

Evaluation of the Project Development Assistance Program (PDAP)

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AID Regional Development Office/Caribbean  
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by

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## EXECUTIVE SUMMARY

The "PDAP" program is the centerpiece of the AID Regional Development Office/ Caribbean private sector development program. PDAP is intended to stimulate employment, exports, and private investment by means of promotion by a U.S. contractor of investment in the region and by developing the capability of Eastern Caribbean (EC) public and private sector institutions to generate employment.

The PDAP program involved two projects: the Project Development Assistance Project or "PDAP I" (originally authorized with \$4.6 million LOP funding in December, 1980) and its follow-on Investment Promotion and Export Development Project or "PDAP II" (\$8 million LOP authorized in 1984). The two PDAP projects have been implemented under separate contracts with Coopers and Lybrand each following full competitive procedures. The current contract will run out of funds about 16 months before its estimated completion date of October 31, 1987. Expenditures recorded as of February 28, 1986 equaled \$11,838,178.

While the project has promoted some investment and employment, it has fallen far short of its objectives in all areas. The defects in the implementation of this project are significant not only because of the intrinsic importance of PDAP in the Eastern Caribbean Regional program but also because the PDAP experience illustrates a number of problems associated with AID programming to promote private enterprise; USAID management of contractor operations in an environment of declining staff levels; and the costs imposed by rigid procurement procedures.

Presenting the findings of this evaluation poses a dilemma for the writer. There are valuable lessons to be learned in the fine grained detail of the project, the subtle interactions of project components in implementation, and the effect of perhaps unintended practical constraints placed on AID managers by the current environment of regulations and policy. But communicating fine grained detail however pregnant with potential interest and utility presumes much with respect to the reader's patience. Further, PDAP presents some unique problems. It is a very complicated program. The inadequacy of data on what has happened in the project and why has impeded evaluation. (Indeed, the failure of the contractor to comply with its undertakings with respect to management information is considered to be a critical defect in project implementation.) The conjunction of complexity and poor data invites excessive explanation and extensive use of the subjunctive mode. Thus it is difficult to be simultaneously precise and concise in this document. As the writer must often elect relative brevity, he would welcome the opportunity to support his findings and conclusions in more detail as well as to correct any errors.

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## Major Findings

### A. Progress Toward Project Objectives

PDAP has two major objectives: generate employment and develop capacity in the Eastern Caribbean country public and private sectors to generate employment. These objectives were specified in the contractor's technical proposal and incorporated into the contract:

Jobs: 19,000 by October 1987 (7000 attributable to PDAP I, 12000 to PDAP II)  
Institutional development: "effective local development agencies in each of the participating countries by the end of the program"

#### 1. Employment generation

Assessing performance in the employment generation area is complicated by poor data and confusing claims. The contractor claimed as of May 15, 1986 the following "employment generation...which (has) resulted from PDAP promotional and follow up activities":

current employment.....3668  
 forecast employment.....7565  
 "past peak" employment....5598

These figures are subject to serious question on a number of grounds:

1. The causal connection between contractor activity and investment, while clear in a number of cases, is doubtful in many others. (Of the 25 respondents to a SRI survey of all 70 PDAP "success" claims, only 6 indicated that PDAP was crucial to the investment decision. Sixteen of the 25 said the investment would have been made without regard to PDAP's efforts. In depth interviews by CBA in the islands corroborate SRI's survey findings and suggest that only investors considering their first overseas investment find PDAP essential.)
2. The number of jobs attributable to PDAP investment promotion activity seems to be overstated. Under the contractor's single function measurement approach, marginal PDAP contributions are translated into major employment creation achievements. For example, the contractor has claimed credit for some 1400 jobs in St. Vincent (equivalent to 38% of 3668) in connection with a firm whose investment predated PDAP. (PDAP may well have rendered useful post-investment assistance to the investor, but the claim of 38% of total project employment creation for post-investment services which the investor might well have sought elsewhere if PDAP had not been available seems questionable.)
3. The contractor aggregates different kinds of jobs in a single "employment generation" figure. Many jobs generated are by definition temporary, such as construction jobs or work on specific contracts. Other jobs are variable in duration and income, such as cottage industry activities. Some investments are candidly characterized by their owners as temporary operations. The "quality" of a job in terms of permanence, income, training, and other factors makes a difference. The contractor has not recognized the difference by generating relevant data.

4. Since the contractor failed to collect and maintain data on on-going employment in the past, "past peak" employment is difficult to assess. Possibly more useful information such as total payrolls or work days in jobs generated by PDAP was not collected.

5. The contractor's employment forecasts have been consistently unrealistic since the inception of the project.

Quantitative targets were not set for numbers of investments as such. As of April, 1986, the contractor claimed seventy "successes" (defined as commitments to invest or to subcontract with EC firms) over the life of the PDAP project.

It seems clear enough that the employment generation target was too high. The contractor apparently thought it understood the investment problem well enough to promise what it could not in fact deliver. Unfortunately from a developmental point of view, it is not clear what the contractor has learned about the investment problem to improve its performance and to help the West Indians learn how to promote investment after PDAP ends.

## 2. Institutional development

The PDAP project contemplated and the contract specified a wide range of activities to be carried out in the islands to improve the environment for private enterprise. The term "institutional development" is used in this report to refer not only to building the capacity of local public and private agencies as such to carry out employment generating promotional activities but also to refer more generally to encouraging improvements in the business environment through improved policy, infrastructure, and services.

Individual island advisors have provided "institutional development" services over the life of the project. The impact of these services is difficult to specify much less quantify, but clearly some of the advisors have had a positive effect on local business environment. Unfortunately, formal systematic efforts at institutional development coordinated with local government agencies and RDO/C did not take place. There seem to be two major reasons for this. First, the contractor failed to carry out its obligations with respect to development of acceptable CAPs (and thus management control and understanding at both contractor and RDO/C levels as well as local government coordination was undercut.) Second, the balance of direct contractor promotion with institution building contemplated by the PDAP II contract was apparently abandoned albeit informally in order to lay heavy stress on direct contractor investment promotion.

Failure to sustain a project-wide, vigorous, and systematic effort at institutional development has had serious consequences. The goal of establishing "effective local development agencies in each...country...by the end of the program" to carry on PDAP's functions cannot be achieved within the contract term much less within the funding remaining. Worse, PDAP's high-cost, low-productivity, expatriate staffed investment promotion system is unlikely to be either sustained by the EC countries with their own financial resources or replicated by them with their own people.

### 3. Conclusions with respect to progress toward project objectives

The contractor lost sight of the institutional development objectives of the project in its efforts to pursue its self-proposed but wholly unrealistic employment generation goals. Little has been done to prepare West Indians to carry on the work; the project has not developed methods of promotion appropriate for use by EC institutions; and AID has learned little to illuminate future efforts at investment promotion to generate private sector employment generation. Furthermore, direct employment generation results have been, at best, unimpressive - and there has been no dividend in information to help understand why results were limited.

Quantitative measures of performance and cost effectiveness of project performance are seriously hampered by the poor data base developed by the contractor. The deemphasis of institutional development, and therefore of benefits which might have been generated thereby, places the entire burden of the cost of the project on employment generation. The analysis in the text of this evaluation (based on the contractor's claim of 3668 jobs created) suggests a project cost per job promoted of \$3544; an aggregate annual payroll generated of about \$4,500,000, and aggregate life of jobs promoted payroll of about \$13,000,000, roughly in the range of total project cost. Other approaches and varied assumptions could generate figures significantly higher or lower. The key point with respect to cost-effectiveness is that if the project generates only job creation benefits rather than substantial institutional development benefits as well, short term expatriate service costs tend to overwhelm employment benefits. The higher the ratio of expatriate to local personnel, the more that tendency is reinforced. It is difficult in retrospect to identify a set of assumptions which would have justified the approach the contractor took given the resources available.

#### B. Project Design

Most projects encounter difficulties in implementation. Once the development problem to be addressed is understood and appropriate mechanisms and resources are provided to address the problem, the key factor in design is to assure that the project is to provide a means to monitor what is happening in the implementation process and why (an information system) and a method for guiding activity and making changes to adjust to emerging requirements, problems, and opportunities (a management control system). The PDAP project concept seems to have met these requirements.

Major features of the PDAP project design include:

- full time advisors resident on each of seven Eastern Caribbean islands
- a Washington based staff to carry out investor search and information services
- the contractor's project manager based in Barbados to facilitate management of field personnel and access to the assisted countries and RDO/C
- a management control system based on an annual Country Action Plan (CAP) for each island to provide:
  - direction and documentation of resident advisor activity;
  - analyzed and agreed upon understanding of local constraints, objectives, and strategy;
  - specification of policy and resource commitments of EC governments;
  - variation in country programs and flexibility for PDAP within broad project framework to tailor operations to unique needs of each country.
- an information system to provide contractor and RDO/C management with timely data on inputs, outputs, and indicators of project achievement

The original project design appears to be sound. The project as a whole contemplated a reasonable balance of short term (direct job creation) and longer term (institutional development) benefits. The information and management control systems which were called for by RDO/C, proposed by the contractor, and contracted for would be reasonable and adequate for the task - had they in fact been implemented. The project permitted the flexibility needed for any redirection required. In short, the design was reasonable. The problems of this project resulted from faulty implementation, not project design.

### C. Implementation of Project Components

There are a variety of implementation problems of varying degrees of significance in the PDAP project. Two are crucial because they obstructed implementation problem recognition and correction:

- Failure to implement an adequate information system
- Failure to develop Country Action Plans complying with stated requirements

#### 1. Information system

The information system called for under the contract to support monitoring and management control of the project is seriously flawed. Tests of system's capability failed to produce accurate and timely information on project performance, impact, and costs. Data on many important characteristics of project performance and experience was not gathered at all. Thus effective monitoring, self-correction within the project, and learning from PDAP experience have been hindered.

#### 2. Country Action Plans

The key to project management in the PDAP design is the annual Country Action Plan. Developing the plan is a primary responsibility of the island advisor. It includes the advisor's scope of work; identifies industrial policy problems objectives and strategies; provides a vehicle for policy dialogue with island government and private sector interests; specifies government and private sector commitments of personnel and other resources; training and technical assistance services required; budgets required; and achievements expected. The CAPs are to include "frameworks for change and institutional development...specific to local conditions".

The contractor's performance in development of these crucial CAP documents has been unsatisfactory. Indeed, RDO/C has never accepted any proposed CAP. While draft CAP submissions for 1986 were apparently taken more seriously by the contractor than the 1985 efforts, they still fall far short of the project's CAP concept.

The CAP ties together project strategy, advisor activity, local private and public sector commitments, use of project resources, higher management control, and RDO/C monitoring. Absent this strategy and coordination mechanism, it is hardly surprising that progress toward project objectives was limited.

### 3. Investor search and information services

Several problems are noted with respect to the Washington-based investor search and information effort. The search operation made 6618 investor contacts which led to visits to the region by 253 potential investors of which 70 made commitments to invest or contract. A report by SRI International suggests that the large number of contacts and relatively few visits and investments implies ineffective targeting of promotional effort. Costs of this operation were estimated to run approximately \$100,000 per month. This kind of operation is unlikely to be maintained by EC governments after PDAP financing ends. The project has not trained a significant number of West Indians to do investor search work. Nor has it developed an "appropriate technology" of investor search for EC use or explored with EC governments a post-PDAP approach to promotion which strikes an acceptable balance between regional and individual island interests. In short, the PDAP investor search scheme is an expatriate operation with little or no effort to define a technically feasible and politically acceptable post-PDAP approach to the problem.

Information services provided by the contractor's Washington staff have provided useful services to PDAP advisors and through them to some U.S. investor and EC private sector clients of PDAP. As investor search and information are overlapping staff activities in the current PDAP operation, it is impossible to distinguish costs and benefits of search and information services. This approach presumably contributes efficiencies to the contract but it may also lock PDAP into a high cost institutional arrangement which may be inappropriate for post-PDAP information services activity.

### 4. Island Resident Advisors

Generally speaking the resident advisors are dedicated, intelligent, hard-working, well liked by their clients, and reflected well on RDO/C and the USG. While a few individuals hired did not meet the demands of the job and were replaced, the island advisors have functioned well individually and, through extensive networking among themselves and with Washington, as a group. In short, in the absence of sound management direction to carry out the project as designed, the field people did a good job of making themselves useful and some did an outstanding job of "free-style" investment promotion.

Advisor activity was heavily focused on assistance to foreign investors. The extent of incidental institutional development services rendered varied from island to island according to the skills and interests of the advisors and receptivity of local people. Apparently, institutional development and "policy dialogue" matters were not addressed systematically on any island.

It is not clear that the current island advisor model with its intense networking, disinterested promotion of the region without regard to island of residency, and level of credibility to foreign investors will be applicable to future West Indian promotion efforts even if some level of inter-country cooperation is feasible. Like investor search, the expatriate island advisor model of regional promotion may have very limited relevance to a post-PDAP environment.

## 5. Contractor Management

Contractor supervisory management has been faulty with respect to:

1. assuring sound implementation of management procedures called for in the project, specifically:
  - a. the annual Country Action Plan;
  - b. the project monitoring system; and,
  - c. the form, utility, and timeliness of reporting
2. maintaining effective managerial relationships between levels within the contractor organization;
3. assessing and assuring the efficiency and cost effectiveness of investor search and information services;
4. providing and assuring compliance with contract provisions, AID regulations, and overall project objectives as reflected in project documentation.

As a result of these problems, questions have been raised concerning a number of issues including the appropriate management structure for the project, the relationship of the contractor home office with the team leader in the field, the elimination from contract implementation of subcontractors proposed as institutional development experts, the related capture of level of effort and related overheads in project funding, and related organizational issues.

Clearly any management scheme for the project should incorporate provision for compliance with AID regulations. But it is by no means clear that tighter headquarters control would have led to a more developmentally oriented strategy or greater knowledge and sensitivity to local West Indian needs and concerns. This evaluator would argue that the overriding management problem is the need to make the project development-oriented rather than expatriate performance oriented. This may require a somewhat different mix of knowledge, experience, and skills than the project has incorporated.

## 6. Conclusions on Components

The energy, intelligence, and skills of staff helped to mitigate the effect internal disputes, audit problems, and the weakness of contractor management understanding of the significance of institution building in the project. Nonetheless, the developmental aspects of the project were seriously constrained in order to focus efforts on investment promotion - a strategy which would have been questionable even if it had been successful in rapidly generating a great deal of investment and employment. In fact, it was not notably effective.

The project should help to develop methods and organizations to carry out investment promotion after PDAP ends. Direct promotional efforts by contractor staff should illuminate the road the West Indians must pursue, not substitute for local initiatives.

#### D. Why was project implementation unsatisfactory?

There are a multiplicity of subtly interacting factors which may have contributed in various degrees to disappointing results in PDAP to date, among them:

- the contractor committed to an unachievable employment target and then distorted the program in a vain effort to produce a large number of jobs

- serious problems of field compliance with AID regulations were discovered in an internal audit - as a result:

- management attention was focused on compliance issues rather than project performance

- the center of gravity of contractor management shifted from a Barbados based team leader manager with extensive experience in the EC to the contractor's Washington office where understanding of the project may have been limited

- possibilities for internal self-correction of the project's defects became more difficult in a charged corporate environment while management focused on non-substantive issues"

- the pattern of subcontractor participation in the project was changed resulting in a loss of development experience and influence on the contractor:

- institutional development subcontractors originally proposed by the contractor were largely eliminated from project implementation

- subcontractors which were used were for the most part firms either affiliated with or heavily dependent for business on the contractor

- failure to implement the CAP process properly had the practical effect of eliminating the necessity to test the contractor's approach against the realities of country reactions and thus also weakened the influence of West Indians on project strategy

- the approach to gathering information for monitoring purposes failed to identify emerging problems

- contractor management apparently believed in all good faith that project performance was going well apart from the audit problem

- the distribution of personnel in the project tended over time increasingly to reflect contractor and Washington search staff and decreasingly people with different backgrounds such as people from other firms, people with development backgrounds, and people with more experience generally

- the corporate culture of contractor and internal behavioral imperatives may have tended to encourage activities which were counterproductive to achievement of some project objectives

After the fact, one might question why RDO/C did not take action to correct the situation sooner. Again there are many interacting factors which obscured the situation and made the effort to "work through the problem" with the contractor a reasonable management decision even when viewed in retrospect.

- information coming to RDO/C from the contractor was optimistic albeit inaccurate
- extremely heavy staff workloads did not allow the time to investigate the situation adequately
- personnel changes resulted in a loss of institutional memory and to some degree "wiped the contractor's slate clean"
- the audit problem and related internal contractor management issues became a primary focus of attention - in consequence, the nearby black cloud of the audit obscured from RDO/C's vision the larger, but more distant grey cloud of weak performance
- some decisions were made which were entirely reasonable in isolation but did not get the desired results (specifically, RDO/C decided in the fall of 1985 not to insist on revised 1985 CAPs but rather directed the contractor to focus on preparing acceptable 1986 CAPs in a timely manner - unfortunately the 1986 CAPs were also unacceptable and still not approved as of this writing)
- the alternative to working through the problem with the contractor was to reprocure - a costly effort which would lose whatever momentum the project had
- the contractor's performance appeared to improve at least somewhat in early 1986

Declining staff ceilings and increasing program levels mean as a practical matter that missions must increasingly depend for implementation and oversight in development operations on the knowledge, experience, and professional skills of contractors. If the necessary development skills and orientation are not available, it is difficult for AID field staff to compensate. Even when serious performance defects are recognized, the difficulties posed by the procurement system in effecting change are a compelling constraint against resolute managerial action.

#### E. Recommendations

A number of detailed recommendations have been presented in separate memoranda generally in the context of current operating constraints. The following statement of recommendations is intended to address a few key issues in a broader perspective.

1. The PDAP "model" as designed provides a sensible overall structure for the pursuit of project objectives given the peculiarities of the Eastern Caribbean situation. Needed improvements in the design can be accomplished within the existing project structure. There seems to be little reason to terminate the project and many reasons to continue it assuming improvements in effectiveness and cost efficiency which appear to be within reach.
2. The PDAP "model" as implemented by the contractor lacks a sense of development orientation. It has become largely expatriates doing things for West Indians. If the project had had the massive employment generation effect the contractor promised, the benefits might have justified the heavy expatriate personnel costs experienced. While reasonable people can differ about how much employment was generated and how much is fairly attributable to PDAP staff, it is clear that the employment impact has been limited in many respects, institution building has been minimal, and the cost has been very high. "Milking the pyramid" of investor leads for residual benefits while fundamentally rethinking and redesigning the project rather than continuing with the operation more or less as is may be worth considering.
3. Whether a major or minor redesign is undertaken, a strong orientation toward institutional development and post-PDAP approaches to investment promotion by West Indians would seem appropriate. The project should be used as a vehicle to develop methods and organizations appropriate for EC implementation after PDAP even if those methods and organizations do not appear to be the most efficient in the short run. The current configuration of contractor personnel and services may not be optimal for meeting EC post-PDAP requirements.
4. The investor search and information probably should be completely redesigned and perhaps disaggregated. Investor search will probably change a great deal post-PDAP. There is at best only a small likelihood of an integrated regional promotional effort surviving PDAP because the national interests of the countries diverge. If there is any chance of a regional program, it should be tried now and not left to post-PDAP negotiation. On the other hand, an information service will be needed post-PDAP in any event. A regional service for information support might well be acceptable. If so, a transition to a lower cost, more permanent arrangement than PDAP contract staffing should be initiated as soon as possible.
5. Local people should take over as many island representative tasks as soon as possible. At a minimum, West Indians should participate in activities such as information functions, networking with other islands, direct support to visiting investors, and helping to identify and change obstacles to private enterprise. Training West Indians should be a central, not a peripheral concern.
6. Strict contractor compliance with project information and control mechanisms (such as the management information system and the CAP process) should be enforced as vigorously as compliance with Travel Regulations.
7. The ultimate idea of the project is to encourage private enterprise in the EC. It would seem that more local private sector participation could be encouraged in the PDAP process at several levels. Local people could be encouraged and assisted to provide pre- and post investment services. Heavier emphasis could be placed on promoting subcontracting with local firms at the expense, if need be, of marginal foreign investment promotion efforts. Perhaps most important, encouraging public-private sector dialog in all EC countries would be desirable.

## Evaluation of the Project Development Assistance Program (PDAP)

### A. Background and Relationship of This Report to the SRI Evaluation Report

The Project Development Assistance Program (PDAP) (Project #538-0042) was originally authorized in 1980 with the primary objective of improving the foreign assistance absorptive capacity of the small Eastern Caribbean countries by means of expanding their development project design and implementation capabilities. During the implementation of the initial project (PDAP I), the program took on a investment promotion emphasis. PDAP II (Project #538-0119) which was authorized in August, 1984 reflected the evolution of the program into one generally promoting employment creation through direct investment promotion and institution building with a view to transferring investment promotion capabilities to EC countries. Coopers and Lybrand was the prime contractor for both PDAP I and PDAP II. This evaluation focuses on events in PDAP II. However, for many purposes it is impossible to disaggregate the activities, benefits, and costs of PDAP I and PDAP II. The distinction is explicitly indicated where the context is not clear.

Charles Blankstein Associates, Inc. (CBA) was contracted by RDO/C (Contract #538-0119-C-00-6026) to participate with Stanford Research Institute (SRI) in an evaluation of the PDAP program (AID Project Number 538-0019). A three person group composed of Paul Laudicina and John Mattison, of SRI and Charles Blankstein of CBA examined various aspects of the project over a five week period from March 31 to May 3, 1986 including a two week period in the Eastern Caribbean.

CBA focused on AID documentation, interviews of AID/W and RDO/C personnel, acquisition and analysis of contractor data and other information outputs, and in the Eastern Caribbean (EC) concentrated on St. Kitts, Dominica, Monserrat, and joined SRI for interviews in Antigua. SRI focused on a survey of PDAP "success story" contacts, examined data on investor search activity, addressed comparisons with other investment promotion programs, and, in the EC, concentrated on Granada, St. Lucia, Antigua, and St. Vincent.

After five days of country visits, a preliminary memo of findings and recommendations was prepared by SRI after intensive discussion among the three evaluators. At that point, the evaluators appeared to be agreement on major findings and recommendations.

The SRI Final Report was prepared without CBA participation. The SRI report is largely consistent with and reflects incorporation of CBA views as of the preparation of the preliminary findings memo. However, the SRI report does not address certain evaluation issues and there are certain unresolved differences in viewpoint between SRI and CBA on final findings and recommendations. CBA consulted with appropriate RDC/C officials who recommended that CBA invoke the "individual and dissenting opinions" clause of the CBA scope of work. CBA prepared a brief memo identifying differing views followed by an interim memorandum dated May 16, 1986 incorporating CBA's preliminary findings and recommendations. RDO/C retained CBA to do further work relating to this evaluation and project redesign. Portions of the work called for under a supplementary scope of work were prepared and submitted to RDO/C during a second trip to the EC June 2 to June 13, 1986.

This report incorporates the several elements of the CBA scope of work and presents the material in standard AID evaluation form. Additional supporting materials are available in files.

PDAP is a complicated program with a rich but troubled experience. Reasonable people can and do differ in their interpretation of that experience. As this evaluator's knowledge of the facts and understanding of the process evolved, certain interacting and repetitive factors undercutting project performance were identified. These factors emerged as themes underlying and critical to the implementation process and therefore central to the findings of the evaluation. These themes are stated here to facilitate reading of this report and to clarify the evaluator's viewpoint:

1. information - the lack of systematic knowledge of the problems the project sought to address and what was happening in and as a result of the project
2. management - a lack of systematic definition of what what the project sought to accomplish, what was being done, and what the project was actually accomplishing
3. failure to comply with the formal system - departures from contract, regulations, and other applicable documentation without following appropriate procedures
4. cost-effectiveness - failure to relate the cost of services to benefits generated in the short run and failure to design services which could be incorporated into West Indian institutions and thus generate benefits in the longer term

Every effort has been made to be fair and balanced in the assessment of project performance. However, the picture that emerges is not a positive one. Further, the lack of data which confronts the evaluator at every critical point compels a choice: either accept, in effect on faith, that good things have happened and more good things will happen in the future - or appear to be negative about virtually all aspects of the project and therefore not fair and balanced.

This evaluator believes that under PDAP financing a number of individuals have performed a number of useful services. But viewed as a "project", an organized effort to achieve specific demonstrable objectives, PDAP implementation has been deficient.

Given the "project perspective" of the evaluation and a perhaps unavoidable negative tone to the analysis, it appeared desirable to incorporate a statement of the contractor's claims of project accomplishments without comment. This material is presented in Annex 5 (generally "institution building" activity and Annex 4, item 6 (employment generation).

## B. Definition of the "PDAP Model"

When the SRI-CBA evaluators first met with the contractor's management group, we asked, "what is the PDAP model"? They told us that they could not say what it is, that different people have very different views as to what the "PDAP model" is, and that contractors would be pleased if we, the evaluators, could tell them what the "PDAP model" is. In related comments, contractor representatives suggested that AID had often changed direction in the program and added activities not strictly related to project objectives which had made implementation more difficult (as well as increasing the rate of expenditure under the contract - the "burn rate").

The foregoing suggested that specifying what the "model" is and how it became that way was a matter of more than merely semantic significance. As the evaluation evolved, it became apparent that the project's difficulties did not stem from a failure of AID to have or the contractor to grasp a vision of the project concept. Thus, this writing will focus on operational issues. However, for various purposes, it may be useful to present a short statement of the "PDAP model" here. An overview of the statement of work of the PDAP II implementation contract is set out in Annex 2.

The "PDAP model" is a program of U.S. contractor-based (as distinguished from local government agency-based) assistance to both private and public sectors of island economies combining on-site technical and promotional assistance with international investor search and promotion.

Components of PDAP in its current form are:

1. Country representatives stationed on individual islands with broad-based local responsibility for assisting in promotion, formulation, and implementation of policies, projects, advisory services, and investment;
2. Management of operations in the Eastern Caribbean based in Barbados including oversight of island representatives, coordination with AID and regional development organizations, information gathering, and reporting;
3. US-based international investor search, investment promotion, and information service utilizing the contractor's established international network;
4. Institution building in private and public sectors to assure local capability to carry out PDAP functions when the project terminates;
5. Annual Country Action Plan (CAP) for each island to provide:
  - management control and documentation of resident advisor activity;
  - shared understanding of local constraints, objectives, and strategy;
  - a mechanism to facilitate appropriate strategic variation in country programs and operating flexibility for advisors within a broader project framework; and,
  - specification of policy and resource undertakings of island governments, AID, and to extent relevant other organizations in private sector and region.
6. Emphasis on the objective of private sector employment generation while recognizing and supporting a public sector role in creating the policy framework and infrastructure required to permit broad private sector participation.

### C. Findings: Progress Toward Project Objectives

In the early stages of this evaluation, it was suggested that many of the difficulties encountered by the PDAP program were attributable to a lack of clarity in AID's project policy aggravated by a tendency of RDO/C managers to change their minds with respect to their objectives. Examination of the contractor's technical proposal and the contract which incorporates much of the proposal's content suggests that the contractor undertook to perform services with a view to accomplishing certain results the prospects for which proved to be exaggerated. The contractor's undertakings are addressed in some detail as the relationship of promise and performance affects many dimensions of the project. There were in fact changes in RDO/C's project policy. Most of the changes involved adjustments to the differences between what the contractor promised and what it could deliver.

#### 1. Project Purposes and Contract Objectives

The purpose of the PDAP program is to increase employment in the Eastern Caribbean by means of direct investment promotion by a U.S. contractor and institution building through which EC countries develop the indigenous capability to generate employment including investment promotion functions performed at the outset by expatriates (see Annex I, "Evolution of the PDAP Model"). This is a classic approach to development projects in which expatriates perform currently needed tasks and simultaneously "work themselves out of a job" by developing capacity within local institutions to perform these tasks.

The contract objectives were stated in PFP No. RDO/C 84-1 (June 25, 1984) as follows:

- (1) Develop private business opportunities and private investments which result in expansion of the tourist industry, new or improved production, particularly for export markets, and increased private sector involvement in the development of industrial and other productive infrastructure; and
- (2) Improve governmental capabilities in the attraction of foreign investment and in supporting private sector led industrial growth (RFP, p4)

In addition, the RFP indicated that:

"specific, realistic indicators of achievement of... general objectives will be included in the Contract"... (The Proposal should suggest indicators such as (several noted in the RFP) or others the Proposer may consider valid and realistic, against which the Contractor's performance may be evaluated".

The contractor responded to the RFP with a technical proposal on July 27, 1984. The proposal states that:

"...quantitative indicators of success in employment and other economic development goals will need to be assessed in relation to the overall commitment by RDO/C of financial resources to the PDAP Follow-On Project and the proportion of project resources which are likely to be devoted to the institutional development objectives of the program... (work on institution building) diverts project resources from direct investment promotion activities which could create employment opportunities in the immediate future. Our technical approach attempts to balance these overall (ie employment creation and institution building) goals of the program. (Proposal, p 23)

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The proposal (page 25) goes on to lay out a "balanced" program which includes among its "Primary Goals:

"...the creation of 15,000 new jobs over the life of the project...(it) should be stressed that these jobs will be additional to the approximately 7,000 jobs and job opportunities which are likely to have been created by PDAP I by the end of 1985" (Proposal, p 25)

"...expand export earnings at a rate sufficient to exceed the deterioration in terms of trade, designated in U.S. dollars..."

"Because of the importance of assuring a viable local institutional capabilities (sic), it will be a quantitative objective of the PDAP Follow-On project to establish effective local development agencies in each of the participating countries by the end of the program. Where the agencies operate with government support, significant links with and support by the private sector should be established.

"Success in expanding the abilities of local institutions to undertake some, and eventually all, of the activities funded under the PDAP II contract is more difficult to quantify...However, our experience on PDAP I has already demonstrated that training by demonstration and encouragement through success are strong factors at work in shaping attitudes of governments and other donor agencies towards the long-term value of local institutions properly staffed and equipped to carry out these activities.

"...it will be necessary to propose a framework for change and institutional development which is specific to local conditions...to avoid the imposition of 'standard' solutions across the board without regard to local conditions and sensitivities

(The proposal goes on to list several supporting objectives at page 26.)

The contract (Contract #536-0000-0-00-4114, effective date November 1, 1984) incorporates this language virtually word for word in the Statement of Work, Appendix A, pages 1-2). The contract estimated completion date is October 31, 1987. The contract provides for a option extending the completion date to October 31, 1989. In the event the option is exercised, the employment generation goal is increased by 3000 jobs to 22,000. The contract goes on to incorporate extensive excerpts from the proposal concerning methodology, monitoring, and reporting.

These substantive undertakings appear along with "Level of Effort" provisions in Article IV (page 3) which, among other things, call for 458 person months of professional direct labor distributed 239 months to investment promotion, 120 months months to institutional development, and 99 months to project monitoring and coordination.

"...the rate of person-months per year may fluctuate in pursuit of the technical objective provided such fluctuation does not result in the utilization of the total person-months of effort prior to the expiration of the term (of the contract)...(the) contractor may make shifts from one category of effort to another in the performance of the work"

The methodology of approach undertaken by the contractor is described at length in the contract (see Annex 2). The contractor thus would seem to have been given objectives, an agreed approach and level of effort, and flexibility within that framework to pursue the objectives.

## 2. Progress Toward Employment Generation Objectives

Assessing performance in the employment generation area is complicated by poor data and confusing claims. Rather than gathering data concerning employment levels, fluctuations, and benefits, the contractor has relied on a single function approach to employment performance measurement. The measurement is simply, "jobs".

The contractor claimed as of May 15, 1986 the following "employment generation...which (has) resulted from PDAP promotional and follow up activities" (see Annex 5):

current employment.....3668  
 forecast employment.....7565  
 "past peak" employment...5598

The contractor is thus 15,332 jobs short of its 19,000 job goal with 15 months and no funds remaining in its contract.

Dismissing the employment goals as wholly unrealistic (as they long since should have been), there remain serious concerns about what in fact has been accomplished. The contractor's employment generation claims are subject to question on a number of grounds:

1. The causal connection between contractor activity and investment, while clear in some cases, is doubtful in many others. SRI conducted a survey of all 70 firms identified by the contractor as PDAP "success" claims. Of the 25 SRI was able to contact, 6 indicated that PDAP was crucial to their investment decision. Sixteen of the 25 said the investment would have been made without regard to PDAP's efforts. (SRI Report, p 20 et seq.)

Personal interviews with investors and managers by CBA in the islands corroborate SRI's survey findings. It appears that the only investors which found PDAP essential to their investment decision were firms considering their first overseas investment. Those with experience in overseas operations welcomed the convenience of PDAP assistance but indicated they would have made the decision to invest in the absence of PDAP.

2. The number of jobs attributable to PDAP investment promotion activity seems to be overstated. Under the contractor's single function measurement approach, even marginal PDAP contributions pre- and post-investment are translated into major employment creation achievements. For example, the contractor has claimed credit for some 1400 jobs in St. Vincent (equivalent to 38% of 3668 total employment) in connection with a firm whose investment predated PDAP. (PDAP may well have rendered useful post-investment assistance to the investor, but the claim of 38% of total project employment creation for post-investment services which the investor might well have sought elsewhere if PDAP had not been available seems questionable.)

3. The contractor aggregates different kinds of jobs in a single "employment generation" figure. Many jobs generated are by definition temporary, such as construction jobs or work on specific contracts. Other jobs are variable in duration and income, such as cottage industry activities. Some investments are candidly characterized by their owners as temporary operations. A number of PDAP "success stories" are already out of business or in the process of disinvestment (SRI Report, p 21). The "quality" of a job in terms of permanence, income, training, and other factors makes a difference. The contractor has not recognized the difference by generating relevant data.

4. Since the contractor failed to collect and maintain data on on-going employment in the past, the claim of "past peak" employment is difficult to assess. An annual fluctuation to a peak level of employment in an ongoing business is different from a firm that employs 100 people for several months and then fails. Once again, the data is not helpful. Information which might have been more useful such as total payrolls or work days in jobs generated by PDAP was not collected.

5. The contractor's employment forecasts have been consistently unrealistic since the inception of the project (see generally Annex 3). Apparently, "forecasts" are essentially unanalyzed suggestions of possibilities for the future by company officials.

The contract did not set quantitative targets for numbers of investments as such or for amount of investment. As of April, 1986, the contractor claimed seventy "successes" (defined as commitments to invest or to subcontract with EC firms) over the life of the PDAP project. Apparently, some fifteen of the PDAP success claims are subcontracts rather than "investments" as such. Promotion of subcontracting by EC firms is strongly endorsed and probably should have been emphasized considerably more than it was. But employment generated through a subcontract should not be categorized as a "job" equivalent to a "job" in a workplace created by new investment in a plant.

The contractor apparently thought it understood the investment problem well enough to promise what it could not in fact deliver. Unfortunately from a developmental point of view, it is not clear what the contractor has learned about the investment problem to improve its performance and to help the West Indians learn how to promote investment after PDAP ends. It is not clear what the employment generation target should be. Project data apparently is insufficient to analyze the characteristics of what and how employment was generated in order to define targets better.

In retrospect, it appears that the job creation goals proposed by the contractor and incorporated in the contract were at all relevant times "unrealistic". There seems to be little reason to believe that these job creation goals can be met in several years much less the one year remaining in the contract term even assuming additional funding is provided.

The problem of unrealistic employment generation goals appears to have significance beyond the mere correction of optimistic expectations. The goals apparently had important operational ramifications. It is not clear at this point how competitive proposals with more modest employment generation claims might have fared against the contractor's proposal had its proposal called for say 4000 jobs by mid-1986. It seems clear, however, that the pursuit of the high employment goals resulted in a strong budgetary emphasis on generating investment leads and related services at the expense of institution building activity.

The failure to reexamine and adjust the goals to more realistic levels contributed to continuation of a strategy aimed at unattainable results. There may have been a relationship between the contractor's failure to develop a sound information system and carry out its obligations for management decision making under the Country Action Plan system and the failure to correct the targets. But at some point it would seem that the contractor would become aware that progress in employment generation was far short of expectations. It is difficult to understand why the contractor did not approach RDO/C to seek a formal revision in the contract. (In fact, the contract was amended three times, each time solely to add funding.)

### 3. Institutional development

The PDAP project contemplated and the contract specified a wide range of activities to be carried out in the islands to improve the environment for private enterprise (Contract Statement of Work, Appendix A, pp 4-5, 7-10). The term "institutional development" is used in this report to refer not only to building the capacity of local public and private agencies as such to carry out employment generating promotional activities but also to refer more generally to encouraging improvements in the business environment through improved policy, infrastructure, and services.

In order to evaluate the scope and quantity of non-investment promotion services provided under the PDAP contract, the contractor was asked for data on various activities including training, technical assistance, policy inputs, promotional materials, and so forth. (The data requested was data proposed by the contractor and required by the contract to be maintained for project monitoring purposes.) The data provided by the contractor is reproduced in its entirety in Annex 5.

It was not possible to evaluate these contributions in isolation. It does appear that many of these activities involve contributions which would be useful to individual recipients. However, systematic identification, planning, and delivery of required services apparently did not take place. Advisors apparently responded to requests or offered services in areas of personal interest or expertise. As indicated by the materials in Annex 5 and corroborated by comments of West Indian officials, PDAP tended to "retail" services rather than to improve the capability of local institutions to access and provide such services to others in the future.

The contractor made clear that institutional development activities were deemphasized and attention was focused on investment promotion. But it is difficult to specify the extent, reasons for, and effect of the contractor's withdrawal from its proposed "balanced" program. In approaching these questions, institutional development activity is considered from two perspectives: first, services provided by individual island advisors as part of their ongoing local activity; and, second, "institutional development" services performed by subcontractors.

Resident advisors have a unique opportunity to provide "institutional development" related services in each of islands and all have made some contributions in this area. The amount of time devoted to such services cannot be estimated. However, it seems to be agreed that the level of effort distribution for direct professional labor provided for in the contract (Article IV p 3) - 239 person months of investment promotion and 120 person months of institutional development - was not approached. Advisors have helped improve the capability of pre-existing local agencies (eg. St. Lucia and Dominica) and assisted in establishing new agencies (eg. Belize and Grenada). The impact of these services is difficult to specify much less quantify, but it seems clear that advisors have had a positive effect on local business environment.

What seems to be lacking in particular is a formal comprehensive or systematic effort at institutional development coordinated with local government agencies and RDO/C. Thus, while PDAP advisors have "done good things", opportunities for local participation and development have been lost. While a few islands have moved ahead in the promotion field, the attention of other EC governments has not been addressed to the post-PDAP period. This may complicate rather than help promote effective cooperation in investment promotion between the Eastern Caribbean countries in the post-PDAP environment. It is not easy to develop cooperation in investment promotion among the small EC states which are in significant respects in competition with each other. But at least the effort should be made.

Perhaps more significant than the institution building efforts of the contractor's resident staff is the question of subcontracted institution building services. The technical proposal describes (pp 67-75) and the contract statement of work incorporates (Appendix A, pp 7-10) an elaborate program of institution building and training involving, in addition to the contractor's field and Washington staff, a number of resources including subcontractors Development Associates, Inc. and Burson-Marsteller. It appears that institution building activity by non-Coopers and Lybrand resources was not systematically encouraged, planned, or supported. To the contrary, substantial contract commitments to institution building by subcontract were not carried out. For example, the Development Associates subcontract for institutional development related services was budgeted at \$448,000 but only \$19,000 was expended. Total expenditures for "non-advisor institution building" as of February 28, 1986 was \$65,300.

Whatever the reasons may have been for focusing contractor staff on investment promotion rather than institution building, the commitment to non-staff institution building of only \$65,300 out of expenditures of \$5,255,000 (as of February 28, 1986, Annex 4, item 3, p 2) seems difficult to explain - especially given the interest expressed by West Indian officials in institution building and training.

Failure to sustain a project-wide, vigorous, and systematic effort at institutional development has had serious consequences. The goal of establishing "effective local development agencies in each...country...by the end of the program" to carry on PDAP's functions cannot be achieved within the contract term much less within the funding remaining. Worse, PDAP's high-cost, low-productivity, expatriate staffed investment promotion system is unlikely to be either sustained by the EC countries with their own financial resources or replicated by them with their own people. Thus it is not clear what would be transferrable to EC agencies in an institution building effort even if it begins immediately.

#### 4. Conclusions with respect to progress toward project objectives

The contractor seems to have lost sight of the institutional development objectives of the project in its efforts to pursue its self-proposed but wholly unrealistic employment generation goals. While project documentation and contract clearly viewed institution building and the development of local capacity to take over investment promotion functions as of equivalent importance to generating employment, contractor management focused heavily on promotion at the expense of institution building activity. Institution building activity seems to have taken place primarily where agencies and strong West Indian leadership existed anyway.

On balance, it would seem that little has been done to prepare West Indians to carry on the work. The project has not developed methods of promotion appropriate for use by EC institutions. AID has learned little to illuminate future efforts at investment promotion to generate private sector employment generation. Furthermore, direct employment generation results have been, at best, unimpressive - and there has been no dividend in information to help understand why results were limited.

Clearly, the contractor lacked an overall management commitment to and strategy for institution building. Draft 1986 CAPS assert a heightened concern with institution building without, as of this writing, a clear concept or methodology. It is unlikely that adequate local capability will be in place in any EC country by the end of the current contract much less an effective program for regional cooperation in investment promotion.

#### D. Findings: Project Design

The PDAP project design - including advisors resident on each island, a Washington-based staff to carry out investor search and information services, and project management based in Barbados - on its face seems to be a reasonable approach to the development problem addressed. The plan was funded generously and adequate flexibility is provided.

Even the best designed projects encounter unforeseen difficulties in implementation. Thus good project designs incorporate provisions to deal with emerging realities. This project is provided with an information system to provide contractor and RDO/C management with timely data on inputs, outputs, and indicators of project achievement. It is also provided with a management control system based on an annual Country Action Plan (CAP) for each island to provide:

- direction and documentation of resident advisor activity;
- analyzed and agreed upon understanding of local constraints, objectives, and strategy;
- specification of policy and resource commitments of EC governments;
- variation in country programs and flexibility for PDAP within broad project framework to tailor operations to unique needs of each country.

While there are problems with the detailed design of several components which will be noted in the next section, it appears that the overall design of the original project was sound. The project contemplated a reasonable balance of short term (direct job creation) and longer term (institutional development) benefits. The information and management control systems which were called for by RDO/C, proposed by the contractor, and contracted for would be reasonable and adequate for the task - had they in fact been implemented. In short, the design was reasonable. The problems of this project resulted from faulty implementation, not project design.

## E. Findings: Implementation of Project Elements

There are a variety of implementation problems of varying degrees of significance in the PDAP project. Two were crucial because they obstructed problem recognition and correction:

Failure to implement an adequate information system  
 Failure to develop Country Action Plans complying with stated requirements

### 1. Information system

The management information system called for under the contract to support monitoring and management control of the project is seriously flawed both with respect to the implementation of the system which the contractor undertook to develop and with respect to the adequacy of the design of the system to generate necessary information.

The contractor proposed to RDO/C to establish:

"...a computerized Project Monitoring Matrix which will maintain up-to-date records of invoiced expenditures, current and projected inputs to specific areas of operational activity, and resultant outputs...(T)he PMM would include, but not be limited to, the input, outputs, and associated indicators displayed..." (in an exhibit which is reproduced in Annex 2 of this report). (Technical Proposal pp 26-27 and Exhibit I, "Project Management Matrix").

This scheme was incorporated in the contract statement of work (Appendix A, p 13).

Tests of information system capability in the evaluation failed to produce accurate and timely information concerning project performance, impact, and costs. There seem to be two separate systems, a billing system and a substantive information system or "PMM", which do not deliver separately or together the information which RDO/C sought.

The first test involved a request for routine information on budget and expenditure by function (eg. island advisors, investor search, institution building/training, administration etc.); by expenditure category (eg. salaries, equipment, travel, etc); by year; and by location (Annex 4, item 1). After several weeks of effort involving, the evaluators were told, considerable reconstruction of figures "by hand", data broken out by function and by project as of February 28, 1986 was telexed to Barbados (Annex 4, item 3). When it was indicated that it would be necessary to have some basis for examination of costs of island residencies, the PDAP Barbados office offered to prepare, again "by hand", a summary of advisor costs by island. The table prepared in April, 1986 (reproduced in Annex 4, item 5) was based on costs from October 1984 to November, 1985. Presumably, these five month old figures were the best data by location available in the project manager's office.

The foregoing management information problems are reflected in the standard invoice system (the summary form of which is reproduced in Annex 4, item 2) which is prepared by expenditure category (viz salaries, consultants, overhead, travel, etc.) but apparently also cannot generate:

"up-to-date records of invoiced expenditures, current and projected inputs (in) specific areas of operational activity, and resultant outputs..."

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The Project Monitoring Matrix should generate substantive information in computerized form to monitor project activity:

The PMM would include, but not be limited to, the input, outputs, and associated indicators displayed...(in Exhibit I)"

The system was tested by an inquiry using the identical language of Exhibit of the proposal (Annex 4, item 1, page 4). The result was the production, apparently "by hand", of nine pages of narrative material (Annex 5). This material does not provide data for a management information system required to track the project in terms called for by the contract. At a minimum, the system failed to relate budget to expenditure by activity much less by performance indicators. In lieu of a system the product of which managers might grasp with relative ease, the contractor produced extended narrative material relevant to the project but not organized to facilitate management of the project.

The project called for information in form and content useful for monitoring and management. It is understood that the installation of the system such as it is was delayed which may account for these issues not having been raised earlier. But it is not clear how the contractor intended to meet the information requirements of the contract.

Turning from the question of whether the contractor met minimum standards of compliance with the contract in the information area, there is a broader and more troublesome problem. Data on many important characteristics of project performance and experience was not gathered at all. Thus effective monitoring, self-correction within the project, and learning from PDAP experience have been hindered.

The contractor seemingly failed to understand the significance of and to collect information relating to a wide range of direct and indirect benefits of the project beyond "jobs" such as payrolls, exports, training provided, government revenue generated, other local value added factors, secondary employment generation, the location and permanence of employment, and other qualitative impacts of the project. The information system apparently does not distinguish between permanent factory jobs and less than permanent work such as that generated under subcontracts, construction jobs, cottage industry work, and agricultural labor. Information on the characteristics of firms assisted is not maintained. In consequence, it is not possible to consider on the basis of experience what types of enterprises and what characteristics of investors are indicative of favorable outcomes for the island, the workers, and the local business community.

It should be noted in passing that forecasting of employment generation has been notably weak throughout the history of the project (see Annex 4 Sec a). Inspection of Progress Report employment generation forecasts raise questions concerning the quality of information flow to RDO/C managers.

It is not clear whether the defects in the information system reflect merely a distorted short term management focus or whether it is symptomatic of deeper lack of understanding of the problems being addressed. Clearly the information system lacks a developmental orientation in which learning to do better is an integral part of "doing". The system lacks the kind of integrated, functional, quantitative, concise characteristics that RDO/C sought - and might reasonably have expected to get - from a "Big Eight" accounting firm.

## 2. Country Action Plans

The key to project management in the PDAP design is the annual Country Action Plan for each island. The CAP system was established to deal with a number of project management and strategy requirements including control of levels of effort in different activities, assurance of appropriate flexibility and variation in project activity on the several islands, facilitation of local government participation (including identification of commitments of local resources), budgeting, and estimation of expected results.

Developing the plan is a primary responsibility of the island advisor. The annual CAP is to include the advisor's scope of work; identifies industrial policy problems, objectives and strategies; provides a vehicle for policy dialogue with island government and private sector interests; specifies government and private sector commitments of personnel and other resources; training and technical assistance services required; budgets required; and achievements expected. The CAPs are to include "frameworks for change and institutional development...specific to local conditions" (Contract Appendix A, p2) and "...be subject to host country and RDO/C approval" (p7)

RDO/C did not approve 1985 CAPs and has not approved 1986 CAPs to date because they fail to meet standards set out in the PDAP II contract statement of work (Appendix A, p 3,7). 1985 CAPs were submitted late and not promptly reviewed by the then incumbent RDO/C project manager who was departing post. In the fall of 1985, the new project manager, noting the anomaly of requiring revision of 1985 CAPs with only a few months left in the year directed the contractor to focus its attention on preparation of sound 1986 CAPs in a timely manner. Unfortunately, the 1986 draft CAPs submitted in February, 1986 were also unsatisfactory.

Failure to implement the CAP system properly is a significant contributory cause of project implementation problems. The contractor apparently now takes the CAP exercise more seriously than previously. But much work remains on current year drafts to meet basic contract requirements much less fully to utilize the management potential of the CAP procedure.

The contractor's performance in development of these crucial CAP documents has been unsatisfactory. The CAP ties together project strategy, advisor activity, local private and public sector commitments, use of project resources, higher management control, and RDO/C monitoring. Absent this strategy and coordination mechanism, it is hardly surprising that progress toward project objectives was limited.

## 3. Investor search and information services

The Washington based investor search and information operation is intended to reach out world-wide for investment prospects, direct their interest to the Eastern Caribbean, and provide a range of pre-investment services which assist the investor in reaching a decision to commit to one of the EC islands. The operation involves staff, consultants, and subcontractors. Investor contacts are pursued in a number of ways including trade shows, mail, advertising, articles, and follow-up on a large number of contacts generated by outside sources (including AID).

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Investor search has cost \$3,095,061 life of project through February, 1986 and has dealt with 6618 investor leads of which 5252 were generated internally by the project (SRI Report, p 32). The search operation and all other sources have apparently led to only 253 potential investors visiting the EC, 70 "successes" (defined as decisions to invest or subcontract) and jobs (3668, the contractor's May, 1986 estimate). Current search operations under PDAP II were estimated to run approximately \$100,000 per month. The original PDAP II three year budget figure of \$1,208,000 has been exceeded with \$1,522,000 expended as of February 28, 1986. Questions have been raised concerning the efficiency of the operation, its cost-effectiveness, and whether an approach of this kind is relevant to operations which might be maintained by EC governments after PDAP financing ends.

It is difficult to comment on questions of efficiency because the data does not relate "inputs", such as contacts from trade shows or AID offices, to intermediate "outputs" such as visits by potential investors to the EC or to ultimate "outputs" such as commitments to invest or contract. (Some data derived from the contractor's data base is presented in Annex 4. Arguably the data suggests a declining marginal utility of promotional effort and expenditure but nothing can be determined with assurance from the data provided.) The SRI report suggests that the large number of contacts and relatively few visits and investments implies ineffective targeting of promotional effort. (See SRI Report pp 33-40)

The question of cost-effectiveness is difficult to address not only because of paucity of grist for internal analysis but also because comparisons with programs of other countries is difficult. The nature and cost of investment promotion programs in other countries vary widely. An effort is made to deal with the issue in quantitative terms in section G.

In any event, neither quantitative assessment or qualitative "fine-tuning" of an expensive investor search operation staffed by non-West Indians is the crucial problem. Rather, the crucial problem would seem to be developing an effective and cost efficient investor search approach appropriate for post-PDAP implementation by EC agencies. This seems essential to achieving PDAP project objectives however short term job creation objectives may be redefined.

PDAP has not trained a significant number of West Indians to do investor search work. Nor has it developed a "appropriate technology" of investor search for EC use or explored with EC governments a post-PDAP approach to promotion which strikes an acceptable balance between regional and individual island interests. There are elements of the search activity which would seem to relate well to a lower cost, less expatriate-oriented post-PDAP concept such as Carlson Associates, Inc. very productive work in the electronics sector. But Carlson's success has not been replicated and little or no effort has been made to define a technically feasible, politically acceptable post-PDAP approach.

Information services provided by the contractor's Washington staff have provided useful services to PDAP advisors and through them to some U.S. investor and EC private clients of PDAP. As investor search and information are overlapping staff activities in the current PDAP operation, it is impossible to distinguish costs and benefits of search and information services. This approach presumably contributes efficiencies to the contract but it may also lock PDAP into a high cost institutional arrangement which may be inappropriate for post-PDAP information services activity. If the investor search operation were changed, alternative approaches to accessing information probably can be found or established at a relatively modest cost.

#### 4. Island Resident Advisors

Generally speaking the resident advisors have been dedicated, intelligent, hard-working, well liked by their clients, and have reflected well on RDO/C and the USG. While a few individuals hired did not meet the demands of the job and were replaced, the island advisors have functioned well individually and, through extensive networking among themselves and with Washington, as a group. In short, in the absence of sound management direction to carry out the project as designed, the field people did a good job of making themselves useful and some did an outstanding job of "free-style" investment promotion.

Advisor activity was heavily focused on assistance to foreign investors. The extent of incidental institutional development services rendered varied from island to island according to the skills and interests of the advisors and receptivity of local people. Apparently, institutional development and "policy dialogue" matters were not addressed systematically on any island.

It is not clear that the island advisor model with its intense networking, disinterested promotion of the region without regard to island of residency, and level of credibility to foreign investors is relevant to future post-PDAP West Indian promotion efforts. Like investor search, the expatriate island advisor model of regional promotion may have very limited applicability to a post-PDAP environment.

Data on costs of island residencies are documented in Annex 4, item 5. The unburdened costs (salary, fringe, secretarial services, communications, rent, travel, but not overhead) of operating island residencies with single representatives appear to vary between \$150,000 and \$200,000 per year. This seems reasonable for an effective island representative. However, any support system would add overhead burden to these costs in one form or other - although it may be possible to provide support with a burden rate below the 100% range.

Cost efficiency questions may indeed be raised if these costs are attributed solely to PDAP investment promotion benefits. Maintenance of an island representative primarily to provide support to potential investors seems difficult to justify on most if not all islands. A strong case can be made for maintaining island representatives but concentrating more effort on institution building and training counterparts and considerably less on direct investor support. Perhaps the scope of the advisor's job might be extended beyond current PDAP responsibilities to include a more general role of promoting the utilization of resources available through other RDO/C development projects.

#### 5. Contractor Management

Contractor supervisory management has been faulty with respect to:

1. assuring sound implementation of management procedures called for in the project, specifically:

- a. the annual Country Action Plan;
- b. the project monitoring system; and,
- c. the form, utility, and timeliness of reporting

2. maintaining effective managerial relationships between levels within the contractor organization;

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3. assessing and assuring the efficiency and cost effectiveness of investor search and information services;

4. providing and assuring compliance with contract provisions, AID regulations, and overall project objectives as reflected in project documentation.

Beyond the obvious problems are a number of other questions concerning management decisions which can only be raised, not answered. For example, significant shifts in subcontracting plans apparently took place as reflected in the following data. Two characteristics of this shift invite inquiry: first, the relative increase of flow of project funds to the contractor and its affiliates at the expense of proposed subcontractors; and, second, the reduction in institutional development activity which, under proposal and budget, was to be contracted out to firms presented as specialists in their fields.

Subcontractors Subcontractors Proposed by Contractor	Variations between:		
	Budget/3 years per contractor	Actual a/o Feb 28, 1986	Variation
Louis Berger	638,771	139,286	499,485
"Public Relations subcontractor"? Burson-Marsteller	120,000	51,985 (11,605)	68,015
Caribbean Business Development R.A. Hilliard Associates		(24,900) (15,480)	
Development Associates, Inc.	447,936	19,251	428,685
Subtotal	1,206,707	210,522	996,185
<u>Subcontractors affiliated with or doing 100% business with contractor</u>			
Coopers & Lybrand Canada		3,438	3,438
Coopers & Lybrand Barbados		545,281	545,281
Coopers & Lybrand Hong Kong		53,394	53,394
Coopers & Lybrand Belize		5,177	5,177
Robert Carlson Associates	100,543	171,332	70,789
Subtotal	100,543	778,622	678,079
Total Variation (these cases only)			\$1,674,264

These are selected items and may not reflect the overall picture of variations from proposal and budget. They are presented here solely to raise questions which cannot be addressed in this evaluation. Total variations appear to be a relatively high percentage of overall project funding. Expenditures paid to (the listed) contractors proposed by the contractor were about 17% of funds budgeted for them. Conversely, payments to C&L affiliates and Robert Carlson Associates (which firm, it is understood, does all its business with Coopers and Lybrand) exceed budget by some \$675,000.

The comments are not intended to criticize the services obtained. Mr. Carlson's efforts, for example, have been outstanding. The issue is compliance with the contract and with the procedures which contractors are expected to follow when the incidents of implementation indicate the need to make changes in plans.

Granting that the contract gives the contractor broad latitude to:

"make shifts from one category of effort to another in the performance of the work" (Article IV C, p. 3),

the contract also indicates that:

Without the prior written approval of the Contracting Officer, the contractor may not exceed the dollar costs for any individual line item by more than 15% of such line item...(with exception of fee, overhead, and G&A) (Contract Article VII A, p 4.)

From the substantive perspective, there is some quantum of change which requires formal application for approval by RDO/C and appropriate recognition in the contract file. It is understood that the contract was amended three times, each time solely to add funds.

It is not possible in this evaluation to arrive at any conclusions with respect to the following questions: At what point during project implementation should changes from project plans and budgets suggest a need to apply to RDO/C formally for approval? Does it change anything if the contractor is responsible for developing a project management information system to help track project expenditures for use by AID managers - and has not as yet done so? Would an analysis of a formal application for project implementation changes have resulted in RDO/C being better informed or informed earlier of emerging problems? What is the effect on the integrity of the procurement process if subcontractors proposed in competition can be effectively eliminated in implementation?

Because of staffing limitations and program levels, AID units must depend more heavily than in the past on the knowledge, skill, and professional objectivity of contractors who undertake to manage large scale operations such as PDAP. It is not wholly clear that RDO/C expectations in this regard were met.

As a result of these problems, questions have been raised concerning a number of issues including the appropriate management structure for the project, the relationship of the contractor home office with the team leader in the field, the elimination from contract implementation of subcontractors proposed as institutional development experts, the related capture of level of effort and related overheads in project funding, and other management organizational issues.

Clearly any management scheme for the project should incorporate provision for compliance with AID regulations. But it is by no means clear that tighter headquarters control would have led to a more developmentally oriented strategy or greater knowledge and sensitivity to local West Indian needs and concerns. This evaluator would argue that the overriding management problem is the need to make the project "development-oriented" rather than "expatriate performance oriented". This may require a somewhat different mix of knowledge, experience and skills than the project has incorporated.

## Implementation Dynamics - Why PDAP Went Astray

Considerable emphasis was placed in project design on monitoring and control of the project. Yet PDAP drifted off course and the extent of the difficulty was apparently not fully appreciated in 1985. Why were these implementation problems not identified and corrected? Several explanations were suggested but were found wanting.

First, it seems clear that the project was not simply ignored by RDO/C. A change in project managers in 1985 may have resulted in a hiatus in detailed oversight. But once on board, the new project manager appears to have maintained normal project management cognizance. He made regular calls on PDAP representatives in the islands. Reports were received and reviewed. Contact was maintained with the PDAP/Barbados office on a regular basis. Oversight was not perfunctory as reflected in the refusal to approve CAPs for failure to meet requirements. Apparently, an effort was made to work with the contractor which was going through painful internal administrative reviews and personnel changes. Perhaps a more severe management approach might have been beneficial but the approach taken does not seem unreasonable.

Second, much was made of the impact of "personality conflicts" between the contractor's Washington office and its previous team leader, a British national with extensive experience in the region. A number of problems relating to compliance with AID regulations during this individual's association with the project have been addressed elsewhere and need not be considered here. Presumably, the contractor's manager in Barbados participated in the contractor's overall management deficiencies. But it is difficult to assign significant weight to consequences of "personality" issues. The problems appear to be much more structural than personal.

A third consideration was probably real enough but its effects seem to have been overstated. The problems generated when the dispute erupted between the contractor's Barbados team leader and the Washington office did obscure for a time RDO/C's vision of the emerging performance issues: in effect a large black cloud nearby obscured a much larger cloud on the horizon. Among other effects, the dispute:

- absorbed a great deal of contractor staff energy;
- perhaps caused contractor staff to "hunker down" and "do their job" as they saw it rather than providing feedback on operational problems which might not have been well received at the time;
- perhaps restricted contractor staff feedback to AID lest constructive criticism reflect badly on the contractor in a time of corporate trouble;
- focused RDO/C attention on the dispute rather than operations.

The foregoing considerations may throw some light on the timing of corrective action taken by RDO/C. But they do not explain - much less are they - the underlying problems.

6. The skill mix and experience of contractor personnel changed. The techniques of using the search/information machinery became a key project skill while operating experience in business, development, and the region declined in relative importance in the recruitment process. Perhaps reflecting the perceived importance of the Washington based machinery and perhaps reflecting other internal imperatives, island advisor positions were filled with members of the contractor's Washington staff. The personal experience and skills of these new advisors may have tended to focus their attention, once they arrived in the field, on investor support rather than institution building, policy environment, and broader developmental concerns. (This is not a criticism of the advisors who were, in the absence of more effective management direction, doing the best they could according to their background and experience. However, it is possible that people with more experience in the region, or in development operations generally, or less tied to the contractor's Washington operation might have raised questions about the cost effectiveness of the strategy and time distribution being implemented.)

7. Participation in the decision making process by Eastern Caribbean government and private sector people was not encouraged to the degree desirable in a project explicitly involving institution building. Thus another dimension of feedback and correction was limited.

All these factors interacting tended to limit constructive communication between levels of the contractor organization and between RDO/C and the contractor's Washington office. Further, new contractor personnel had a narrower base of experience base than their predecessors which restricted their ability to contribute to a critical examination of project performance. These developments took place at about the time that a serious internal examination of cost efficiencies and possible declining marginal returns of the investor search operation might have been in order.

RDO/C management recognized that the project was experiencing difficulties. But it is not clear that the extent of implementation deficiencies were recognized. Staff was carrying very heavy workloads and could not put in time needed for an in-depth assessment of the situation. Project reporting continued to show (albeit inaccurately) progress in investor search and job creation. Informal information sources were focused on issues which had to await the passage of time for resolution. Termination of the contractor while supportable in light of what was understood implied attendant losses of personnel and investment. Thus management faced a dilemma of accepting serious program losses by terminating and initiating a reprocurement or risking further losses if the contractor was allowed to but failed to work out its problems.

All these factors contributed to the project tending to drift free of its mandated management controls and away from its stated objectives. Some of the very factors which contributed to the contractor's performance problems partly obscured RDO/C's perception of the nature of the problems involved.

## G. Cost Effectiveness of the PDAP Model

Cost effectiveness cannot be measured without accurate data on project benefits. A theme of this evaluation has been the paucity and inaccuracy of information available for program management and evaluation. The efforts in this section to quantify cost effectiveness of the project and major project components must be recognized as very rough estimates based on inadequate data and therefore subject to question. In particular, the inability to specify project employment benefits and to attribute those employment benefits to PDAP I or PDAP II has frustrated relating recent costs to recent benefits. Notwithstanding these problems, which ought not be allowed to shield the contractor from an effort to examine project performance closely, some general conclusions can be suggested pending contrary evidence.

### 1. Assumptions and Data Sources

The following data sources and assumptions are used in this section:

1. Data on budget and expenditures as of February 28, 1986 for PDAP I, PDAP II, and total by function and expenditure type is accepted as provided by the contractor's Washington office (Annex 4, items 3 and 4).

2. Supplementary data on costs of island residencies provided by PDAP/Barbados is accepted as provided (Annex 4, item 5).

3. The April, 1986 contractor detailed invoice provided by RDO/C reflecting expenditures in PDAP II as of February 28, 1986 is a supplementary source (Annex 4, item 2).

4. The contractor's May employment census reflecting 3668 current employees is accepted as an average level of PDAP generated employment (Annex 4, item 6). Employment claims included within this figure which were questioned in Section C 2 are in effect accepted on the assumption that some portion of the contractor's "forecasts" of additional employment generated by prior expenditure will in fact take place.

5. Institutional development was not systematically pursued under the project and associated costs are quite low relative to investment promotion. Institutional development benefits cannot be separately identified. Therefore, for purposes of the analysis, all project costs are considered to be costs associated with benefits of the generation of employment.

6. Employment benefits are dealt with in terms of estimated aggregate payroll generation rather than "jobs". As the limited data available necessitates heroic assumptions, the assumptions are specified here to facilitate substitution of better numbers for recalculation:

- a. The average job generated under PDAP pays \$.85 per hour
- b. The average work year equals 1440 hours (36 weeks times 40 hours)
- c. The average annual income of PDAP generated jobs equals \$1224 (1440 hours times \$.85 per hour)
- d. The average annual aggregate payroll of PDAP generated jobs is employment (3668) times average income (\$1224) equals \$4,489,632 or \$4,500,000.

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e. The aggregate value of a "job" should reflect the expected duration of the job. Some may last for some time (albeit with different incumbants). Others will terminate quickly. (The termination phenomenon should be distinguished from seasonal and other fluctuations above and below the 3668 level). Again there is no data. Necessarily, the analysis is highly speculative but the values assigned are an attempt to reflect observed data.

The SRI Survey sought to contact each of the 69 investors listed as PDAP "success stories" and did contact 27 of which 17 were currently in operation, 6 in pre-implementation phases, two had failed, one was disinvesting, and one indicated no current or planned activity. Most "success" cases which SRI was unable to contact were apparently no longer in business. On this basis, the only data available, one-third of ventures that were "success stories" at any time remain active employers. A high termination rate seems reasonable given the nature of construction, "labor-sharing" contract, and agricultural enterprises. If it is assumed (generously) that the average life of a job is 3 years and the average annual income is \$1224, then the aggregate life of job income of an average job would be \$3672.

## 2. Overall Estimates of Costs and Benefits

a. As of February 28, 1986 the contractor had billed RDO/C \$11,838,178 in the PDAP program. PDAP I and PDAP II gross project costs per "job promoted" (total jobs in May, 1986 /total expenditures a/o February 28) =  $\$11,838,178/3668 = \$3227$ . If expenditures by May are estimated at \$13,000,000 promotion cost per job equals \$3544. (Promotion costs appear to be higher per job in PDAP II than in PDAP I, but the benefits of the two projects cannot be effectively separated.)

b. The aggregate payroll generated (assuming three year life of job times \$1224 per year = \$3672, times 3668 jobs) equals \$13,468,896 or \$13,500,000.

## 3. Costs and Benefits of Components

### a. Costs of Island Residencies

PDAP II - Island representation operations, all islands (unburdened ie direct costs not including overhead, G&A, and fee): (average monthly costs of salary + fringe + allowances + house rent + education allowance + storage + travel/perdiem + communications + office rental + secretary multiplied by twelve months all divided by total PDAP II expenditures)=  
 $\$1,621,447/\$5,255,049=30.9\%$

PDAP II - Island representation operations (unburdened) on Antigua, Belize, Dominica, St. Kitts, St. Lucia, and St. Vincent (Grenada omitted as special case) (same basis of calculation as above for named posts) =  
 $\$60,691 \times 12 = \$728,298;$   $\$728,298/\$5,255,049 = 13.9\%$

PDAP I and PDAP II per job cost of island residency by island based on 4/25/86 Justis/Booker telex and May employment survey:

Island	PDAP_I	PDAP_II	Total_Program	Jobs_claimed	Cost/job
Antigua	332136	205655	\$537791	273	\$1970
Belize	326485	197018	523503	357	\$1466
Dominica	406060	204329	610389	88	\$6936
Grenada	92513	324698	417211	267	\$1563
Montserrat		42565	42565		
St. Kitts	542122	169850	711972	420	\$1695
St. Lucia	627233	386095	1013328	389	\$2605
St. Vincent	434733	178120	612853	1874	\$327
Total			\$4469612	3668	\$1219

#### b. Cost of Washington Investor Search Operation

PDAP II - Washington based investor search operations (investor search expenditures/total expenditure)=\$1,522,265/\$5,255,049 = 29% of PDAP II project costs. Even if half of all claimed jobs (3611/2=1806) are attributed to this operation exclusively, the investor search operation cost per job promoted would be \$843, a high cost for EC countries to sustain after termination.

#### c. Cost of management

Taking overhead, G&A, and fee as the cost of management, the following calculations suggest a relatively high price for results obtained.

1. PDAP II - Cost of management not including Barbados ((overhead+G&A+fixed fee)/total expenditure)= \$1,598,710/5,255,049=30.4%

2. PDAP II - Cost of management including Barbados ((overhead+G&A+fixed fee+Barbados office)/total expenditure)= \$1,855,522/5,255,049=35.3%

These figures imply a management cost per job generated of \$506. This would seem to have some significance in the context of redesign. A substantial investment in institutional development would seem a priori to be a feasible alternative to a program the management of which has generated the amount and quality of employment experienced by PDAP.

#### d. Conclusions on Cost Effectiveness

Given the data available, any calculation of "cost-effectiveness" would be speculative and perhaps misleading. However, pending the availability of better data, the following general observations seem reasonable:

1. Overall costs per job and per dollar of payroll generated seem high and not sustainable by EC countries after the project ends.

2. The investor search operation in Washington is not likely to be sustained by the EC countries post-PDAP, seems costly per job, and per dollar of payroll generated.

3. Island advisor burdened costs are high if the only benefits considered are investor support. However, recasting the island advisor role could generate broader benefits to EC countries and RDO/C at no increase in cost.

4. Contractor management is very expensive given the results obtained. Other approaches to maintaining island residencies may be more cost effective.

It should be noted that the PDAP program may have generated significant direct and indirect benefits which cannot be specified because of lack of data. For example, the employment generation figure of 88 for Dominica does not reflect the significant impact generated by a PDAP promoted investment in an isolated area of southern Dominica. Jobs created but subsequently lost may leave a legacy of training and experience which make the work force more attractive for future investors. The experience under the project does not necessarily indicate that investment or employment promotion is not a good idea. It may well suggest that low cost and locally managed techniques may make more economic sense than high priced expatriate staffed operations.

#### H. AID Management Issues

This project presents several fundamental management issues related to three perceived trends in AID operations:

1. Declining staff ceilings available for project oversight and management relative to size and complexity of projects
2. Increasing rigidity of the procurement system making it less an instrument of management and more an obstacle to effective implementation, utilization, and, when desirable, reprocurement of services
3. Increasing dependence on contractor professionalism, candor, skills, experience, and willingness to conform to AID values

##### 1. Staff Resources for Implementation

RDO/C management of the project presents superficially an easy target for criticism for all the various reasons the contractor is criticized. But the time and work pressures on RDO/C direct hire staff were at all relevant times extremely heavy. The mechanisms designed to assist the monitoring process were not implemented. Emerging problems which might have been identified earlier were not spotted in the turmoil of more pressing contractor problems. Thus PDAP demonstrates again the consequences of thinning ranks of AID project implementors while increasing portfolios and complexity of projects. Ironically, the original PDAP model was itself an artifact of insufficient direct hire and PSC ceilings. In another era, the contractor's island representatives might well have been USAID personnel.

##### 2. The Effect of the Procurement System on Management of Project Implementation

The PDAP II contract was negotiated after a complete competitive bidding procedures in which the contractor proposed an elaborate program to be accomplished and an array of prime and subcontract resources to carry out the work. The proposal was incorporated in great detail in the contract. The reality of performance was far from the promise. The contractor apparently

viewed the contract language as having little significance beyond definition of the level of effort for which AID would reimburse. RDO/C also apparently viewed the contract language as having little else than hortatory effect beyond the level of effort provisions. Further, the cost in time, loss of momentum, and possible further complications arising from any reprocurement seriously inhibited RDO/C management in considering alternatives when the depth of the problems of the PDAP project emerged.

If the detailed statement of work has no binding effect, what has the competitive procurement been about? If the competition had to do with the resources offered rather than the work to be done, why can a prime contractor change the resources offered without approval let alone rebidding? If the contract has little more than level of effort consequences, why should AID impose upon itself highly complex reprocurement requirements? Why in any event should AID's own regulations operate as a shield to protect a successful bidder from the appropriate consequences of deficient implementation? Does the procurement system really require these results or have AID officers become so innured to managerially counterproductive consequences of interpretations of procurement regulations that they do not fight the battles anymore?

The procurement system imposes significant burdens on AID. But once the "up front" costs are paid for a given procurement, it is not clear why the system must become an obstacle to change when poor performance suggests that change is appropriate.

### 3. Increasing AID Dependence on Contractor Conformity to AID Values

A major consequence of shrinking AID staff resources for implementation oversight is an increasing dependence on contractors to conform to AID requirements and values with minimal AID staff oversight. Commonly, AID projects are implemented by contractor employees who have in fact absorbed much of AID's "culture" through extensive AID and development experience. Typically such people are temporary employees of consulting firms which are primarily in the business of servicing AID requirements. Such individuals may be to a significant extent "adjuncts" of AID, sharing AID's "corporate values and culture", and viewing their long-term interests in terms of association with AID, not necessarily with the firm which is providing the paycheck in the current assignment. Similarly, the small consulting firms which commonly provide such services are in a sense "adjuncts" of AID, are familiar with AID's needs, and are very much dependent on AID business.

The professional behaviors of people trained for and experienced in accounting and certain types of business consulting may be quite different from the professional behaviors of people trained for and experienced in traditional AID development work. A "development person" might tend to be more oriented toward such activities as trying to understand the broad range of effects of an intervention, more concerned with developing a local capability rather than accomplishing specific tasks one's self, more concerned with procedures whether formal or informal that assure AID approval and understanding of what is going on, more open to experiment and consideration of redirection of strategy and tactics. Someone whose background is that of selling and producing defined consulting report deliverables might be more oriented toward "bottom-line" concerns and measurable performance standards rather than vague notions such as "institution building", more concerned with doing one's own job than exploring how other's objectives might be served.

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PDAP is a project implemented by a firm and by individuals who, for want of better description, tend would probably identify themselves as "bottom-line" oriented. Generally speaking, the firm's employees on the project see their probable long range interests in terms of the employer, not the employer's client. The firm and its employees may have a stonger short run bottom line orientation than a firm which is largely in the business of servicing AID. Performance under this project may suggest that capturing the benefits of "bottom-line" oriented incentives for AID may be more complicated than merely contracting with "bottom-line" oriented firms.

One might speculate concerning the effect of internal corporate culture on some of the incidents of implementation. For example, the contractor's poor information system performance cannot be explained in terms of lack of expertise in the field. The redirection of the flow of project resources through the contractor and its staff and away "other participants" cannot be explained as financial or mangerial incompetence. The foregoing is not an allegation of possible deliberate wrongdoing by the contractor. It is a suggestion that firms have complex and powerful internal systems designed to guide employee behavior toward corporate objectives. The effects of such incentive systems are not necessarily consistent at all times with AID objectives.

AID staff needs to know more about how a contractor's internal incentive system can directly or indirectly provide a inducements to achieve particular outcomes of interest to AID. Aligning AID objectives and contractor incentives may require a good deal of thinking at substantive and procedural levels.

In any event, AID staff accustomed to managing "development" projects implemented by "development" people sharing a "development culture" should be aware that there may exist other, perfectly legitimate, but different approaches to operations. Expectations of "like-kind" behavior may have affected both RDO/C and contractor people in this program. Indeed, it may be a common issue in loosely controlled operations in which functions normally performed by AID staff are performed by contractor employees. It may be useful for AID to consider how its institutional needs can be addressed when contracting with firms with strong internal cultures and incentive structures which are not necessarily designed to promote behavior thought desirable by AID.

## I. Conclusions and Recommendations

### A. Performance

1. The contractor did not fully implement the project as described in the project paper and in the contract much less contribute to an improvement in the design of the project on the basis of implementation experience. Crucial functions which were specified as such in key documentation (such as the CAP process and management information) were implemented poorly. Lack of appropriate information and sound planning led inevitably to other implementation problems. Thus Contractor management performance has been inadequate to meet AID needs and requirements.

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2. RDO/C appears to have been too lenient in project oversight. RDO/C apparently did monitor the project and was aware of emerging problems. However, it may have failed to recognize the depth of the problems perhaps in part because of inadequate reporting and in part because RDO/C attention was focused on one particularly disturbing problem: internal contractor disputes and related audit issues. It can be argued that RDO/C should have taken more severe action against the contractor. However, the decision to work through a major problem with a wounded contractor rather than to take more drastic action does not seem unreasonable given the alternatives.

3. The underlying problem seems to be the contractor's failure to understand what its job is in an AID operational setting. The contractor in a development project must understand what it is doing, whether the project is effective, and, if the project is not effective, notify AID and help develop better approaches. In significant respects, this contractor failed to do so.

4. Structural characteristics rather than personalities seem to be the more significant causes of problems in the project. Virtually all the problems of the project appear to be controllable with the obvious exception of the inherent difficulty of employment generation in the Eastern Caribbean.

5. The energy, intelligence, and skills of contractor staff helped to mitigate the effect internal disputes, audit problems, and the weakness of contractor management. The institutional development aspects of the project were seriously constrained in order to focus efforts on investment promotion - a strategy which would have been questionable even if it had been successful in rapidly generating a great deal of investment and employment. In fact, it was not notably effective.

#### B. Redesign

1. A distinction can and should be drawn between defects in the "PDAP model" (ie the project design) and defects in contractor implementation of the model.

2. Some components of the PDAP model need to be redesigned; specifically,

a. The investor search and information probably should be completely redesigned.

b. The role of the island representative should be redesigned by expanding substantive responsibilities for other RDO/C private enterprise activities and turning over to local people insofar as possible tasks such as direct support to visiting investors.

3. The PDAP "model" provides a sensible overall structure for the pursuit of project objectives given the peculiarities of the Eastern Caribbean situation. Needed improvements in the design can be accomplished within the existing project structure. Improvements in effectiveness and cost reductions appear to be within reach.

4. The communication and control mechanisms of the model (such as the management information system and the CAP process) are extremely important and need to be emphasized in future PDAP operations.

5. The CAP framework offers a useful and non-controversial framework for a thorough review of project objectives island by island. Engaging local public and private sector people in the CAP process will help assuage concerns about "AID telling us what we need without asking us our views" while helping to develop more effective local strategies.

6. The project should help to develop methods and organizations to carry out investment promotion after PDAP ends. Direct promotional efforts by contractor staff should illuminate the road the West Indians must pursue, not substitute for local initiatives.

7. Participation in the design and implementation of the project by EC private and public sector has been inappropriately limited. The management of the project has emphasized performance by contractor staff. Some East Indians believe that AID and the contractor have failed adequately to consult on EC views of what is needed and how needs should be met. The CAP procedure calls for such EC participation but the failure to achieve a broad-based sense of participation with the beneficiaries of the project is more than a procedural defect. Any data gathering and analysis process should deeply involve the East Caribbean private and public sector. The proposed new emphasis on institution building would gain both credibility and effectiveness by such EC participation.

#### J. Lessons Learned

1. Sound operational data and management information is essential to project implementation. How the information is gathered, analyzed, and presented is crucial to effective implementation and AID oversight. In this case, the contractor's implementation of the project management and impact information system was key defect in an expensive, relatively low-payoff project. The information system was not narrowly conceived in project design. But in operation it was apparently not used to track the reality of operations and to test the validity of project design and implementation procedures. The further that AID staff is removed from day to day project operations, the more important accurate management information becomes.

2. Assumptions about the skills and reliability of contractors should be tested from time to time. Even a "big eight" accounting firm might not, in a given case, do a satisfactory job in management information support, for example.

3. The private sector is good at what the private sector is good at. AID must assure itself that private incentives are aligned with AID objectives before it can expect to reap the benefits of private enterprise efficiencies.

4. Investor decisions on offshore investments are influenced primarily by local policy environment, infrastructure, and to some degree local social and economic conditions rather than promotional skill as such. Different potential investors have different requirements. Investment promotion projects should attempt to assure that the national policy environment as well as institutional, private sector services, and infrastructure considerations are minimally acceptable to potential investors before heavy promotional expenditures are undertaken. Thus in some cases "step-wise" programs which seek to build on existing strengths and changes governments are willing to undertake may be more efficient than "across-the-board" promotional efforts.

5. Projects which involve new substantive areas or apply new techniques may involve a higher degree of uncertainty than traditional AID operations. Similarly, projects blessed with enthusiastic support at the USAID staff level may suffer a countervailing disadvantage of less than fully objective project monitoring. In such cases, there may be a role for an intermediate level of evaluation between normal implementation oversight on the one hand and large scale, expensive formal evaluations on the other to assist management in maintaining perspective and control on project performance.

6. RDO/C operates in a complicated environment with complex projects, a relatively small staff, and an array of contractors some of whom thoroughly understand what AID expects of them and others, such as, apparently, the PDAP contractor who either do not understand the subtleties of AID culture or find it difficult to respond to it because of internal corporate imperatives. The PDAP model reflects a number of good but not perfect compromises needed by RDO/C to deal with its staff and budgetary limitations. To the extent that RDO/C (and AID generally) relies on contractors to carry out functions that involve broad field responsibility, the following must be assured:

Staffing key contractor positions with people who understand AID's needs and culture very well;

Strict adherence to project mechanisms designed to provide understanding, flexibility, change, and consultation - such as the CAP activity in PDAP

Serious attention to what information should be gathered, how, by whom, and for what purpose.

Exchange of information within the AID system as a whole concerning the quality of contract performance. (The PDAP contractor, we are informed, has received additional AID business in part on the basis of what was understood to be its sound performance in PDAP.)

8. Many contractors are engaged simultaneously in implementing existing contracts while seeking new business. Under such circumstances, complete objectivity in assessing current performance problems is a burden not all contractors can be expected to carry.

## ANNEXES

1. Evolution of the FDAF Model

FDAF I was designed in 1980 to meet AID's perception of a need to improve the foreign assistance absorptive capacity of the small Eastern Caribbean countries by means of expanding their development project design and implementation capabilities. Unlike larger countries, staff was not available in the EC governments to manage a major influx of development funding. In the past, USAID staff personnel often performed important aspects of the function of project design and development support to host country governments. However, by the time that the RDD/C program was building toward its recent high levels, this kind of AID role was out of the question for various reasons including staffing constraints, the small and isolated country sites in the EC, and the heavy infusions of development assistance which were to be managed. RDD/C therefore began to explore the idea of contractor provided project design assistance on site in the region, a kind of "super-consultant" concept under which a contractor employee located on individual islands would provide locally a range of managerial and technical services as well as provide access to other kinds of specialized technical assistance services through sub-contracts:

"In sum, FDAF personnel will serve at once as development planners and...development brokers" (FID, p 17)

The project paper carried this concept through while focusing somewhat more than the FID on employment creation and private sector concerns.

During FDAF I implementation, an emphasis on employment creation through investment promotion developed. AID's expectations for investment driven employment grew, fueled by optimistic reporting and comments in a 1983 evaluation. The August, 1984 FDAF II Project Paper reflects this "organic shift in emphasis during the first year of operation" (PP p 4) and states, "...the feasibility and effectiveness of the FDAF model is demonstrated. We see no equally effective alternative to the FDAF approach for investment promotion in these countries." (PP p 5)

In support of its conclusions, the Project Paper cites contractor success claims yet to be realized as of this writing, April, 1986. (For example, the contractor's May 31, 1984 "Investment Projects Negotiated Or In Place" report cites "current (employment) plans of investors" to be 4185 and "Probable Expansion Plans by Dec 1985" to be 3236, a total employment effect expected within 19 months of 7421. A May, 1986 survey of employment generated by the project claims 3668 employed, a claim the validity of which is questioned. Apparent progress as reported to AID in 1984 seemed to justify a major new infusion of AID funds which was provided in FDAF II, authorized on August 30, 1984.

The FDAF II RFP was answered by the FDAF I contractor, Coopers and Lybrand, with a proposal defining 15,000 jobs as a primary goal. This figure conformed roughly to an unsupported employment generation estimate in the FDAF I evaluation. We do not know what other proposers suggested that they could accomplish were they awarded the FDAF II contract. But the combination of experience under FDAF I, a world-wide office network, no start-up costs or delays, and the promise of 12,000 to 15,000 new jobs in addition to the 7,000 jobs expected to be generated by FDAF I must have made a favorable impression on RDD/C officials involved in the procurement process. Coopers and Lybrand was awarded the FDAF II contract.

During the course of the evaluation it was suggested by the contractor that AID policy changes had made the implementation task more difficult. Perhaps this

was so and perhaps in a degree greater than other AID contractors experience in other situations. We were unable to confirm that what appeared to us to be the more important implementation problems experienced by the contractor were caused by AID. To the contrary, our impression is that activities called for by AID did fall within the scope of the program and the contract.

While the PDAF II RFP and subsequent RFP did emphasize employment creation through investment promotion, the broader PDAF concepts incorporating institution building and "... (creating) policy environments attractive to productive investments...", for examples, were not eliminated from "the model". AID documentation reflects more of a program balance than expenditure data and our understanding of operations experience under the project.

With respect to AID changing its mind over the course of the program to the contractor's detriment, project documentation indicates more consistency than expected in RDO/C's articulation of the PDAF model concept going back to the original FID in June, 1980. The major changes reflected in documentation from the original PDAF concept to the PDAF II design were:

1. Establishment of local institution building as a primary objective (as distinguished from relying more on regional institutions);
2. A sharp increase in employment goals from 3000 to 15000 and, related thereto, the articulation of a shift from "investor search" to "investment promotion", a more aggressive approach to employment generation;
3. An emphasis on internal tracking and monitoring project activity at the input and output levels to enable AID management to determine the progress and utility of the project - perhaps reflecting an AID management concern about confirming the successes claimed to date.

On paper, the major change in the "model" is local institution building (which arguably was implicit in significant ways in the first PDAF model). As relatively little institution building was done in implementing PDAF II, it would not seem to be a major cause of difficulty. There is a heavier emphasis in PDAF II on aggressive pursuit of investors, but this does not constitute a fundamental change in the model. Better management information does not constitute a change in the "model" in any way but rather merely "tightening" implementation.

In contrast to project documentation, there seem to be differing recollections by participants concerning when and the degree to which PDAF shifted in emphasis from assistance to island public and private enterprise to promotion of private foreign investment. This shift was recommended in the August, 1983 evaluation and implementation was initiated during PDAF I. Perhaps the "shift" did affect performance of PDAF I. However, the current PDAF concept as stated above appears to have been settled and clearly articulated in the PDAF II project paper, contractor technical proposal, and contract scope of work documentation.

Absent further evidence, the contractor's suggestion that performance problems in PDAF II were caused or contributed to by RDO/C management of the project seems difficult to confirm. To the contrary, it could be argued that RDO/C's reliance on the contractor's reporting and overall management of the project contributed to or permitted serious implementation problems to emerge. We therefore preliminarily conclude that the "PDAF model" as expressed in project documentation and as briefly summarized above fairly defines the project to be evaluated, and that it is fair to evaluate the contractor's performance on the basis of its contractual undertakings.

## 2. Features of PDAF II Contract

### "I OBJECTIVES OF WORK PERFORMED UNDER THE CONTRACT

#### "A Primary Objectives:

"...contribute significantly to the generation of productive employment and the expansion of production for extra-regional export. Specifically, the goal of this contract is to:

"1. Generate...15,000 jobs (12,000 during three year contract term and 3,000 more if option is exercised)...additional to the approximately 7,000 jobs and job opportunities which are likely to have been created by PDAF by the end of 1985...

"2. Expand extra-regional exports in both traditional and non-traditional products... (at a rate sufficient to exceed the deterioration in terms of trade, designated in U.S. dollars...

"3. Update the capability of public sector institutions to implement employment generation programs, and assist appropriate private sector institutions, association and individual firms in upgrading their capability in the field of employment generation. Because of the importance of assuring viable local institutional capabilities...assist to establish effective local development agencies in each of the participating countries by the end of the program." (Emphasis in original)

#### "B Supporting Objectives

"1. ...increase contribution...to economic base...by the local and foreign - owned private sector...

"2. ...achieve significant diversification of the economic base...

"3. ...by working closely with the public sector, encourage a range of public sector policy initiatives designed to encourage local and foreign private investment"

### 'II METHODOLOGY

#### 'A. Resident Advisors"

1. prepare country action plans
2. identify/implement viable employment generating projects
3. assist project design, presentation, and implementation
4. assist in project contract negotiation and followup
5. assist with market, technology, and logistical information
6. promote linkages with local and foreign private sector groups and institutions
7. participate in investment promotion (trade shows, seminars etc.)
8. advise on policy relating to domestic and foreign investment and private sector development
9. assist planning and management of industrial infrastructure
10. develop awareness of public sector officials
11. assist in promotion participation in training and conferences

"B. Investment Promotion": (country promotion and country specific promotion)

1. Promotional events
2. Referrals from agencies and organizations
3. Media relations and advertising
4. Desk research and mailings
5. Support for complementary institutions
6. Strategic follow-up and marketing attention to prospects
7. Development and deployment of support system (as described in proposal) and country/regional promotional materials
8. Strategic targeting of industries and companies
9. Work with institutions and organizations to improve training
10. Promote introduction of technological improvements in EC industries
11. Assist local manufacturers to access technical and business information
12. Provide information on U.S. quota regulations

"C. Institution Building"

1. Formal training (incorporates C&L proposal by reference)
2. Practical application of formal training
3. Assumption of activities by country institutions

"III Project Management

"B...Project Monitoring and Management"

1. "...implement a computerized Project Monitoring System (PMM) which will maintain up-to-date records of invoiced expenditures, current and projected inputs to specific areas of operational activity, and resultant outputs..."

2. "...specific PMM inputs, outputs and associated indicators will be determined on the basis of Country Action Plans...and quarterly plans for investment promotion..."

"C. Project Reporting

"...quarterly reports..."

IV "Article IV - Level of Effort

"a...level of effort...782 person-months of direct labor

"estimated composition..."

1. <u>Professional</u>	Person Months
Investment Promotion	239
Institutional Development	120
Project Monitoring/Coordination	99
Total	458
2. <u>Non-Professional</u>	
Home Office	36
Field	288
Total	324"

No changes in contract obligations from those outlined above have been incorporated in the contract. The contract was amended three times solely for the purpose of adding funding.

#### 4. Analysis of available data on contractor performance

##### Introduction: The Information Problem

The weakness of the reporting system and problems with data generated by the contractor's management information system are major problems in evaluating this project - as well as a significant performance shortfall. For purposes of this writing, we must simply take the data as supplied, comment here only selectively on its applicability for project evaluation purposes, and note various internal inconsistencies. A telephone survey of all "success story" clients was conducted by SRI and its results are incorporated in their report.

Doubtless objections can be raised concerning the selection and interpretation of this data. We believe that the data is selected and treated fairly, but freely concede the possibility of erroneous selection and analysis. Once again, the major problem of the evaluation and one of the key problems of the project is data. The contractor does not appear to have thought through what data is needed to manage the project, how to obtain it, and how to use it.

Encouraging the development process - whether in the public or private sector is an experimental enterprise. The process demands that attention be paid to understanding the environment into which an intervention is made and that the intervention process be observed in order, first, to manage the process as effectively as possible and, second, to learn from the process so that the activity can be done better here or elsewhere in the future.

The PDAP Project has not advanced the state of the art because information has not been maintained on the various activities and their results in ways which permit knowledge to be built. There are a lot of good anecdotes in the PDAP program. The data is difficult to verify.

It is curious that a project managed by a "big eight" accounting firm is weakest precisely where one might expect it to be strongest: in the gathering, management, and use of data. The PDAP II project paper, the RFF, the technical proposal, and the contract all address the information problem. Performance on information systems apparently fails to meet the minimum requirements called for in the contract. But apart from contractual obligations, the contractor with its information expertise and field experience should have been working with AID to improve the project's information and "learning". It should have been concerned with how knowledge of how to do the job could be transferred to local people. That transfer was a contractual obligation. The contractor's approach to the project does not appear to be that of a development oriented manager of AID development funds. To date little has been learned, little transferred, much expended.

In this section the following data is considered:

- a. Jobs created and forecast employment
- b. "Success story" data
- c. Promotion activity data
- d. Sources of leads
- e. Contractor client and office participation

The survey of investors and field interviews to be presented in the SRI Report addresses PDAP client views and provides some cross check on other data.

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a. Jobs Created and Employment Forecasts

It is not possible to present firm figures on jobs created. The need for this category of information was clearly established in project documentation. Development of hard data on employment was not emphasized in implementation. Apparently, the first attempt by C&L to present current actual employment was not made until this evaluation was scheduled.

The April, 1986 briefing document presented to AID and the evaluators containing the current employment figures is, in many respects, not consistent with current figures. Nor is it regularly consistent with underlying "success story" files from which we understand that some of the current employment data is derived. On the basis of field interviews, CBA believes that the problem is one of poor reporting and information management rather than one of intentional overstating of jobs by field representatives. However, there is no tracking of employment results in the island offices. Field advisors apparently were not trained or directed to address employment data problems. I am further informed that reporting by Mr. Gallagher was done personally by him rather than through a systematic data collection process.

One problem running through the data is the difficulty of determining what is being reported. Apparently, until the February, 1986 FIDAP Progress Report, the contractor was reporting two classes of forecasts (viz, current plans and expected expansions) rather than actual jobs. The following table summarizes employment data reported since 1984 in the Contractor's Progress Reports (1-4) and compares the latest (2/28/86 and May summary) "current employment" and "forecast employment" figures (5 & 6):

Contractor Report Date:	1 3/31/84	2 5/31/84	3 3/31/85	4 7/15/85	5 2/28/86	6 5/86
Current Plans	3155	4185	4425	4675		
Probable+ '85	2666	3236				
Probable+ '86			3336	3436		
Total	5821	7421	7761	8111		
+ Production Sharing	145	205	1112	1212		
Current jobs				4015	4165	3668
Forecast jobs				8100	8298	7565

The current employment figure of 4165 presented by the contractor to AID and the evaluators in the April, 1986 briefing materials was analyzed in the SFI Report.

The data available in Washington does not provide a basis for qualitative analysis of employment generated such as characteristics of temporary employment (eg construction and cottage labor) and continuity of sub-contract work. It is also not possible on this data to come to any conclusions on questions such as whether the jobs would have been created without FIDAP intervention. However, many investors reported that they would have invested without FIDAP. Only first time investors indicated that FIDAP was essential to their decision. Conversely, it is also not possible to determine whether and to what degree jobs that FIDAP might have created were "lost" for reasons inherent in local conditions. It would have been useful to have detailed information on "losses" as well as "wins" to help sharpen future efforts and, perhaps, focus government attention on constraints subject to their control.

The contractor apparently made no effort has been made to examine secondary effects of employment. This is a serious omission. For example, it would seem to this evaluator that the fifty real permanent jobs properly attributed to PDAP efforts in the aloes project in rural southwest Dominica has significance beyond the number of jobs created as such. Thus a single minded focus on the "jobs created" number may have overlooked potentially very important project benefits.

Even assuming that 4165 is a reasonable claim of current employment, comparison of the 4165 figure with past progress reports of "current plans" and probable expansions reflects both the optimism of the contractor and the difficulty of bringing expectations to reality. In the May, 1984 Progress Report, the contractor indicated 4185 "current plans" jobs and 3236 additional jobs "probable" in 1985, a total of 7421. Query whether PDAP II would have been approved in its current form and funding level had AID management expected 4165 jobs created by May, 1986.

#### b. Success story data

An examination of 69 "success story" files shows considerable variation in the quality of reporting. It does not appear that the contractor assured the availability and quality of data sought by AID for the agency's management purposes in this data category. On the other hand, success story data is collected for activities dating back to early 1982. Reporting might well not have been emphasized early in the project.

The project database, "Status VI - Hot/Success Codes", reflects the following information:

"Current hot"	95
"Success"	70
"Used to be hot"	226

If the 24% historical record of successes to successes plus "used to be hot" holds, 23 currently hot prospects will become "successes". As noted above, "success" is not necessarily equivalent to employment generation and not all "real successes" generate significant employment or even stay in business.

The contractor counts a prospect as a "success" if and when a potential investor "makes a commitment" to invest. As noted above, inadequate data in the underlying files make it impossible to get a sense of current status (with the unfortunate exception one which is experiencing "severe financial crises" and another labor problems). The issue here is not that not all "successes" succeed but rather the inadequacy of information on which an objective assessment of the program can be made by management, much less by evaluators in a few days of work. The contractor does not appear to have thought through such questions as, "what are the dimensions of "success" which the project should pursue?"; "how can data be gathered and used to help differentiate the types of projects to promote and the extent of commitment that PDAP should undertake?"

## c. Promotion activity data

Considerable data has been maintained on promotional activity as reflected in the following table:

Line Item	3/31/84	5/31/84	3/31/85	7/15/85	2/28/86
Contacts	4886	5086	6190	6400	7496
Further interest	3410	3580	3910	4850	
Followup	1019	1128	1505	1205	
"Hot prospects"	68	51	54	45	
Trade shows	24	26	53	53	
Seminars	14	15	22	22	
Mass Mailing	18	18	21	21	
Articles/ads	15	21	32	32	

Useful additional data categories generated under "Status III" reflects prospect visits to the Eastern Caribbean (presumably cumulative as of April 10, 1986). Prospect visits are considered a crucial factor in obtaining investor commitments:

1. Planning to visit -	107
2. Visited region once	213
3. Visited region more than once	40

(Query: Does this mean that 253 prospects visited the islands yielding the 69 "success" stories which in turn generated 3668 jobs? How is a visitation by a firm already active in the islands treated?)

## d. Sources of leads

(This area is analyzed in the SRI Report)

Data base Status V categories indicates how prospects were identified:

A. Desk research/mailings	1604
B. Identified by subcontractor	502
C. Trade show	1807
D. C&L Office	76
E. OPIC Referral	103
F. DDC Referral	276
G. PDAP advisor	270
H. Prospect contacted PDAP source unknown	264
I. Seminar	970
J. Advertisements/articles	261
K. Unknown	205
L. Other	220
M. Referred by AID	60
Total	6617

(One AID officer indicated that the figure 60 for AID references is unquestionably incorrect as he believed that he personally had made about that many references in a one year period and that he knows that other AID officers have also made numerous references of potential investors to the contractor.)

e. Coopers and Lybrand Office and Client Participation

The data base indicates contacts with 201 C&L clients (Status IV - C). It is not clear how many became clients as a consequence of FIDAP contacts. Only 73 leads are listed as generated by C&L offices. RDO/C expectation of FIDAP capitalizing on C&L's worldwide network of offices should be examined at greater depth.

f. Quality of C&L response to investor inquiry

AID officers reported investor dissatisfaction on numerous occasions with the quality of contractor response to inquiries.

SEND VIA TELEFAX

April 14, 1986

To: Robert Justis  
Coopers & Lybrand

From: Matty Mathieson *Matty*  
SRI International

As we discussed, attached is a list of categories on which we would like additional information. One set involves budget/financial data for the PDAP program. The other is related to program outputs.

We would appreciate it if you would supply this information to us by the end of the week. If you have any questions, please give me a call. Thanks.

cc: Charles Blankstein

#### 4. INDIVIDUAL SUBCONTRACTORS

LOUIS BERGER	1,099,763	824,790	638,771	139,286
ROBERT CARLSON ASSC.		123,593	100,543	171,332
CEO ACCESS PERSONS			308,600	
S. WINKELMAN				79,107
J. THOS. MALATESTA				57,701
PUBLIC RELATIONS			120,000	
BURSON-MARSTELLER				11,605
CARIB. BUSINESS DEVELOP.				24,900
R.A. HILLIARD ASSC.				15,400
MR. ROY CLARKE		87,724		
C+L CANADA		25,157		3,438
C+L BARBADOS		488,592		545,281
C+L HONG KONG		55,586		53,394
C+L LONDON		9,233		
C+L PARIS		17,265		
C+L SINGAPORE		10,584		
C+L TORONTO		2,984		
FREE ZONE AUTHORITY				27,857
GENERAL CONSULTANTS LTD.				16,112
MARTIN HERMAN		77,771		1,470
TAM CHUNG-CHEONG				3,000
WALLACE EVANS+PARTNERS		21,764		
WASH. CONSULT. + MGMT. ASSC.		49,118		
C+L BELIZE		67,604		5,177
IBERC			67,800	62,489
DEVELOPMENT ASSOCIATES		133,700	447,936	19,251
STATE OF FLORIDA				46,000

5. PERSONNEL BY CATEGORY, INCLUDING DIRECT LABOR, FRINGE, OVERHEAD,  
TRAVEL, PER DIEM + OTHER ALLOWANCES

A. INVESTOR SEARCH/PROMO	373,956	1,459,196	1,186,417	1,426,761
MGMT (BROWN, PAZMANY)		318,730		138,324
ALL OTHER		1,140,466		1,288,437
B. IN-COUNTRY ADVISORS	2,952,553	3,270,694	3,532,609	1,940,984
MGMT (BARBADOS)		509,412		232,654
ALL OTHER		2,761,282		1,708,330
C. ADMIN./CLERICAL	176,528	223,237	199,800	174,520

6. BY FUNDING CATEGORY

A. DIRECT LABOR + FRINGE (EXCL. SUBS.+CONSULTS)	732,462	1,234,070	1,302,314	1,048,696
B. TRAVEL	279,848	392,304	382,310	268,987
C. MATERIALS, SUPPLIES (EXCEPT COMPUTERS)	48,000	11,329	5,000	25,297
D. COMMUNICATIONS	57,600	227,172	115,000	208,098
E. CAPITAL EQPMT (COMPUTERS)		599	27,000	85,129
F. OVERHEAD + G+A	909,718	1,524,889	1,673,213	1,336,129

NOTE: WASHINGTON DOES NOT RECORD ADVISORS' TIME BY THE ITEM NO. 2A  
CATEGORIES REQUESTED: I.E., PRIVATE SECTOR PROMOTION, INSTITUTION  
BUILDING, AND INTERNAL REPORTING AND DEMONSTRATION. PLEASE TRY TO  
CONVEY TO EVALUATORS YOUR KNOWLEDGE OF HOW ADVISOR TIME IS DIVIDED  
UP, ALTHOUGH THEY PROBABLY HAVE A FAIRLY GOOD SENSE OF THIS BY NOW.

REGARDS\*

2329 COLYASCL WB

440241 C-L INT

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MONTHLY ADVISOR COSTS

<u>COMPANY/NAME OF ADVISOR</u>	<u>MONTHLY COSTS*(1)</u>	<u>PER DIEM/ TRAVEL</u>	<u>COMMUNI- CATION (2)</u>	<u>OFFICE RENTAL</u>	<u>SECRETARY</u>	<u>TOTAL</u>
ANTIGUA	11,855.51	1,159.93	608.33	800.00	450.00	14,873.77
BARBADOS	13,778.47	3,595.65	2,027.15	1,000.00	1,000.00	21,401.27
BELIZE	11,731.32	1,091.54	236.22	250.00	-	13,309.08
DOMINICA	10,159.72	1,245.77	254.58	260.00	1,125.00	13,045.07
GRENADA	14,400.15	293.23	800.00	600.00	875.00	16,968.38
	10,661.60	107.77	-	-	-	10,769.37
ST KITTS	10,204.95	843.06	836.35	400.00	500.00	12,784.36
ST LUCIA	11,647.84	3,170.25	963.21	350.00	1,125.00	17,256.30
ST VINCENT	11,718.92	2,032.53	786.57	300.00	875.00	15,713.02
<b>TOTAL</b>	<u>106,158.48</u>	<u>13,539.73</u>	<u>6,512.41</u>	<u>3,960.00</u>	<u>5,950.00</u>	<u>136,120.62</u>

(1) Monthly costs include : Labor, Post Differential/Allowance, House Rent, Education Allowance, Storage

(2) Communications include: Telephone, Telex, Postage

Note: These figures are averages based on a thirteen month period - October 1984 to November 1985

Annex 4  
Item 5

PROJECT DEVELOPMENT ASSISTANCE PROGRAM  
(P.D.A.P.)

Index 11  
Item 6  
Page 3  
(Contractor Report  
to PID)

EMPLOYMENT FIGURES

May 15, 1986

The attached tables provide a breakdown of employment generation in countries covered by the PDAP program which have resulted from PDAP promotional and follow up activities.

A PDAP generated investment is defined in two ways:

- When the company's investment in the region/country was a direct result of PDAP promotional activity
- When PDAP, usually the field advisor, provided substantial assistance in the decision-making process of a company, or where PDAP played a major role in successful implementation of the project.

The type of investment varies, from wholly owned subsidiary to joint venture to subcontract. In the case of subcontracts, the company name provided on the table is the name of the U.S. firm, rather than the name of the local firm.

The employment figures are broken down by country and by company. Information is provided on current employment (as of May 15, 1986), forecast employment, and past peak employment. Past peak figures were compiled to capture the normal employment fluctuations which occur in any business and to provide a more accurate employment count. Forecast employment is based on company projections provided to PDAP advisors.

The job breakdown for all countries are as follows:

- Current : 3668
- Forecast : 7565
- Past Peak : 5598

The average employment, taking the average of current, forecast, and past peak, is approximately 5610. This figure reflects most closely the employment impact of PDAP generated investments.

The employment figures relate to direct labor employment and do not include managerial employment, nor any indirect employment in other economic sectors generated from PDAP investments. This indirect effect, while not quantified, has been substantial. Furthermore, the list does not include subcontracts which involved trial runs for a period of less than one month. It is estimated that there have been at least 15 such trial runs, employing approximately 100 people.

The type of job also varies, from permanent to seasonal, to cottage to construction. All jobs, however, are directly generated by the PDAP-generated investment and reflect the unique employment requirements of the particular investment.

Annex 5

Information System: Project Management Matrix and Performance Data Response

Item 1 - Project Management Matrix as proposed (Technical Proposal, 27 ff)

Item 2 - Request for information in FMM categories

Item 3 - Contractor response to FMM information request

PDAP FOLLOW-ON PROJECT  
PROJECT MANAGEMENT MATRIX  
(PMM)

Item 1

INPUTS

OUTPUTS

Advisor-Related Activities

- . Number of Private Sector Projects identified in Agri-Business industry, tourism and services.
- . Number of investment prospects serviced by telephone and correspondence
- . Number of Foreign investors serviced in-country
- . Types of infrastructure constraints identified and solutions implemented
- . Number and types of investment promotion activities conducted
- . Number and types of assistance to implement investment projects
- . Number and types of production-sharing opportunities coordinated with local businesses
- . Level of assistance in training needs identification

Institution-Building and Training

- . Private Sector
  - Volume and types of assistance provided to local business associations in export and investment promotion
  - Number and types of formal training programs and number of participants
  - Number and types of technical assistance provided to individual companies
  - Number of participants in promotional events in U.S.
- . Public Sector
  - Number and type of formal policy inputs provided to government
  - Volume and types of informal assistance provided to industrial development institutions in-country
  - Number and types of formal training programs in investment promotion in U.S.
  - Number of participants in on-the-job training in U.S.
  - Donor financing obtained for support of promotional institution

International Investment Promotion

- . Number of new industries targeted
- . Number and type of search and contact activities arranged and conducted
- . Number of potential prospects identified and contacted
- . Number and type of follow-up
  - Telephoned contacts
  - Letters
  - Personal meetings
- . Number of production-sharing opportunities identified
- . Number and type of media contacts
- . Level of input to on-the-job and formal training
- . Level of input to maintain support systems (Database and promotional materials)

1. Advisor-Related

- . Number of jobs created
- . Number and types of new investment projects negotiated and implemented
- . Rate of Implementation of previously-negotiated projects
- . Achievement of institutional development outputs (see below)

2. Institution-Building and Training (includes results of inputs provided by advisors as well as other program components)

- . Private Sector
  - Number of jobs created by existing firms
  - Value of investment in new or expanded plant from production-sharing/joint venture projects
  - Number and value of new products exported and number of and implementation new markets penetrated
  - Number of existing firms expanding into new product and number of locally-owned firms created for production for export
  - Increase in volume and types of participation by business associations and individuals in investment and export promotion activities
  - Increase in number of trained supervisory and production personnel
  - Demonstrable changes in local companies' management behavior and measurable increases in efficiency and competitiveness resulting from improved costing, production and inventory control systems.

Public Sector

- Demonstrable changes in attitudes, behavior, and policies toward private sector, local and foreign
- Improvements in supporting infrastructure, including private-sector financed industrial estates
- Increase in efficiency in review, approval, and implementation of foreign investment projects
- Increase in volume of and participation in off-island promotional activities and improvements in formal structure
- Increase in number of qualified investment prospects, investment, and job creation from promotion activities

3. International Investment Promotion

- . Average number of new and hot prospects maintained
- . Number of production-sharing opportunities referred to advisors
- . Number of potential investors visiting region
- . Number of favorable references in media
- . Number of investments implemented and jobs created resulting from promotional activities

Please provide the following information on PDAP operations:

1. Volume and types of assistance provided to local business associations in export and investment promotion.
2. Number and types of formal training programs and number of participants.
3. Number and types of technical assistance provided to individual companies.
4. Number and type of formal policy inputs provided to government.
5. Volume and types of informal assistance provided to industrial development institutions in-country.
6. Level of support for on-the-job and formal training.
7. Level of support to maintain support system and promotional materials.
8. Number and value of new products exported and number of and implementation new markets penetrated.
9. Increase in volume and types of participation by business associations and individuals in investment and export promotion activities.
10. Increase in number of trained supervisory production personnel.
11. Demonstrable changes in local companies' management behavior and measurable increases in efficiency and competitiveness resulting from improved costing production and inventory control system.
12. Demonstrable changes in attitudes, behavior, and policies toward private sector, local and foreign.
13. Improvements in supporting infrastructure, including private-sector financed industrial estates.
14. Average number of new and hot prospects maintained.

INFORMATION REQUESTED BY PDAP EVALUATION TEAM

1. VOLUME AND TYPES OF ASSISTANCE PROVIDED TO LOCAL BUSINESS ASSOCIATIONS IN EXPORT AND INVESTMENT PROMOTION

Belize - Daily, PDAP Belize works with local business associations (BEIPU). Nearly all of the advisor's work with institution building has been directed toward the establishment, funding and implementation of this unit. PDAP and the unit are usually viewed as one. Quantification of this close and integrated working relationship is very difficult. The PDAP advisor is based in the BEIPU office.

Antigua - The PDAP Advisor is based in the offices of the the Chamber of Commerce and as such, the advisor works closely in every way with the Chamber. Specific programs have been — October 1984 Investment Mission to Rochester New York, 1983-1985 participation in the C/CAA Miami Conference on the Caribbean, production of a economic video promoting investment into Antigua, production in 1984 and 1985 of an Antigua and Barbuda's Investment Guide.

Grenada - Major support was provided to the Chamber of Commerce in preparation of participation in the Miami Conference, including audio visuals and promotional materials. On site consultation by three PDAP advisors at the Miami conference regarding future participation in the Miami Conference and improved preparation. PDAP has providing indepth consulting advice to the Grenada Hotel Association.

Dominica - The Advisor sat on the steering committee for the CARIHEX exhibition which was held in Barbados in July 1985. In this show, a number of regional manufacturers displayed their products.

*St Lucia - Organized mission (Investment) to the Far East for Chamber of Commerce and government.*

2. NUMBER AND TYPES OF FORMAL TRAINING PROGRAMS AND NUMBER OF PARTICIPANTS

Belize - Florida Department of Commerce Training Program for the new BEIPU Board of Directors (three from private sector, two from public sector) in Florida for one week. Visited State of Florida officials as well as field personnel involved in local investment promotion efforts. The program was very highly evaluated by the participants. Set the stage for the institution building process that has taken place since the establishment of BEIPU. PDAP has also been involved with missions to the Far East/Europe and the U.S. whereby the process of investment promotion, as developed by PDAP was learned first hand by the participants.

Dominica - PDAP will sponsor the participation by the General Manager of the IDC in an Arthur D Little Training Course.

Antigua — Antigua has no investment promotion unit as such. Rather, investment promotion has been carried out by an informal group composed of representatives of the Manufacturers' Association and the Chamber of Commerce. In 1983, PDAP organized a five city investment promotion tour in the United States, where representatives of both organizations participated. In May, 1985, PDAP sponsored the participation of Antigua's New York UNIDO representative in an investment promotion seminar held in Puerto Rico, organized by FOMENTO. In 1985, Antigua appointed a trade and investment officer to its embassy in Washington, D.C. He works closely with the Washington, D.C. investment promotion staff and has attended one trade show with them.

Grenada - PDAP sponsored participation for members of the Board of Directors of the IDC in our program with the Florida Department of Commerce. This course was a one week tour of four Florida cities, along the same model as the training conducted for Belize.

St. Vincent — PDAP provides financial assistance in the salary of the General Manager of DEVCO. PDAP sponsored his participation at the May, 1985 Investment Promotion Seminar held in Puerto Rico, sponsored by FOMENTO.

### 3. NUMBER AND TYPES OF TECHNICAL ASSISTANCE PROVIDED TO INDIVIDUAL COMPANIES

In every country PDAP has devoted considerable resources to providing technical assistance, on a request basis, to local companies. These requests generally fall into the following categories:

- i) information
- ii) market contacts
- iii) production assistance

On average, approximately 50-75 such requests are serviced every month.

Belize - Three companies received technical assistance in the form of feasibility studies under PDAP I — two of these, Quality Poultry Products and Belize Timber, have been funded for \$1.5 million and currently employ 100 people. Three garment operations received technical assistance resulting in two contracts to produce garments under 807. PDAP has also acted as a liaison between other technical assistance programs and individual companies, making companies aware of other assistance which is available such as International Executive Service Corps, Center for Industrial Development, Caribbean Project Development Facility, and VITA.

Antigua - Electronic Technology International received technical assistance on a number of occasions from PDAP's electronics industry specialist, Mr. Bob Carlson who helped them analyze their manufacturing costs in order to bid correctly on potential subcontracts. PDAP financed one month's assistance by the International Executive Service Corps to a garment company, CANAM.

Grenada - PDAP has assisted a number of companies. They are:

Ramada Renaissance Hotel - valuation, financial forecast and assistance with investor search which resulted in an \$1 million investment to rehabilitate and expand the hotel.

Grenada Telephone Company - financial analysis for negotiation of contract with Cable and Wireless.

Grenada Electricity Services - valuation, sources of capital analysis, asset inventory, and ongoing investor search.

Grenada Bank of Commerce - Valuation, prospectus, strategic plan, investor search.

GYS Machine Shop - valuation, recommendation for disposition to Cabinet

Carpentry shop - divestiture plan recommendation to Cabinet.

DECO Industries - financial forecasts for bank application for factory shell financing under the IPIP Program.

GRENTEX - financial plan for joint venture.

St. Vincent - PDAP subcontractor, IBERC, provided assistance to Jacob Ash and company on quotas and other customs information. PDAP conducted a market feasibility study of the arrowroot industry and provided a short term technical consultant to help the industry.

St. Kitts - Martin Herman, a PDAP subcontractor, provided technical assistance to a local garment company, Sun Island, on how to bid on potential subcontracts. PDAP did a feasibility study for Leeward Island Shrimp Company. For MKK Garments, PDAP provided technical assistance on manufacturing procedures. C&L's National Tax Group provided tax advice to several companies establishing operations in St. Kitts. In Nevis, PDAP recruited a consultant to assist in the organization and start up of a privately held bank.

Dominica — PDAP financed a short term study to assess the feasibility of growing fresh herbs for export and conducted a market feasibility study of aloe vera. PDAP financed a marketing trip for Tropicrafts, a local handicrafts company, and provided assistance to several potential electronics subcontractors on quotations.

#### 4. NUMBER AND TYPES OF FORMAL POLICY INPUTS PROVIDED TO GOVERNMENT.

Belize - Policy advice has been provided by PDAP on: written investment code, written criteria for evaluating concessions, lifting price controls on beef, creation and delegation of responsibility for investment promotion to the Belize Export and Investment promotion unit.

Antigua - PDAP is engaged in an on-going dialogue on the need for an investment promotion organization.

Grenada - Continuous policy advice is provided by PDAP on fiscal incentives, land acquisition and other areas related to tourism and manufacturing. PDAP was instrumental in government decision to remove the five percent tax on IPIP loans (factory building construction).

St. Kitts - PDAP has been involved in policy discussion on port charges and on the creation of an investment promotion institution.

Dominica — PDAP financed, at the request of Government, a feasibility study for a free zone to be located at Melville Hall Airport. The Advisor has a background in forestry and has provided a number of policy inputs on the development of Dominica forestry reserves. In PDAP I, the advisor participated extensively in discussions on the banana industry.

St. Vincent - PDAP wrote the industry section of the three year Government Development Plan.

St. Lucia - PDAP provided a consultant (from Louis Berger) to develop and implement an industrial free zone at Vieux Fort.

#### 5. VOLUME AND TYPES OF INFORMAL ASSISTANCE PROVIDED TO INDUSTRIAL DEVELOPMENT INSTITUTIONS IN-COUNTRY

Belize - PDAP has worked with the DFC on their Lady ville Industrial Estate Program — all three 6,000 sf shells are currently occupied. PDAP works informally with the business community to get them to think more in terms of production, processing and marketing export products, in contrast to trading mentality.

Antigua - As stated before, there is no investment promotion entity in Antigua, but rather the function is carried out by an informal group of private sector individuals with final responsibility resting with the Ministry of Economic Development. PDAP in effect, is the industrial development institution in the country providing investor search, investor servicing, development of promotional materials, follow up and implementation assistance.

PDAP has also worked closely in the operation of the Manufacturers Association.

Grenada - PDAP provides assistance in obtaining Dun & Bradstreet reports on potential investors, as well as conducting project evaluations for the IDC.

St. Kitts - As in Antigua, the PDAP Advisor is, in effect the investment promotion institution and provides the services associated with that role.

St. Vincent - With the rejuvenation of DEVCO, the PDAP advisor provides on-going advice, and assistance with all aspects of DEVCO.

Dominica - The Advisor is based in the IDC offices and, as such provides daily, ongoing informal assistance.

#### 6. LEVEL OF SUPPORT FOR ON THE JOB AND FORMAL TRAINING.

In all countries, PDAP maintains a close relationship with the OAS/Skills Training Program, which provides entry level and supervisory training for new manufacturing enterprises. In Antigua, PDAP helped organize a management training courses for supervisors in the electronics industry which was conducted by the head of the OAS program. *There are currently 15 entry level trainees from the electronics industry.*

Under a subcontract with a St. Lucian-based apparel consultancy firm, PDAP has provided in plant assistance to a number of garment companies in the participating countries, most recently to PYRAMID Garments in St. Lucia and to MKK Garments in St. Kitts.

In Antigua, PDAP sponsored on the job training for two supervisors of a locally-owned electronics firm. The training was conducted at the Massachusetts facility of a company with whom the local company was contracting.

*Until 1985 the OAS/Skills Training Program operated only in St. Lucia and Dominica. As it has expanded to all countries in which PDAP operates, the cooperation and coordination between the two programs has increased dramatically.*

## 7. LEVEL OF SUPPORT TO MAINTAIN SUPPORT SYSTEM AND PROMOTIONAL MATERIALS.

In addition to PDAP brochures and country fact sheets prepared and used chiefly by the Washington, D.C. investor search team, Mary Ramond, a PDAP subcontractor provided technical advice to St. Kitts and Nevis in October, 1985 regarding production of an economic videotape.

Dominica - PDAP provided funds to print their Investor's Guide.

St. Lucia - PDAP purchased a videocassette recorder and a slide projector for the NDC.

Antigua - The PDAP Advisor wrote and printed an Investor's Guide in 1984. The Guide was updated and reprinted in 1985. The advisor assisted in writing and filming an economic videotape and prepared a brochure for a local company, ETI, on their qualifications as an electronics subcontractor.

Grenada - PDAP designed and printed investment guides which were used at the C/CAA Miami Conference.

## 8. NUMBER AND VALUE OF NEW PRODUCTS EXPORTED AND NUMBER OF AND IMPLEMENTATION OF NEW MARKETS PENETRATED

Belize - Cucumbers (350,000 lbs) 1985 to New York market. Boxed beef (two containers to Barbados and 10 containers to U.S.) in 1985

Antigua - Electronics (\$500,000 - \$600,000) beginning in late 1984. Waterbed sheets (\$45,000)

Dominica - Aloe Vera, grapefruit segments

St. Lucia - dive suits, plastic products

St. Kitts - roses, electronics

Grenada - garments to the U.S.

In 1982, when the project started, there were very few exports of manufactured goods to the United States. Most trade was regional with the majority of sales to Trinidad. PDAP introduced investments have, without exception, been export oriented, with the major and usually sole market being the United States. In Antigua, electronics are now exported to Europe as well.

9. INCREASE IN VOLUME AND TYPES OF PARTICIPATION BY BUSINESS ASSOCIATIONS AND INDIVIDUALS IN INVESTMENT AND EXPORT PROMOTION ACTIVITIES.

Belize - PDAP has involved 12 business leaders in the investment/export promotion process through local activities and direct participation in missions abroad, to the United States, to the Far East and to Europe. Several Belizean companies displayed at USDA show.

Antigua - Several investment promotion missions have been undertaken by PDAP on behalf of Antigua. In every case, there was significant participation both in the planning and execution of the missions by private sector business associations. In addition, PDAP sponsored participation by Lionel Hurst, Antigua's trade and investment officer in Washington, D.C. to the WESCON electronics show. ETI, a local electronics company participated in several electronics shows, courtesy of PDAP. PDAP also organized a promotional trip to prospective customers for ETI in 1984.

Grenada -Edwin deCaul used the PDAP booth at the Bobbin Show in 1985, as did Jenny Killand, from the Chamber of Commerce.

Montserrat - Kenny Cassell attended Electro in 1985 using the PDAP booth as a base.

St. Vincent - Jim Lockhart, electronics subcontractor, used the PDAP booth at the Wescon trade show in November 1985.

Douglas DeFreitus used the PDAP booth at the International Food Show in San Francisco in 1984.

Dominica - Murray Peddada (electronics subcontractor) used the PDAP booth at the Wescon trade show in 1985, then visited the Washington, D.C. office to work with leads in the data base.

St Kitts - John Mallalieu, St Kitts Enterprises and his US agent, use the PDAP booth regularly at electronics trade shows. Sam Nariani, Sun Island Clothes used the PDAP booth at the Bobbin Show in 1985.

PDAP assisted in organization of St Kitts investment promotion mission to Boston in September 1985. A joint public/private sector deligation led the mission.

St Lucia - Ed Faber sent electronic samples to be displayed at the PDAP booth at the WESCON show.

Two garment companies displayed their products at the Bobbin Show.

General - PDAP hosted several training sessions for the UNIDO/CIPS representatives over the years. Several CIPS representatives attended trade shows with PDAP's industry experts. Two countries, Grenada and Belize participated in the Florida Department of Commerce training.10. Increase in number of trained supervisory production personnel.

10. INCREASE IN NUMBER OF TRAINED SUPERVISORY PRODUCTION PERSONNEL.

*PDAP generated projections in all countries, increased the number of trained supervisory production personnel. Since 1982, there are*

Belize - PDAP has helped various consultants and the Chamber develop the PID and PP for USAID Belize's program "Training for employment." A large training program tied in directly with BEIPU as a result of PDAP efforts to help train supervisory and production personnel over the next five years.

*at least 300 additional supervisory employees at least*

Antigua - PDAP sponsored two technicians from ETI to train in U.S. Helped organize a supervisory training course for electronics companies. As a result of PDAP-generated investments there are probably an additional 15-20 trained supervisors on the island.

*additional*

Grenada - Investments by Ramada, Johnson and Johnson and SmithKline will increase the numbers of trained supervisory personnel.

11. DEMONSTRABLE CHANGES IN ATTITUDES, BEHAVIOR AND POLICIES TOWARD PRIVATE SECTOR, LOCAL AND FOREIGN.

The governments of all PDAP countries, with the possible exception of Grenada are private sector oriented, with an open attitude toward foreign investment and private sector development. PDAP activities have sensitized the governments to the particular needs and requirements of U.S. manufacturers, particularly with respect to incentives, and work ethic.

12. DEMONSTRABLE CHANGES IN LOCAL COMPANIES' MANAGEMENT BEHAVIOR AND MEASURABLE INCREASES IN EFFICIENCY AND COMPETITIVENESS RESULTING FROM IMPROVED COSTING PRODUCTION AND INVENTORY CONTROL SYSTEMS.

As stated previously, before PDAP most manufacturing exports were destined for the Trinidad market. Production efficiency, quality and on time delivery were not required for this market. With the shift towards exporting to the United States, companies have gradually changed their production methods and modes of thinking. This transition has not been easy and many companies have simply closed down, rather than make the transition.

PDAP has worked with many local companies in obtaining subcontracts. The companies that have been successful in securing contracts, have by definition, had to change their attitudes and competitiveness.

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Participation in trade shows and investment missions and the simple demonstration effect of PDAP activities has served to expose many businesses to new ways of thinking and to new production techniques and methods.

PDAP subcontractors have provided considerable in plant assistance to many companies to improve their production efficiency and controls. In addition, success in obtaining subcontracts has resulted in exposure to U.S. production methods as U.S. trainers have come to the region to start up subcontracts.

### 13. IMPROVEMENTS IN SUPPORTING INFRASTRUCTURE, INCLUDING PRIVATE SECTOR FINANCED INDUSTRIAL ESTATES.

Belize — Roads, electricity have all improved over the past few years. A new airport will be constructed. A private industrial estate is being constructed in the northern part of the country.

Antigua - Antigua was the first country to privatize industrial estates. through the assistance of PDAP, government took the decision to allow and grant generous incentives to a private sector developer. PDAP also worked with USAID to design a financing program for private sector estates - IPIP. To date, two developers have accessed this financing which is available through the East Caribbean Central Bank.

Grenada - PDAP has assisted in the creation of an Industrial Development Corporation and the establishment of a national economic council with private sector membership. PDAP assisted in designing the master plan for the Frequente Industrial Estate, and provided technical assistance to a private sector developer, Edwin de Caul, who will access funds from the IPIP program.

St. Lucia - Considerable assistance was provided in the creation of the industrial free zone at View Fort. In addition, the Advisor has worked closely with the government in attempting to resolve another constraint, that is the lack of a container port at the industrial area.

Dominica - PDAP worked with a private developer of industrial space and conducted a feasibility study for a possible free zone at Melville Hall.

### 14. AVERAGE NUMBER OF HOT PROSPECTS MAINTAINED.

75 to 110 at any one time.

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CITATIONS TO PROJECT DOCUMENTATION

Unit of Analysis/quotation	PF	RFP	Proposal	Contract
<b>PROGRAM GOALS</b>				
Increase employment	19			
Specific job goal-FDAP II 15000 plus FDAP I 7000	-	-	23, 24-26	Annex A, p1
Expand exports			25	Annex A, p1
Institutional development:			24	
-"establish effective local development agencies in each...country...by the end of the program"	19,26	25		Annex A, p2
-propose framework for institutional development sepecific to local conditions	28		25	Annex A, p2
<b>SCOPE OF WORK</b>				
Objectives		2	24	Annex A, p1-3
Develop private opportunities and investments	27	4		Annex A, p2
Improve government capability to attract foreign investment & support private sector led growth	28	4	21	
<b>INDICATORS OF PROJECT ACHIEVEMENT</b>				
-proposal will suggest and contract contain "specific, realistic indicators of achievement"		4	4	
-quantitative indicators...to be assessed in relation to overall commitment of financial resources devoted to institutional development"			23	
-project monitoring matrix will provide timely "records of expenditure...inputs to specific areas of operational activity, and resultant outputs"			26,27	Annex A, p13
-"FMM would include, but not be limited to, the input, outputs, and associated indicators displayed in (exhibit following p 27)			27etseq	Annex A, p13
-"Specific FMM input, outputs, and associated indicators will be determined on the basis of Country Action Plans...and quarterly plans for investment promotion"				Annex A, p 3, 13

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PROGRAM ELEMENTS

Island Advisors		5-7	31etseq	Anx A, 1
Action Plan		5		Anx A, 1
Investment Promotion	27			Anx A, 1
U.S. Based investment promotion subcontracting arrangements		7	41etseq 77, 87	
Institution Building and Training	28	6-7	69etseq	Anx A, 1
Project Monitoring and Management	33-34	4	26etseq	Anx A, p10, 11

LEVEL OF EFFORT

In general	19	8		3
C&L Direct				3
Consultants			77etseq	AnxA, p4, 8 AnxA4, 3, 1
Subcontractors				
Budget				Page 4