/Expenses, which include many vehicles for productive use. Arrears at the RCU are about 15%, but only 4% for arrears over six months. The manager of the RCU believed that productive loans had a higher arrears rate than other loans, but had no specific data. He also noted that small business borrowers often lacked the management skills, literacy and numeracy required to make optimal use of investment funds. Many don't even know whether they are making money or not. The manager noted that

3. Ibid., pg II-15.

4. cited in front page article in the (Barbados) Daily Nation, Dec. 7, 1987.

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other loans are generally backed by a borrower's salary, which is not the case for business loans.

The St. Kitts Credit Union is young and expanding rapidly. It has made about US\$11,500 in productive loans between Jan. - Oct. 1987, about 12% of the total amount lent. Somewhat over \$7000 was lent to five individuals for agricultural purposes, and over \$4000 for five retail establishments. Their repayment record was reported to be excellent, with most productive borrowers repaying ahead of schedule. The manager noted, in regard to the low arrears, that credit union borrowers are (and feel themselves to be) members of the credit union and not mere "clients". To provide greater support and service to the credit union members, the Manager is arranging seminars on business management to be conducted jointly by the Credit Union and the FND. One set of seminars will be provided for staff and Board members, another set will be provided for entrepreneurs.

The Nevis Credit Union is much older and larger (relatively and absolutely) than the St. Kitts Credit Union. It has made 41 loans for productive purposes in 1987, totaling about US\$140,000 (almost 25% of the total portfolio). Most of the loans were for vehicles for rentals or transport of goods, followed by loans for stock and equipment; the rest were for agriculture/fishing. The overall delinquency rate for the Nevis Credit Union is about 4.5%; although statistics were not available, the Manager believed that productive loans had a better performance than non-productive loans in the portfolio.

The Co-operative Credit Union League of St. Vincent and The Grenadines was formed in 1974. The League does not make loans but serves as the coordinating body for credit unions and co-operatives in St. Vincent and The Grenadines. There are eight credit unions and nine co-operatives within the League.

Some informal linkages between the NDFs and the credit unions were found during the course of the evaluation: In Nevis, the FND guaranteed loans (using the USAID/PADF loan guarantee fund) for business purposes extended by the Nevis Credit Union. In Dominica, the Manager of the Roseau Credit Union sits on the DNDF Board. However, in St. Vincent, the credit union and the NDF appeared to have little contact with one another.

2. Firm Level Impact

The evaluation team interviewed seventeen recipients of productive loans from the above-listed credit unions. These included ten in production (including agriculture), two in services, and five in retail.

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The client interviews followed a standard questionnaire format developed by the evaluation team. (See Appendix A.3 for a sample questionnaire.) The questionnaire was designed to measure firm achievements and Project attributions. "Firm level achievement" was measured in terms of business viability, entrepreneurship, the management skills of the proprietor, level of employment generated and/or sustained, importance of the business as the primary source of household income and the client's repayment record. "Project Attribution" was measured according to the relative importance of credit union loans for business start-up and/or expansion. Questionnaires for each interviewee were analyzed according to an Achievement and Attribution Scale of High (3), Medium (2) or Low (1). An overall average was then computed for each indicator. (See Chapter I.B.2 for Achievement and Attribution Scales). The questionnaire was also designed to provide data relevant to RDO/C's Private Sector Annual Action Plan Indicators such as credit union loan amount, client's total business investment, and foreign exchange earnings. Summaries of the client interviews, and a detailed assessment of the key indicators are contained in Appendix C.

FIRM LEVEL ACHIEVEMENTS

Business Viability (2.1): Most interviewees were at least moderately successful, with stable or fluctuating incomes. Two were expanding to meet growing demand and one was expanding into an uncertain market.

Entrepreneurship (2.4): Most interviewees showed considerable initiative in seeking to expand or improve their businesses. One, as mentioned above, was taking a high degree of risk in expanding into an untried market in his island - production of solar water heaters and other solar devices.

Business skills: (2.1): Among almost all interviewees, business record keeping was rudimentary and inconsistent. Some expressed a desire for more business advice and training.

Employment: The average employment (aside from the proprietor) among the interviewees was 2.2; four firms were sole proprietorships. The average annual payroll was about \$4,800. Over half the interviewees did not draw a regular salary; among those who did, the average amount was almost \$2,200. On a scale of "High" (3) to "Low" (1), most interviewees described their business income as very important (sole or primary source of income for their household). The response, on average, was 2.4.

Loan Repayment (2.8): In spite of the moderate record on business viability and business skills, the interviewees displayed a very strong willingness and ability to repay their credit union loans.

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All but one interviewee stated that loan repayments were made strictly from business proceeds.

PROJECT ATTRIBUTION

Importance of Credit Union Loans for Startup (3.0): Under one quarter of those interviewed (four out of seventeen) obtained credit union loans for startup. Of those who did, all described the loans as critical, and said that they had no other source of financing available.

Importance of Credit Union Loans for Expansion (2.5): Fifteen of the 17 interviewees (over 90%) had obtained loans for expansion purposes (including three who had both start-up and expansion loans). Most of those cited their credit unions as the only source of financing (several also cited the NDF), but seven (almost half) believed they could have obtained loans from commercial banks or had indeed done so.

Training/Technical Assistance/Business Advice (0): The credit unions, at present, have little or nothing to offer their business clients in the way of business advice, training, or technical assistance.

ACTION PLAN INDICATORS

Although the sample of clients interviewed for this evaluation were not scientifically selected, the analysis of interviewees does present some rough estimates of relevance for RDO/C's private sector Annual Action Plan Indicators.

Average loan size: for clients interviewed was US\$3672, although in some cases interviewees obtained more than one loan. The average amount borrowed by the interviewees (including those who had more than one loan) was \$4,753.

Average Total Investment: for clients interviewed was \$9,618. The ratio of total investment cost to total loan amount for the client interviews was 2.02. If the annual credit union loan volume for productive purposes is about \$1.2, then annual investments associated with credit union loans might be as high as \$2.4 million. However, a significant number of credit union members take out credit union loans (often for working capital) in conjunction with fixed capital investments financed by other sources (including NDFs). Interviewees for the current evaluation were placed either within the Credit Union Analysis or the NDF for analytical purposes, so are not double counted. In a more rigorous analysis of the universe of credit recipients, however, care must be taken to avoid double-counting investment totals.

Foreign Exchange Earnings: Of the seventeen interviewees, only one earned any foreign exchange.

3. Success Stories and Other Outcomes

Compared to the NDFs, (and indeed, all the financial projects evaluated by LBFI thus far) the Credit Unions were noteworthy in their willingness to lend for working capital and start up capital. In several instances, it appeared that micro/small business borrowers were able to turn to their credit union to obtain nearly the equivalent of an overdraft facility (which most of these borrowers could never hope to get from a commercial bank).

An noteworthy example of the use of credit union loans for emergency working capital purposes come from Mr. Taylor, a farmer. He had a contract to supply fresh produce to one of the large tourist resorts in his country. One week in July 1987, his farm suffered from torrential rains and a mudslide, which wiped out most of his ripe fruits and vegetables. Mr. Taylor took out a loan from his credit union to import the produce needed to fulfill his contract. Although he was granted two years to repay the \$2000 loan, as of November, he had an outstanding balance of only \$200. Mr. Taylor confirmed that the loans have been repaid strictly from the proceeds of the farm. An earlier \$1000 loan to buy farm implements was paid off in less than one month.

Only two of the interviewees had used credit union loans to start up an enterprise (probably reflecting caution on the part of the credit unions themselves rather than a lack of demand). More often, an entrepreneur with an established (albeit struggling) firm will approach the credit union for a loan for expansion or improvement.

One clear success story concerns Ms. Burrows, a young entrepreneur who eight years ago started her business of retailing fashionable imported clothing from a corner of the living room of her small house. She approached her credit union for a \$750 loan five years ago to finance a buying trip to St. Martin, which led to the establishment of a road-side stand. This was to be the first of five successive loans; each of the subsequent loans (totaling almost \$23,000) was used to expand or improve the business: the second loan was used to establish a fixed, indoor location for the "boutique". The third was for a van for the business. The fourth was to expand the shop into a larger and more lucrative boutique. The fifth loan, accompanied by \$9000 of Ms. Burrow's capital (provided by business profits)

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went for a piece of property outside town to open a second boutique. Although not "developmental," these credit union loans are clearly associated with the creation of a viable and expanding business run by a woman who built up her resources (and business skills) from scratch.

More than one interviewee had combined an NDF loan for investment in fixed capital with a credit union loan for working capital. Such a combination spreads the risk between two institutions (to their benefit) and can increase the total amount of loan funds the client can mobilize in spite of loan ceilings at each institution. Another advantage of combining credit union loans with NDF financing lies in the business advice and technical assistance available through the latter, but usually not the former.

One shopkeeper, Mr. Graham, decided to expand into mobile sales of hot, fresh hamburgers and hotdogs and cold drinks. He approached the NDF for a \$7000 loan for a small truck/van, and his credit union for \$2000 for the initial stock of hotdogs and hamburger meat. The loans have created one new almost-full time job (35 hours per week). Mr. Graham is ahead of schedule on his loan repayments, and has no other source of income.

Several borrowers praised the credit union for their responsiveness and discretion. Many Caribbean entrepreneurs are chary of disclosing business records to any outsider, even a source of financing. A credit union member in good standing can often obtain a loan with few questions asked, and within a very short period of time.

Gabriel Eversley, the proprietor of Hydrosol, applied to the NDF for a relatively large loan to expand his metal working business. The amount requested was somewhat higher than the NDF's loan limit. They suggested that Mr. Eversley come back to them in three months, when their loan limit would be higher, and fill out a lengthy application form. Reviewing the form, Mr. Eversley realized it would require disclosure of what he considers confidential, proprietary secrets. In any event, by the end of the three months, Mr. Eversley's needs had grown faster than the NDF's loan ceiling, and he turned to his credit union, who serviced him promptly with a minimum of paperwork or disclosure requirements.

4. The Credit Unions as Vehicles for External Loan Funds

In terms of handling external sources of funds, the Manager of the Dominica Credit Union League said that they were currently negotiating with the International Fund for Agricultural

Development (IFAD) and the government of Dominica for a fund of about US\$3.0 million for agro-industrial lending. About \$200,000 of the funds would be channeled through the league to individual credit unions. The league would pay an interest rate of 4% on the funds, the individual credit unions would pay 5 - 6%, and the members could borrow the funds at 12%. Other funds have been channeled through the league for special purposes in the past, including Canadian funds for the Candle Makers Cooperative and the Citrus Growers Cooperative. Usually the financing supports a revolving fund. The Manager said that the margins on the interest rates should cover the additional costs to the credit union league of reporting and other "overheads" associated with the programs. The Dominica Credit Union League is, however, careful in its choices of externally supported programs, and has turned down those that are too small or too restrictive to be worthwhile to the League. The Manager noted that the League is primarily supported by dues paid by the member credit unions; external sources of income for the League office therefore tend to reduce the burden on the member unions.

The Manager of the Roseau Credit Union had a different perspective on outside sources of funding. He pointed out that the credit unions have an overriding obligation to respond to the member's needs and priorities. He felt it was not a good idea to set up special funds for special purposes: members would be irritated to learn that there were funds for one purpose, but not for the one they were asking for.

The managing director of the CCCU said that the credit unions should be the primary financial institutions for small businesses, and expressed the hope that credit unions would increase their business lending, although he also said that staff capability within the credit unions for servicing business needs would have to be improved.

D. GENERIC SCOPE OF WORK

1. Project Design Elements

The goals and purposes of the Credit Union Development Project are somewhat outside the Generic Scope of Work developed by LBII for the evaluations of RDO/C's private sector projects (for a discussion of the Generic Scope of Work, see Section I.B.3 and Appendix A.2). The goal of the project, "to improve the quality of life for the peoples of the region" can be seen to fit within the Economic Development Goal of the Generic Scope of Work:

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.

However, the activities of the project were primarily aimed at an institution building goal, described in the Generic Scope of Work as follows:

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

The purpose of the project was explicitly to "provide support for a program of increased mobilization of local savings and the channeling of these funds back into productive and provident investments by Caribbean Credit Union members and their families." The Evaluation Team has identified the following purpose elements from the Generic Scope of Work which are relevant to the Credit Union Development Projects:

- To create financial institutions to serve unmet needs
- To provide long and short term financing for business
- To provide financing for housing
- To provide financing for consumer durables
- To provide other consumer credit
- To encourage local investment
- To encourage risk taking and entrepreneurship
- To reduce imports

Project outputs were to include training and technical assistance to improve the credit union institutions and their capacity to mobilize the savings of credit union members (yielding new sources of loan finance). Inputs of the project would include funds, personnel, and other resources for training, technical assistance, and institution building activities, but no funds for seed capital for onlending.

2. Causal Paths

Working towards the institutional development goal, the project was expected to build up a regional institutional apparatus which would support and foster the development of individual credit unions throughout the Caribbean. To consolidate resources, the region-wide Caribbean Confederation of Credit Unions (CCCU) would provide training and technical assistance to the National Credit Union Leagues, and assist them to, in turn, develop their own service capabilities to support the individual credit unions. CCCU could provide "Train the Trainer" type services to the national leagues. The national leagues, in turn, would train the staff of the credit unions in union management, bookkeeping, financial accounting, general banking skills, and public

relations. The leagues, with technical assistance provided through CCCU, would assist the credit unions in publicity and membership drives. "The underlying assumption to this project design is that credit union growth and development must be stimulated by second- and third-level organizations."⁵

Once developed by external assistance, the assumption of the project was that the National Credit Union Leagues and CCCU would be supported by membership dues paid by the individual credit unions. The credit unions would be strengthened by the new services provided to them, which would in turn improve their ability to attract new members and provide services to them.

The institution building goal would in turn serve the overarching economic goal: stronger credit unions were expected to mobilize more member savings (both by increasing membership and encouraging each member to save more) and channel these savings into "productive and provident purposes." Thus, if savings could be mobilized, then the credit union could make more loans for long and short term business investments (productive purposes) and/or for housing, consumer durables, and other consumer credit such as education, medical and travel expenses (provident purposes). Lower income groups in many Eastern Caribbean countries rarely have access to commercial banks. Either they are in rural areas remote from towns where banks are situated, or they are intimidated by the requirements to establish an account at a commercial bank. Even if they could accumulate some savings at a commercial bank, they could not realistically hope that their commercial bank would extend them a mortgage for a new house, or lend them money for a refrigerator or car, for their daughter's education, or their father's surgery. A well functioning credit union, therefore, opens up new financial resources to the lower income groups and can significantly improve their standard of living.

3. Evaluation Evidence

It should be noted that the field work for the current evaluation focussed almost exclusively on credit union loans for productive purposes. The analysis that follows relies heavily on the findings of the February, 1987 evaluation by Mr. Magill, et.al. According to the findings of the Magill Evaluation, the credit union movement has grown considerably since 1980 (see section III.B, above). At the credit union level, growth rates of membership, savings, and lending were higher than expected by the project. Most individual credit unions (but not the national leagues nor the CCCU) were self sufficient. The current

5. Magill, et.al., op cite, Pg. VII-3.

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evaluation documented numerous examples of productive loans which assisted entrepreneurial credit union members expand and improve their businesses, or helped them weather a financial crisis. However, it is difficult to attribute such successes to the project. The Magill evaluation states that:

1. The rapid credit union growth of the pre-project period was not due to second- or third-level [national leagues and CCCU] credit union activity.
2. Both the present and potential size of the credit union movements in some of the territories do not appear large enough to sustain the league structures that have been created.
3. The costs of sustaining a league draw resources from the primary-level credit union at a time when expense/income ratios are high and increasing.
4. There does not appear to be a critical, unique service that can be provided by CCCU that can command a high level of financial support from the national movements.⁶

Although project activities (inputs and outputs) were geared primarily to the CCCU and the national leagues, these institutions still exhibit the bleakest prospects for self-sufficiency. Although the purpose and goal of the project were easily achieved, the contribution of project outputs to that purpose and goal appears to have been marginal. In the final analysis, "The fact that tremendous growth has taken place in the movements and that the credit unions that are growing are doing so with little direct assistance from CCCU and the leagues would seem to indicate that [the project's] focus on these levels may not have been necessary or appropriate."⁷

E. CONCLUSIONS, RECOMMENDATIONS, AND LESSONS LEARNED

1. Conclusions

1. The Credit Unions appear to be excellent sources of financing for small business members of credit unions, in that they are highly responsive, make few demands for collateral, and are willing to finance working capital (which other financial institutions, including the NDFs, are reluctant to provide). Operating exclusively with internally mobilized financial

6. Ibid., pg. VII-3.

7. Ibid., Pg. VII-6.

resources, the credit unions in the OECS alone (i.e., excluding Barbados) have a combined portfolio of business and agricultural loans which is 50% larger than those of the NDFs in the OECS (whose loan funds are externally provided), and provide almost twice as many loans in a single year as the NDFs have provided since their inception. In addition, the members of the credit unions appear to have a higher degree of commitment to loan repayment than do many of the clients of other financial institutions. There was a strong sense of "membership" expressed by the interviewees, which is perhaps stronger than the client relationships felt with the NDFs. Letting down your credit union means letting down your friends and neighbors, and your reputation and good standing in the community to boot.

2. A shortcoming of the credit unions as a source of business financing is that they have little background in project appraisal and little to offer in the way of business advice, training, or technical assistance for their micro-business clientele. The majority of credit union members are not self employed, and the majority of credit union loans are for consumer purchases, housing, and other non-income generating purposes. The staff of the credit unions are usually relatively unfamiliar with the financial requirements of businesses, or with assessing loan applications in terms of project feasibility. Micro-entrepreneurs are often weak on their business skills, which in turn has a direct impact on the efficiency and success of their business ventures. In some Eastern Caribbean countries, such micro-entrepreneurs may be semi-literate and unable to keep proper record of loan payments without assistance.

2. Recommendations

1. Most Credit Union staff could benefit from further training in project appraisal techniques to improve their effectiveness and confidence in lending for productive purposes.

2. Provided staff training can be made available as suggested above, USAID could consider the credit unions as effective vehicles of financial assistance to micro and small business, especially for the provision of working capital and quick-response loans which would function for the informal sector as the overdraft facility functions for formal sector businesses.

3. Lessons Learned

1. Success at the purpose and goal levels of a project do not necessarily mean that the project itself was a success, as the initiative and resourcefulness of project "beneficiaries," combined with positive external events may heavily outweigh project activities in an analysis of attribution.

CHAPTER IV: CARIBBEAN MARKETING ASSISTANCE PROJECT

A. PROJECT DESIGN

1. Purpose and Goals

The purpose of the Caribbean Marketing Assistance Project (CMAP) was to provide comprehensive marketing assistance to Caribbean manufacturers. The goal of CMAP was to improve the competitive position of Caribbean entrepreneurs and increase the sales of their products and services in the U.S. market place. The Project focussed on the micro and small business sectors.

The specific objectives of CMAP as defined in the original program description were as follows:

1. **Partnerships:** To establish viable, functioning Partnerships with local offices in the Caribbean countries of Barbados, Dominica and St. Lucia and counterpart New York State Partnerships in Albany, Dutchess and Rockland Counties respectively, in order to facilitate the purpose of the Project.

2. **Market Research\Assessment Missions:** To recruit and orient specialists who were experienced and well-qualified to provide marketing assistance to Caribbean entrepreneurs in product identification and marketing in the U.S. In addition, an assessment of potential U.S. markets would be undertaken.

3. **Product Development, Design and Quality Control:** To identify and enlist volunteer and paid consultants in North\South partnership areas to provide assistance to Caribbean manufacturers in making products that are competitive in terms of quality control, safety standards and price for the U.S. market.

4. **Observational Training Visits:** To provide individualized, custom-designed training to Caribbean entrepreneurs and their employees, as identified by the Southern Partners Sub-Committees. This training would take place in the Caribbean or in the U.S. partner areas and would be observational and experimental in nature.

5. **Trade Missions:** To facilitate the marketing of products from the Caribbean, entrepreneurs would be invited to participate in a variety of functions in the U.S. Formal product displays would be scheduled in the Northern Partner areas each year.

6. **Brokering\Clearinghouse Function:** To assure that business contacts between the North/South partnerships would be sustained, the brokering\clearinghouse function would provide a permanent

contact point for business persons seeking marketing information and assistance.

2. Project Rationale

CMAF was a pilot project designed by the National Association of the Partners of the Americas (NAPA). The original intent of the Project was to test the effectiveness of the Partners model of professional volunteerism, as a mechanism for conducting marketing activities to promote small enterprise development.

The CMAF model was based on the creation of volunteer Economic Development Sub-Committees (EDS) in three Caribbean countries working with counterpart "Partners" volunteer EDSs in New York State. The combined role of the North/South EDSs was to assist small Caribbean businesses to export locally made products to U.S. markets, specifically in the Northern partnership areas.

Successful implementation of CMAF relied heavily on the EDS in Barbados/Albany, Dominica/Dutchess County and St. Lucia/Rockland working openly and efficiently together. The EDSs were comprised of volunteer professionals representing businesses or business marketing. The primary role of each EDS was to plan and implement marketing assistance for projects identified between the North/South partnerships. The local offices were staffed with Peace Corps volunteers to assist the EDS. Upon conclusion of the Project, the EDSs were to continue to operate as part of the local Partners' Association using the brokering/clearinghouse as a permanent contact point for marketing assistance.

3. Strategy/Implementation

CMAF was originally planned for implementation over a three year period commencing April 29th, 1983, with a project completion date of April 30th, 1986. However, subsequent to an evaluation in early 1985, the PACD was revised to December 31, 1985, shortening the Project by three months.

To facilitate implementation of CMAF, Partners/Washington provided administrative and financial support for a one-half time Project Manager. A Management Team was established which included the Project Manager, the Partners Associate Director for Caribbean Programs, and the Partners Caribbean Regional Representative. The EDS Chairpersons in the Caribbean reported directly to the Partners Caribbean Representative, with the locally established offices providing day-to-day logistical and administrative support.

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During the first year of CMAP, the EDSS in the New York and the Caribbean had difficulty maintaining volunteers interest and participation. Sub-Committee membership changed several times; within three months of Project start up, two of the original three Caribbean EDS chairpersons were no longer with the Project leaving a serious gap in EDS leadership and no clear understanding of Project objectives. In addition, no system of communication had ever been developed between the North/South EDS to assure continuity and follow through on requests for marketing advice and assistance. During the first year, there had been three different Project Managers, and all of the PCV's had left the Project for various reasons, leaving the local offices without staff support. Not surprisingly, very little project activity occurred during this period.

In June 1984, the Project underwent major design revisions. The goal and Project purpose did not change, however, the objectives were broadened to emphasize short term project activities to improve the competitive position of the Caribbean entrepreneur in local and/or regional markets, as well as the U.S. market. The EDS role was redefined to include assistance in business and production management, packaging design and the mechanics of distribution. A restructuring of the CMAP Project management provided a much clearer delineation of authority lines and interrelationships between key management personnel. Coordinators were recruited locally to staff the Caribbean CMAP offices, and a consultant was hired to provide assistance to the New York EDSS.

B. PROJECT ACTIVITIES

1. Inputs and Outputs

The CMAP/USAID original grant was for \$335,640 (obligated funds). At the point of redesign, the second year budget was revised to cover increases in transport, communications and other support costs required with the addition of the Project Coordinators and CMAP consultant. On the basis of the evaluation's findings, USAID continued to fund the Project through to the new PACD at its then current average monthly expenditure rate. At the end of the Project in December 1985, all funds had been expended. The total counterpart and in-kind contribution through Partners was \$516,450. The budget breakdown is outlined below:

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	<u>USAID Funding</u>	<u>Counterpart Contributions</u>
Travel volunteer/ staff	70,906	292,000
Facility development/ local office costs	107,906	171,600
Observational training	-	86,850
Program management (incl. N.Y. consult)	100,668	-
Communic./promotion	39,167	3,000
Program evaluation	10,000	3,000
Indirect costs O/H 19%	<u>62,218</u>	<u>-</u>
	<u>390,000</u>	<u>516,450</u>

The CMAP was designed to provide a representative sample of the variations among small Caribbean economies at three different levels of development. The Project was not a comprehensive or standardized program, but in practice, combined three different projects in each of the participating partnerships.

The CMAP objective for Barbados was to promote trade between Barbados and the U.S. with emphasis on export promotion for medium sized manufacturers. CMAP activities for the Barbados/Albany partnership included The Barbados Trade Show held in Albany in which 20 manufacturers participated; a sales mission for Barbadian garment manufacturers; participation of a Barbadian manufacturer at the CBI Miami exposition for 807 garment sub-contracting; observational training visits for hoteliers, a graphics firm and a paint manufacturer; skills training held in Barbados for young ladies in knitting and garment production; and the sourcing of raw materials for Barbadian manufacturers with Partners counterparts in St. Lucia and Dominica.

In Dominica, the Project was referred to as the Caribbean Marketing and Production Assistance Project (CMPA). The major objectives for CMPA focussed on the creation of employment and the expansion of production of small firms through product diversification. The EDS emphasized training of small business entrepreneurs. Project activities included a six week training seminar for restaurateurs at the Culinary Institute of the Arts in Hyde Park, Dutchess County; an observational training visit for a battery maker; a tourism development and promotion project involving the Appalachian Mountain Club to explore Dominica's potential to attract special interest groups such as naturalists, hikers and bird watchers; direct marketing assistance for quilt makers, a bamboo boat builder and a strawcrafts production firm as well as two six week training seminars in business marketing and management held at Marist College in Dutchess County.

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The objective of CMAP in St. Lucia was to develop small traditional industries which were considered to provide good potential for employment and as centers of development. The EDS identified the handicrafts and agro-processing industries as their target clients for technical, organizational and direct marketing assistance. CMAP activities include a six week training session in marketing held in Rockland County for two St. Lucian women working in the straw products industry; a Trade Fair held in Castries for local producers; organizational development assistance for marketing to the honey producers; business development and marketing study assistance for a laundry; direct marketing assistance to the straw products industry; a working capital fund from USAID through the Chamber of Commerce for the Youth Development Program; and client referrals to the NRDF for credits and business counselling.

2. Previous Evaluations

In January 1985 an evaluation of CMAP was performed by a private consultant commissioned by RDO/C. The evaluation was conducted 21 months after the initiation of the Project and 7 months after Project revision. The findings of this report indicated that "...a number of factors had contributed to the lack of progress during the first 16 months of the Project". The report noted that, while the original project goal was relevant to the export potential of medium sized manufacturers in Barbados, the project design did not include the provision of management and production support for the micro and small businesses represented from Dominica and St. Lucia. With regard to the EDS, the report indicated that the project design assumed organized and fully operational EDSs and fully-functioning Partners committees when in fact, Partners had just begun to organize the St. Lucia/Rockland County and the Dominica/Dutchess County Partnerships and the Partners' local EDSs were just in the developmental stages. The evaluation also found that partnerships were built into the project with little analysis done on the required make-up of the EDS, its capability to implement the Project, or the suitability of Project objectives with respect to the in-country business sector. Project management was well defined on paper but the lines of authority and responsibility became unclear as key personnel changed. The fact that a system for communication between the EDSs was never established made follow through with referrals and assistance difficult and frustrating.

The evaluation indicated that the Partners' model, which was based primarily on professional volunteer services, was not sufficient to carry out the marketing activities as mandated by the Project design. However, when provided with paid Coordinators, the Partnership structure performed much more effec-

tively. This conclusion took into consideration the momentum the Project had gained since the hiring of local Coordinators and the consistency of CMAP activities in relation to the revised Project objectives particularly with regard to St. Lucia.¹ On the basis of the evaluation findings, it was the decision of RDO/C to fund CMAP through December 1985 at the then current expenditure rate. This resulted in an increase in the life of project funding to \$390,000.

C. PROJECT IMPACT

To conduct the current CMAP evaluation, site visits were made to the three participating countries - Barbados, Dominica and St. Lucia. These visits involved interviews with the former Coordinators and Economic Development Sub-Committee members as well as field trips to CMAP beneficiaries. A total of fourteen CMAP participants were interviewed. The selection of participants was not a random sample but a purposive grouping covering the range of CMAP recipients and activities. The availability of CMAP participants also influenced selection. The interviews ranged from medium sized business to the micro level cottage industry, and included the productive, retail and service sectors.

For purposes of this evaluation, CMAP was viewed as three distinct projects. Participant interviews followed the standard questionnaire as used for NDF/WID and Credit Union in clients (see Appendix A-3). Due to the type of activities that occurred under CMAP and often the vagueness of real Project involvement, it was not possible to assess firm outcomes and Project Attributions according to the same criteria used for the NDF/WID and Credit Union clients. Therefore, firm outcomes and Project attributions were analyzed country-by-country, and assessed according to the objectives as stated by each Partnership and achievement of the overall CMAP goal to increase Caribbean exports to the U.S and within the region. CMAP activities for each country are described below.

1. Barbados

In Barbados the evaluation team interviewed four CMAP beneficiaries - one large furniture manufacturer, one small hotel operator and two garment manufacturers.

1. Heather A. Clark, "An Evaluation of the Partners of the Americas Caribbean Marketing Assistance Project, Feb. 1985, pp. 1-11.

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The furniture manufacturer was able to participate in CMAP just as important regional markets (particularly Trinidad and Tobago) were collapsing. Since nearly 80% of the firm's market was in regional exports, management felt it was important to gain access to the extra-regional market, particularly the U.S. To assist in exploring new markets, the firm participated in the Albany Trade Show for Barbadian manufacturers organized through CMAP and held in April 1984. The exposure through this event provided valuable contacts and insight into the industry in the U.S. but no sales.

The greatest benefit resulting from the Trade Show, as described by the interviewee, was the technical assistance manufacturers received in furniture production for the U.S. market. The assistance included methods to control moisture content in wood, in order to avoid warpage and cracking in the North American winter, and in wood finishes to suit the tastes of the American market.

As a result of contacts made at the Trade Show, a joint venture marketing arrangement was attempted through the Barbados Furniture Trading Company (a cooperative venture of private firms and the Barbadian government). The venture foundered, however, over pricing difficulties, and ended in a six-figure loss for the firm. The Barbados CMAP coordinator remarked that he felt that this exposure provided Barbados manufacturers with valuable experience in business negotiations with U.S. firms.

The hotelier interviewed was able to participate in the Hotelier's Promotional Tour in Albany in 1985. Participation in the tour was arranged by CMAP and put her in touch with Albany area tour operators and travel agents and also provided seminars on marketing in the U.S. and on accounting and management for small hotels. As a direct result of this activity, the hotel has since, with some success, targeted specific U.S. markets, particularly senior citizens and church groups.

The Promotional Tour led to a special package for 22 tourists from Albany who came to stay at the Barbados hotel for one week in October 1985. Several tourists have returned in later years and brought other groups with them. These tours were of significant benefit to the hotelier because they were scheduled for the "low season" when hotel occupancy is usually low.

Through CMAP, the hotel was also intended to benefit from a computer software package especially designed for the hotel industry by SUNY Albany. The package can analyze direct costs of room occupancy, overheads, track occupancy rates and trends, and keep accounts. Unfortunately, the hotelier has been unable to purchase the hardware which is contingent upon government approval of duty free concessions (not yet forthcoming).

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The two garment manufacturers interviewed participated in a ten day tour of the U.S. garment industry and markets in the U.S., arranged through CMAP during September 1985. Through this tour they gained important insight into the size and diversity of the U.S. garment market, the range of technology and supplies available and the competition they faced. One described their impression of the U.S. market as "overwhelming," and the trip as an important learning experience, but expressed disappointment over the few contacts they were able to make with buyers. They learned about the "American way of working", 807 procedures and about marketing in the U.S. in general. One interviewee was able to meet with manufacturers of his equipment and to obtain necessary spare parts.

One of the garment manufacturers decided, based on his trip to the U.S., to forego any attempts to reach professional buyers, and wants to reach U.S. consumers directly through door to door sales. He hoped to start a pilot project in the New York market through CMAP, but the Project finished before he had a chance to develop this concept. He has approached SEAP with the idea, and was adamant that marketing assistance was much more important than training for Caribbean manufacturers.

During evaluation interviews with the former CMAP Coordinator and the EDS Vice-Chairman, both cited the Trade Fair in Albany as the major achievement for Barbados under CMAP. The Trade Fair acted as a catalyst for other projects to follow (e.g. tourism and furniture manufacturing) and provided a model for similar events organized with Dominica and St. Lucia. The Coordinator indicated however, that the scope and demands of the Project brought tremendous strain on the management of Partners in both the Caribbean and Washington. He stated that the volunteer concept upon which CMAP was based was not suited to marketing which requires more time and resources than most volunteers are willing or able to devote. A major constraint expressed by both was the lack of funds for marketing activities. The Vice-Chairman felt that CMAP "left people hungry". After the Coordinators were brought on board the Project gained momentum, though at the same time the completion dated was shortened by four months making it difficult to see activities through to their fruition. He felt that gains made by Barbados under CMAP were negated by the lack of gains in other areas of the Project. This was attributed to the fact that in Barbados the target businesses were small to medium sized, while in Dominica and St. Lucia the focus was on the micro sector which was not ready for the U.S. market in spite of the assistance. The coordinator said that project benefits derived as a direct result of contacts made at the Trade Show were a small order for one garment manufacturer and the sale of furniture used for exhibits.

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The Coordinator is currently a member of the Partners Board of Directors, and is currently a Senior Project Officer with The National Development Foundation. He has however, been able to continue some of the momentum gained under CMAP, as four beneficiaries of the Project have qualified for credits with the NDF.

The objective of CMAP in Barbados was to promote export trade between medium sized manufacturers and the U.S. To achieve this objective the EDS focussed on a trade show, observational training visits, technical training seminars and workshops in production techniques, business management and marketing aimed for the U.S. CMAP activities did not in the end generate any new markets or significant long-term benefits for medium size entrepreneurs. The CMAP outputs are those activities carried out to "promote" export trade and their (usually intangible) benefit to the participant. The Trade Show did not result in sales but provided exposure to the U.S. market for 20 Barbadian manufacturers, direct contacts with U.S. manufacturers and subsequent technical training for furniture makers. The ten day sales mission was a real "eye opener" for local manufacturers and according to the CMAP Coordinator did result in one-time sales orders for two garment manufacturers, (not interviewed) and a watch-maker. The hotelier, while outside of the target clientele identified for assistance, was probably able to derive the most in long term benefits from CMAP in Barbados. As a result of participation, business was increased particularly during seasonal low periods, and a small but regular Albany clientele was established.

2. Dominica

In Dominica the evaluation team interviewed five CMAP beneficiaries - one restaurateur, a hotelier, battery maker, a garment manufacturer, and a candlemaker. The manager of the lumber cooperative declined to answer questions for the evaluation, and only gave a brief description of his CMAP involvement.

The restaurateur and the hotelier participated in a six week training program in culinary arts held at the prestigious Culinary Institute of America in Hyde Park, New York. The training was paid for under the Partners International Training Grant program. Under the auspices of CMAP, a total of nine individuals from the Dominica hotel and restaurant industry participated in this course which concentrated on the principles and skills involved in food preparation and dining room service. The course graduates later mounted an exhibition at the Dutchess County Fair. Of the nine course participants, three own and operate successful restaurants in Dominica, two work in local

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hotels at the management level, three are employed in the hotel/restaurant industry and one moved overseas.

The direct CMAP benefit under this activity is that the restaurateurs interviewed state that they have done "extremely well" in their businesses. They have established reputations throughout the Region for being two of the best restaurants in Dominica. The proprietress attributes this largely to the training they received and the ongoing relationship they have maintained with the Institute. In addition, personnel working at both establishments have benefited from on-the-job training.

The hotelier, who is the manager of a large hotel on the island, indicated that as a result of the training and exposure to the Culinary Institute of America, he has trained staff at local hotels and been able to build up a very lucrative catering business which he conducts out of his home. The restaurateurs and hotelier interviewed also conduct training for staff within government ministries who work with food preparation and dining room service.

Under the auspices of CMAP, the battery maker was able to make an observational training visit to Dutchess County for the purpose of finding a source for training in battery making techniques. The interviewee explained that there was none available in the County and subsequently went to Puerto Rico for training. The Project paid the round trip air fare from Dominica; living and other expenses were incurred by the interviewee as training was outside of the Partner's Dutchess County area. The business is the only one of its kind on the island. A direct Project benefit was the duty free concessions on imports and a reduction in battery costs to the consumer.

The garment manufacturer received short-term training and technical assistance in production and management. However, the needs of this interviewee exceeded the scope and capability of CMAP. A recommendation was made to the local IDC and NDF on behalf of the manufacturer for long term assistance.

Under CMAP the former manager of a lumber cooperative attended the eight week management training seminar at Marist College in Dutchess County. During the course of his trip, the interviewee was able to visit a small sawmill; arrangements were made through CMAP for the owner to provide technical assistance to the Cooperative in Dominica. However, due to Project delays and lack of resources the technical assistance activity was cancelled.

The candlemaker is the Manager of the Candle Industries Cooperative. Through CMAP the interviewee was selected to participate in a management course conducted at Marist College in

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Dutchess County. Due to CMAP administrative delays the interviewee elected to participate in a similar training course elsewhere, and has since received assistance from the NDF.

The evaluation team interviewed the former CMAP Coordinator who stated that during his tenure with the Project, activities focussed on training, the marketing of handicraft items for U.S. markets and tourism development.

The training seminars in business marketing and management were developed jointly by the EDS Dominica/Dutchess County and were held at Marist College in Dutchess County. This training was actually funded through the Partners International Training Grants and participation did not focus on small business owners. Participants included individuals from local government, the tourist and hotel industry, manufacturing and handicrafts. A total of twelve individuals benefited from this training.

In the area of handicrafts, the Coordinator worked through the Dutchess County EDC to establish contacts for the marketing of handicraft items in the U.S. and to organize the first shipment. This activity did not progress due to misunderstandings and lack of communication between the EDSs, and the inability of participants to produce quality and quantity products priced for the U.S. market.

A tourism development project was underway as the Project came to and end. Organized by CMAP, in cooperation with the hotel association, two members of the Appalachian Mountain Club and professionals from Dutchess County visited Dominica. The purpose of this activity was to promote Dominica's tourist appeal to "special interest groups" such as hikers, naturalists and bird watchers, focussing on the "natural" aspects of the island.

As a direct result of this CMAP activity, two groups of individuals working with the Ministry of Forestry were subsequently sent to Dutchess County for training in the building and maintenance of forestry trails. Those trained are currently working to reestablish existing trails. Arrangements were made for the Appalachia Mountain Club to visit Dominica for four weeks to provide technical assistance in trail maintenance. The effort did not materialize due to lack of sufficient funding.

The Chairman of the EDC was also interviewed by the evaluation team. He felt the major flaws of the Project were 1) that there was never any established system of communication between the EDSs (North/South) to assure follow-through on requests for marketing assistance, and 2) an unrealistic reliance on voluntary professional time given the heavy demands CMAP activities would place on these individuals. He stated that limited funding for

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marketing activities was a serious project constraint. In regard to Dominica's participation in the Dutchess County Fair in the fall of 1983, he stated that CMAP was not able to get maximum mileage from the Fair in terms of a yield for business development, but he participated anyway to express solidarity, cooperation and support for building the North/South partnership.

The objectives of the Dominica CMPA were to create employment and to expand production of small firms through product diversification. The emphasis was on training as CMAP saw as its task improving the competitive position locally of Dominican entrepreneurs, broadening the product base of local producers for export, and improving the production and business management skills of local entrepreneurs. The most significant and long term Project benefits in Dominica have been in training, and specifically that provided through the Culinary Institute. To this extent, a small number of jobs in the service sector have been sustained and the quality of employment, perhaps improved through on-the-job training. The firm achievement and Project attributes are vague in the other activities as many of them appear to have occurred alongside (or in spite of) the Project, not as a direct result of CMAP involvement.

3. St. Lucia

In St. Lucia, the evaluation team interviewed four CMAP beneficiaries - a beekeeper, a tailor, a seamstress and the owner of a laundry. In addition the team held an extensive interviews with the former Coordinator on the CMAP handicrafts activities, and conducted a telephone interview with the EDS Chairperson.

The beekeeper is an active member of the Beekeepers Cooperative. The Cooperative was organized under CMAP as a vehicle for marketing honey on the local, and regional markets. The beekeepers received assistance in packaging and marketing techniques, but have never developed appropriate packaging nor ventured beyond the local market. This interviewee declined to be interviewed with the standard questionnaire format. He stated that he was not qualified to speak for the cooperative; the Chairperson was unable to meet with the team as arranged.

The tailor runs a small garment manufacturing business making men's pants for the local market. Through CMAP he was able to benefit from technical assistance in improving the quality and efficiency of his production as well as the overall management of the business. He is now able to accept larger orders and has improved the quality of his finished product. The was referred to the NRDF for credits and continues to benefit from the management assistance offered by the former Coordinator.

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The seamstress runs a small cottage industry knitting sweaters and skirts for the local and regional markets. Through CMAP she received technical advice on the quality and design of her garments in preparation for marketing in the U.S. However no direct marketing assistance was provided.

The laundry owner first approached CMAP for advice on setting up a laundry business. The CMAP Coordinator assisted the interviewee in doing the market study, and arranged for training in small business accounting. Through a referral to the NRDF, the participant received start up credits to establish the laundry and is currently hoping to expand.

CMAP activities with the handicrafts industry focussed on a six week training seminar in October 1984 in Rockland County on the marketing of straw goods for the U.S. market. The seminar involved two straw basket producers and was designed by the Rockland County EDS Chairman, who is a Marketing Specialist, in co-operation with the Handicraft Centre in St. Lucia.

As part of the seminar a market research and assessment study was conducted for the marketing of St. Lucian straw products in the U.S. The study was carried out by seminar participants who met with U.S. importers of straw goods. The exposure through this experience provided valuable insight for the beneficiaries to the competitive U.S. market place. Two U.S. straw basket wholesale distributors expressed interest in importing St. Lucian baskets, but to date the market has not been established.

To assist in the marketing and promotion of handicrafts in St. Lucia and the region, the former Coordinator organized a local handicraft exhibition. Twenty-five local handicraft producers participated in the event which was held in December 1984, following the straw goods marketing seminar.

The EDS Coordinator stated that CMAP in St. Lucia was a very grassroots project in that it served to mobilize micro entrepreneurs in marketing their products and services. It played a useful role in providing exposure to marketing techniques. He saw a definite need for marketing assistance to the micro sector, and expressed disappointment that CMAP ended at a time when the EDS and entrepreneurs were understanding how to use it.

The former CMAP Coordinator is currently a Field Officer with the National Research and Development Foundation in St. Lucia. Through her position with NRDF she has been able to facilitate CMAP referrals for credit services and business guidance. She has also been able to continue marketing assistance on a limited basis.

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The CMAP objective for St. Lucia was to develop small traditional industries by providing technical, organizational and direct marketing assistance. The Project focussed on the handicrafts and agro-processing industries and the problems of the small producer in developing a market.

Activities generated by the St. Lucia EDS are consistent with their Project objectives. In the case of the tailor and laundry owner the firm outcomes and Project attributes are quite evident, as are the long term benefits to date. Training in marketing and direct marketing assistance resulted in test samples being sent U.S. wholesale distributors. However, these activities did not produce tangible long term results because of organizational problems and the inability of the producers to meet the U.S. market demands. The St. Lucia CMAP perhaps came closest to achieving the overall CMAP objective to provide marketing assistance to improve the competitive position of the Caribbean entrepreneur within the local and regional (if not extra-regional) markets. However, full development of the Project was constrained by a reportedly non-functioning EDS in the Rockland County partnership area. In addition, St. Lucian micro producers and manufacturers were not prepared for the demands of the U.S. market and lack of funds for follow through on marketing activities where opportunities were available.

D. APPLICATION OF GENERIC SCOPE OF WORK

1. Project Design Elements

The goal of CMAP, "to improve the competitive position and increase sales of Caribbean products in the U.S. market" can be seen to fit narrowly within the Economic Development Goal of the Generic Scope of Work:

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.

The Caribbean Marketing Assistance Project was considered a pilot project to test the Partnership model for delivery of assistance to Caribbean firms, and therefore, little in the way of serious institution building was attempted.

The purpose of the Project was to provide comprehensive marketing assistance to Caribbean manufacturers in Barbados, Dominica and St. Lucia. The Evaluation Team has identified the following purpose elements from the Generic Scope of Work which are relevant to the Caribbean marketing Assistance Project:

- to improve marketing skills
- to identify and tap new markets
- to reduce imports
- to promote exports

Project outputs were to include direct marketing assistance to micro, small and medium size businesses, training and technical assistance to improve the organizational and technical capacity of micro, small and medium size businesses, and direct marketing assistance to Caribbean firms, aimed at local, regional and U.S. markets. The inputs of the Project would include funds, personnel (volunteer and paid) and other resources, including in-kind contributions, for training and technical assistance.

2. Causal Paths

By the logic of the project design, if Caribbean businesses could establish and maintain close contact with counterparts in the United States, then this relationship would provide a good avenue to tap new markets. The project would provide technical assistance, available in the U.S. partnership areas, to the Caribbean businesses, most particularly assistance designed to improve marketing skills including product quality control and packaging design. The assistance would in turn lead to more appealing products, a more competitive position, and ultimately result in higher sales in local, regional, and extra-regional markets. These increased sales, would represent increased exports and reduced imports.

The increased sales resulting from the above-described activities would allow Caribbean producers to expand production, increasing employment, income and foreign exchange.

3. Evaluation Evidence

In fact, the results of the CMAP project were meager, and concentrated in local markets, as distinct from regional or export markets. Strictly in terms of tangible benefits, as a result of a promotional tour arranged through the CMAP project, a hotelier in Barbados was able to create a new clientele during the low season. A few one-time orders were established at trade fairs. In Dominica, several restaurateurs and hoteliers substantially increased their standards of operation, and some can boast to offer the most enticing eating/accommodation in the country. At least one of the restaurants is classed as one of the best in the OECS. A laundry in St. Lucia was able to expand on its reputation for reliable, high quality service.

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There were, however, no long term export contacts established. In fact, the one significant export order (for Barbadian furniture manufacturers) resulted in six figure losses for at least one firm, after which the joint venture marketing arrangement with the U.S. firm was terminated.

The 1985 Clark evaluation concluded that while CMAP was designed by Partners in the "spirit of entrepreneurial risk-taking", the complexity of the Project was underestimated in terms of:

1. the nature of marketing Caribbean exports in the U.S. including factors such as a) requirements for continuous contact and timely follow-up; b) a knowledge of import-export administrative procedures; c) the level of training required to bring production and management up to standard; d) the financial resources required to bring production up to standard and to support marketing efforts;
2. the level and quality of management support required to undertake this task;
3. the ability of the Partnership mechanism to promote or impede such an effort;
4. time available to participating businessmen to support such an effort;
5. the number of potential business prospects with exportable products able to compete in the U.S. market, especially in St. Lucia and Dominica; and
6. the time investment required to support these industries to a level where simply making contacts for export would be sufficient without providing continuous production and management assistance.

Although project activities (outputs) in each country were basically tailored to fit the needs of the various target client groups and could be termed as successful in heightening the awareness of micro and small entrepreneurs, with regard to export marketing, the overall Project impact appears to be very limited, and certainly has not resulted in achieving the stated purpose and goals.

E. CONCLUSIONS

1. The CMAP overall has had no lasting impact on increasing the sales of Caribbean made products in U.S. markets. The most significant accomplishment under CMAP has been in the area of training and technical assistance in the area of product quality. As a result of these activities the micro business entrepreneurs were able to improve upon their trade or craft, as well as learn valuable business management techniques. These activities in turn improved the marketability of products and may have improved the competitive position of firms within the regional and tourist markets, but were ineffective beyond this.

2. The disappointing performance of the project appears to be primarily due to a variety of design flaws, including:

- a. A focus on firms too small to approach the US market, regardless of the level of assistance provided (especially in St. Lucia and Dominica). Many small entrepreneurs who visited the US under CMAP spoke of feeling "overwhelmed" and were unable to follow up on the few contacts established with potential buyers.
- b. A reliance on volunteer activity, which should not have been expected to be sufficient to make a critical difference in reaching the ambitious export marketing objectives of the project.
- c. An inadequate budget to support the activities required to fulfill project objectives. A move toward higher levels of effort near the end of the project showed more promise, but depleted the budget too fast to allow for necessary followup activities.

In short, the resources/inputs of CMAP were inappropriate and insufficient to achieve the outputs and purposes described in the project design.

3. More to the point, CMAP appears to be an example of a project that was expected simultaneously to address the needs of struggling entrepreneurs in the micro-sector (increased market opportunities) and to achieve significant macro-economic objectives (growth in production, employment and export earnings), and which succeeded in accomplishing neither.

4. The Caribbean Marketing Assistance Project was designed as a pilot project to test the Partners' model of using professional volunteers to provide marketing assistance to micro, small and medium sized businesses in the Caribbean. As the Project implementation progressed in each country it took a different

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shape and eventually became three projects with different target clientele and objectives. While the overall goal and purpose of CMAP remained unchanged, achievement was difficult to attain even after increasing the level of effort (replacing PCVs with local full time coordinators) given the level of businesses that participated and activities undertaken to meet their needs. The "test" of the partnership model for marketing assistance (relying in heavy measure on the voluntary contributions of professionals from both the U.S. and the Caribbean) should be judged "negative."

CHAPTER V: OVERALL CONCLUSIONS, RECOMMENDATIONS, AND
LESSONS LEARNED

A. CONCLUSIONS AND COMPARATIVE ANALYSIS OF INSTITUTIONS SERVING
THE MICRO/SMALL BUSINESS SECTOR

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

2. The SEA project has been an effective source of support to the NDFs and WID. However, accomplishments of SEAP beyond this have been meager. The provision of training and technical assistance has been limited, and has had to proceed in most countries without the guidance of a National Coordinating Committee. The formation of the NCCs has proven to be much more difficult than anticipated. The Dominica NCC was based on a pre-existing, informal grouping, and yet found it very difficult to formalize. Other countries, with less of a history of inter-sectoral cooperation, have found it much more difficult to create such institutions. Experimental programs expected to provide venture capital and new sources of loan financing for small and medium sized enterprises have failed to interest the financial communities of the OECS.

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

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They appear to be more willing to lend for short term purposes than for long term purposes.

4. CMAP was poorly conceived and designed, and its results were meager. Its goal (increased Caribbean exports to the U.S.) and its target beneficiary group (micro and small business) were incompatible. The resources provided were insufficient to achieve the objectives set. There was too great a reliance on "voluntary" and part time effort to achieve marketing results which require a considerable level of effort, supported by a heavy application of resources and expertise. However, CMAP did provide useful technical assistance to improve the general marketability of goods and services produced by small businesses in the area. Many interviewees expressed a continuing need for export marketing assistance, and a dissatisfaction with the marketing assistance available through existing channels (including the SEA project).

B. RECOMMENDATIONS

1. RDO/C should continue to support the NDFs and WID at current or expanded rates of loan disbursement. The NDFs and WID should be encouraged to increase the amount of income (especially earned income and domestic donations) they bring in from sources other than RDO/C.

2. The redesign of the SEA project should take place as expeditiously as possible, with an eye to streamlining activities, and to eliminate programs which were designed into the project, but which have generated little interest among their intended constituencies.

3. RDO/C should encourage (but not insist upon) cooperative relationships between the NDFs and the credit unions in countries where there appears to be good potential for complementary activities. In particular, it makes sense for NDF to encourage their clients to join a credit union to gain access to working capital. At the same time, credit unions should encourage their business membership to seek training/technical assistance/business advice at the NDFs for an appropriate fee. Thus the NDFs may help the credit unions increase their membership and the credit unions may provide a new source of fee income to the NDFs. As is already occurring in St. Kitts, NDFs can also provide training to credit union staff in project appraisal techniques.

C. LESSONS LEARNED

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

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

2. Success at the purpose and goal levels of a project do not necessarily mean that the project itself was a success, as the initiative and resourcefulness of project "beneficiaries" combined with positive external events may heavily outweigh project activities in any analysis of attribution.

APPENDIX A

A.1

EVALUATION SCOPE OF WORK

for the

SMALL ENTERPRISE CLUSTER EVALUATION

PROJECTS COVERED

This cluster evaluation will cover the following projects:

538-0079 Dominica Small Enterprise Development Project
538-0102 Caribbean Marketing Assistance Project
538-0133 Small Enterprise Assistance Project
538-0136 National Foundation Assistance Project
538-0035 Caribbean Credit Union Development I Project
538-0135 Caribbean Credit Union Development II Project

The cluster evaluation will not cover two other projects through which RDO/C has supported assistance to micro and small businesses. The two projects, which will not be covered because they are not on the L-4 list of projects to be evaluated by LBII are: 538-0025 (Social Services and Loans for Low Income Women) and 538-0013 (Private Sector Development - PADF Component).

However, to the extent that businesses assisted by these two omitted projects can be readily identified, they will be added to the universe from which interview samples will be drawn. The Grenada NDF will be included in the financial analysis as part of the SEA Project.

PURPOSES OF EVALUATION

1. To examine the impact on micro and small businesses of loans and technical assistance provided by National Development Foundations, cooperatives, and other types of institutions which RDO/C has assisted through the projects within the scope of this evaluation.
2. To examine parameters of sustainability of National Development Foundations and the relevance of RDO/C's use of these organizations as channels for delivering services to micro and small enterprises.
3. To provide a base of information for a separate analysis of alternative future strategies for the SEA Project.

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FOCUS OF EVALUATION

The evaluation will focus on (1) identifying and analyzing cases in which provision of credit and/or other services to small and microbusiness have produced successful outcomes; (2) carrying out a financial analysis of the performance of National Development Foundations on the basis of readily available information; and (3) examining the relative position of the NDF's within the spectrum of institutions providing assistance to micro and small businesses in the OECS states.

PRINCIPAL EVALUATION TASKS

1. Summarize the main elements of the RDO/C designs for the projects within the cluster, and the delivery strategies embodied in these designs.
2. Prepare an overview summarizing the range of assistance provided to micro, small, and medium-scale businesses in the OECS states, and the institutions involved in delivery.
3. Perform an analysis of information available in the project data bases (What information is available? Does it appear to be accurate, comprehensive, consistent, and relevant?).
4. Identify, and, on the basis of field visits to a sample of recipients, document and assess project results at recipient level.
5. Obtain available information on NDF financial performance.
6. On the basis of evaluation evidence gathered, develop achievement attribution scales to rank favorable outcomes at firm and institutional levels.
7. Gather and analyze readily available information on project-related Annual Action Plan indicators.
8. Gather and analyze readily available information on project inputs and outputs.
9. On the basis of the evaluation evidence gathered, perform brief comparative analysis of the mechanisms/delivery systems/institutions which have served as distribution channels for USAID funds for small business.
10. Through interviews with NDF personnel, identify linkages with other RDO/C projects which they have utilized.

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11. Apply Generic Scope of Work to the project, with emphasis on issues of project impact.
12. Prepare conclusions and lessons learned.

METHODOLOGY

1. LBII will present a work plan to RDO/C for clearance on or about October 28. This Work Plan will contain a report outline, table of assignments, and evaluation schedule.
2. The evaluation team will meet with the RDO/C Project Officers and with other Mission personnel concerned with the project.
3. The evaluation team will meet with representatives of implementing organizations.
4. The team will prepare forms for classifying micro and small businesses assisted by NDFs and for attribution of success and calibrate the results reported on these forms.
5. A field survey will be carried out in the OECS states, focussing on a sample of firms assisted. Selected NDF records also will be examined during the field survey.
6. An analysis of the financial performance of each NDF will be carried out on the basis of readily available data. Comparisons may be made with readily available data on other institutions.
7. Following the field survey and the financial analysis, the evaluation team will submit a preliminary assessment of its impressions to RDO/C in the form of a preliminary draft of an executive summary.
8. Research, data base information, and information gathered during the field survey will be integrated into a draft final report to be submitted to RDO/C on December 9, 1987.

A.2. 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 (all)
3. To develop land for industrial and commercial uses
4. To provide factory buildings
5. To provide long term financing for businesses (NDFs/WID/SEA/CUDP)
6. To provide short term financing for businesses (NDFs/WID/SEA/CUDP)
7. To provide financing for housing (CUDP)
8. To provide financing for consumer durables (CUDP)
9. To provide other consumer credit (CUDP)
10. To create financial institutions to serve unmet needs (NDFs/WID/SEA/CUDP)
11. To improve business management skills (NDFs/WID/SEA)
12. To improve management systems
13. To improve record keeping and accounting skills (NDFs/WID/SEA)
14. To improve skills of supervisors
15. To improve labor relations skills
16. To improve marketing skills (CMAP)
17. To improve skills of laborers and office workers
18. To develop investment promotion skills

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19. To develop investment promotion institutions
20. To improve production methods (SEA)
21. To introduce new technology (SEA)
22. To identify and tap new markets (CMAP)
23. To improve service or reduce costs of public infrastructure utilized by productive activities
24. To encourage risk-taking and entrepreneurship (all)
25. To encourage reliance on 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 ground rules 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 burdens 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 (SEA)
36. To create and attract membership to business associations (SEA)
37. To broaden the constituency of business associations (SEA)
38. 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 change government policies
41. To create or change legislation
42. To create or change government procedures and practices
43. To reduce imports (NDFs/WID/SEA/CMAP)
44. To promote exports (CMAP)

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C. PROJECT OUTPUTS

(Outputs to be related to individual purposes)

1. **Technical Assistance Tasks Completed** (characterize and quantify tasks) (NDFs/WID/SEA/CMAP)
2. **Promotional materials distributed**
3. **Trade shows attended**
4. **Prospects followed up**
5. **Visits made**
6. **Financing Drawn Down by End Users** (NDFs/WID/SEA/CUDP)
7. **Persons Trained** (SEA)
8. **Manuals Prepared**
9. **Institutions in Place and Providing Outputs** (all) (characterize and quantify outputs)
10. **License agreements made**
11. **Public Infrastructure Projects Services Provided** (IPIP, EIP II)
12. **New ventures undertaken** (NDFs/WID/SEA/CUDP)
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 devoted to problem solution.
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.

A.3 SMALL ENTERPRISE CLUSTER EVALUATION RECIPIENT QUESTIONNAIRE

DATE: _____

COUNTRY: _____

USAID PROJECT NO. 538- _____

NDF
CMAP
CREDIT UNION
SEA PROJECT

A. GENERAL BACKGROUND

1. Firm Name: _____

2. Location: _____

3. Owner/Operator: _____

4. Type of Business: Retail

Cottage Industry/Manufacturing

Service At Fixed Location
Type of Service

Other Service
Type of Service

Agriculture

5. Product Description of Output _____

6. Length of time in this business _____ Other business

B. BACKGROUND OF OPERATIONS

1. a. Number of Employees BEFORE assistance:

	Full time	Part time
Paid		
Non-paid		

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b. Number of Employees AFTER assistance:

Full time Part time

Paid

Non-paid

2. Do you draw a regular salary? YES/\$_____ NO
3. a. What was the source/amount of your "start up" financing?
self other investors loans
- b. What was the source/amount of your expansion capital?
self other investors loans
4. a. What was your annual payroll BEFORE assistance? EC\$ _____
wage rates: daily
 weekly
 monthly
- b. What is your annual payroll AFTER assistance? EC\$ _____
5. a. What were your annual revenues BEFORE assistance?
volume _____
prices _____
- b. What are your annual revenues AFTER assistance?
volume _____
prices _____
6. Do you export any of your products? Yes/NO
If Yes, type of product _____

C. BACKGROUND OF ASSISTANCE

1. Date of assistance: _____

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2. Type of assistance:

a. CREDIT Amount EC\$ _____

 Date: _____

 Purpose: _____

Terms: _____

Repayment Schedule: (how do you make payments?
are you up to date on payments? do you have
difficulty in making your payments, if so, why?)

b. TRAINING (i.e. formal/classroom)

Type: _____

Date(s): _____

Location: _____

Comments:

c. TECHNICAL ASSISTANCE (i.e. technical/operational)

Type: _____

Date(s): _____

Location: _____

Comments:

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d. OTHER ASSISTANCE/GENERAL COUNSELLING

3. Have you received assistance from other agencies/ organizations? (i.e. Peace Corps, CIDA BDD, IVS, bus. assn., Chamber of Commerce, local training inst., etc.)

Source: _____

Purpose: _____

Amount EC\$ _____

Date(s): _____

Impact:

D. IMPACTS OF USAID ASSISTANCE

As a result of the assistance you received

- did your production increase? Y/N
if YES, how much?

- are you getting more work done? Y/N
if YES, explain

-have your sales increased? Y/N
if YES, how much?

-do you have any new markets? Y/N
if YES, Regional

Overseas

-have you expanded your staff as a result? Y/N
if YES, how many?

-have you been able to improve the overall management of your business as a result of this assistance? Y/N
if YES, explain

-what would have happened if you had not received this assistance?

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APPENDIX E

EVALUATION TEAM ASSIGNMENTS AND QUALIFICATIONS

Jacqueline Coolidge served as evaluation coordinator and had primary responsibility for the evaluations of the Credit Union Development Projects. She was principal author of the sections of the report on those projects, as well as the Introduction, and the Conclusions, Recommendations, and Lessons Learned. Ms. Coolidge made preliminary visits to the NDFs in each of the OECS states and to the Barbados NDF and WID. She made evaluation visits in Barbados, Dominica, St. Kitts, and Nevis.

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 a major contributor to the Evaluation of the Private Sector Investment Assistance Project, the Regional Agribusiness Development Project, and the Agribusiness Expansion Project; she coordinated the evaluation of the Financial Cluster Projects (CFSC, IPIP, CPDF and EIP II and the evaluation of PDAP (also projects within RDO/C's Private Sector portfolio) completed earlier in the year by LBII. 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. Prior to joining LBII, Ms. Coolidge worked as an independent consultant to the World Bank and the UNDP in Somalia and Indonesia. 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. Most pertinent to this evaluation, Ms. Coolidge hails from a small business family.

Rodney Wilkinson was the business and financial analyst for the evaluation. He had primary responsibility for the evaluations of the NDFs and WID and of the SEA project, especially the financial performance of the NDFs and WID. He wrote the sections of the report on those projects, as well as portions of the conclusions and recommendations. He made evaluation visits in Antigua, Barbados, Grenada, St. Kitts, St. Lucia, and St. Vincent.

Mr. Wilkinson was a contributing author to the Financial Cluster Evaluation (IPIP and EIP II) and to the evaluation of PDAP.

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Mr. Wilkinson is currently the Managing Director in Financial Services Associates in Bridgetown, Barbados. He is a Chartered Accountant with a first degree in economics. He joined Coopers and Lybrand in the United Kingdom in 1978 following a post-graduate Masters Degree course in project appraisal and planning at the London School of Economics. During his attachment with the audit firm, he gained extensive experience in financial analysis and investigations work. He joined the Management Consulting firm in the UK in 1982 and was engaged in financial accounting, management information and economic studies for, among others, public utilities (telecommunication, electricity, and water) in the Caribbean, the UK, Gibraltar, and Ethiopia. He gained extensive experience in the design, development, and application of financial management information systems and the application of economic pricing theory.

Mr. Wilkinson is a Barbadian citizen, who holds both an MSc and a BSc in Economics from the London School of Economics.

Susan Bain served as the small business analyst for the evaluation. She was primarily responsible for the evaluation of CMAP, for the interviews of NDF loan recipients and the analysis of firm level impact of NDF loans. She made evaluation visits in Antigua, Dominica, Grenada, St. Kitts, St. Lucia, and St. Vincent.

Ms. Bain was previously a consultant to the Caribbean Airport Project carried out by CIDA/Transport Canada, based in Barbados. She was responsible for preparation of special reports and planning documents, and collaboration in the design and implementation of a computerized financial management system. As Project Financial Analyst for USAID RDO/C, she was responsible for providing financial analysis support to the Regional Controller and Mission staff.

Prior to moving to Barbados, Ms. Bain was the Project Officer for the Trust for Public Land, Urban Land Program, San Francisco, California. She served as Senior Regional Field Representative for the National Urban Coalition in Oakland California, and worked closely with small neighborhood organizations, coops, and small businesses.

Ms. Bain holds an M.A. in Policy Analysis and Public Administration and a B.A. in Urban Planning both from San Francisco State University. She is a Canadian citizen.

Harvey A. Lerner was the evaluation supervisor. Mr. Lerner prepared the scope of work and reviewed the preliminary draft executive summary.

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Mr. Lerner was Resident Project Manager in Bridgetown, Barbados for Louis Berger International, Inc. (LBII) from June 1986 until October 1987. 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. He was principal author of the Evaluation of CAIC completed in January 1987.

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.



APPENDIX F

CARIBBEAN CONFEDERATION OF
credit unions

AFFILIATED TO THE WORLD COUNCIL OF CREDIT UNIONS

6 January 1988
11.1.2.

Mr Peter Medford
General Programme Specialist
Agency for International Development
P O Box 302
BRIDGETOWN

Dear Peter

Re: Draft Final Evaluation Report

Peter, thank you for your letter dated 21 December 1987. Unfortunately the Draft Report only reached me on 4 January 1988. However, I do not have any serious comments on the Report.

The Report gives the impression that "Model" Legislation was developed after Magill's Report. In fact this activity started in 1984 and various aspects were presented at our Annual General Meeting in 1985 and 1986. In 1987 the Final Report was adopted. Magill simply omitted this activity from his Report.

I hope that out of this Evaluation something concrete will materialise to the mutual benefit of USAID and the Credit Union Movement.

Yours sincerely

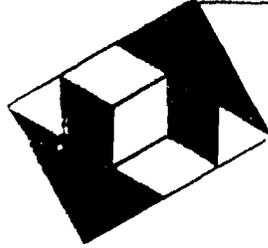
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JWStH/pl

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COMMENTS ON CMAP DRAFT FINAL EVALUATION REPORT

At page 70, under 1. Barbados, mention was not made of one medium - sized to large paint/chemical manufacturer who was one of the CMAP beneficiaries interviewed. In fact, this company Feb Caribbean Ltd, was one of the principal beneficiaries of CMAP, Barbados. Benefits included training in paint colour separation for one of its employees; a distributorship from an Albany furniture finishing company for furniture finishes suitable to the U.S market; training in furniture finishing appropriate to the U.S market for one of its employees; and computerisation of the company's operations by an expert from the State University of New York at Albany. These were some of the most significant benefits of CMAP; and the computer benefits in particular are still with the company.

It is not quite accurate to state in paragraph one at page 71 that ..." the Albany Trade Show valuable contacts and insights but no sales." In fact, the exhibits were sold, although all of the money was not received. On the same page line 1 of paragraph 3 is inaccurate. The Barbados Furniture Trading Co-joint venture marketing arrangement was not a direct result of the 1984 Albany Trade Show. It was a completely separate exercise. The connection was that the manufacturers who participated in the Albany Trade Show developed a feel for the U.S market for the first time and this fuelled their interest in entering into such a marketing arrangement.

In terms of lasting tangible benefits from CMAP, it is unfortunate that a major beneficiary Barbados garment manufacturer was not available for interview by the evaluation team. Hooper Garment Co. Ltd received on-going CMAP marketing assistance, and particularly under the 807 arrangement has even since CMAP been selling most of its products in the U.S market.

It is not fair to attribute to CMAP as at page 79 (the last two lines), a significant export order (for Barbadian furniture manufacturers) resulting in six figure losses for at least one firm after which the joint venture marketing arrangement with the U.S firm was terminated. As mentioned earlier, the joint venture arrangement was a completely separate exercise from CMAP which made no input into that project.

Granville Farley
 Granville Farley
 Former CMAP Coordinator, Barbados
 11/1/88