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**CARIBBEAN 2000:
STRATEGIC PROGRAM AND MANAGEMENT
OPTIONS FOR FUTURE
A.I D. ASSISTANCE TO THE CARIBBEAN**

Submitted To MOSINA JORDAN
 DIRECTOR
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LIST OF ACRONYMS

A I D	Agency for International Development
ACP	Africa/Caribbean/Pacific
ADC	Advanced Developing Countries
APHIS	Agriculture Phytosanitary Inspection Service
BDD	British Development Division
CACI	Caribbean Association of Commerce and Industry
CARDI	Caribbean Agricultural Research and Development Institute
CAREC	Caribbean Epidemiology Center
CARICOM	Caribbean Community and Common Market
CARILEC	Caribbean Electric Utilities Services Corporation
CBI	Caribbean Basin Initiative
CDB	Caribbean Development Bank
CDC	Centers for Disease Control
CEHI	Caribbean Environmental Health Institute
CF	Caribbean Foundation
CGCED	Caribbean Group for Cooperation in Economic Development
CIDA	Canadian International Development Agency
CIMS	Contract Information Management System
CLI	Caribbean Law Institute
CO	Contracting Officer
DA	Development Assistance
DEA	Drug Enforcement Agency
DR	Dominican Republic
EAI	Enterprise for the Americas Initiative
EAS	Economic Affairs Secretariat of the OECS
EC	Eastern Caribbean
ECIPS	Eastern Caribbean Investment Promotion Service
ECODEF	Eastern Caribbean Organization of Development Foundations
ECU	European Currency Unit
EEC	European Economic Community
ENCORE	Environmental and Coastal Resources (Project)
ESF	Economic Support Funds
FDA	Food and Drug Administration
FM/Wash	Office of Financial Management in Washington, D C
FSN	Foreign Service National

FSNDH	Foreign Service National Direct Hire
FSNPSC	Foreign Service National Personal Service Contract
FTE	Full Time Equivalent
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GEF	Global Environmental Fund
GFR	Global Programs, Field Support and Research
GNP	Gross National Product
HDI	Human Development Index
IBRD	International Bank for Reconstruction and Development (World Bank)
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IQC	Indefinite Quantity Contract
JICA	Japanese International Cooperation Agency
LAC	Latin America and the Caribbean
LDCs	Less Developed Countries
LOP	Life of Project
MBO	Management by objective
MDB	Multilateral Development Bank
MDCs	More Developed Countries
MIF	Multilateral Investment Fund
NAFTA	North American Free Trade Agreement
NEAP	National Environmental Assessment Program
NGO	Non-Governmental Organization
ODA	Official Development Assistance
OE	Operating Expenses
OECD	Organization for Economic Cooperation and Development
OECF	Overseas Economic Cooperation Fund (of Japan)
OECS	Organization of Eastern Caribbean States
OMB	Office of Management and Budget
OPIC	Overseas Private Investment Corporation
PAHO	Pan American Health Organization
PID	Project Identification Document
PL 480	Public Law 480
PP	Project Paper
PPP	Purchasing Power Parity
PSC	Personal Service Contract
PVO	Private Voluntary Organization

RAM/C	Regional Administrative Management Center
RDO/C	Regional Development Office/Caribbean
ROC	Regional Office for the Caribbean
SAR	Semi-Annual Review
SIMAP	Social Impact Amelioration Program
TROPRO	Tropical Produce Project (in the Eastern Caribbean)
USDH	United States direct hire
USHHS	United States Department of Health and Human Services
USG	United States Government
UK	United Kingdom
UNDP	United Nations Development Programme
UNHCR	United Nations High Commission for Refugees
UNICEF	United Nations Children's Fund
USAID/DR	United States Agency for International Development/Dominican Republic
USAID	United States Agency for International Development
USDH	United States direct hire staff
USPSC	United State Personal Services Contract staff
UWI	University of the West Indies
WFP	World Food Programme
WHO	World Health Organization
WINBAN	Windward Islands Banana Association

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EXECUTIVE SUMMARY

A The Context for Strategic Program and Management Options for Future A I D Assistance to the Caribbean

Future A I D assistance to the Caribbean region will need to harmonize several different ingredients (1) Traditional "good neighbor" relationships with Caribbean countries now undergirded by foreign assistance, (2) the dramatic decline in resources for A I D as a whole and for the Latin American/Caribbean region in particular, (3) the redefinition of A I D 's substantive and geopolitical strategy, (4) the internal reorganization of A I D including its planned new approaches to and improved systems for financial management and procurement, and (5) the continued impact of domestic interest groups on future A I D assistance to the Caribbean

A I D currently has four full bilateral USAID Missions and one Regional Development Office that serve 11 primary beneficiary countries Assistance to these countries has been slowly, but steadily, declining over the past decade At the same time, the proportional distribution of assistance among these countries has also shifted Economic Growth and Population Growth and Health are currently the two most important strategic program areas in the USAID country programs Operating expenses, program expenditures, numbers of projects and mission staffing patterns vary considerably across the region

The economic and social indicators for the countries in the region are, with a few exceptions (namely Haiti, Guyana and the DR), relatively positive While very vulnerable to the whims of the global economy some of these countries have experienced solid economic growth rates, diversified their economies and benefitted from expanding tourism Liberalization and harmonization of trade is critical for future economic growth in the region Equally important are measures to protect and preserve the delicate physical environments on which economic growth depends There is a crucial need to strengthen local and regional institutional capacities, especially in these two areas, in both the public and private sectors across the region

A number of bilateral and multilateral donors are active in region Overall net external capital flows from all creditors have dropped substantially over the last decade, grants alone have risen during this period The programs of the other donors generally complement, rather than compete with, A I D 's activities The plethora of other donor programs in the region which address specific country needs across many sectors means that A I D can relinquish its focus on multiple strategic program areas and concentrate its resources on one or possibly two critical areas such as economic growth and the environment

B Caribbean 2000 Thinking Differently About the US-Caribbean Assistance Relationship

A I D is thinking and planning differently for its future in the Caribbean. It is aware that, increasingly, the foreign assistance "question" in the Caribbean is not "What makes the most development sense?," but rather, "What pressing US interests are being met by development assistance to the relatively well-off states in the Caribbean?" Thus, A I D is shaping a Caribbean future that will involve a smaller and more concentrated assistance effort designed to achieve all US objectives in the Caribbean region--not just developmental objectives.

A I D 's strategy to guide this effort will be three-dimensional, (1) fostering "development" progress, (2) emphasizing transformation of US-Caribbean nation development relationships and (3) shifting A I D 's efforts toward the development of "linkages" that can be sustained by the US and each Caribbean nation without direct A I D assistance. The strategy will include delineation of a class of more developed Caribbean countries to be moved quickly toward graduation from A I D assistance. It will incorporate a time dimension--for Caribbean countries as they move toward graduation from A I D assistance and for A I D as it tailors all its activities to its changing portfolio of Caribbean countries and to the transformed relationship of Caribbean countries with the US. A I D will become the lead US agency managing the transition from the current development assistance relationship to new US-Caribbean relationships sans A I D assistance. In the short run, A I D will develop and implement a plan to move, expeditiously, from the present baseline to this new position.

A I D ' substantive development focus will be narrowed to one or two strategic program areas. Development activities that fall outside its strategy of choice will be discontinued. A I D 's management modalities will change also, moving from higher cost, more labor intensive Mission/project operations to lower cost regional, foundation, joint commission and fund approaches. A I D 's management formats will be flexible enough to support its development activities of choice and the transformed US-Caribbean nation relationships desired.

C Strategic Program and Management Options

Four program and management options that A I D could select to implement its strategy for the Caribbean are:

- o Option I Potential Activities in Each of A I D 's Four Strategic Program Areas in Each Country Managed Via the Conventional Missions/Projects Mechanism
 - Categorize Haiti as a crisis country, Guyana, Dominican Republic and Jamaica as sustainable development countries, Belize and the OECS countries as non-presence (MDC) countries,
 - Identify and implement substantive development activities for each country in all four strategic program areas based on need and resource availability,

- Manage crisis and sustainable development countries through Mission/Project activities and non-presence countries via a Regional Office, Caribbean (ROC), shift management of the A I D -Belize relationship to the Central American regional support office in Guatemala and the Mission in Honduras
- o Option II One Regional Project in Each of A I D 's Four Strategic Program Areas Managed Via a ROC
 - Categorize Haiti as a crisis country, Guyana and the Dominican Republic as sustainable development countries, Belize, Jamaica and the OECS countries as non-presence (MDC) countries,
 - Identify and implement one regional project in each of A I D 's four strategic program areas Countries could opt into each project for look-alike activities, but other activities (even within the strategic program areas) would not be supported except in Haiti,
 - Manage crisis and sustainable development countries via Missions, manage programs in MDCs through the ROC, shift management of the A I D -Belize relationship to Central America
- o Option III One Main Regional Strategic Program Area for All Caribbean Countries Plus One or More Other Justifiable Strategic Program Areas per Country Managed via a Caribbean Foundation (CF)
 - Same as Option II
 - Identify and implement a single regional program in one of A I D 's four strategic program areas as A I D 's main thrust for the Caribbean region, support individual country endeavors in one or more of the other three strategic program areas if needed,
 - Manage crisis and sustainable development countries through Missions, manage programs for non-presence countries through a CF, shift management of the A I D -Belize relationship to Central America
- o Option IV Graduate All But Crisis Countries to Other USG Agencies, Private Sector Institutions & Other Donors
 - Categorize Haiti as a crisis country and all other countries as non-presence (MDC) countries,

- Transfer all substantive activities for MDCs, including Belize, to other USG agencies, private sector organizations and donors, identify and implement substantive development activities for Haiti according to its needs in all four strategic program areas,

- Manage Haiti via a Mission

These four strategic program and management options are alternative ways A I D can carry out its future activities effectively in the Caribbean region. They move progressively from "extensive" A I D substantive programming toward no A I D programming and from heavier A I D resource transfers to no A I D resource transfers. Managerially, the options move progressively from "intensive" A I D presence toward no A I D presence. They move from heavy management efforts by A I D staff toward no management efforts by A I D. The suggested options also shift from principal assistance efforts by A I D staff and contractors toward dependence on development assistance linkages between non-public US entities and public and private institutions in Caribbean countries. These options could also constitute "pathways" over time. Specific countries could then travel these pathways toward "graduation" from A I D assistance.

CHAPTER I - THE CONTEXT FOR STRATEGIC PROGRAM AND MANAGEMENT OPTIONS FOR FUTURE A I D ASSISTANCE TO THE CARIBBEAN

A A I D and U S G Policy

A I D is involved in the difficult process of "right sizing" Within this context, key US interests guide A I D 's strategy Defining and agreeing on these interests are core matters of US policy, carried out by the Congress and the Executive Branch (including A I D) in several fora--e g , Congressional committees which develop authorizing legislation for foreign assistance, the National Security Council which makes decisions as to priority US-developing country relationships, etc A I D uses its available resources within the framework of these US interests and policy as defined at the time Thus, A I D 's program and management activities within the Caribbean today must rest satisfactorily within the ambit created by present US interests and policy

As a part of its right sizing effort, A I D has decided it is important to examine the way it does business and to fashion a new development assistance strategy for the immediate future This examination, on-going as part of the right sizing effort, involves all regions and aspects of A I D 's activities,, including the Caribbean Future A I D assistance to the Caribbean region will be decided amidst competing political, economic and bureaucratic agendas not only of the Agency but also of broader USG international and domestic policies The need to harmonize traditional "good neighbor" relationships with Caribbean countries undergirded by foreign assistance with a new reality defined by tough budget cuts and concomitant staffing constraints, redefined strategic priorities for foreign assistance worldwide and the concerns voiced by domestic constituencies about the flow of assistance to potential "competitors" presents numerous challenges Over the last year several critical changes have occurred that impact directly on A I D 's program in the Caribbean and the fashioning of a strategy for the future The following paragraphs discuss some of these changes

The first, and most important change, is the dramatic decline in resources for the Agency as a whole and for the Latin American/Caribbean region in particular The budget cuts for FY 94 have dropped the budget for the LAC Bureau dramatically from the FY levels ESF and PL 480 programs were also sharply decreased for most countries While a decline was anticipated, the cuts were harsher than expected While the precise allocation of the remaining resources for the region is yet to be decided, the overall picture is clear As a result, A I D is in the middle of a drastic "rightsizing" effort which will impact on the personnel and other resources available for the Caribbean One consequence is the closing of USAID missions in Barbados (RDO/C) and Belize

Operationally this means that with fewer resources A I D not only will have to become "efficient" but it will have to "do less with less" Becoming more efficient is not sufficient in the era of scarce resources, effectiveness rather than efficiency must govern decisions about A I D 's priorities With this "screen" on priorities, additional projects and programs may need to be dropped The increasing scarcity of resources, particularly of personnel, will also mean that A I D will have to switch from management to monitoring of projects simply because there will not be sufficient resources to finance the level of micro-management which has

characterized many A I D projects in the past. The Agency's expressed intent to move from rhetoric to measuring results is an important aspect of the new approach. A I D will necessarily have to take in an era of scarce resources.

MBO (Management by Objectives) in A I D becomes important in this context. Instead of thinking in terms of procedures and regulations which can be time-consuming and labor intensive to implement and monitor, A I D will need to think more in terms of specific goals. Instead of asking "Is this (program/project) in keeping with agency policy?" A I D should ask such questions as "What exactly are we trying to accomplish?" In this context, A I D's preoccupation with "process" (e.g. new PIDs and PPs for every new "project") which has often diminished its effectiveness in terms of timely and appropriate response to a given situation will need to change. Instead, A I D will need to focus its energies on clear, attainable objectives. A I D needs **better** management, not more.

Second, A I D has redefined its strategy, operational approaches and areas of concentration which have implications for A I D's program in the Caribbean. Agency strategy papers issued in October, 1993 identified four priorities for Agency programs worldwide. These included

- o Encouraging broad-based economic growth
- o Protecting the environment
- o Stabilizing world population growth and protecting human health
- o Building democracy

With "budget-driven" policy circumscribing A I D's program options in general, the Caribbean program whatever it becomes, will necessarily be adapted and restructured to fit within these four priorities. The extant Caribbean Strategy document identifies two strategic goals -- Achievement of Broad Based, Sustainable Economic Growth and Strengthening of Stable, Participatory Democracies -- which incorporate the four priorities noted above. This future-oriented document is, however, long on policy, program goals and situation analysis but short on management and mechanisms for achieving the strategic objectives in a cost effective way. It does not address the drastic measures that need to be taken to conform program priorities to resource levels.

How the Agency's four priorities become operationalized, for example in the Caribbean, remains under discussion. A I D has redefined its operational approaches and areas of concentration in its October 1993 Strategy Papers. Specifically, the Agency has announced that it will focus on participation, partnerships, and integrated approaches and methods as the means to achieving sustainable development. Specifically, A I D intends to enhance indigenous capacity by mandating the involvement of local PVOs, NGOs, community groups etc., collaborate more intentionally and intensively with donors, host governments, MDBs, and implementing groups in the private sector such as PVOs, NGOs, universities and training organizations. These approaches, however, present A I D with a conundrum. How does the Agency reconcile its intent to nurture indigenous capacity and strengthen partnerships with donors, host country governments and private institutions (traditionally labor and management intensive activities) with the realities of increasingly limited resources for most of the Caribbean countries in which it works?

The strategic options presented in Chapters III respond to this question. Different mechanisms for delivering assistance are important. Leveraging the resources and support of other USG agencies for the region is another modality. Letting go of work in some sectors which are adequately addressed by other donors is another way. Developing regional approaches, programs and institutions is yet another way to maximize A I D 's limited resources.

Related to this is A I D 's intent to "concentrate" its resources in three types of countries as follows:

- o **Sustainable development countries** where A I D will provide an integrated (traditional?) package of assistance,
- o **Crisis (humanitarian/economic/political) or transitional countries** where the timely provision of assistance is needed to reinforce institutions and national order,
- o **Limited- or non-presence (graduated/near graduated/global impact) countries** where A I D works principally with the private sector and/or from a regional base or through regional institutions to achieve its objectives.

As of November 1993, three countries in the Caribbean were identified as "sustainable development" countries (Guyana, Jamaica and the Dominican Republic), one country as "crisis" (Haiti) and seven countries managed out of two missions as "limited or non-presence" (Antigua/Barbuda, Dominica, Grenada, St Kitts and Nevis, St Lucia and St Vincent and the Grenadines in the Eastern Caribbean and Belize). These categorizations have implications for A I D programming in the region. In particular, they open up possibilities for greater reliance on regionally-focused and/or managed programs. Moreover, given the existence and strength of numerous indigenous, private sector organizations in Jamaica and the Dominican Republic, serious consideration should be given to moving these countries into the "limited/non-presence" category sooner rather than later.

Third, A I D has reorganized internally and is also engaged in developing new approaches to and improved systems for financial management and procurement. Both of these activities have implications for the management of A I D 's programs in the Caribbean. With the internal reorganization which became effective on October 1, 1993 the regional bureau for Latin America and the Caribbean (LAC) is one of four regional bureaus. A new bureau -- Global Programs, Field Support and Research (GFR) -- has been created to provide technical support and advice to the regional bureaus and field missions. The GFR is a service bureau whose primary function is to provide technical advice and support for the design, implementation and evaluation of mission projects and to assist missions in designing strategies and programs in specific technical and sectoral areas. Just how the resources of this bureau will be distributed and managed is not yet clear. While all Agency technical staff will be assigned to GFR some will be seconded to regional bureaus and field missions. How many people, with what responsibilities, responsible to whom will support Caribbean programs is as yet undecided.

In terms of financial management and procurement, A I D is developing new electronic, communication and administrative systems that will facilitate and improve the Agency's ability to manage and monitor its financial resources and streamline contracting processes. Such new systems could have a important impact on management of A I D 's Caribbean portfolio. As of October 1993 there were two Controllers in the region located in RDO/C in Barbados and in the Dominican Republic. Plans have already been made to move the RDO/C Controller to Jamaica to serve as a "regional" Controller for Jamaica, RDO/C and possibly Guyana. Payments are processed through the RAM/C in Mexico City. However, in the near future, the RAM/C operations will likely be relocated and such systems as electronic funds transfer instituted for an increasing number of missions in the region. This along with other technological innovations, particularly in computerization and communications between the missions and FM/Washington, could significantly reduce paperwork and require fewer staff to process vouchers.

Additionally, as A I D changes the modality for delivering assistance in some countries (i e , turns over more financial accountability to private institutions such as international PVOs, interfaces less directly or frequently with host country financial systems, does less local cost financing), it can rely on foreign nationals to carry out the accounting and reporting functions. Together with the efficiencies gained from technological innovations (e g , electronic funds transfer) it will be possible, and it may be desirable, to soon have the controller functions for all Caribbean programs (with the possible exception of Haiti) handled out of one regional office. Such a regional office could assist with portfolio management tasks such as financial analysis and reporting on implementation. This is already the practice in three other locations in the LAC region (Bolivia, Ecuador and Guatemala) and has worked effectively for the countries who rely on the regional controller's office in the rest of South and Central America.

Regarding procurement, currently only two Missions have a full time Contracting Officer --RDO/C and the Dominican Republic. Jamaica is handled by the CO in the DR, Belize is managed by the CO in USAID/Guatemala. RDO/C currently handles the Eastern Caribbean, Guyana and Haiti. Despite the desire of Mission Directors to have their own "resident" contracting officer to attend to a given Mission's projects, in an era of scarce resources this is a luxury. Given the declining number of contract actions in the region generally and the probability that new mechanisms for programs in non-presence and other near-graduated countries (e g , regional umbrella-type contracts, expanded use of PVO grants or foundation grants) may require even fewer "contract" actions, it is likely that one Contracting Officer could handle the entire region either from a regional office in the Caribbean or from Washington.

Fourth, domestic interest groups will likely continue to have some influence on future A I D assistance to the Caribbean through the Congress. For example, labor unions are particularly alert to any A I D support of programs that might shift American jobs to neighboring countries in the Caribbean. In 1992 pressure from unions and others resulted in the "599" legislation which, among other things, prohibits the use of U S Government funds to support investment programs and export processing zones. African-American groups and religious lobbies are particularly interested in the U S response to Haiti. Population and health interest groups are concerned that these priorities are not lost in the shuffle of resources. Thus, even if there is a radical redefinition of A I D 's Caribbean Strategy which ultimately limits the role of bilateral missions, U S interest groups will exert their influence where possible.

Fifth, other global and regional changes have also provided incentive for A I D 's efforts to maximize the impact of its available resources The advent of the CIS has opened new opportunities and needs for A I D 's skills and resources The emergence of NAFTA and other trade initiatives has increased the impetus to focus A I D 's efforts on areas where direct US interests appear to be especially well served by foreign assistance activities Progress made by developed nations toward graduation from donor assistance has prompted A I D to explore new types of US-developing country relationships with respect to foreign assistance Growing public consensus at home of the need for improved health care, refurbished infrastructure, and massive retraining for the jobs emerging as part of the 21st Century have created additional pressure on A I D to manage its portfolio of activities so as to do more (or less) with less Citizens have demanded that government at all levels, including A I D , reinvent government to make it more flexible, effective and efficient

To sum up, future A I D assistance to the Caribbean will be bound up in a plethora of U S public policy objectives and circumstances which are largely external to the real or perceived needs of most of the countries in this region However, it is in this context in which a set of strategic options for the region will ultimately be developed

B Summary of Current A I D Programs in the Caribbean

As of December 1993, A I D has four full bilateral USAID Missions (Jamaica, Haiti and the Dominican Republic and Belize) and one Regional Development Office (Barbados) that serves the six countries of the Eastern Caribbean, Guyana and several dependencies Additionally, it supports a number of regional organizations and other multilateral efforts located both in the countries served directly by the bilateral A I D programs as well as in other countries (e g , Trinidad) which do not receive bilateral assistance

U S assistance has been slowly, but steadily, declining over the past decade In FY 93, A I D provided \$168.5 million in assistance (DA, ESF and PL 480) compared to \$ 447.8 million in 1985 This assistance was directed to serve the needs of the 17.9 million people living in the 11 countries directly served by the bilateral Missions and RDO/C The proportional distribution of assistance has also shifted among countries in the region Jamaica was the largest recipient of U S assistance for many years Since 1991, Haiti has been the largest recipient of assistance rising to a high of 61 percent of total assistance in 1993 In 1993, assistance dollars per capita ranged from a high of approximately \$ 24 in both Belize and the Eastern Caribbean countries to a low of \$ 2.99 in the DR, for the region the average per capita aid expenditure was \$9.42

The "strategic fit" of the portfolios of each Caribbean mission in terms of the total number and value of the projects in the portfolio arrayed under each of A I D 's strategic program areas is portrayed in Table 2 in Annex 1 At the end of FY 93, the Strategic Program Area which had the largest number of projects and resources allocated to it was Economic Growth (46 percent), the second most important area of concentration was Population Growth and Health (29 percent) Projects in the two Strategic Areas of Building Democracy and Protecting the Environment had 8 and 12 percent respectively of the resource allocation The portfolio "mixes" in any given mission, however, are quite different

The operating expenses, program expenditures, numbers of projects and mission staffing patterns of A I D 's Caribbean Missions vary considerably Table 3 in Annex 1 provides details for each mission USAID/Jamaica has the largest Operating Expense budget at \$5 14 million, Haiti has the largest number of mission staff USAID/Belize has the smallest OE budget at \$1 68 million (Guyana is the smallest on all grounds but is not "counted" here because is not a full mission) In the region as a whole, only 15 percent of Mission staff are Direct Hires, roughly 75 percent are FSNDHs or FSNPSCs Less than 10 percent are USPSCs At the end of FY 93, there were 82 active projects in the region Haiti, the DR and RDO/C had the largest number of active projects

A I D currently relies on a variety of entities to implement programs in the Caribbean During the period 1988-92, private corporations (consulting firms) were the primary contracting vehicle (37 percent) and received the highest volume of business PSCs constituted 33 percent of the contracts but a small percent of the dollar volume Voluntary organizations and education or research institutions (including universities) together constituted only 18 percent of the contracts

The implications of A I D 's differential use in the past of the various contracting mechanisms-of-choice for programming in the Caribbean in the future are not clear If these countries are to ultimately move from aid-dependent relationships to international peer relationships with the U S and others it is important that a "critical mass" of local public and private sector institutions develop the capacity to manage and implement their own economic, social, political and environmental programs To the degree that A I D 's various contractors have sought to strengthen local institutions, public or private, there will be a substantial base upon which to build new relationships between the U S and countries in the region Additional information on the roles played by local PVOs and NGOs in the various Caribbean countries can be found in Annexes 1 and 2

A I D 's program in the Caribbean is very diverse The individual country programs are summarized in more detail in Annex 1 Basically, the programs have been tailored to meet the unique needs of the individual countries It has not been a "regional" program per se structured around regional objectives or goals Nor has it been implemented with any particular eye to the long term future of US relationships with the countries in the region or to "graduation" from A I D programming In this regard, A I D needs to "think differently" in the future about its relationships with these countries and begin now to develop a regional approach which recognizes the countries' unique needs but which also brings a sense of overall direction to the program

C The Economic and Social Context Indicators for the Region

The Caribbean region is characterized by great diversity in terms of culture, language, heritage, economic status and growth prospects, health and education indices and legal and political systems Population in these countries range from a low of 40,000 in St Kitts/Nevis to more than 7 million in the Dominican Republic Collectively the 11 countries in the region which have been directly served by the five bilateral USAID Missions have 17 9 million people

Most of the economies have been highly protected, import-dependent and, with the exception of Jamaica and the Dominican Republic, largely undiversified with single crop agriculture and/or tourism as primary foreign exchange earners. The growth of their economies are dependent on well-managed and sustainable environmental resources. They are also subject to the whims and vagaries of the global economy. Infrastructure costs are high. Most, if not all, of these countries have become largely dependent on external flows. Yet as ODA falls, preferences erode and terms of trade deteriorate, economic growth may slow and the social and political fabric of these countries could become more vulnerable. The delicate physical environments are more sensitive than most to the pressures of industrial development pitting "growth" against "environmental protection". Aside from the fact that these countries are in the "back yard" of the U S, their geo-political significance is relatively minor. Moreover as Cuba becomes more of a factor over the next three to five years there will be a significant impact on the economies of these islands, though the magnitude and timing of that impact is not yet clear.

With the exception of Guyana, the most populous countries are the poorest, the least populous, the richest. Yet, one of the poorest in GNP terms (the DR) is one of the "richest" in institutional terms due to the solid network of NGO's which have assumed responsibility for many of the A I D -sponsored projects. It is also the largest Caribbean economy. The region offers a "laboratory" for developing workable, alternative approaches for the three types of countries on which A I D now intends to target its resources.

Annex 2 summarizes the economic, social and institutional indicators for the region in more detail. It contains numerous figures (Nos 2 to 10) and one table (No 5) which graphically portray the current situation for individual countries and for the region as a whole. On a strictly "numbers" basis, the countries are doing reasonably well relative to other developing countries around the world though the benefits of development are certainly not equitably distributed, particularly in the larger countries. Moreover, local institutions are generally weak and there is a shortage of skilled managers and technicians. There are a number of regional organizations which have the potential now or in the future to manage programs and projects on their own in conjunction with public or private sector partners. However many of these regional organizations, in particular, CARICOM, will need institutional strengthening support in the near term.

All things considered, most of the countries in the region with which A I D has had a primary relationship qualify now as "more developed countries" (MDCs) and can move into new program and management relationships with A I D.

D Approaches and Programs of Other Donors in the Region

There are a number of bilateral and multilateral donors in the Caribbean. Overall, net external capital flows to the region have been declining since 1981. Annex 3 provides detail on the program focus and expenditures of four major bilateral donors and the five major multilateral donors. Figures (Nos 11 to 18) and tables (Nos 6 to 8) in Annex 3 illustrate the trends for loans and grants and private creditors for the period 1981 to 1990. During this period, net capital flows from all creditors (including private) dropped 68 percent from 1981 levels of \$1.3 billion to \$429 million in 1990. While official figures are not yet available for 1991-93, sources report that the decline in net external capital flows has continued. During the 1981-1990 period

grants from both bilateral and multilateral donors rose 142 percent overall while net flows from official loans dropped 76 percent. Flows from private creditors moved in a very negative direction during this period.

The ODA commitments by purpose reflect a primary donor focus, in dollar terms, on agriculture. "Technical cooperation" is the second largest area of resource expenditure. The next two most significant sectors are energy and food aid. The average per capita ODA commitment is \$63 for the region.

The many donors in the region take different approaches to the disbursement, management and monitoring of their aid dollars. The U.S. "model", of course, has been to have full representation in most countries. A.I.D. has had the largest staff presence in the region over the last decade. This approach has strengthened the U.S. capacity to work with local public officials on a range of policy issues and to begin to nurture private sector indigenous organizations. Other donors have chosen different models. These donors manage their program portfolio from regional or "home office" locations with intermittent representation in the islands they serve. Some donors, like A.I.D., receive allocations for development assistance on a year-to-year basis, others, like the European Communities, negotiate multi-year agreements with recipient countries.

A large number of bilateral donors are active in the region. The US is by far the largest bilateral donor, Japan is second and Canada is third. Figures in Annex 3 illustrate the distribution of the major bilateral donors' dollars to selected countries in the region. While the ODA trends were generally "up" through the Eighties most of the bilateral donors are experiencing the same budget "crunch" as the U.S. Competing domestic and international priorities have with a few exceptions led to a drop in the levels of development assistance for the Caribbean region.

A large number of multilateral organizations are also active in the Caribbean. The list, in declining order, includes the EEC, World Bank/IDA, the Caribbean Development Bank, the IDB, UNDP, WFP, UNICEF, IFAD, PAHO, Arab agencies and UNHCR. Details about the program foci and expenditures of the multilateral donors, by country, can be found in Annex 3. Guyana received the largest share of multilateral disbursements.

The program foci of the various bilateral and multilateral donors in the region vary considerably from that of the U.S. but they are generally complementary. A review of these programs both present and prospectively for the near term indicates that A.I.D. can confidently target its resources on just one or two program areas, as proposed in later chapters, without sacrificing quality assistance and/or neglecting the needs of the countries in the region.

II CARIBBEAN 2000 THINKING DIFFERENTLY ABOUT THE US-CARIBBEAN ASSISTANCE RELATIONSHIP

A Strategic Approaches in the Caribbean

Any A I D strategy for the Caribbean will be apropos only if it adequately addresses US interests and objectives in the region, supports the underlying values of the US administration in power, is feasible given the resource levels likely to be made available, and accounts for development status, needs and aspirations of the countries in the Caribbean expected to participate in or welcome the US's activities. Optimization of strategic program and management options within this fourfold framework is the staple of foreign policy practitioners, including policy makers and managers in A I D.

1 US Interests

US interests in the Caribbean have remained constant for some time. They are for Caribbean nations to be democratic and economically, socially and politically stable and for the US to enjoy and strengthen cordial economic, social and political ties with all Caribbean nations, including--over-time--Cuba. These interests can be furthered if Caribbean nations experience sustained increases in economic, social and political progress that lead to poverty alleviation and improved quality of life, greater external economic and social integration, and enhanced institutional maturity. Such progress will help Caribbean nations deal with potential shocks of various kinds without threatening underlying values of individual freedom, democracy, and marketplace governance of the flow of goods, services and ideas.

2 US Objectives

US objectives in the Caribbean are principally to strengthen the international economic integration of the nations there, to foster the development and preservation of democracy and other important global public values and goods by Caribbean nations, to help Caribbean countries alleviate their own poverty, and to transform US-Caribbean nation relationships into increasingly mature, peer-to-peer type linkages. The ultimate US objective for Caribbean countries vis-a-vis A I D is for them to "graduate" from A I D assistance to fully mature international relationships whereby sufficient US-Caribbean country linkages are maintained by USG agencies, PVOs and private sector organizations rather than through organized A I D resource transfers.

The principal responsibility for achieving these objectives lies with A I D. However, A I D shares responsibility for the achievement of these US objectives with numerous other US Government agencies. Attainment of US objectives also depends on the cooperation of various private sector entities--businesses, NGO's, etc --and regional and multilateral organizations as well.

3 Factors influencing US strategy

The strategy to achieve these US objectives is still being developed by A I D and other US agencies. Factors influencing the formulation of the strategy include, principally, the following

- o The level of A I D and other US resources available for use in the Caribbean,
- o The differential development status of Caribbean countries--i e , their dissimilar levels of economic, social and political development--as it affects their desire and capacity to develop mature peer-to-peer relationships with the US,
- o The relative importance given by US and Caribbean policy makers and their relevant publics to the graduation of Caribbean countries from A I D 's portfolio and the time frame within which to do so,
- o Lack of experience and clarity within A I D about the pathway to be followed by countries as they move from needing substantial A I D assistance to "graduating" from A I D 's portfolio,
- o The core values of the Clinton Administration intended to govern foreign affairs and US relationships with developing countries,

A I D 's level of available resources for its total program and for the Caribbean has declined. This decrease in resource levels is a, perhaps the, major driving force behind reconsideration of A I D 's strategy in the Caribbean. While, as of late 1993, no final "mark" had been provided by A I D 's management for A I D 's Caribbean activities, virtually everyone's expectation is that the level of resources to be made available would be substantially less--at least one-third smaller--than in the recent past.

Fewer resources for Caribbean activities will require A I D to decrease program and operational expenditures in the region. The key issues involved in allocating this decrease is how to maximize the contribution of the resources available to realization of overall US interests and A I D 's more discrete development objectives. As framed in this paper, these issues involve examination of options for managing and programming available resources to identify an optimum configuration of management and program modalities for the immediate future. Ideally, management of A I D 's Caribbean program will become more efficient and effective, so as to utilize a smaller portion of A I D 's total Caribbean resources than at present. A I D 's Caribbean program will be even more sharply focused on high potential development recipients and substantive areas. Program activities will also become more efficient and effective in achieving desired objectives. Examination of possibilities for achieving these net results requires consideration of all plausible ways that A I D can carry out its management and program functions. The status quo, even as a baseline, is not an appropriate guideline for efforts to identify and analyze feasible ways to undertake Caribbean management and program activities during a period of sharply declining resources.

The differential development status of Caribbean countries is another factor influencing the feasibility of alternative management and program options for A I D . Countries in the Caribbean region range in "levels" of development (as measured by numerous indicators) from very low to high

Dissimilar levels of development in the Caribbean region limit A I D 's ability to develop a simple management/program strategy to deal with the entire region . Resource optimization in programs and their management in Haiti and Guyana will be different than resource optimization in Belize and St Lucia . The programs and management modalities selected for the Caribbean region need to account for these differences to maximize attainment of US interests and objectives . Thus, programs and management mechanisms will need to be either (1) different for different countries or (2) sufficiently flexible to enable different programs, program intensities, and management operations to be applied according to the differential development status of individual countries

Classifying countries with respect to their development status is a major issue . Specific, precise indicators--such as sustained rates of growth in per capita income--can be used, including baskets of such indicators . However, these measures leave out important determinants of a country's capacity such as the number, coverage and strength of relevant institutions, the stability of the country's economy--including its ability to sustain specific shocks such as global recessions, hurricanes, and energy price rises, and various aspects of quality of life . Broader measures such as institutional capacity, political stability, economic integration and income distribution can also be used . The indicators chosen should reflect the principal objectives being sought by A I D in the Caribbean . If the US seeks principally to transform country relationships from dependency on A I D to broader based "linkages," the criteria used should be few and precise so that countries could be forced to move toward graduate status . If the US is most concerned about the development status of the countries it seeks to graduate, it should pay closer attention to the state of their economic and democratic institutions and move them toward graduation based on their total development progress

A I D has presently classified countries as sustainable development countries, crisis countries and non-presence countries . This classification is endowed with some program and management content . For example, sustainable development countries are those in which a package of development assistance activities will be undertaken presumably via a Mission . Crisis countries are special cases requiring specific major interventions . The Mission structure is the presumed mode for their management because, as these countries emerge from crisis, they will become sustainable development countries under Mission management ¹ . Non-presence countries in this classification are those in which A I D no longer has a physical presence . However, the program and management content of A I D 's efforts in these countries has not yet been well defined . Nor has the basis A I D used or will use to designate countries as non-presence countries been made explicit . Thus, a key decision area for A I D in the Caribbean and in general is to determine the program and management content of non-presence countries . This paper concludes that "non-presence" countries, as now defined by A I D , are synonymous

¹There may be cases in which crisis countries are also non presence countries . hurricanes may strike or democratic institutions may fail . The management of A I D 's efforts in such countries may not be undertaken via a Mission

with "more developed" countries and that A I D 's development program and management for these MDCs should reflect their advanced development status

A I D 's new Caribbean strategy will involve classifying countries as "developing countries" "more developed (non-presence) countries" and "graduate countries," and with moving countries from one category to another More developed countries can be defined in numerous ways However, in general, they are nations that have (1) exhibited sustained economic and social progress, (2) demonstrated "high" economic and social development indicators compared to other developing countries, (3) formed institutions that satisfactorily contribute to their own economic and social progress, and (4) shown an independent capacity to alleviate poverty among their own poor To be consistent, A I D 's grouping of Caribbean countries will have to conform with its global designation of "more developed countries " If A I D designates Brazil as a more developed country, similar criteria will need to be used to categorize Caribbean nations For example, Jamaica may be a candidate for more developed status based solely on intra-Caribbean comparisons However, if comparisons are made on a global basis, Jamaica may not qualify as a more developed country

Graduate countries are, generally speaking, those which exhibit the same characteristics as more developed countries, but at a higher level Their economic and social growth would show headway despite unanticipated shocks to their economy or social fabric and their development indicators would be well above those of lower income countries Their economic and social progress would be fully supported by mature institutions and their poverty alleviation capacity would be convincingly used

Criteria to distinguish groups of countries in the Caribbean will help tailor A I D 's program and management options to meet specific country needs, they also will facilitate A I D in transforming its relationship with individual countries What is an adequate and precise enough basis for designating a Caribbean nation as a "more developed country" that should graduate from A I D assistance? Criteria could be very precise--e g , a certain per capita income level, physical quality of life index level, and a certain ratio of exports to GDP--or less precise but more meaningful--e g , capacity to deal with potential economic shocks without threatening underlying values of individual freedom, democracy, etc Table 9 (as an example only) shows three specific indicators for each of the 11 Caribbean countries included in this paper--per capita income level, human development index, and debt repayment as a percentage of total exports--like those that could be used to classify countries as MDCs (The criteria shown do not include measures of the rates of economic or social progress, of institutional strength, or of poverty alleviation capacity) Based solely on these criteria, there is a "break" between the OECS countries, Belize and Jamaica and the remaining nations of Dominican Republic, Guyana and Haiti Thus, within the Caribbean and based solely on these limited criteria, the OECS countries, Belize and Jamaica could be classified as "more developed countries" (or even "graduate countries") immediately

How to classify countries with respect to their development status when the classification influences the level or types of development assistance they will receive from A I D is another major issue raised by the combination of declining A I D resources and the different levels of development among Caribbean countries Another major issue is whether classification of countries will be rigidly linked to resource levels, program content and management

CARIBBEAN STRATEGY
Table 9 Economic and Social Indicators
of Selected Caribbean Countries

	REAL GDP (PPP\$) (1990)	HDI (1990)	DEBT SERVICE (% of Exports G&NF) (1990)
Grenada	4081	0 787	26 30
Antigua & Barbuda	4000	0 785	14 90
Dominica	3910	0 819	5 00
St Vincent	3647	0 709	3 40
St Lucia	3470	0 720	3 20
St Kitts/Nevis	3300	0 697	5 90
Belize	3000	0 689	8 00
Jamaica	2979	0 736	31 70
Dominican Rep	2404	0 586	33 10
Guyana	1464	0 541	122 20
Haiti	933	0 275	9 50

Source Real GDP and HDI figures from UNDP, Human Development Report, 1993
Debt Service as a percent of Exports G&NFS from USAID, Latin America and the Caribbean Selected Economic and Social Data, 1993

mechanisms. The first relationship--to resource levels--is the most important. If movement toward graduation dictates fewer resources from A I D, it may diminish the benefits that could accrue from US investments in the past and present. A I D's available resources in any year can continue to be viewed as "investment capital." As such, they should be invested where they will bring the highest return, not necessarily in countries still struggling to graduate. Thus, based on intensity of interest, capacity and past performance, countries moving toward graduation most rapidly or those closest to it may be the best place to invest available scarce resources. Sometimes bigger programs will be justified and carried out in countries near graduation, at other times supporting countries in their movement toward graduation will attain the upper hand.

Unless clear rules are established at the beginning, the conundrum of which countries will receive the largest amount of resources will be addressed many times over as A I D's Caribbean strategy is implemented. Flexibility in this regard may be desirable in certain instances. However, it will be important for A I D's basic position to be clear--movement from developing country to "more developed country" to "graduate status" will likely involve decreases in A I D resources and at the time of graduation, a cessation of the A I D-country relationship. During the movement along this pathway, the relationship between A I D and the country involved will also be changed--transformed to one in which the Caribbean country becomes first a full-fledged partner and then an independent entity in identifying, planning and implementing its own development activities. A I D will supply fewer and fewer resources over time. It will first replace its program design and resource transfer activities with facilitation of linkages with private US institutions and then gradually remove itself altogether as an active participant of the country's relationship with the US.

The relative importance of graduation of Caribbean countries from A I D's direct assistance to them is another factor impacting upon the development of A I D's strategy for the Caribbean region. Reforming the relationship between the US and Caribbean nations may be aimed principally or significantly at moving the more highly developed countries out of A I D's Caribbean portfolio, or, reforming these relationships may be designed to reduce greatly A I D's resource transfers to these countries, but to continue the A I D-country relationships as a major way to maintain the desired long-term linkage between Caribbean nations and the US.

If the US gives high priority to forging a mature, peer-to-peer relationship with the highly developed Caribbean nations, its strategy will define criteria and a pathway for such nations to achieve "graduation" from the A I D relationship and A I D's activities. The strategy (beyond A I D's active participation) will include planned participation and involvement by other US agencies--FDA, DEA, OPIC, etc --as well as PVOs and others in the private sector. However, if A I D is to remain active in US-Caribbean nation relationships, regardless of the development status of each country, the US strategy will include new ways for A I D to program and manage linkages with countries defined as being beyond "developing country" status. In any event, A I D's efficiency and effectiveness in the Caribbean--regardless of the strategy being undertaken--will depend in part on how well its activities account for the differential development status of the nations it is helping and on the type of relationship and end result it is seeking to develop with them.

Lack of experience and clarity within A I D about the pathway to be followed by countries as they move toward graduation from A I D assistance is a major factor influencing the development of A I D 's strategy for the Caribbean region A I D , in the past, has precipitously left its assistance relationship with some countries--e g , Korea, Brazil--and then thought better of it because other USG agencies did not continue to foster the relationship A I D has returned to certain countries with very limited resources and "presence" to try to refresh and maintain the A I D and US relationship Not having a clearly defined pathway for other nations to follow to "graduation", A I D more recently has maintained its relationship with more developed countries--to preserve its assistance investment and the US relationship with them--rather than leaving The impression left is that "A I D never graduates anyone," but the problem really is that other US agencies are not prepared to maintain and increase A I D 's investment in the US-developing country relationship

The implications of this factor are several fold First, any A I D strategy in the Caribbean must effectively transform A I D -Caribbean nation relationships from donor dependent resource transfers to peer-to-peer ones A I D 's efforts to remove its activities from much of the Caribbean region will be more successful if its strategy is implemented with program and management modalities closely tailored to achieving "graduation" A I D 's use of program and management means designed to foster a resource rich/transfer relationship with the Caribbean will be less successful Second, A I D 's pathway to the desired peer-to-peer relationships with Caribbean countries must account for its impact on countries being encouraged to transform their relationship with the US If graduation means sharp reductions in A I D assistance levels, countries will resist being moved into graduated status Movement toward graduation can position countries over time so precipitous declines in assistance do not occur, objective criteria for graduation and movement toward it can shift countries along the selected pathway and discourage their resistance

Third, A I D will need to coordinate effectively--as it has already begun to do--with other USG agencies to ensure they participate in the selected Caribbean strategy and fill in their part of it as A I D 's role diminishes on a country-by-country basis Finally, A I D will have to make difficult strategic choices to optimize use of its limited resources in the Caribbean region It will not be sufficient to merely change the labels on projects or programs to fit them into new conceptual categories A I D is no longer able to support all worthy development activities in the Caribbean It will increasingly be unable to sustain a Caribbean effort that tailors specific programs across numerous sectors for each country Most likely, A I D will have to select one or a very few high priority development activities for most Caribbean countries--activities its management options and program resources will effectively support

The core values of the Clinton Administration with respect to US relationships with Caribbean nations is another factor that will influence A I D 's strategy for the Caribbean Achievement of US objectives in the Caribbean will be guided by certain core values--e g , the Caribbean nations and other entities being assisted by A I D and other USG agencies should participate in planning and implementing the development and other activities undertaken on their behalf, partnerships between developing country and US entities should be emphasized in planning and carrying out activities to achieve US objectives, integrated approaches and methods

should be used to realize US objectives, Caribbean nations should be placed on a peer-to-peer relationship with the US as soon as possible, mutually beneficial linkages between the US and Caribbean nations should be fostered and maintained

The implications of the stated or perceived set of values associated with US-Caribbean country relationships under the current administration are twofold. First, there is tension between the heavy emphasis placed on participation, sensitivity to alternative perspectives, small size, and integration of approaches and declining resource levels. "Bottom up" development takes longer, is usually more management and resource intensive, and may introduce considerations that detract from straight line achievement of high priority US goals. A I D 's strategy for the Caribbean will have to include more dispersion of process (e.g., consultation and joint objective setting) and sharper focus of substance to reconcile this area of tension.

Second, this underlying set of values steers US-Caribbean nation relationships from dependency on resource transfers toward mutual maintenance of "linkages" not dependent on the US public purse. The US's conclusion is that high levels of US development support to the Caribbean are neither appropriate or necessary. Most Caribbean countries are nearly able to fend for themselves developmentally and are not critical to US national interests. Therefore, the US should move rapidly to replace US-Caribbean resource transfer programs with other more appropriate "linkages". These links would be maintained by USG agencies, PVOs and private sector organizations other than A I D and would be sufficient to ensure positive relationships with Caribbean countries and US influence on key issues affecting US interests.

Each of these factors interacts with the other factors. First, the interaction between the differential development status of Caribbean countries, the relative importance of graduation of Caribbean countries from A I D 's portfolio and the lack of experience and clarity within A I D about the pathway to be followed by countries as they move toward graduation is of particular importance. A I D , at the highest policy level, has drafted a more developed country policy paper which is not yet available for review. This paper will be highly relevant because, in the Caribbean, A I D 's new strategy will deal with classifying countries as "developing countries", "more developed countries" and "graduate countries," and with moving countries from one category to another.

Second, the interaction between resource availability and the movement of Caribbean countries to "graduate" status is also important. If resource levels are or become very low, it will increase pressure to graduate countries from A I D 's portfolio. Pressure to move countries into non-A I D status will heighten concerns about the appropriate pathway for doing so, including specific program and management modalities along the way.

Third, the differential development status of Caribbean countries will also become more relevant if A I D is asked to move countries quickly toward graduation to "more developed country" status. More developed countries will be moved toward graduation more quickly than sustainable development countries which will be able to maintain their resource transfer relationship with A I D for a longer period.

Fourth, conflicting values (e.g., expanded participation by Caribbean countries in the development of objectives, strategy and programs vs. establishment of peer-to-peer relationship with the US as soon as possible) will overlay the other factors influencing A I D 's strategy

B Thinking Differently About the US-Caribbean Assistance Relationship

A I D is thinking and planning differently for its future in the Caribbean. It is aware that, increasingly, the foreign assistance "question" in the Caribbean is not "What makes the most development sense?," but rather, "What pressing US interests are being met by development assistance to the relatively well-off states in the Caribbean?" The significance of this new Caribbean question for A I D cannot be overstated. It reshapes the US-Caribbean relationship in the non-cold war era in the minds of many and the actions they expect of A I D in enhancing this relationship. No longer can A I D build a Caribbean regional strategy solely in development terms. It must, instead, construct a Caribbean policy that transparently deals with the question, "What is the best strategy in the Caribbean for the US?" It is primarily to answer this question forthrightly that A I D is shaping a Caribbean future that will involve a smaller and more concentrated assistance effort designed to achieve all US objectives in the Caribbean region--not just developmental objectives.

Any A I D strategy for the Caribbean will have three basic threads: resource levels, program focus, and management modalities. A I D 's present strategy assumes too many resources, is too wide in program content, and relies on management mechanisms created to launch and control development activities designed to foster sustained rates of economic and social progress. A I D 's new Caribbean strategy will encompass fewer resources, more sharply concentrate its program content, and use management modalities that shift much more of the formation and control of development activities to non-A I D entities--especially those in Caribbean countries.

The new strategy will include explicit new features. It will be three-dimensional, fostering "development" progress over time, emphasizing transformation of US-Caribbean nation development relationships and shifting A I D 's efforts toward the development of "linkages" that can be sustained by the US and each Caribbean nation without direct A I D assistance. The strategy also will include delineation of a class of more developed Caribbean countries to be moved quickly toward graduation from their predominantly A I D relationship. It will incorporate a time dimension in two respects--for Caribbean countries as they move toward graduation from A I D assistance and for A I D as it tailors its programs and management mechanisms to its changing portfolio of Caribbean countries and to the transformed relationship of Caribbean countries with the US. Thus, the strategy will shape a smaller and more concentrated A I D effort in the Caribbean over a period of years that will involve

- o Fewer direct resource transfers and "harder" terms for the transfers that occur,
- o Expanded joint development planning and implementation, first by the public sector, then increasingly by other US and Caribbean country PVOs and other private sector entities,

- o Realization of clearly defined and agreed upon mutual interests of the US and Caribbean countries

When Caribbean countries graduate from A I D assistance, US linkages with them will be made up of relationships between other USG agencies, multilateral and private institutions and individuals involved in business and trade, education and training, research, technology development and application, poverty alleviation, and creation of public goods and services (e g , democratization, environmental preservation, AIDS prevention, narcotics control, energy conservation) Thus, as Caribbean countries move toward graduation from A I D , A I D 's substantive programs with them would increasingly shift toward facilitating PVO and other private sector linkages in areas where motivation to sustain such linkages without support by A I D appears to exist Direct resource transfers will diminish Grants will increasingly be contain harder terms or be replaced by development loans from other entities Joint development planning by US and Caribbean country entities will increase as will implementation of the activities so planned Areas of mutual interest between US and Caribbean country counterparts will be identified and agreed upon initially to guide A I D 's assistance and funding of activities as each country moves toward graduation

As part of this endeavor, A I D 's current four development emphases will be broadened to ensure a large range of activities and strong support by private sector entities in the US and each Caribbean nation Sustainable economic growth, for example, will be broadened to encompass all aspects of international economic integration and poverty alleviation The environment will be expanded into development of multiple kinds of global public goods and services Strengthening democracy will be expanded into enhanced institutional maturity Health will be expanded to cover improved quality of life This expansion will widen and deepen the ties between the US and the Caribbean nation being graduated from A I D assistance by attracting new institutions and individuals into the relationship and encompassing the wide range of activities that US and Caribbean nation individuals and institutions might wish to undertake without direct A I D support

In response to progress or reclassification of Caribbean countries, A I D 's management modalities will change also, moving from higher cost, more labor intensive Mission/project operations to lower cost regional foundation, joint commission and fund approaches Each of these management mechanisms will incorporate increasing collaboration, strengthened peer relationships and identification and pursuit of areas of common interest between the US and individual Caribbean nations The less intensive, less costly management approaches will increasingly place responsibility on the involved Caribbean nation A I D 's management formats will be flexible enough to support fully the new development activities and transformed US-Caribbean nation relationships desired As each Caribbean nation provides evidence of clear mutual interests capacity to pursue them and successful performance in carrying out appropriate activities in the new formats being used, A I D will increasingly support and allow that nation's full partnership in managing the US-Caribbean linkages being formed

A I D 's Caribbean strategy will likely involve simultaneous use of different substantive and management formats For example, A I D can expect to deal with Haiti well into the future and will likely use the Mission/project mode to manage its Haiti program Likewise, as

Jamaica (now managed by a Mission) moves toward graduation, it will shift from A I D 's Mission/project group to membership in a regional office or foundation group Simultaneously, A I D will be dealing with countries in the Eastern Caribbean which require a less management intensive mechanism--e g , a regional office or foundation

In the end A I D 's strategy must be a progression--development progress by Caribbean countries, changes in program content, management modalities, and funding levels over time It must efficiently and rapidly facilitate realization of broader US interests--in particular the establishment of sustainable linkages with Caribbean countries that do not depend on A I D 's assistance--and move away from A I D 's own narrower development objectives A I D will be the lead US agency in managing the transition from the current development assistance relationship to new US-Caribbean relationships sans A I D assistance In the short run, as illustrated in Chapter III, A I D 's decision is which discrete point (option) on the progression of funding, program and management possibilities should become its short-term objective A I D will then have to develop a plan to move, expeditiously, from the present baseline to this new position

C Implications for the Baseline of Changing A I D 's Way of Doing Business in the Caribbean

If A I D chooses to think along the lines above about the US-Caribbean assistance relationship, it will essentially be thinking about a blueprint for the Caribbean in the year 2000 Acting to change its way of doing business as suggested above will have several implications for A I D 's status quo First, A I D will immediately put more effort into helping and requiring Caribbean countries to take responsibility for all aspects of their own development efforts Second, A I D will focus more intentionally on building up and engaging the private sector in Caribbean nations as full partners in its development activities in each country It will encourage the public sectors in these countries to expand their efforts to involve the private sector more in the development process and to strengthen the private sectors' development capabilities as well

Third, A I D will immediately begin to wind down development activities that fall outside its strategy of choice Fourth, A I D will place the Caribbean countries within its portfolio into sustainable development, crisis, or non-presence categories and set out a plan--including a time frame--for moving all countries from their present categories to graduation For example, if the OECS, Belize and Jamaica are immediately classified as MDCs, A I D 's objectives in the Caribbean for the year 2000 could be as follows

- o By the year 2000, A I D 's Caribbean portfolio will be comprised of Haiti and more developed countries--Dominican Republic and Guyana, all other countries will be graduated Haiti will be managed in a Mission mode and the Dominican Republic and Guyana via a Regional Office for the Caribbean or a Caribbean Foundation/Fund,
- o Haiti will move from its present crisis status to sustainable developing country status as soon as conditions in Haiti permit,

- o The OECS countries, Belize and Jamaica will be categorized as more developed countries immediately and graduated by the year 2000,
- o The Dominican Republic and Guyana will be moved to more developed country status (i.e., non-AID presence) by the year 2000,
- o AID's OE expenditures for the region in the year 2000 will be reduced by nearly 90 percent from present levels and its program expenditures will be decreased by over 60 percent

This blueprint will include plans for shifting AID's primary relationships to other institutions--private sector organizations, USG agencies and multilateral institutions--as appropriate

Fifth, AID will rapidly change from its current management structure in the Caribbean to the new mode(s) selected to manage the portfolio in the future. Some missions would close, a new entity (e.g., a ROC or CF) will be established at a selected location. Sixth, AID will initially undertake new activities only in the limited set of development areas within its strategy of choice. It will launch these endeavors under the new management modalities selected to implement its strategy. For example, it will create its future development activities via the Caribbean Foundation and its procedures (rather than via conventional project methods) for MDCs assisted by the Foundation.

Seventh, AID will establish policy and procedures to shift more control of the development agenda to each Caribbean nation as that nation approached graduation. The nation itself would be encouraged to establish development objectives, to seek US assistance increasingly in the form of private sector linkages, partnerships and twinning relationships, and to implement its own efforts in a broad range of development areas.

Eighth, as each Caribbean country reaches MDC status and approaches graduation, the substantive program content of the US-Caribbean relationship will widen. Each increasingly independent Caribbean nation will select substantive areas of development according to its own needs and interests and bring forward requests for assistance from AID (e.g., the Caribbean Foundation) or other public or private institutions. As MDCs expand their development interests and capacities beyond AID's focused strategic development areas, AID will expand its support of MDC initiatives which exhibit appropriate partnerships, linkages to US institutions, and other joint US-Caribbean country relationships into broader development areas if requested to do so. It will use a Caribbean Foundation or fund to provide this broader base of assistance in support of increasing MDC maturity and strengthened linkages with non-AID USG agencies and private sector organizations.

Thus, AID's Caribbean strategy, over time, will involve first a narrowing of program substance as AID's more focused programs take hold, then a widening of program substance as each Caribbean nation takes fuller responsibility for developing and implementing its own development agenda and relationship with the US. Likewise, AID's strategy will involve first a concentration of management (e.g., creation of a Regional Office for the Caribbean or a Caribbean Foundation to deal with many countries), then the use of the concentrated

management mechanism to facilitate and make productive the more extensive substantive development activities evolving from the separate development agendas of Caribbean MDCs approaching graduation ²

Ninth, A I D will expand its current efforts to coordinate with and involve other USG agencies in forging a planned relationship with Caribbean countries. These expanded efforts will include specific plans to move countries from a primary relationship with A I D to relationships with multiple USG agencies as they near graduation. Tenth, A I D will involve US private sector entities--NGOs, goods and service providers, consulting firms, etc --more directly and conceptually in the US relationship with Caribbean countries. As each country nears graduation, A I D will increasingly shift its responsibilities and primary relationships with the country to these organizations. Eleventh, A I D will coordinate its endeavors closely with multilateral organizations active in the region. It will identify and work directly with multilateral institutions to transfer appropriate portions of its relationship with Caribbean countries to them as each country moves to MDC and graduate status.

In summary, the integration of these actions by A I D will initially close out some existing programs and missions, create new management modalities, and focus new program efforts in selected areas. As implementation of the strategy proceeds, existing A I D -Caribbean country relationships will be transformed, shifting more responsibility to the Caribbean countries and other institutions for sustaining the US-Caribbean relationship--ultimately without A I D involvement.

The end result of this strategy may not seem to be "good news" to A I D. It not only deliberately gives up its principal relationship with Caribbean countries. Over time it introduces a plethora of substantive endeavors undertaken at the instigation of Caribbean countries, identification and design control is relaxed and a more creative, even chaotic, form of development ensues. Moreover, A I D's management mechanisms need to be designed and operated to lend momentum to this less coherent and controlled form of development activity and to enable A I D ultimately to remove itself completely from the US relationship with graduated countries. On the other hand, successful implementation of this strategy will give A I D the satisfaction of having led Caribbean nations toward self sufficiency and graduation. It will also enable A I D to concentrate its scarce resources on other, more needy, countries elsewhere in the world.

²A I D could restrict its responses to MDCs requests for assistance solely to the one or two strategic program areas it chooses to support. Such a limitation would keep A I D's relationship with MDCs narrow and focused. It would simplify A I D's management responsibilities and make the content of A I D's strategy conceptually smoother at that point where MDCs mature and move toward graduation. A I D would gradually pinch off its assistance in the limited areas it supports e.g. the environment. MDCs with needs or interests in other strategic areas (outside A I D's agreed upon strategic program areas) such as health would take their requests for support elsewhere e.g. to other donors, private sector entities and USG agencies. However, this approach would provide no A I D transitional assistance to MDC countries in areas where they take development initiatives on their own, nor would it enable A I D to directly support MDCs attempts to develop fuller relationships with other US entities.

III PROGRAM AND MANAGEMENT OPTIONS FOR A I D 'S CARIBBEAN PORTFOLIO

A Strategic Program and Management Options

1 Description

Strategic program management options I through IV are described briefly below. They are independent states of affairs which, if selected as the most desirable, are to be implemented in the shortest possible time--e g , one to two years. The options are

- o Option I Potential Activities in Each of A I D 's Four Strategic Program Areas in Each Country Managed Via the Conventional Missions/Projects Mechanism
 - Categorize Haiti as a crisis country, categorize Guyana, Dominican Republic and Jamaica as sustainable development countries, designate Belize and the OECS countries as non-presence (MDC) countries,
 - Identify and implement substantive development activities for each country according to need and resource availability in all four strategic program areas,
 - Manage crisis and sustainable development countries through Mission/Project activities and non-presence countries via a Regional Office, Caribbean (ROC), shift management of the A I D -Belize relationship to the Central American regional support office in Guatemala,
- o Option II One Regional Project in Each of A I D 's Four Strategic Program Areas Managed Via a ROC
 - Categorize Haiti as a crisis country, categorize Guyana and the Dominican Republic as sustainable development countries, designate Belize, Jamaica and the OECS countries as non-presence (MDC) countries,
 - Identify and implement one regional project in each of A I D 's four strategic program areas. Countries could opt into each project for look-alike activities, but other activities (even within the strategic program areas) would not be supported except in Haiti,
 - Manage crisis (Haiti) and sustainable development countries (Guyana and the Dominican Republic) via Missions, manage programs in MDCs through the ROC, shift management of the A I D -Belize relationship to the Central American regional support office in Guatemala,

- o Option III One Main Regional Strategic Program Area for All Caribbean Countries Plus One or More Other Justifiable Strategic Program Areas per Country Managed via a Caribbean Foundation (CF)
 - Categorize Haiti as a crisis country, categorize Guyana and the Dominican Republic as sustainable development countries, designate Belize, Jamaica and the OECS countries as non-presence (MDC) countries,
 - Identify and implement a single regional program in one of A I D 's four strategic program areas as A I D 's main thrust for the Caribbean region, support individual country endeavors in one or more of the other three strategic program areas according to country need,
 - Manage crisis and sustainable development countries through Missions, manage programs for non-presence countries through a CF, shift management of the A I D -Belize relationship to the Central American regional support office in Guatemala,
- o Option IV Graduate All But Crisis Countries to Other USG Agencies, Private Sector Institutions & Other Donors
 - Categorize Haiti as a crisis country and all other countries as non-presence (MDC) countries,
 - Transfer all substantive activities for MDCs, including Belize, to other USG agencies, private sector organizations and donors, identify and implement substantive development activities for Haiti according to its needs in all four strategic program areas,
 - Manage Haiti via a Mission

In substantive terms, these four strategic program options move progressively from "extensive" A I D substantive programming toward no A I D programming and from heavier A I D resource transfers to no A I D resource transfers. They move from major substantive input by A I D to no substantive assistance. Options I through IV comprise different programs for A I D in the Caribbean with respect to type, focus, breadth and intensity. Thus, they shift from 1) packages of assistance orchestrated by A I D to meet specific development needs in each country to 2) narrower, regionally focused assistance efforts also identified by A I D, to 3) assistance based mostly on requests of the country being helped.

Managerially, the options move progressively from "intensive" A I D presence toward no A I D presence. They move from heavy management efforts by A I D staff toward no management efforts by A I D. The suggested options also shift from principal assistance efforts by A I D staff and contractors toward dependence on development assistance linkages between

non-public US entities and public and private institutions in Caribbean countries. Finally, the options progress from heavier personnel and related management costs toward more limited resource requirements.

Options I through IV embody different mechanisms for implementing A I D 's program in the Caribbean. There is linkage between these mechanisms or different management modalities and the type, focus and intensity of the programs A I D would carry out in the region. For analytical purposes, this linkage is almost mutually exclusive in the options above. However, the linkage need not be rigid and probably would not be in practice. Thus, the mechanisms within any of the four options could be used to implement programs in support of specific or multiple A I D objectives. Mission management (Option I) could support four regional projects, for example, as could the Caribbean Foundation (Option III).

The operation of initiatives in a specific substantive area (e.g., health) under each option, however, would be different. Under Option I, a USAID in a specific country would be intimately involved in framing, funding and helping manage a project to achieve the desired health objective(s). In Option III, A I D would fund efforts identified and brought forward by linked Caribbean-US entities to achieve the same desired health objectives. In Option IV, A I D would not be actively involved in achieving the desired objectives. A I D would depend on public and private sector entities such as CDC, WHO, PAHO, IBRD, IDB, CDB, UNICEF, the Office of International Health in USHHS, pharmaceutical companies, hospital management firms, PVOs, NGOs, and others to do so without the benefit of A I D funding or other direct involvement. The pros and cons of these different mechanisms as they may be used in the Caribbean region are developed later in this Chapter.

These options could be considered or further developed to constitute "pathways" over time. Specific countries could then travel these pathways toward "graduation" from A I D assistance. For example, Jamaica could continue for a time as an A I D Mission with attendant program activities, move into a Regional Office for the Caribbean (ROC) or Caribbean Foundation mechanism for additional time and, ultimately, graduate from all direct A I D assistance. The "resource reduction" associated with each step in this pathway would not be welcomed by any country. However, such a gradual pathway would serve to wean countries from A I D and enable the weaning process to be undertaken over time and in a transparent manner.

2 Key results of strategic program and management options

Options I through IV were developed in the context of declining A I D resources and the pressing need to manage available resources effectively. A I D is increasingly being required by funding cutbacks and changing development needs in the Caribbean and elsewhere to consider specific tradeoffs between program focus, scope, type and level and management mechanisms and costs. As A I D 's overall resource base declines its program funding is reduced. Available program funds may be able to be expanded by saving management costs. OE savings may reduce otherwise deeper cuts in program funds to enable A I D to more fully fund its programs, fund more programs or fund programs in more areas than would be possible if the savings were not realized. Program funding levels also may be sustained longer and at

higher levels if A I D is able to demonstrate the direct contribution of its programs to overall US interests. Reductions in OE funding or in the way A I D manages its programs also impacts directly on the size, scope and nature of its programs.

As illustrated in the inset below, it is estimated that Option I will reduce non-USDH staff by 53 percent, USDH staff by 48 percent, OE funds by 49 percent and program funds by 29 percent. Option II reduces non-USDH staff by 67 percent, USDH staff by 59 percent, OE funds by 62 percent and program funds by 31 percent. Option III reduces non-USDH staff by 72 percent, USDH staff by 69 percent, OE funds by 72 percent and program funds by 31 percent. Option IV reduces each of these categories still further.

Impacts of Options on Staffing, OE and Program Funding Levels

Category	Unit	Baseline	Option I	Option II	Option III	Option IV
Non-USDH	No	414	194	136	115	63
USDH	No	66	35	27	20	8
OE	\$mil	20 74	10 51	7 85	5 81	2 68
Program	\$mil	168 54	119 24	116 65	116 65	79 52

The baseline in the inset is "actual" data for FY 1993. The program funding levels included in the Table for Options I through IV are the actual FY 1994 amounts requested by A I D. Estimated reductions in OE costs for Options I through IV are based on several considerations. First, FY 1994 program expenditures will be reduced by about one-third from FY 1993. Requests are 29 percent below FY 1993 actual expenditures and final budget decisions within A I D are likely to reduce the requests even further, perhaps substantially. Actual expenditures for FY 1994, which tend to lag behind requests, are likely to be lower still. Second, FY 1994 program requests are over 40 percent smaller than the annual average program expenditures for the region over the last five years. Thus, the Caribbean program is declining and personnel and other operating costs need to decline also. Third, even greater OE cost reductions can be attained by shifting more of A I D's assistance costs to the countries being assisted. This alteration will be accomplished in each option by different "management mechanisms."

The relationship between program expenditure reductions and OE cost reductions cannot be specified exactly. Thus, the numbers provided in support of Options I, II, III and IV are only estimates. However, substantial OE cost savings can be achieved by altering A I D's objectives and management of US-Caribbean assistance relationships and, in principle, these savings should at least be proportional to reductions in program expenditure levels. Achievement of this improved cost effectiveness will help A I D strategically (by positioning A I D to help accomplish a fuller range of worthy US objectives), budgetarily (by releasing funds and personnel for uses elsewhere), and managerially (by enabling A I D's Mission

management and top managers to rely more on the guidance and talent that exists in the MDCs being assisted and to concentrate their efforts on fewer countries as Caribbean MDCs graduate from A I D assistance)

B Background of Strategic Program and Management Options

1 Rationale for number and type of options

The framework used to select the options included seven elements First, the downward trend in A I D 's resource levels was taken into account in identifying possible options This trend influenced the number of options because exact levels of future A I D funding are unknown The number of options had to be sufficient to encompass the possibility of maintaining baseline funding levels and of substantial declines The downward trend in A I D funding also influenced the type of options considered and selected Declines in resource levels force reductions in personnel, travel and other management related activities to implement A I D programs The options needed to account for the requirement to expand, contract and shift personnel much more rapidly than in the past to focus specifically on achieving A I D 's target objectives Reductions in resources also shrink the coverage of A I D 's overall program, both in its expanse and intensity The options considered had to accommodate large, intensive substantive and management efforts, small substantive and intensive activities and more extensive program and management efforts by A I D in the Caribbean

Second, the economic, social, political and related status of countries in the Caribbean being assisted or likely to be assisted by A I D was a factor in determining the number and type of options included Each option had to be reasonable in light of current A I D programs in the Caribbean, providing a meaningful but feasible change from the status quo The options selected needed also had to enable A I D to carry out its overall strategy in the Caribbean despite obvious underlying differences in country capacity, changes in overall assistance levels, and global or regional shifts in US concerns (e g, NAFTA vs CBI or CIS vs Caribbean countries)

Third, A I D 's role in achieving overall US objectives in the Caribbean was a factor A I D 's own narrower focus of achieving development in the region must, as countries approach graduation and self-sufficiency with respect to the A I D relationship, blend with broader US interests In the Caribbean, as in other areas which encompass MDCs, the key US interest is to create durable US-Caribbean country linkages in multiple substantive areas that are sustainable without A I D technical or financial support A I D 's program and its management in the Caribbean must aim directly at building these multiple linkages between maturing Caribbean countries and non-A I D institutions in the US Its program and management needs to incorporate a clear pathway whereby the A I D -Caribbean country relationship is reduced and then eliminated while being effectively replaced with a broader US-Caribbean country relationship comprised of a myriad of linkages in various areas between manifold US and Caribbean country institutions and individuals

Fourth, the insistence that A I D define and measure the results of its efforts was a consideration in selecting the number and type of options included The options needed to enable efficiency and effectiveness in getting desired results This new focus may, for example,

change the importance A I D places on its "presence" in some countries. Or, it may reduce substantially the "process" whereby A I D fosters development and the number of A I D staff involved in that process. Monitoring, rather than management, will become the hallmark of A I D 's efforts under some options.

Fifth, A I D 's stated intent to emphasize participation and integrated approaches and methods influenced the selection of the options in this paper. Each of the options had to be able to accommodate this specifically designated "approach" specifically. At its most cutting edge, the options had to help make sense out of A I D 's dilemma--how does it achieve higher levels of local participation and strengthen indigenous institutional capacity and development efforts when its resource levels are declining? Faced with doing "less with less," how can A I D implement its management approach of greater participation and more partnerships so as to actually achieve "more with less?" Of course, A I D 's intended participatory approach achieves more than good development. It intentionally involves US groups that support A I D 's role in the world and which have vested interests in A I D 's programs. The options had to include pathways for these organizations to be effective participants in A I D 's development activities.

Sixth, A I D 's classification of countries as crisis, sustainable development and limited or non-presence countries was incorporated into the development of the options. The options also had to account for A I D 's recent classification of Caribbean (and other) countries as crisis, sustainable development and non-presence countries. These categorizations have program and management implications for A I D 's relationship with these countries, immediately and in the future. The options selected needed to accommodate these implications and go beyond them by breaking, where appropriate, conceptual linkages between management modalities and country classifications. The expanded concept of non-presence countries, in particular, opens up possibilities of using different management mechanisms to achieve desired development objectives in some countries. The relatively strong institutions, higher income levels, satisfactory quality of life indexes, and so forth, in some Caribbean countries provide an environment in which development efforts may be able to be implemented in new, more cost effective ways.

Seventh, A I D 's internal efforts to apply additional technology and information management principles to its work were considered in developing the options herein. For example, A I D is developing new ways to manage financial and procurement activities. Its streamlining of contracting processes, use of new technology to communicate within and outside A I D (e.g., more electronic transfers of funds), and its efforts to force efficiency into or to bypass external entities that influence A I D 's effectiveness (e.g., RAM/Cs) offer possibilities for new and better management of A I D 's development programs. These new ways of working may allow Controller and Contracting Officer functions to be consolidated, travel budgets to be decreased, and many more information resources to be centralized in formats and systems where they can be accessed by A I D staff 24 hours a day.

Eighth, issues internal to A I D regarding the nature and content of new approaches to its development activities were factors that influenced the options presented. Particular emphasis was given to the content of the term "regional" and the location of any regional activity in or with respect to the Caribbean region. One concern of many in A I D was, "What does it mean to have a regional program?" In interviewing more than 30 officers in Washington and in the

Caribbean the answers were both interesting and varied. For some a "regional" program was expressed in terms of content, for others it was a question of the mechanism for delivering assistance, for still others it was an issue of management approach.

In the first instance, content, a regional program implied a focus on one or two strategic areas of concentration, e.g. the environment and democracy. Defined this way, a regional program would, regardless of management or delivery mechanism, concentrate its resources in these two (or other) sectors and develop programs and/or projects around these themes for the region. This would be a way of focusing A I D 's limited resources on, for example, "global impact" issues which have broader implications for the region than for a particular country.

In viewing a regional program through the prism of the mechanisms for delivering services, a regional program becomes one that is often characterized as one which utilizes alternative approaches (i.e. not a U S contractor or university) to transferring resources. Such an approach might utilize a foundation or trust fund to which regional or local, host country organizations apply for funds for specific programs or projects as defined by the foundation or trust fund. Alternatively, funds might be provided under a large, umbrella grant to either U S or local PVOs or other private organizations which assume the responsibility for managing and monitoring the project. Different mechanisms will support different management approaches. The mechanisms noted above generally require less direct management by A I D and place the responsibility and accountability for project implementation and success squarely on the recipient. A number of people support this idea because it allows for more "risk taking" by A I D and encourages more participation by the recipients in the planning and monitoring of the effort that is funded. Such an approach can be successful if A I D is selective in offering the grants.

Another issue of major significance within A I D is "where" would a regional function for the Caribbean be located? There are several options for a regional office for the Caribbean: Guyana, Jamaica, Puerto Rico, Miami or Washington. Guyana has several points in its favor. First, it is geographically near the Eastern Caribbean countries which a regional office in the Caribbean would surely serve in the near term. Second, it is the headquarters of CARICOM. If A I D wants to provide some institutional strengthening support to improve the operations of this regional organization, having a USAID in the country would be appropriate. Third, Guyana is relatively inexpensive in terms of on-site costs, though its out-of-the-way location compounds travel requirements and increases their cost.

Jamaica is a good location for a regional program, particularly if A I D were to choose a Strategic Option that phases out the Missions in Jamaica and the DR in the near term and decided instead to rely on a regional office for delivering assistance and providing other support to those countries as well as the Eastern Caribbean. Jamaica is more centrally located and closer to the U S. It already has a "core" mission and well-trained local staff. It is a host country for an important regional institution, UWI, and has a solid base of indigenous organizations on which to build alternative programs. Puerto Rico is also centrally located and close to the U S. However, high living costs plus the need to "start from scratch" in establishing an office make it less attractive as a location.

Finally, many who have worked in the region would argue that Washington can really host a regional program for the Caribbean. After all, seven of A I D 's countries are already "graduating", Jamaica and the DR are certainly on the way to different, more mature relationship with A I D. The argument for a Washington-based regional program is that, with PVOs and other regional organizations assuming increasing responsibilities for managing and monitoring programs, there is no longer a need for A I D 's direct, daily oversight. This would be particularly true if more assistance were disbursed via block grants or contributions to the CDB (e g like the Basic Needs Trust Fund for the EC countries). While a Washington regional office has the disadvantages typical of a lack of "presence" (e g less frequent contact with local officials /reduction of policy dialogue opportunities) it may in the long term of the advantage of decreasing A I D 's OE costs and of encouraging more independence and accountability on the part of local public and private sector institutions in the region.

In terms of function, the critical decision is whether a "regional" office is a Support Center for administrative, financial and management operations or a program center or both. Is the function of the regional office that of serving as a place of coordination for a multiplicity of distinct bilateral programs providing the technical and administrative (contracting, legal and controller) support essential for their operation. Or is the regional mission really a place to coordinate regional programs on regional issues via regional institutions? Considerations involved in selecting one of these locations are shown in the inset below.

2 Process of deriving options

The process of deriving the options involved consideration of the above factors and possible combinations of Caribbean countries, programs and management mechanisms that would be effective given likely levels of program and OE funding. Thus, our first cut was to assume declining levels of funding for the Caribbean and to determine if program and management options were available to spend FY1994 requested levels of program funds effectively. A second cut was to assume declining program and OE funding and to determine effective program and management options to utilize available resources. Both these scenarios were developed as a snapshot in time--i e , new conditions that could be realized relatively soon by implementing a specific decision to move from the status quo to the option selected.

A third scenario was also considered. It involved development of a pathway to graduation for Caribbean countries--from Mission, to ROC or CF, to other USG agencies and donors. Individual countries would move along this overall pathway at their own speed as determined by their specific circumstances and A I D 's interests and policies.

All these scenarios are complicated. They each involve many independent variables--e g , potential policy changes, future funding levels, global economic conditions, actions of specific countries, donors or others, etc. None of the scenarios or options is likely, in the real world, to be mutually exclusive. Thus, given the status of the Caribbean nations at a point in time and adequate resources, A I D could have Mission activities, a ROC, a CF and other USG and donor activities in place in the Caribbean. Specific tailoring of programs to the needs of an individual country, for example, could lead to one country having Mission endeavors, input

Inset Considerations Involved in Selecting a Location
for a Regional Office of Foundation

Guyana	Jamaica	Miami	Washington
<p>Headquarters of CARICOM</p> <p>There will be a Mission presence in Guyana which a regional entity can draw upon</p> <p>Less expensive than Jamaica or Washington</p> <p>More difficult logistics and living conditions, less safe</p> <p>Closer to OECS but further from rest of Caribbean</p> <p>Maintains more A I D presence in Caribbean</p>	<p>More expensive than Guyana, cheaper than Washington</p> <p>Easier logistics, better living conditions and safety than Guyana, but not as good as Miami or Washington</p> <p>Further away from OECS but closer to rest of Caribbean</p> <p>Maintains A I D presence in Caribbean</p>	<p>More expensive than Guyana or Jamaica</p> <p>Well integrated with Caribbean and Latin America, and Washington resources, systems, and policies</p> <p>Can depend on Washington for support systems</p> <p>Optimum logistic relationship to all the Caribbean--most intra-Caribbean routes pass through Miami</p>	<p>More expensive than Guyana, Jamaica and perhaps Miami</p> <p>Better integrated with US policies and communication re Caribbean, Latin America and A I D</p> <p>Can depend most fully on Washington support systems</p> <p>Best location to spread the word and experience of a CF</p>

from a ROC or CF activities, and efforts from other USG agencies all going on at the same time. When the element of time is introduced, either or both of the above situations could be

happening over one or several years as a country or the region moved toward graduation from A I D 's development support. For these reasons, the pros and cons of each option are difficult to specify sharply. Given that the management mechanisms in each option can, if allowed to, overlap or coexist and that each option could conceivably accommodate the maximum level of resources likely to be available, the pros and cons of each option tend to be gradations between options rather than distinctive differences.

This large degree of gray in working with A I D 's strategy for the Caribbean vividly illustrates one critical point. It is essential that A I D managers make crisp decisions regarding the long-term strategy for A I D 's activities in the Caribbean. No amount of analysis will provide exactly the right break point between the use of a Mission or a Caribbean Foundation. A I D 's new world, however, is one in which a reasonable and intelligent choice as to what such break points will be is essential. A I D has, for too long, changed its development objectives and assumed that its traditional program and management modalities will effectively and efficiently achieve them with whatever level of resources is made available. When potential changes in management loom, studies are done but decisions arising from them tend to deal with only the margin of traditional management practices. As A I D 's resources shrink and it seeks to respond to old and new constituencies, it can no longer escape making its program and management objectives transparent. Such objectives may very appropriately maintain much or all of the status quo. However, to the degree they do not, management decisions will be needed to shape and clearly define what A I D will do and how it will do it in the Caribbean and elsewhere. Unless these decisions are made and made known, A I D will not break from its old ways of work. Its internal bureaucracy will absorb larger portions of its resources and A I D will achieve even less than before as Caribbean countries change and move toward graduation without its effective guidance and support or past level of resources.

The final options included were selected based on an assessment of their ability to address A I D 's specific needs and the feasibility of their implementation. In selecting these options, others were--by definition--not selected. For example, block program grants to countries or additional contributions to multilateral donors were not included. Thus, the final options package, while always subject to being reopened--is a first attempt to shape "how" A I D will carry out its future activities in the Caribbean region by reducing many possibilities down to a few. The next steps must be taken by A I D 's policy makers.

Annex 1

Summary of Current A I D Programs in the Caribbean¹

1 Overview

As of December 1993, A I D has four full bilateral USAID Missions (Jamaica, Haiti and the Dominican Republic and Belize) and one Regional Development Office (Barbados) that serves the six countries of the Eastern Caribbean, Guyana and several dependencies. Additionally, it supports a number of regional organizations and other multilateral efforts located both in the countries served directly by the bilateral A I D programs as well as in other countries (e g , Trinidad) which do not receive bilateral assistance. Figure 1 provides a summary of A I D 's assistance to the region from 1984 to 1993. Table 1 summarizes the actual levels of assistance for each country during this period.

U S assistance has been slowly, but steadily, declining over the past decade. In FY 93, A I D provided \$168.5 million in assistance (DA, ESF and PL 480) compared to \$ 447.8 million in 1985. This assistance was directed to serve the needs of the 17.9 million people living in the 11 countries directly served by the bilateral Missions and RDO/C. (For comparison purposes only, and not ignoring the fact that A I D 's Caribbean program works with and through 11 different host country governments and a plethora of regional institutions, it is interesting to note that Uganda with a population similar in size to the whole Caribbean region received only \$ 49.8 million in U S assistance during 1993.)

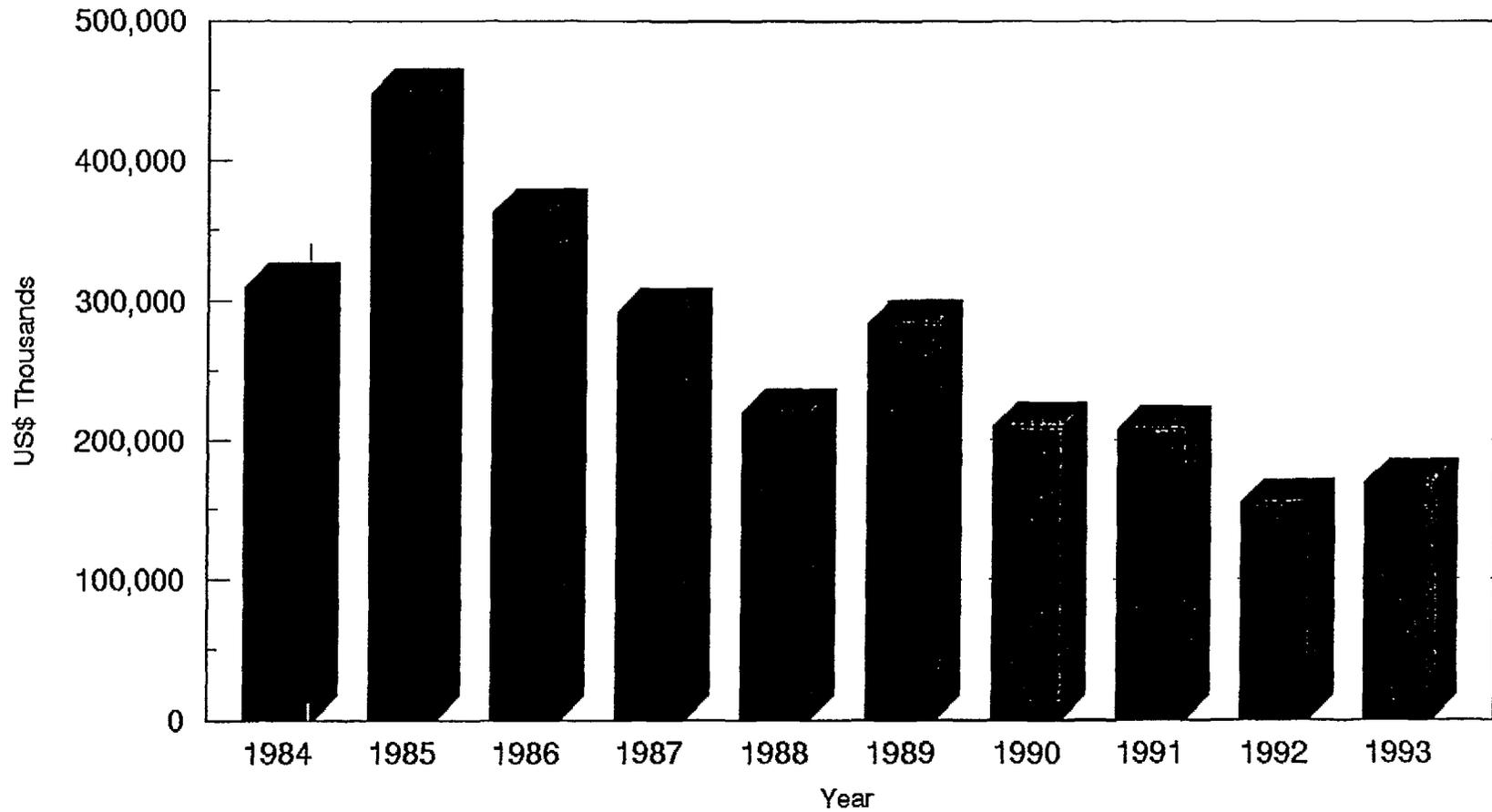
The proportional distribution of assistance has also shifted among countries in the region. For five of the seven years from 1984 to 1990, Jamaica was the largest recipient of U S assistance averaging 34 per cent of the total. Since 1991, Haiti has been the largest recipient of assistance rising to a high of 61 per cent of the total in 1993. Belize received an average of three per cent of the total assistance over the decade, RDO/C has averaged 12-13 per cent of the total during the period. In 1993, assistance dollars per capita ranged from a high of approximately \$ 24 in both Belize and the Eastern Caribbean countries to a low of \$ 2.99 in the DR, for the region the average per capita aid expenditure was \$9.42.

Table 2 portrays the "strategic fit" of the portfolios of each Caribbean mission in terms of the total number and value of the projects in the portfolio arrayed under each of A I D 's strategic program areas. At the end of FY 93, the Strategic Program Area which had the largest number of projects and resources allocated to it was Economic Growth (46 per cent). A I D 's second most important area of concentration in the region was Population Growth and Health (29 per cent). Projects in the two Strategic Areas of Building Democracy and Protecting the

¹ Regarding the statistical data in this document it should be noted that this report was not primarily a statistical exercise. As such no attempt was made to reconcile the discrepancies in statistical data gleaned from different sources. Even internal A I D data was sometimes inconsistent. The tables and figures are referenced to their sources but may differ from other information which A I D has compiled internally. The numbers should be considered to be indicative of the trends they reflect.

CARIBBEAN STRATEGY

Figure 1 Total A I D Development Assistance, 1984 - 1993
to Selected Caribbean Countries



Source USAID, Latin America and the Caribbean
Selected Economic and Social Data 1993

CARIBBEAN STRATEGY
 Table 1 Assistance Levels (DA, ESF & PL480) for
 Selected Caribbean Countries 1984 - 1993
 (Actuals in US\$000)

	BELIZE	DOMINICAN REPUBLIC	GUYANA	HAITI	JAMAICA	RDO/C	TOTAL
1984	3,875	95,651	0	45,561	108,206	56,240	309,533
1985	22,503	167,975	80	53,800	155,605	47,881	447,844
1986	9,499	98,936	3,240	76,162	122,220	52,490	362,547
1987	12,990	34,912	6,522	98,396	83,959	55,001	291,780
1988	7,500	55,786	7,007	39,134	75,485	35,009	219,921
1989	7,800	78,409	7,000	48,327	111,779	30,480	283,795
1990	6,311	37,622	7,787	58,736	71,908	26,981	209,345
1991	6,805	15,527	7,750	83,998	71,898	21,406	207,384
1992	6,374	20,317	838	63,488	40,871	22,017	153,905
1993	4,800	21,980	10,700	102,400	16,930	11,750	168,560
TOTAL	88,457	627,115	50,924	670,002	851,861	359,255	2,654,614

Note The statistics in this table were all drawn from official AID documents. However, different documents provided different numbers in some cases. We did not seek to reconcile the differences for the purpose of this document. The data for FY 84 - 89 was retrieved from the official AID document entitled "Overseas Loans and Grants Series of Yearly Data". The data covers commitments for economic and food assistance made by AID. The data for FY 90 - 93 was taken from Latin America and the Caribbean Selected Economic and Social Data, Washington, D C AID, May 1993.

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CARIBBEAN STRATEGY

Table 2 Strategic Fit of Caribbean Mission Portfolios with
A I D's Strategic Program Areas 1993
(US\$ Millions)

USAID	Economic Growth	Protect Environment	Population Growth & Health	Building Democracy	Other	TOTAL
Belize Authorized LOP Amount No of Projects ¹ Percent of Portfolio	—	\$11.5 2 59%	—	\$1.8 1 9%	\$6.1 3 32%	\$19.4 100%
Dominican Republic Authorized LOP Amount No of Projects Percent of Portfolio	\$58.7 10 48%	\$5.4 3 4%	\$40.8 4 34%	\$16.8 5 14%	—	\$121.7 100%
Haiti Authorized LOP Amount No of Projects Percent of Portfolio	\$69.4 9 27%	\$33.3 3 13%	\$125.3 7 48%	\$30.8 8 12%	—	\$258.8 100%
Jamaica Authorized LOP Amount No of Projects Percent of Portfolio	\$53.4 11 54%	\$17.3 6 18%	\$20.3 7 21%	\$4.8 3 5%	\$2.5 2 2%	\$98.3 100%

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Table 2 (cont d) Strategic Fit of Mission Portfolios with
A I D 's Strategic Program Areas

USAID	Economic Growth	Protect Environment	Population Growth & Health	Building Democracy	Other	TOTAL
RDO/C						
Authorized LOP Amount	\$159.5	\$20.0	\$23	\$4.9	\$28.9	\$236.3
No of Projects	23	7	4	2	5	
Percent of Portfolio	67%	9%	10%	2%	12%	100%
TOTAL						
Authorized LOP Amount	\$341.0	\$87.5	\$209.4	\$59.1	\$37.5	\$734.5
No of Projects	53	21	22	19	10	

Source This data, including the allocations to strategic program areas, was derived from the September 1993 SARs for each Mission. The dollar figures are the authorized LOP amount.

Note The number of projects represent the projects in each portfolio that constitute to a given Strategic Program area and the percent that those projects are of the total mission portfolio. Some projects have resources allocated to more than one Strategic Area. Thus, the number may add to a number greater than the number of active projects for that Mission.

USAID/Haiti projects areas not allocated in the SAR document across multiple strategic programs areas. For example, some economic growth projects also address environmental concerns.

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Environment had 8 and 12 per cent respectively of the resource allocation. The portfolio "mixes" in any given mission, however, are quite different. In Belize, the primary focus is the environment, in the DR, RDO/C and Jamaica projects encouraging economic growth are predominant. In Haiti the concentration is on protecting and developing the human resource base. The SARs provide more detail on the wide variety of projects which are undertaken across many sectors.

Table 3 provides a brief overview of A I D 's Caribbean Missions as of the end of FY 93 in terms of total operating expenses, the level and type of program expenditures, number of active projects and total mission staffing. USAID/Jamaica has the largest Operating Expense budget at \$5.14 million, Haiti has the largest number of mission staff. USAID/Belize has the smallest OE budget at \$1.68 million. (Guyana is the smallest on all grounds but is not "counted" here because it is not a full mission.) In the region as a whole, only 15 per cent of Mission staff are Direct Hires, roughly 75 per cent are FSNDHs or FSNPSCs. Less than 10 per cent are USPSCs. At the end of FY 93, there were 82 active projects in the region. Haiti, the DR and RDO/C had the largest number of active projects. With the exception of Guyana, the other missions managed between 6 and 16 projects. The Mission staff are backstopped in Washington by the Office of Caribbean Affairs (currently five officers) and a cadre of LAC policy, program and technical staff as well as numerous contracting officers and personnel in financial and executive management.

A I D currently relies on a variety of entities to implement programs in the Caribbean. A review of CIMS data on new contract awards for the five year period 1988-92 (which did not include IQC Delivery Orders) indicated that private corporations (consulting firms) were the primary contracting vehicle (37 per cent) and received the highest volume of business. PSCs constituted 33 per cent of the contracts but a small percent of the dollar volume. Voluntary organizations and education or research institutions (including universities) together constituted only 18 per cent of the contracts. PVOs and educational institutions each received close to \$15 million in contracts over the period though nearly twice as many contracts were awarded to PVOs as to education/research institutions. Detailed data is not readily available on local, host country organizations contracted by A I D to carry out its programs during this period.

The implications of A I D 's differential use in the past of the various contracting mechanisms-of-choice for programming in the Caribbean in the future are not clear. If these countries are to ultimately move from aid-dependent relationships to international peer relationships with the U S and others it is important that a "critical mass" of local public and private sector institutions develop the capacity to manage and implement their own economic, social, political and environmental programs. To the degree that A I D 's various contractors to date have sought to strengthen local institutions, public or private, for the long haul there will be a substantial base upon which to build new relationships between the U S and countries in the region. To the degree these contractors have had only short-term project implementation goals in mind, A I D will be presented with a challenge in working more directly with local institutions in the future. To be sure, local PVOs and NGOs have played an important role in implementing a number of A I D projects in the region. In Belize, the Dominican Republic,

CARIBBEAN STRATEGY

Table 3 Summary of USAID/Caribbean Missions' Programs Expenditures and Staffing for FY 1993

MISSION	TOTAL OPERATING EXPENSES 1993 (US\$ Mil)	ACTUAL PROGRAM EXPENDITURES FOR 1993 (US\$ Mil)				TOTAL NUMBER OF ACTIVE PROJECTS ²	TOTAL MISSION STAFFING ³						
		DA	ESF	PL480	TOTAL		USDH	FSNDH	USPSC	FSNPSC	PASA/RASA	OTHER	TOTAL
RDO/C Barbados ¹	\$4 55	\$11 58	\$0 17		\$11 75	20	12	26	5	20	0	3	66
							4	3	2	0	0	3	14
Belize	\$1 68	\$4 80			\$4 80	6	6	0	1	25	0	1	33
							2	0	0	6	0	0	8
Dominican Republic ¹	\$4 40	\$17 81	\$1 69	\$2 48	\$21 98	18	17	15	6	59	0	0	97
							7	1	3	5	0	0	16
Guyana	\$ 13	\$0 55	\$3 15	\$7 00	\$10 70	2			1	2			3
									1				1
Haiti	\$4 85	\$23 18	\$44 11	\$35 11	\$102 40	20	15	20	7	82	1	1	126
							6	4	4	25	1	1	41
Jamaica	\$5 14	\$13 93	\$3 0		\$16 93	16	16	11	10	51	2	2	92
							10	3	8	14	1	0	36
TOTAL	\$20 75	\$71 85	\$52 12	\$44 59	\$168.56	82	66	72	30	239	3	7	417
							29	13	18	50	2	4	116

Source Internal AID Documents

¹ A Contracting Officer is present at this Mission

² Total active projects are for the period ending 9/30/93

³ These figures are as of 10/31/93

Note Figures in the gray shaded area denotes the technical staff by category for each Mission

Haiti and Jamaica, international PVOs and their local counterparts manage projects across many sectors including the environment, health and population, agriculture, education, micro-enterprise development and democracy. In these countries there is a solid base of private organizations which work with "grass roots" community groups and which could benefit from and likely draw upon resources made available via alternative mechanisms such as a Caribbean-based regional foundation. Other countries such as Guyana and some of the OECS countries which have fewer and/or weaker PVOs and NGOs will need particular support to foster the development of such organizations.

A I D 's program in the Caribbean is very diverse as summarized in the paragraphs below. It has been tailored in large measure to meet the unique needs of the individual countries. It has not been a "regional" program *per se* structured around regional objectives or goals. Nor has it been implemented with any particular eye to the long term future of US relationships with the countries in the region or to "graduation" from A I D programming. As discussed in later chapters, A I D needs to "think differently" about its relationships with these countries and begin now to develop a regional approach which recognizes the countries' unique needs but also brings a sense of overall direction to the program.

2 Regional Development Office for the Caribbean (RDO/C)

The RDO/C has provided substantial economic development assistance to the Eastern Caribbean (EC) since 1976. The primary beneficiaries are the six countries of the Eastern Caribbean (St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Antigua and Barbuda, Grenada and Dominica) and Guyana. Secondary beneficiaries served include Montserrat, Anguilla, the British Virgin Islands, Turks and Caicos, Trinidad and Tobago, Barbados, Belize and Suriname. Because of the diversity and small size of the countries in the region, much of A I D 's assistance has been channeled through regional programs and institutions including the OECS, CDB, CARDI, CLI, CEHI, CAREC, CARILEC, ECODEF, and UWI. Table 4 provides a summary of A I D 's assistance to the EC by country through FY 93. Grenada has been the largest recipient of aid followed by St. Lucia and Dominica. Antigua received the least assistance of the six EC countries.

Since 1978 A I D loans and grants to the region have amounted to more than \$ 600 million. Between 1984 and 1993 alone, A I D provided approximately \$ 359 million in assistance. In the mid-80's the Mission had a staff of over 120 people. Since that time the program has diminished. Though the portfolio is valued at \$ 236 million, the Mission's program expenditures for 1993 were just \$ 11.75 million. Currently there are 66 FTEs in the Mission. The RDO/C is in the process of "rightsizing" and will be phased out by mid-FY 96. The Mission faces three special problems at this time: (1) Maintaining projects designed in the mid-Eighties that are out of the mainstream of current strategic objectives and channeled through weak regional institutions, (2) Effectively managing projects are spread out over 5 to 11 islands, and (3) Simultaneously trying to close down one mission (RDO/C) while preparing to build up another (Guyana) with diminished staff resources.

CARIBBEAN STRATEGY
Table 4 AID 's Assistance to the Eastern Caribbean
by Country Attribution
Estimated Economic Assistance
(Estimated \$000)

	CUM Thru FY88	FY1989	FY1990	FY1991	FY1992	FY1993	TOTAL
ANTIGUA	33 489	2 526	2 031	2 402	2 245	1 431	44 124
DOMINICA	32 992	5 261	4 238	4 254	4 648	1 843	53 236
GRENADA	116 350	5 088	5 985	2 572	3 551	1 436	134 982
ST KITTS/NEVIS	34 993	3 780	2 873	2 239	2 433	1 421	47 739
ST LUCIA	47 505	3 870	3 327	3 217	3 608	1 769	63 296
ST VINCENT	34 689	4 364	3 065	2 591	2 580	1 428	48 717
BARBADOS	12 336	2 029	1 752	1 365	0 813	0 620	18 915
DEPENDENCIES	12 277	1 364	2 554	1 427	1 203	0 669	19 494
RDO	12 134	0 356	0 750	0 749	0 464	1 089	15 542
OTHER	0 757	0 502	0 334	0 591	0 198	0 044	2 426
TOTAL E C	337 522	29 140	26 909	21 407	21 743	11 750	448 471

Note Dependencies are Montserrat, Anguilla, Turks and Caicos
RDO (Regional Development Office Project Development and Support)
Other includes EC countries other than above

From 1988-92 RDO/C implemented a strategy in the Eastern Caribbean that focused on strengthening democratic institutions, supporting private sector market and trade development and strengthening human resource management. RDO/C's current program has just two strategic objectives: increased and diversified trade and improved natural resource management. There were 20 active projects in 1993, these will decline to two by 1997. Projects focused broadly on economic growth constitute 67 per cent of the Mission's portfolio. Environment and population/health projects each constitute roughly 10 per cent of the portfolio. Several major projects, including a \$20 million portfolio in population/health and a \$20 million Basic Needs Trust Fund which has generated jobs on 11 Eastern Caribbean islands building basic social and economic infrastructure, fall outside of the mission's strategic framework.

The Trust Fund provides a good example of a successful alternative approach to providing assistance. The Fund has not only attracted additional ("matching") resources from other donors and the EC governments served by the project, it also requires little USAID management or oversight. A I D negotiated a grant agreement with the CDB for \$19.7 million which has full responsibility for implementing the project. The CDB in turn has funded over 235 community-oriented projects ranging in size from \$50-500,000.

Approximately 20 per cent of the RDO/C portfolio is being implemented by NGOs and PVOs. It is expected that a variety of PVOs and NGOs (local, regional and international) will continue their involvement with population, small enterprises, drug abuse prevention/education, infrastructure expansion and maintenance, regional management training and the environment after the formal projects are completed. The mission has worked hard to assure the sustainability of a number of interventions carried out under key projects by PVOs and NGOs after phase out in FY96. These organizations would be good candidates for partnership arrangements and/or for receiving funds from a foundation to carry on their work.

3 Belize

While Belize received some DA grants during the late Fifties and early Sixties, A I D's development assistance program really began in earnest in 1983. In 1985 Belize received \$22.5 million more than half of which was for ESF loans. By 1993 Belize's assistance had declined to \$4.8 million. Late in 1993 it was announced that the Mission would be closed by the end of FY 96 as a part of A I D's "right sizing" efforts. There will be no new project starts in FY 94 and staff reductions will continue. At the end of FY 93 there were 33 FTEs in USAID/Belize.

In the early years Belize's program focused on agriculture and private sector development. Health, education and roads projects were also a part of the portfolio. Currently the Belize program is focused on two strategic objectives: Improved Use of Natural Resources and Government's Fiscal Resources Improved. As of September 1993, the Mission had 6 active projects. There are two projects under the first strategic objective, one focused on Natural Resource Management and Protection and the other on Tourism Management. Both projects include participant training. The main project under the second strategic objective is the

Development Training Scholarship project Other projects include Rural Access Bridges, Drug Awareness/prevention Education, and Central America Peace Scholarships

Institutional strengthening of both public and private sector institutions has been a hallmark of the USAID/Belize program over the last decade The mission has had close cooperation with a number of ministries in Belmopan and has provided a variety of technical assistance, in coordination with other donors, to supplement and improve the technical and managerial capacity of these entities In one case, USAID/Belize helped to establish a new ministry -- the Ministry of Tourism and the Environment -- to assist the government in developing a framework for balancing the expansion of tourism with the need to simultaneously protect the environment on which it depends Similarly, the mission has forged intentional relationships with a number of international NGO's, particularly in the environment area (e g , World Wildlife Fund and Audubon), as part of an effort to nurture and support indigenous NGOs in Belize Additionally, USAID programs have supported the development of numerous successful private sector organizations including the Belize Chamber of Commerce & Industry, the Belize Institute of Management, the Belize Tourism Industry Association and the Belize Export and Investment Promotion Unit among others This A I D investment in strengthening local institutions has positioned Belize well for future cooperation on a peer basis with private institutions in the U S and elsewhere

Currently, Belize's contracting support is handled by USAID/Guatemala and this arrangement is expected to continue as the Mission is phased out The Controller and Legal Advisor support are provided from USAID/Honduras Moreover, while Belize participates in and benefits from a number of Caribbean regional organizations it is increasingly linked economically with the Central American region In the future it can strengthen its links in both directions As an "almost graduated" country Belize would be a solid candidate for participation in a Caribbean regional program focused on the environment and funded through a foundation or trust fund In the short term, this would help to safeguard A I D 's investment by providing some limited resources to continue to strengthen local, private sector institutions It is also poised to participate in economic and tourism integration programs in Central America

4 Dominican Republic

The Dominican Republic has received development assistance from the U S continuously since 1952 though its full-blown program actually began in 1962 It is a very experienced, seasoned program which has enjoyed considerable success in some areas in recent years, particularly at the policy level and in work with PVOs Assistance to the DR has gone up and down several times during the last three decades Between FY 89 and the end of FY 93 USAID/DR cut its pipeline in half By the end of FY 93, the DR had a program of roughly \$ 22 million with 18 active projects There were 97 FTEs, 76 per cent of whom were FSNs

USAID/DR has four strategic objectives Increased and Diversified External Trade, Increased Socio-Economic Participation of the Lower Income Groups, Increased Availability of Water Needed for Sustained Economic Development, and, Participatory Democratic Reform

In terms of the DR's program "fit" with the Agency's Strategic Program Areas, nearly 50 per cent of USAID/DR's portfolio is focused on economic growth, roughly a third on population and health. Less than 5 per cent of the Mission's LOP relates to environment projects and this area may be dropped in the near future. Four new projects have recently been initiated in trade, electricity, family planning and electoral reform. The Mission's portfolio in economic growth has a strong equity emphasis, and through its highly participatory approach to project design and implementation, the Mission has achieved significant gains in this area. Projects in this area focus on economic policies to reduce poverty and increase economic growth and employment, macro economic reforms to reduce inflation and encourage market-oriented policies, public education on economic policy, trade policy, electrical energy restructuring, microenterprise credit development training, and primary education. The mission's population/health projects have had significant success in increasing access to contraceptives and reducing infant mortality. Activities in the area of democracy are setting the base for broader reforms by encouraging the DR's socially conscious private sector groups to take the lead in pushing for democratic reform.

As a result of A I D 's long term and in-depth presence and its strong participatory approach to development projects in the country, A I D has enjoyed considerable success at the policy level. Like USAID/Belize, USAID/DR has worked hard to involve and nurture a large variety of indigenous, private sector organizations. As a result a strong private sector has developed including a large cadre of indigenous PVOs and other private organizations which have received funds from A I D for numerous local projects. Currently, 80 per cent of the Mission's projects are implemented through NGOs. A I D 's efforts to "empower" these local groups has paid off in terms of strong grassroots organizations which in turn have fostered and supported democratic goals and objectives.

USAID/DR currently has its own Controller and Contracting Officer who also handles Jamaica and Haiti.

5 Guyana

The U S has provided DA and/or food loans and grants to Guyana almost continuously since 1955. However in 1984 all assistance was cut off and the mission presence terminated. In 1985 A I D resumed its food program and there has been a gradual increase in the PL480 program since that time. The Title III program is currently managed by a USPSC and two FSNPSCs in Guyana with oversight from RDO/C. In 1993, the country received nearly \$11 million in assistance, seventy per cent of which was PL 480 Title III. Additional resources were provided for ESF purposes and for a very small agriculture sector program.

Since elections were held in 1992, very serious consideration has been given to expanding A I D 's presence in the country including opening a small mission to coordinate A I D 's bilateral program. Consideration has also been given to having a new USAID/Guyana serve as a regional base for maintaining A I D 's connections to the OECS countries as well as to regional organizations (e.g. CARICOM). A I D has four new projects plus a multi-year PL480 Title III program on the "drawing board" for FY 94 and FY 95. The new projects respond to

three of A I D 's strategic program areas building democracy (democratic initiatives and legal reform projects), economic growth (business environment enhancement project) and environment (forestry and natural resource management project) All of these proposed projects would provide assistance to improve the policy and regulatory environment in each of their areas They would also support efforts of other donors, particularly the World Bank, and seek to leverage resources It is expected that both outside contractors or agencies as well as local institutions would be used for project implementation A small mission staff would provide oversight and monitoring of the projects

The new Title III program will assist Guyana in the adoption and implementation of a policy reform agenda that will help to sustain agricultural development, broaden economic growth prospects and contribute to improvements in food security and nutrition It is designed to assist farmers to respond more vigorously to the improved structure of incentives in agriculture

6 Haiti

Haiti began receiving assistance from A I D in 1952 An ambitious development program has been extant since 1972 utilizing large DA grants and a PL480 program to attack the country's poverty Significant ESF grants began in 1983 Following the September 1991 coup, USAID/Haiti's program was fully suspended though ongoing humanitarian programs implemented through PVOs were permitted to continue In 1993 Haiti received \$ 102.4 million in assistance, roughly 61 per cent of A I D 's Caribbean portfolio As of the end of FY 93, the Mission had 20 active projects with an authorized LOP value of \$ 258.6 million Of that number 18 projects have been fully or partially reactivated As of the end of FY 93 there were 126 FTEs in the mission, 81 per cent of whom are FSNs

The portfolio has three principle objectives Protecting and Developing Human Resources, Promoting Sustainable, Private Sector-led, Equitable Economic Growth, and Strengthening Public and Private Democratic Institutions In terms of strategic "fit", roughly 50 per cent of project funds are focused on population and health activities, nearly 30 per cent are targeted on efforts to promote economic growth Projects which support the environment and democracy each constitute roughly 12 per cent of the portfolio Haiti has a very large ESF program (\$44 million) and the largest PL480 program in the region

The post-coup strategy has consisted of direct feeding and health programs, a modest agricultural and private sector program and activities to support the restoration of democracy and enhance judicial reform Activities within this strategy have included assistance for local food and seed production, efforts to strengthen health care delivery systems, support for microenterprise development, protection of Haiti's watershed, community self-help projects and the promotion of effective legal and democratic systems and institutions

As is well-known, Haiti is facing multiple internal crises The resumption of A I D 's full program will have to await some clarity in terms of the political stability of the country

Meanwhile, Haiti is classified as a "transitional" or "humanitarian" country that is hopefully on its way to Sustainable Development during the next few years. With the restoration of a constitutional government in Haiti the focus of USAID's program will shift from a purely PVO-supported humanitarian assistance program to a broad-based development program.

7 Jamaica

Aid flows to Jamaica began in 1956 and with a couple of exceptions remained at low levels until 1977. Since 1977 Jamaica has received more than \$ 1.2 billion in assistance. Aid flows reached a high of \$155 million in 1985. In recent years funding levels have dropped considerably. In FY 93 Jamaica received just \$16.9 million in assistance. As of the end of FY 93 USAID/Jamaica was managing a portfolio of 16 projects. Further reductions are planned for FY 94 and 95. As of the end of FY 93 there were 92 FTEs in the mission.

This portfolio has three Strategic Objectives: Increased Foreign Exchange Earnings and Employment, Improved Environmental Management and Natural Resource Protection, and Healthy, Smaller Families. Other Mission concerns include projects in agriculture, basic education, drug abuse and prevention, shelter and sustainable justice reform. Nearly 60 per cent of the Mission's project funds are targeted on the first Strategic Objective. In terms of strategic "fit" 54 per cent of USAID/Jamaica's program are targeted on economic growth projects. Population/health and environment activities each constitute 18 and 20 per cent of the portfolio respectively.

The mission's most important contributions have included (1) helping Jamaica to stabilize its economy, (2) increasing its exports and employment in selected sectors, (3) initiating important efforts to protect its natural resource base, and (4) continuing to move toward a more sustainable health system with improved family planning and HIV prevention efforts.

Annex 2

The Economic and Social Context Indicators for the Region

The Caribbean region is characterized by great diversity in terms of culture, language, heritage, economic status and growth prospects, health and education indices and legal and political systems. Population in these countries range from a low of 40,000 in St. Kitts/Nevis to more than 7 million in the Dominican Republic. Collectively the 11 countries in the region which have been directly served by the five bilateral USAID Missions have 17.9 million people, or roughly the same number of people as Sri Lanka or Uganda. It is a region of contrasts. Yet the countries share common problems associated with their small island status.

Most of the economies have been highly protected, import-dependent and, with the exception of Jamaica and the Dominican Republic, largely undiversified with single crop agriculture and/or tourism as primary foreign exchange earners. The growth of their economies are dependent on well-managed and sustainable environmental resources. They are also subject to the whims and vagaries of the global economy. Infrastructure costs are high. Most, if not all, of these countries have become largely dependent on external flows. Yet as ODA falls, preferences erode and terms of trade deteriorate, economic growth may slow and the social and political fabric of these countries could become more vulnerable. The delicate physical environments are more sensitive than most to the pressures of industrial development pitting "growth" against "environmental protection". Aside from the fact that these countries are in the "back yard" of the U.S., their geo-political significance is relatively minor. Moreover as Cuba becomes more of a factor over the next three to five years there will be a significant impact on the economies of these islands, though the magnitude and timing of that impact is not yet clear.

With the exception of Guyana, the most populous countries are the poorest, the least populous, the richest. Yet, one of the poorest in GNP terms (the DR) is one of the "richest" in institutional terms due to the solid network of NGO's which have assumed responsibility for many of the AID-sponsored projects. It is also the largest Caribbean economy. The region offers a "laboratory" for developing workable, alternative approaches for the three types of countries on which AID now intends to target its resources.

The paragraphs below summarize the economic, social and institutional indicators for the region. On a strictly "numbers" basis, the countries are doing reasonably well relative to other developing countries around the world though the benefits of development are certainly not equitably distributed, particularly in the larger countries. Moreover, local institutions are generally weak and there is a shortage of skilled managers and technicians. However, as discussed in Chapter II, with a few exceptions, most of the countries in the region with which AID has had a primary relationship qualify now as "more developed countries" (MDCs) and can move into new program and management relationships with AID. The Agency's challenge is to develop an effective program with increasingly few resources for these diverse countries.

1 Economic indices

The traditional economic index, GNP per capita, is relatively high (near or above US\$ 2000) for more than half of the 11 countries with which A I D works directly (See Figure 2) The Eastern Caribbean countries have the highest GNP per capita, Haiti, Guyana and the DR the lowest Real GDP patterns are similar Though complete statistical data is not available for the smaller Caribbean countries is it clear that the distribution of income is uneven, particularly in the larger countries For example, UNDP data for Jamaica indicates that the lowest 40 per cent of households received only 15 per cent of the income

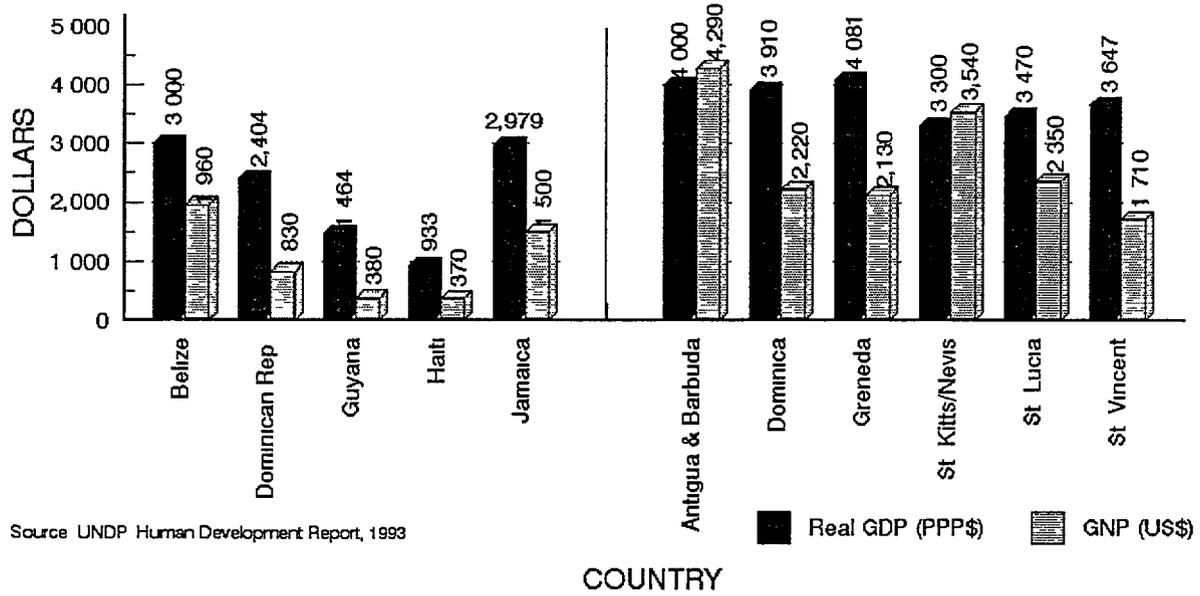
The macro economic picture for the region is not so rosy Net resource flows to the region were negative in 1992, domestic savings are small, international trade agreements are eroding preferences and investment is gradually being lured elsewhere Those countries dependent on preferential trade and investment arrangements provided by the U S , Canada and the EEC are concerned about the impact of recent trade agreements (NAFTA and GATT) that will gradually dismantle protection to their agriculture (especially bananas and sugar) and other commodities While high assistance levels in the past helped to cushion the impact of adjusting to a rapidly changing world economy some countries have not adapted fast enough Many of the countries in the region need to improve the climate for investment, increase domestic savings and expand their base for exports Trade and tariff reform are crucial

The recent passage of NAFTA will have an impact on the vulnerable Caribbean economies probably negative, at least in the short term CBI leaders argue that the still-fragile economies in the region are already losing market share and investment to Mexico and have asked for NAFTA-equivalent benefits The sectors in which the Caribbean countries are the most vulnerable are non-traditional agriculture (orange juice, cigars and certain melons) and apparel NAFTA will allow Mexico to compete on equal terms with CBI countries in the first sector and give it important new advantages in the second On the other hand, the NAFTA vote may allow for a rationalization of economic assistance to the region At a minimum it might force more serious consideration and action by the Caribbean countries, particularly in the Eastern Caribbean in the area of regional integration and trade liberalization A "transition arrangement" might be negotiated which requires specific reforms and two-way free trade in return for special trade benefits

At bottom, the future of regional cooperation depends on the Caribbean countries agreeing and acting upon the common "threat" to their economic health that obviously exists The countries need to liberalize and harmonize trade, investment, foreign exchange and regulatory regimes rapidly in order not to lose what competitiveness exists They need to improve the environment for private investment A I D has played a role in these areas and can continue to do so in the future, even in an era of scarce resources, by providing discrete interventions and support to those countries which take the initiative to make needed changes

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**Figure 2 Purchasing Power Parity Per Capita and
GNP Per Capita (1990) for Selected Caribbean Countries**



Overall the 11 countries in the Caribbean region have experienced slow economic growth since 1989 There was a marginal improvement in real GDP growth rate from 2.5 per cent in 1991 to 3.03 per cent in 1992. The economies of the Dominican Republic, Guyana, St. Kitts and St. Vincent had the strongest growth rates ranging from 5 to 7 per cent in 1992. This improved performance was in part due to key reforms. However, overall the countries in the Caribbean, which account for less than 3 percent of the total GDP in Latin America, performed poorly in comparison with the region as a whole. The slower economic growth in recent years can be attributed in part to the slow down of business in other parts of the world, especially North America, which impacted directly on areas such as tourism, a primary source of foreign exchange earnings for many countries in the region.

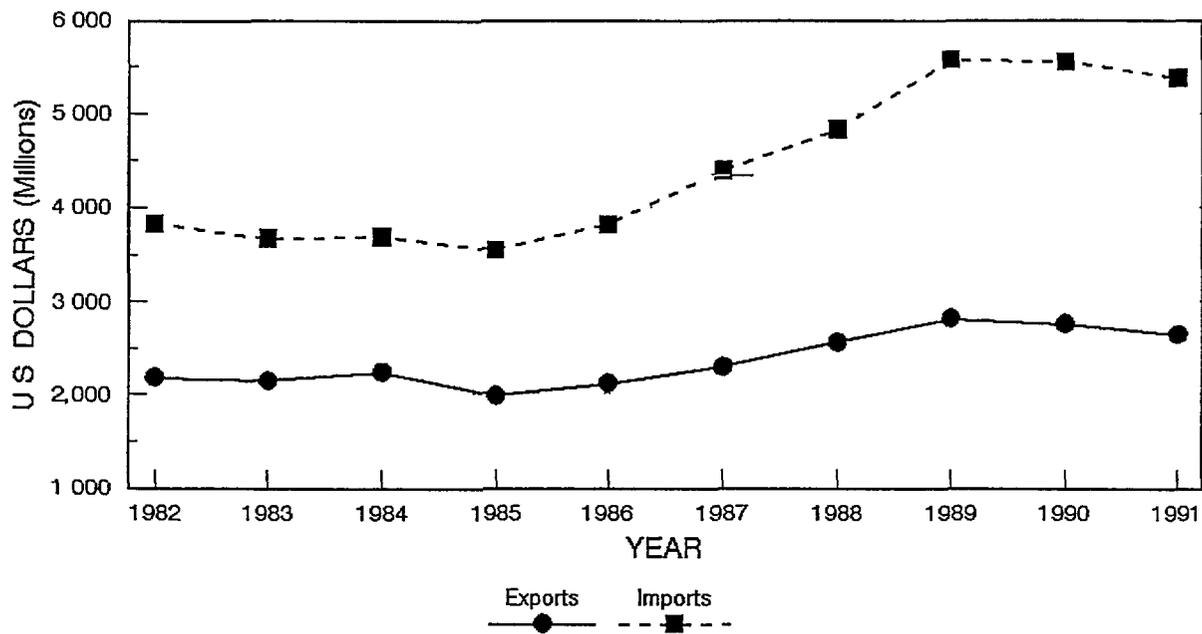
The patterns of imports and exports in the region for the period 1982 to 1991 can be seen in Figure 3. Overall the Caribbean economies have had a weak export performance over the last 20 years. From 1985 to 1989 exports rose gradually then declined. During this period imports, however, rose dramatically before leveling off from 1989 to 1991. This is a direct result of a deterioration in the terms of trade and a weak demand in major world markets for many of the products produced by the countries in the region. Imports to the region increased from US\$ 3,832 million in 1982 to US\$ 5,377 million in 1991, a 40 percent increase in import costs. Exports, on the other hand, increased only 21 per cent from US\$ 2,189 million in 1982 to US\$ 2,648 in 1991. Both imports and exports declined from 1989 to 1991. This trend is likely to continue due to slower economic growth worldwide and the impact of recent trade agreements (NAFTA and GATT) on the region. Figure 4 shows trends in the exports of two important commodities -- banana and sugar -- for the period 1978 to 1990. While there has been a solid increase in income from banana exports, the revenues from sugar have declined sharply since 1980.

The U.S. is the region's most significant trading partner. From 1985 to 1992, U.S. imports from the selected countries increased 184 per cent from \$1,792,383 to \$3,305,883. U.S. imports from the DR and Grenada had the highest annual growth rates during this period, imports from Antigua, Dominica, Haiti and St. Vincent showed significant declines in annual growth rates. During this same period U.S. exports to Dominica increased more than 10 fold while exports to Belize, the D.R., Guyana and Jamaica doubled or tripled. Exports to Haiti dropped more than 50 per cent during this period.

Tourism also has been a major foreign exchange earner for most of the countries in the Caribbean. Figure 5 portrays the dramatic increase in tourism receipts from 1978 to 1990. Most of the countries with which A.I.D. works have experienced between a four and ten fold increase in income generated from the tourism industry. While these trends are likely to continue in the near term, if Cuba opens up for the American tourist trade there could be a significant impact on a number of the Caribbean islands currently dependent on this source of revenue. Even without competition from Cuba the countries that rely on tourism are vulnerable. The ups and downs of the global economy combined with the whims of the tourists themselves make tourism less than a reliable source of income for the long haul.

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Figure 3 Exports (F O B) from and Imports (C I F) to Selected Caribbean Countries (1982 to 1991)

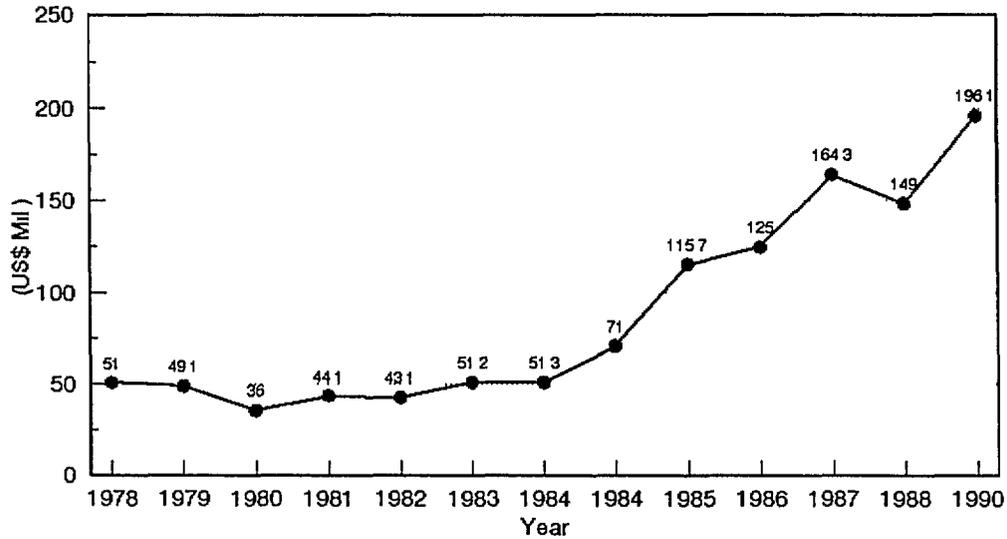


Source U.S.A.I.D. Latin America and the Caribbean Selected Economic and Social Data 1993

CARIBBEAN STRATEGY

Figure 4 Trends in Banana and Sugar Exports for Selected Caribbean Countries, 1978 - 1990

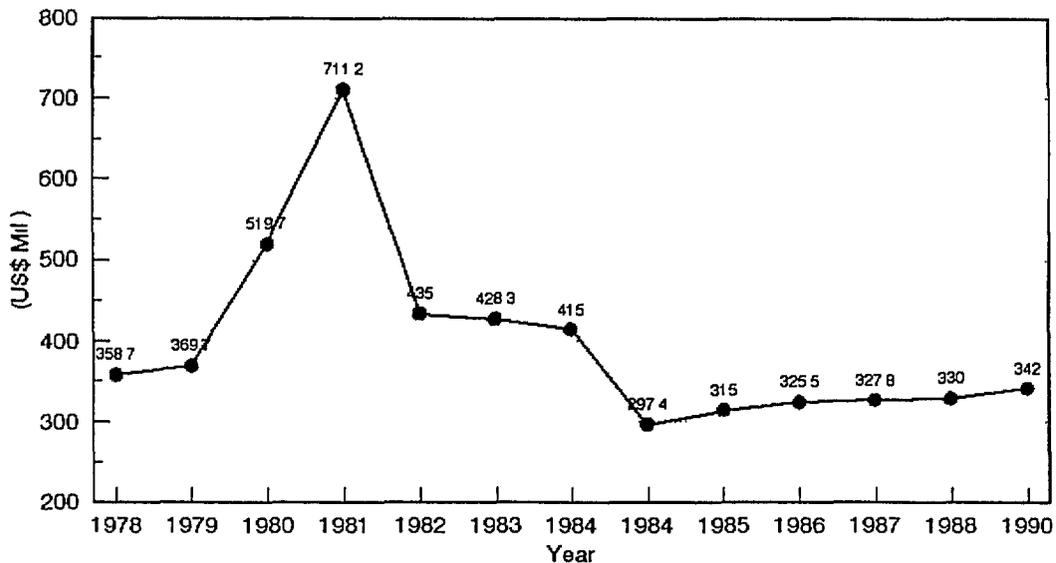
A Banana



Source: USAID Latin America and the Caribbean Selected Economic and Social Data, 1993

Note: countries exporting banana are Belize, Dominica, Grenada, Jamaica, St. Lucia & St. Vincent

B Sugar

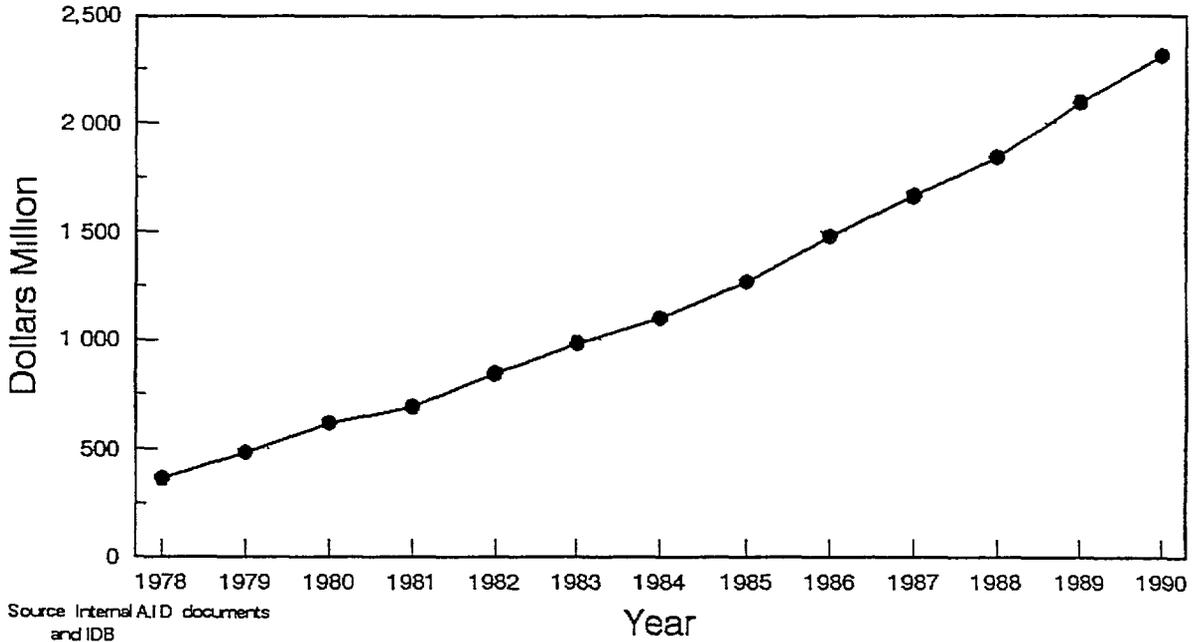


Source: USAID Latin America and the Caribbean Selected Economic and Social Data, 1993

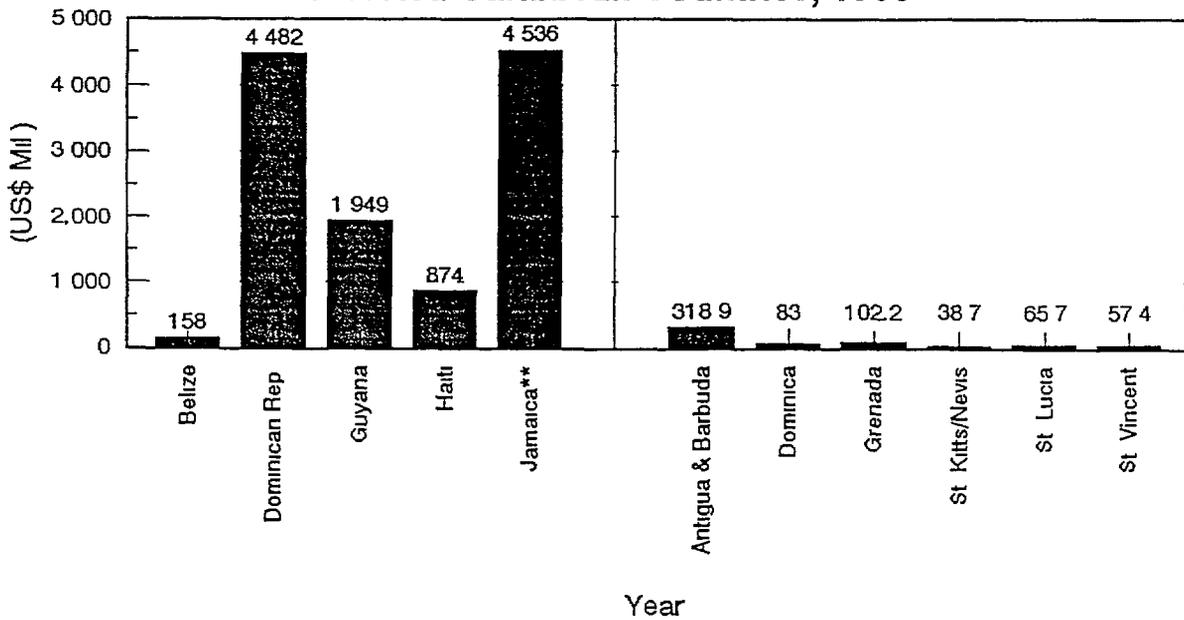
Note: countries exporting Sugar are Belize, Dominican Rep, Guyana, Haiti, Jamaica, St. Kitts/Nevis

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**Figure 5 Gross Tourism Receipts from 1978 to 1990
Selected Caribbean Countries**



**Figure 6 External Debt Outstanding for
Selected Caribbean Countries, 1990**



Source: USAID Latin America and the Caribbean
Selected Economic and Social Data 1993
Note: **Debt Outstanding for Jamaica is the 1989 figure

The total outstanding external debt for selected Caribbean countries and debt as a per cent of exports are shown in Figure 6 and Table 9 (in Chapter II) Jamaica and the DR have the highest debts overall Guyana, however, has the highest debt service ratio as a percent of exports, 122 percent The DR, Jamaica and Grenada also have relatively high debt service ratios of 33, 32 and 26 per cent of exports respectively

As Figure 7 indicates, U S direct investment in the selected Caribbean countries has increased from \$ 602 million in 1982 to \$ 1 3 billion in 1991 The two countries which have received the most investment are the DR and Jamaica both of which experienced very significant increases from 1989 to 1991 With the exception of Antigua and Barbuda available data indicates that direct investment in the Eastern Caribbean countries has been consistently small

Inflation in the region is much lower than the rest of Latin America The Dominican Republic experienced relatively moderate inflation in 1992 Jamaica and Haiti had a higher inflation rate, over 20 percent in 1992 Sharp devaluation of the dollar, monetization of capital flows and an expansionist fiscal policy were the main reasons Jamaica's 1992 inflation rate increased 26 percent above the 1991 level

The current account balances of the region's economies improved in 1992 except in the Dominican Republic and Haiti This improvement may be due more to the weak demand for imported goods than the strong performance of exports

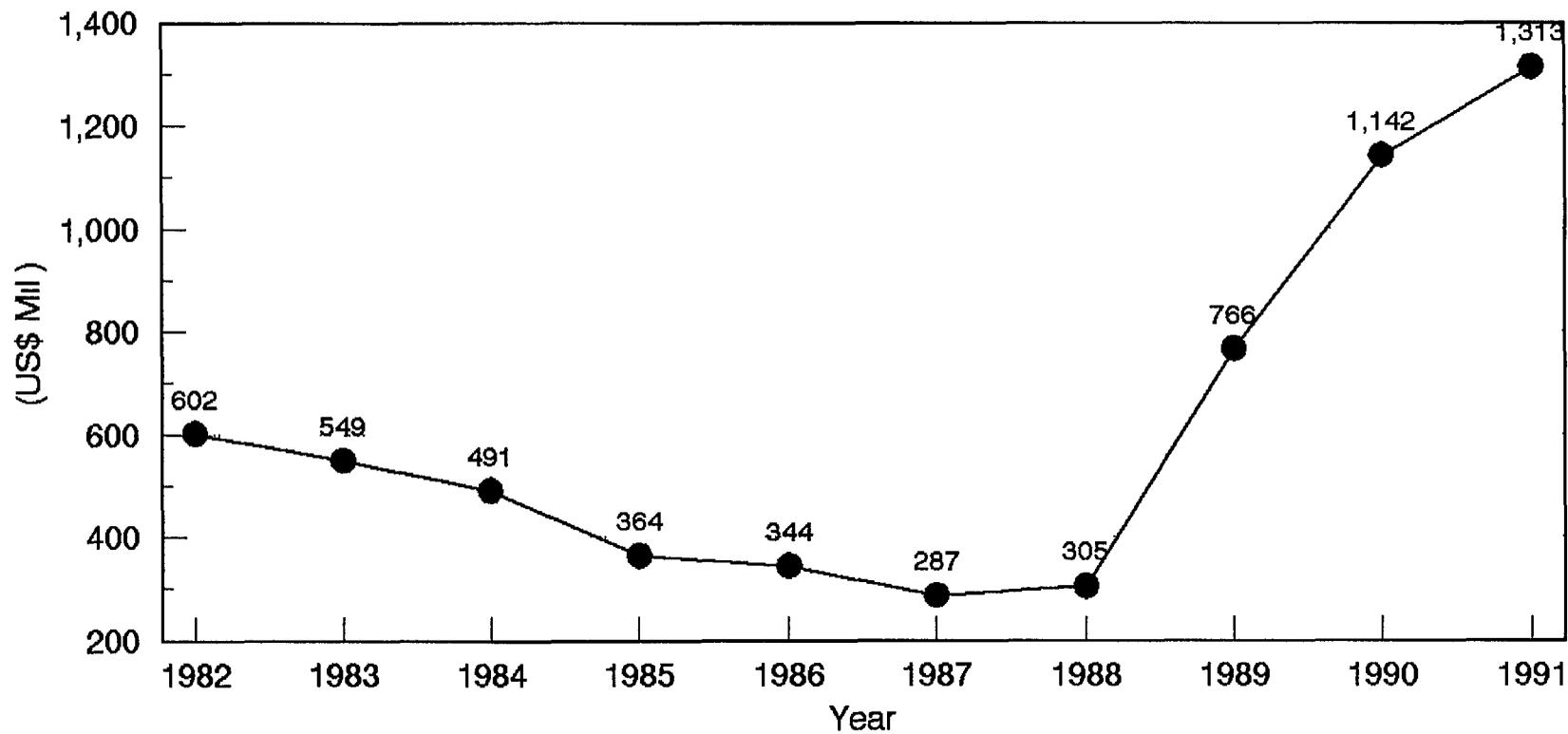
2 Social indices

Social indicators of development show that the countries in the Caribbean region have made considerable progress in recent years This is evident in some broad measures of well-being such as the Human Development Index (HDI), literacy, life expectancy, infant mortality and population growth rates On the other hand, shortages of human capital as well as institutional deficiencies are serious constraints to growth at least in the short term

HDI is best seen as a measure of people's ability to live a long and healthy life, to communicate, to participate in the life of the community and to have sufficient resources to obtain a decent living When ranking countries in the region by HDI (Figure 8) for 1991, Dominica ranked first (HDI = 0 783) followed by Antigua and Barbuda (HDI=0 781) Guyana and Haiti ranked 10th and 11th out of the 11 countries analyzed with a HDI of 0 593 and 0 276 respectively Other social indicators reveal the progress that has been made in improving the daily lives of the people in the region Adult literacy in the region (Figure 8) is high at over 90 percent for all countries except St Vincent, Dominican Republic and Haiti Jamaica ranked highest with a literacy rate of 99 percent while Haiti was ranked lowest with 53 percent However the countries rank differently when considering the primary completion rates for 1992 St Lucia had the highest primary completion rate of 92 percent followed by St Vincent with 90 percent Belize Guyana, Jamaica, Dominican Republic had completion rates of only 88, 71,

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Figure 7 U S Direct Investment Position in Selected Caribbean Countries, 1982 - 1991



Source USAID

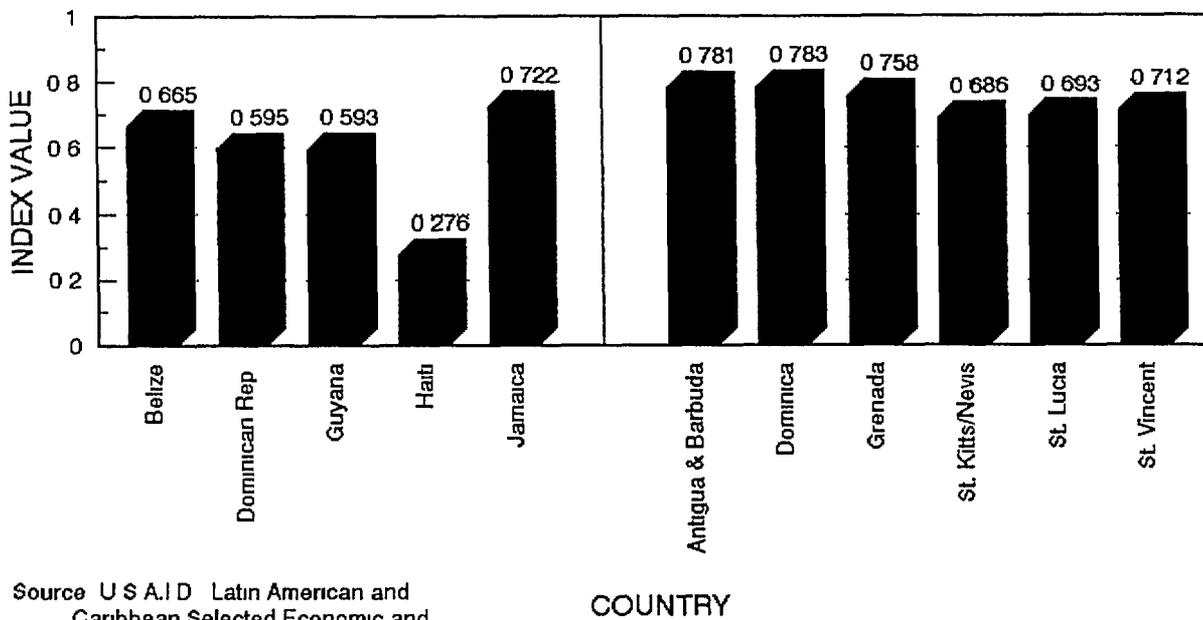
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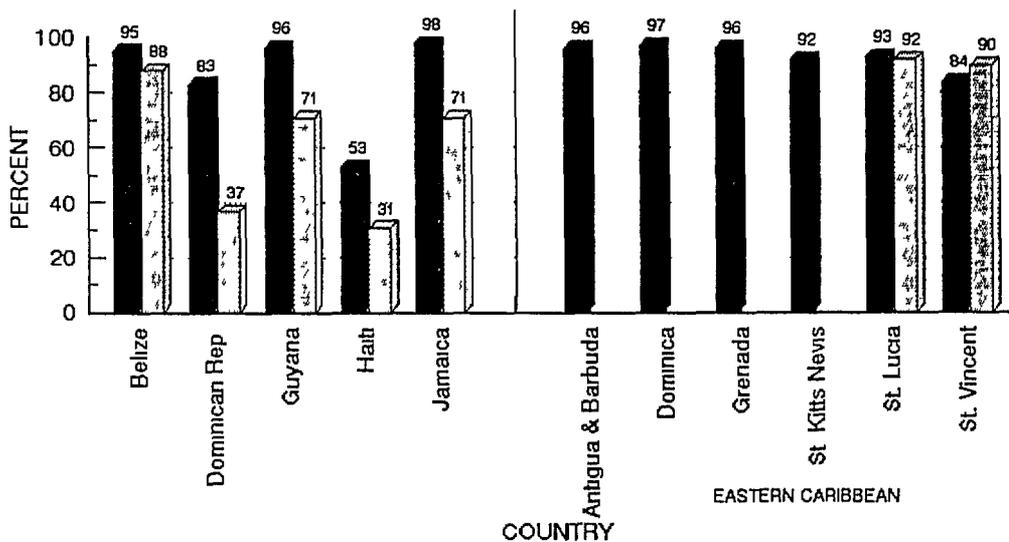
Figure 8 Social Indicators for Selected Caribbean Countries

A Human Development Index (HDI) 1991



Source U.S.A.I.D. Latin American and Caribbean Selected Economic and Social Data, 1993

B Adult Literacy Rate Primary Completion Rate



■ Literacy Rate (1990) □ Primary Completion Rate (1992)

Source UNDP Human Development Report, 1993 and U.S.A.I.D. Latin America and the Caribbean Selected Economic and Social Data, 1993

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71, and 37 percent respectively. Again, Haiti had the lowest primary completion rate of 31 percent. Data was not available for the other Eastern Caribbean countries being considered in this analysis.

As noted above, the total estimated population for the 11 A I D countries in 1991 was 17.9 million (Figure 9). The DR and Haiti have the largest populations with 7.3 and 6.6 million respectively, Jamaica has roughly a third of the population of these two countries at 2.5 million. The collective population of the six Eastern Caribbean countries is slightly more than 500,000. St. Lucia is the most populous of these small islands with 150,000 people, St. Kitts is the smallest with a population of 40,000. The population growth rates for most countries in the region are relatively low (See Figure 9). In terms of population density, in 1991, St. Vincent was the most densely populated country with 2,769 followed by Grenada (2,676 per 1000 hectare) followed by Haiti (2,402), Guyana (41) and Belize (85) have the lowest population density in the region.

Some health indicators for the region are shown in Figure 10. Life expectancy in the region averages nearly 70 years with the exception of Haiti which had a life expectancy at birth of 55 years. Infant mortality rates in 1990 varied dramatically between countries. Rates were lowest (between 16 and 22 per 1000) in the Eastern Caribbean and Jamaica, though in St. Kitts and Grenada they were almost twice as high. Haiti (95), the DR (65), Guyana (51) and Belize (45) had the highest rates of infant mortality. With the exception of Grenada, Guyana and Haiti, all countries had achieved an immunization rate of 60 per cent or higher for Measles and DPT. St. Vincent and Dominica had the highest rates at 92 and 85 per cent respectively. All countries, except Haiti, had a daily calorie intake exceeding 2500.

There are a number of gaps in the statistical data available on the status of women in the Caribbean. What data is available however indicates that women generally have a longer life expectancy than men. They have roughly the same literacy rate and means years of schooling as men. They constitute between 15 and 42 per cent of the formal labor force though they represent a much larger share of the informal labor market. Women do play a role in politics in many of these Caribbean countries.

3 Institutional indices

A critical factor in determining whether a country can "graduate" in its relationship with a donor such as the U.S. and take advantage of other program mechanisms which minimize A I D involvement and maximize host country responsibility and accountability is the strength of the local institutions and the depth of leadership in the public and private sectors. A I D has given considerable thought to this matter in the past in the context of discerning what constitutes an "advanced" or "more developed country" (ADC or MDC). The problems with traditional criteria for such categories is that they fail to effectively portray more intangible indicators such as indigenous institutional capabilities.

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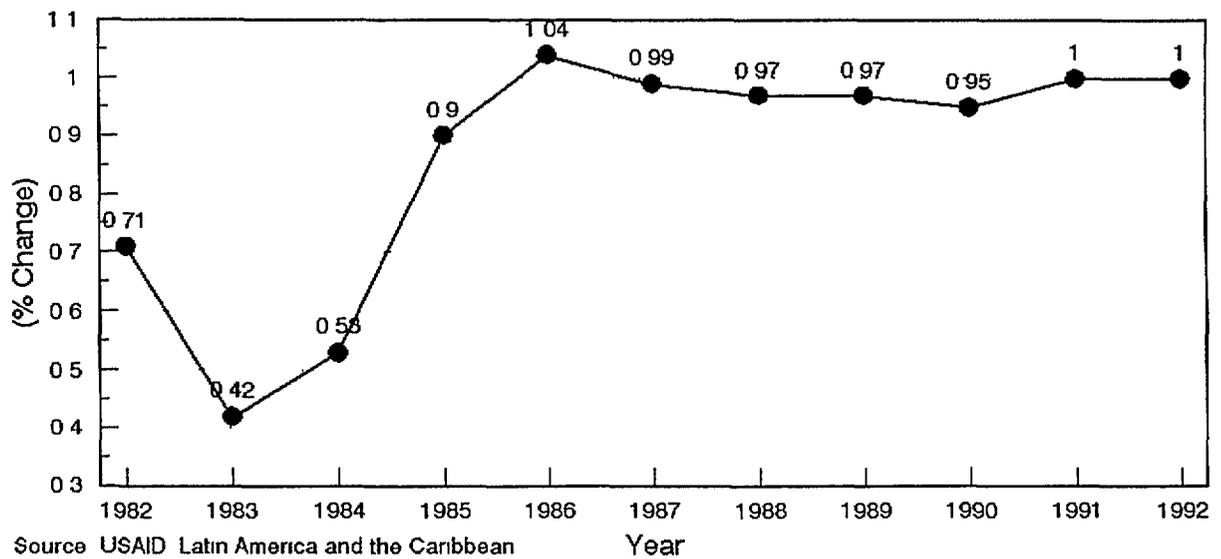
Figure 9 Population and Population Growth Rates for Selected Caribbean Countries

**Population by Country, 1991
(Thousands)**

Country	Population
Dominican Rep	7,343
Harti	6,598
Jamaica	2,485
Guyana	744
Belize	194
St Lucia	149
St Vincent	114
Grenada	84
Dominica	83
Antigua/Barbuda	64
St Kitts/Nevis	40

Source: USAID Latin America and the Caribbean
Selected Economic and Social Data, 1993

Population Growth Rates, 1982 - 1992

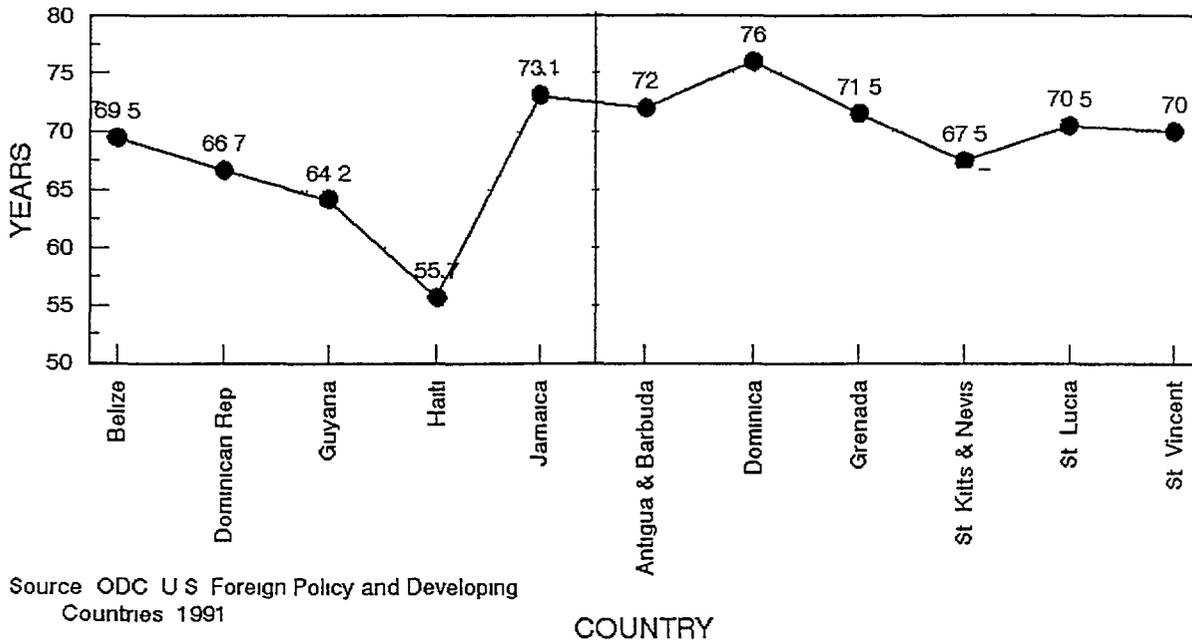


Source: USAID Latin America and the Caribbean
Selected Economic and Social
Data 1993

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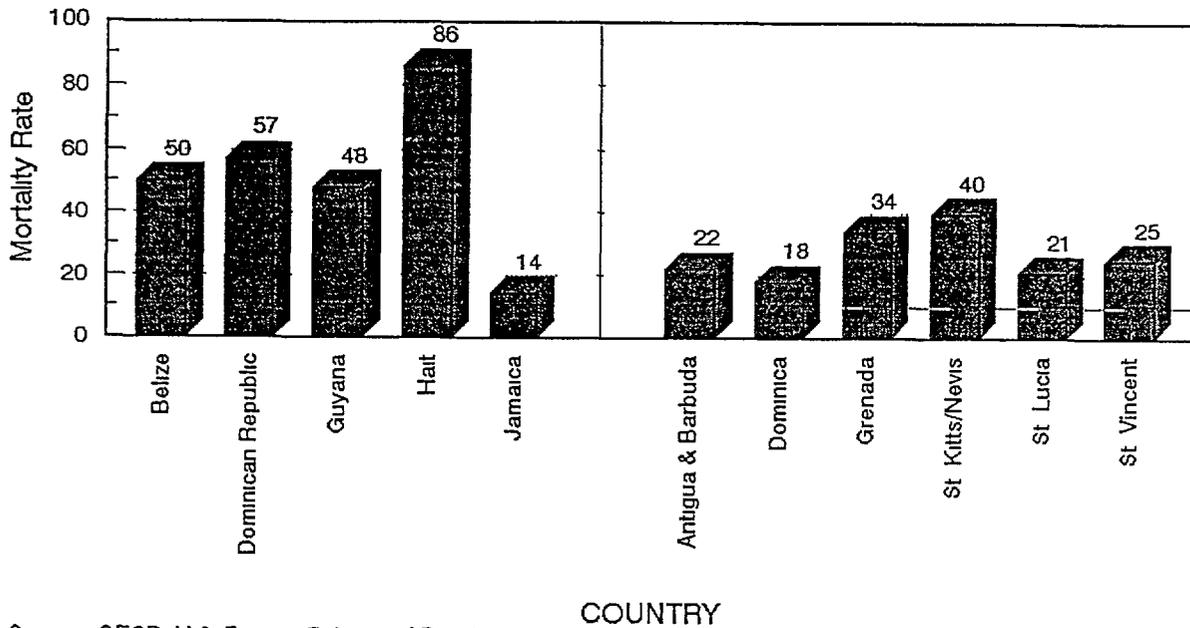
Figure 10 Health Indicators

Life Expectancy at Birth (1990)



Source: ODC U.S. Foreign Policy and Developing Countries 1991

Infant Mortality Rates (1990)



Source: OECD U.S. Foreign Policy and Developing Countries 1991

In the case of the Caribbean, local institutional capacity in both the public and private sectors vary across the islands. While statistics alone do not show the relative strength or weakness of the various public and private sector institutions in these Caribbean countries the figures and tables included here do provide an indication of the institutional base. The general consensus is that while there are quite competent people in many of the top government posts in some of the islands there is little depth in the ministries. Similarly, a number of indigenous private sector organizations, both commercial and voluntary, have grown up in the Caribbean (many with strong links to US PVOs) but there is tremendous variation in their managerial and financial capacities across the region. In many countries, most notably in Guyana, there has been tremendous emigration by the best educated and trained individuals to the U S , Canada and the U K leaving behind those least educated and/or trained to undertake development programs on their own.

While opinions vary, "conventional wisdom" is that Jamaica, the Dominican Republic and St. Lucia have the strongest institutional framework wherein donors can rely on a number of private or public sector institutions as effective counterpart organizations. Grenada, Antigua and Guyana probably have the weakest institutional base. In Belize, the Dominican Republic, Haiti and Jamaica, international and local PVOs manage projects across many sectors including the environment, health and population, agriculture, education, micro-enterprise development and democracy. In these countries there is a base of private organizations which work with "grass roots" community groups and which could benefit from and likely draw upon resources made available via alternative mechanisms.

4 The role and potential of regional organizations

A number of regional organizations receive A I D support and have played a role in the implementation of numerous A I D projects in the region. Table 5 provides a partial summary of these organizations. Most of them have not developed the institutional capacity required to managed large projects independently. In fact, in several recent instances, A I D has transferred management responsibility from a regional organization to U S or international NGOs or PVOs when the regional institution failed to adequately implement the project. On the other hand some institutions such as the CDB, CAREC and UWI have been effective and reliable partners and are candidates for future collaborative efforts with A I D and other donors. With the additional assistance, some of the other regional organizations may also become good partners in future programs.

A major question is the future of CARICOM and its role as a regional institution. In its 20 year history CARICOM has been unable to fully actualize its three objectives of economic cooperation through the Caribbean Common Market, coordination of foreign policy among the member states and the provision of common services and cooperation in such matters as health, education, communications and industrial relations. While new leadership has restored some confidence in the institution and given evidence of setting a new direction, donors (including A I D) are generally wary of relying on it to implement projects. It is viewed as bureaucratically cumbersome, even inept, and, because it is "conflict averse", unable to harness

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Table 5 Regional Institutions Receiving A I D Funding

ORGANIZATION	DATE ESTABLISHED	GENERAL PURPOSE	USAID SUPPORTED ACTIVITIES
Organization of Eastern Caribbean States (OECS)	1981	To promote cooperation and economic integration among member states and to facilitate harmonization of foreign policy	Core funding provided by member countries Considerable financial assistance for OECS activities has been provided by RDO/C Projects include establishment of ECIPS and ECDS, funding to ADCU under TROPRO, to NRMU under ENCORE, and EAS under Caribbean Policy Project
Caribbean Development Bank (CDB)	1969	To mobilize resources for financial and technical assistance to CARICOM member states to contribute to economic growth and development of these countries	Three classes of members (OECD/UK, Canada, Germany, France and Italy), regional non-borrowing (Columbia, Mexico and Venezuela) and regional borrowing (CARICOM) provide resources as do loans and grants from multilateral and bilateral agencies and general reserves The USG, though not a member, has been the single largest contributor to CDB resources Currently RDO/C is providing grant funding under the Basic Needs Trust Fund Project

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Table 5 (Cont d) Regional Institutions Receiving USAID Funding

ORGANIZATION	DATE ESTABLISHED	GENERAL PURPOSE	USAID SUPPORTED ACTIVITIES
Caribbean Agricultural Research and Development Institute (CARDI)	1975	To serve the agricultural research needs of CARICOM member states and to support agricultural development through the generation and dissemination of appropriate technology	Core funding provided by CARICOM member states with additional funding from intl donors. Currently receives funding under two RDO/C agriculture projects
Caribbean Environmental Health Institute (CEHI)	1979	To research and monitor threats to environmental health in such areas as pollution, water quality, ecologically delicate environments such as coral reefs, mangroves, etc, pesticides, beach residues etc	Core funding from CARICOM member states with additional funding from intl donors. Currently being considered for funding under RDO/C's ENCORE project
Caribbean Epidemiology Center (CAREC)		To provide specialized technical resources to assist, advise and cooperate with member governments in the surveillance, prevention, and control of communicable and chronic diseases, program development and performance evaluation	Core funding from the 19 countries in the Caribbean and PAHO. Currently implements the RDO/C funded AIDS Communication and Technical Services Project
East Caribbean Organization of Development Foundations (ECODEF)	1987	To strengthen the capacity of national development foundations in 8 Eastern Caribbean countries to effectively deliver services to the micro and small business sectors	ECODEF is the primary implementing entity for RDO/C's Small Enterprise Assistance Project

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Table 5 (Cont d) Regional Institutions Receiving USAID Funding

ORGANIZATION	DATE ESTABLISHED	GENERAL PURPOSE	USAID SUPPORTED ACTIVITIES
Caribbean Association of Industry and Commerce (CAIC)			CAIC and its affiliates (Chambers of Commerce and Manufacturing Associations) received institutional strengthening assistance under RDO/C Small Enterprise Assistance Project to enable them to effect policy changes favorable to private enterprise development and improve delivery of business-related services
University of the West Indies (UWI)	1962	To serve as the principal university for the Caribbean providing BA, MA and Doctorate level degrees to the CARICOM region, except Guyana	The Cave Hill campus in Barbados is the grantee for four RDO/C projects in management training, leadership development training, justice improvement and the Caribbean Law Institute

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the resources or the political will of its member countries effectively or consistently. If A I D could find ways to build upon the work already initiated by CIDA to further strengthen the institutional capabilities (analytical, managerial and technical) of CARICOM without funding its "pet" projects in the member countries, CARICOM could possibly mature into a respected regional organization on which donors could rely.

Annex 3

Approaches and Programs of Other Donors in the Region

1 Overview

There are a number of bilateral and multilateral donors in the Caribbean. Overall, net external capital flows to the region have been declining since 1981. Figure 11 illustrates this trend for multilateral and bilateral loans and grants and private creditors for the period 1981 to 1990. During this period, net capital flows from all creditors (including private) dropped 68 per cent from 1981 levels of \$1.3 billion to \$429 million in 1990. While official figures are not yet available for 1991-93, sources report that the decline in net external capital flows has continued. During the 1981-1990 period grants from both bilateral and multilateral donors rose 142 per cent overall while net flows from official loans dropped 76 per cent. Flows from private creditors moved in a very negative direction during this period. The Caribbean Group for Cooperation in Economic Development (CGCED) meets regularly to review the situation in the region and to discuss approaches to coordinate and cooperate in the providing resources to the region.

The ODA commitments by purpose as reflected in Table 7 reflect a primary donor focus, in dollar terms, on agriculture. "Technical cooperation" is the second largest area of resource expenditure. The next two most significant sectors are energy and food aid. Table 6 summarizes total and per capita ODA commitments for selected countries. The average per capita ODA commitment is \$63 for the region. Table 8 provides an overview of the per capita ODA commitment by purpose for selected countries.

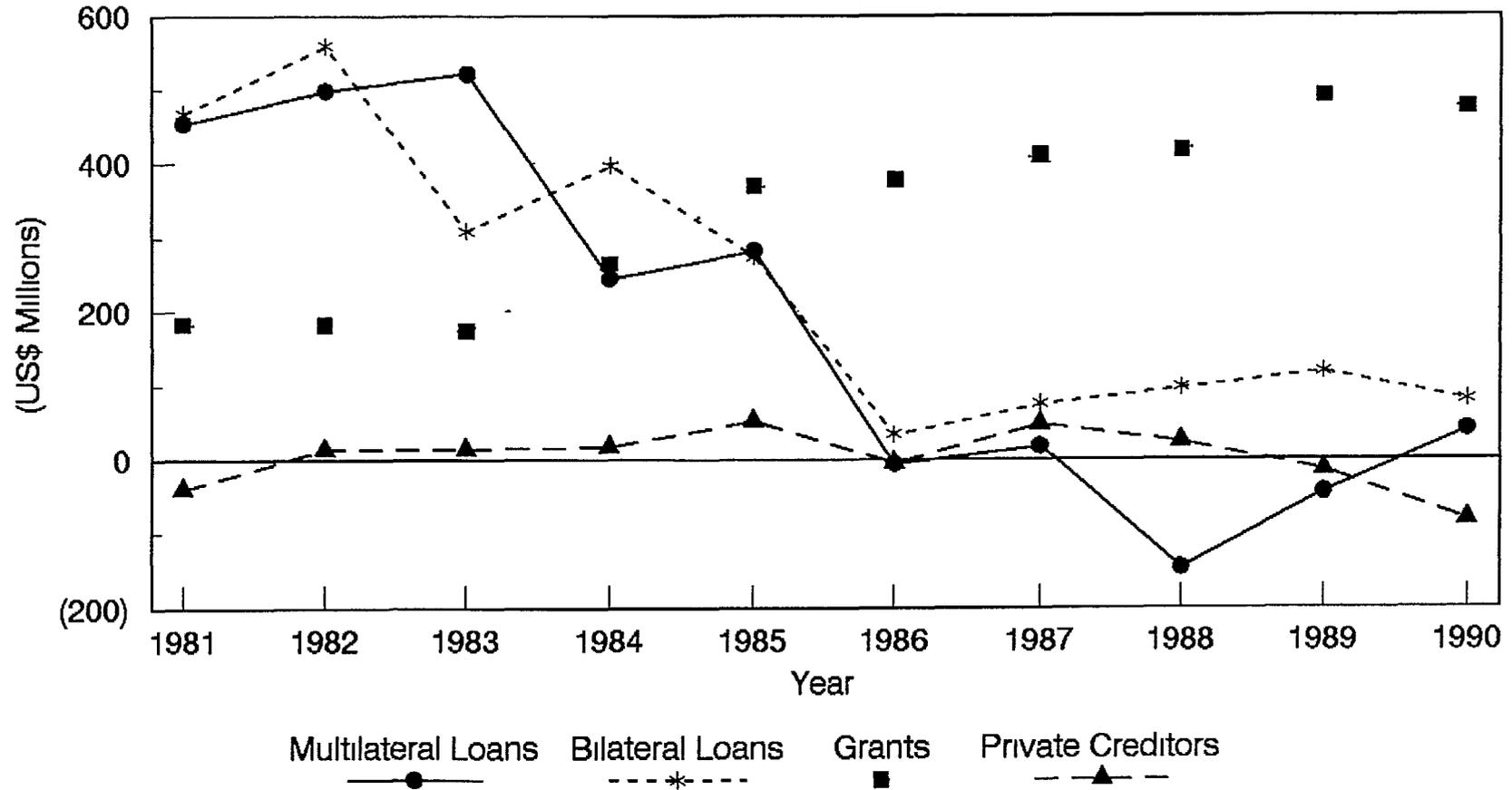
The many donors in the region take different approaches to the disbursement, management and monitoring of their aid dollars. The U.S. "model", of course, has been to have full representation in most countries. A.I.D. has had the largest staff presence in the region over the last decade. This approach has strengthened the U.S. capacity to work with local public officials on a range of policy issues and to begin to nurture private sector indigenous organizations. The "country connections" have helped the U.S. and other donors who might work through the U.S. to achieve success where they might not have had there been no "on the ground" representation. Other donors have chosen different models. These donors manage their program portfolio from regional or "home office" locations with intermittent representation in the islands they serve. The paragraphs below briefly summarize the assistance provided by the major bilateral and multilateral donors to the region.

1 Bilateral donors

A large number of bilateral donors are active in the countries that A.I.D. serves in the region. Figure 12 provides a snap-shot of bilateral donor contributions to these countries in 1990. The US is by far the largest bilateral donor. Japan is the second largest bilateral donor.

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Figure 11 Net External Capital Flows to the Caribbean for Selected Countries, 1981 - 1990



Source IDB Internal Documents

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Table 6 Total and Per Capita ODA Commitments
for Selected Caribbean Countries
(Annual Average 1988-91)

Real GDP Per Capita	Belize	Dominican Rep	Guyana	Haiti	Jamaica	Antigua/Barbuda	Dominica	Grenada	St Kitts/Nevis	St Lucia	St Vincent	Total
Total ODA Commitments (US\$ Mil)	30 02	135 41	210 20	244 05	392 35	11 52	13 69	15 53	13 08	28 31	11 38	1105 520
Per Capita ODA Commitments (US\$)	159 88	19 07	280 55	37 98	159 65	179 92	167 46	184 27	327 00	194 54	100 92	63 36
Per Capita GDP \$PPP (1990)	3000	2404	1464	933	2979	4000	3910	4081	3300	3470	3647	
Population (Avg 1988-91) Mil	0 188	7 099	0 749	6 425	2 458	0 064	0 082	0 084	0 040	0 146	0 113	
Country ODA Commitments as a Percent of Total Commitment	2 72%	12 25%	19 01	22 08%	35 49%	1 04%	1 24%	1 40%	1 18%	2 56%	1 03%	100 00%
Country ODA Commitment as Percent of Average Regional Per Capita ODA Commitments	252 32%	30 10%	442 75%	59 95%	251 96%	283 95%	264 28%	290 81%	516 06%	307 01%	159 28%	100 00%
Ratio of Per Capita ODA Commitments to Per Capita GDP(PPP\$)	5 33%	0 79%	19 16%	4 07%	5 36%	4 50%	4 28%	4 52%	9 91%	5 61%	2 77%	

Note 1990 Real GDP Per Capita US\$PPP was used as mid point to calculate the Ratio of Per Capita Commitments to Per Capita GDP
Source UNDP Human Development Report 1993

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Table 7 Per Capita ODA Commitment by Purpose
for Selected Caribbean Countries
(Annual Average 1988-91)

	Belize		Dominican Rep		Guyana		Haiti		Jamaica		Antigua/Barbuda		Dominica		Grenada		St Kitts/Nevis		St Lucia		St Vincent		Regional Average Per Capita	
	Avg Per Capita (1988-91) (US\$)	(%)																						
Education	7.83	4.90%	2.8	13.52%	17.97	6.40%	1.89	4.99%	3.71	2.32%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	6.29	3.24%	0.00	0.00%	3.18	5.01%
Health	7.81	4.88%	0.25	1.33%	0.00	0.00%	3.87	10.20%	8.01	5.02%	0.00	0.00%	26.94	16.08%	1.98	1.07%	0.00	0.00%	13.04	6.70%	0.00	0.00%	2.99	4.71%
Other Social Infrast	2.89	1.81%	0.07	0.38%	1.74	0.62%	3.66	9.64%	15.70	9.83%	0.00	0.00%	46.54	27.79%	0.00	0.00%	2.63	0.80%	8.17	4.20%	0.00	0.00%	3.99	6.29%
Water Sanit Sewage	0.00	0.00%	0.09	0.49%	0.00	0.00%	1.64	4.32%	4.47	2.80%	0.00	0.00%	1.88	1.12%	7.90	4.29%	86.25	26.38%	63.41	32.59%	2.41	2.39%	2.06	3.25%
Energy	0.00	0.00%	5.68	29.77%	30.48	10.87%	2.02	5.32%	9.18	5.75%	1.52	0.85%	6.50	3.88%	0.00	0.00%	0.00	0.00%	0.00	0.00%	5.28	5.23%	5.73	9.04%
Telecommunication	0.00	0.00%	0.14	0.74%	0.00	0.00%	0.10	0.27%	12.50	7.83%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.57	0.29%	0.00	0.00%	1.86	2.94%
Transportation	15.25	9.54%	0.00	0.00%	0.00	0.00%	2.06	5.42%	4.85	3.04%	9.89	5.50%	13.50	8.06%	14.55	7.90%	0.00	0.00%	29.18	15.00%	6.49	6.43%	2.06	3.25%
Agriculture	29.24	18.29%	1.71	6.89%	40.11	14.30%	5.09	13.41%	18.18	11.39%	2.78	1.55%	15.11	9.02%	62.26	33.79%	54.91	16.79%	12.73	6.54%	25.39	25.16%	7.79	12.29%
Extractive Industries	0.00	0.00%	0.00	0.00%	4.35	1.55%	0.00	0.00%	0.35	0.22%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.24	0.37%
Manufacturing	2.13	1.33%	0.00	0.00%	2.11	0.75%	0.00	0.00%	2.19	1.37%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.42	0.67%
Trade Banking Tourism	4.75	2.97%	1.66	8.70%	8.67	3.09%	1.05	2.75%	7.09	4.44%	30.83	17.13%	4.71	2.81%	35.01	19.00%	0.00	0.00%	4.97	2.55%	29.63	29.36%	3.02	4.77%
Technical Cooperation	68.11	42.60%	4.59	24.07%	33.82	12.05%	10.84	28.55%	14.37	9.00%	87.81	48.80%	29.41	17.56%	62.57	33.96%	69.24	21.18%	44.10	22.67%	30.15	29.87%	11.55	18.24%
Multisector Aid Program	18.50	11.57%	0.00	0.00%	6.96	2.48%	1.57	4.13%	11.36	7.12%	46.72	25.97%	18.09	10.80%	0.00	0.00%	108.35	33.13%	12.09	6.21%	1.57	1.56%	3.30	5.21%
Debt Reorganization	0.00	0.00%	0.00	0.00%	86.39	30.79%	0.91	2.39%	12.68	7.94%	0.00	0.00%	4.33	2.59%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	5.85	9.23%
Food Aid	3.36	2.10%	0.66	3.49%	34.31	12.23%	3.04	8.01%	22.94	14.37%	0.00	0.00%	0.45	0.27%	0.00	0.00%	5.63	1.72%	0.00	0.00%	0.00	0.00%	6.15	9.70%
Emergency Aid	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.23	0.60%	7.78	4.87%	0.37	0.21%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	1.18	1.86%
Unspecified	0.00	0.00%	0.04	0.19%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.01	0.02%
Total	159.88	100.00%	19.07	100.00%	280.55	100.00%	37.98	100.00%	159.65	100.00%	179.92	100.00%	167.46	100.00%	184.27	100.00%	327.00	100.00%	194.54	100.00%	100.92	100.00%	63.36	100.00%
% OF REGIONAL AVG	252.32%		30.10%		442.75%		9.95%		251.96%		283.95%		264.28%		290.81%		516.06%		307.01%		159.28%			
Population (Millions)**																								
1988	0.181		6.859		0.754		6.254		2.431		0.064		0.081		0.085		0.040		0.142		0.110		17.001	
1989	0.186		7.017		0.751		6.367		2.448		0.064		0.081		0.084		0.040		0.144		0.114		17.296	
1990	0.190		7.118		0.748		6.481		2.466		0.064		0.082		0.084		0.040		0.147		0.113		17.593	
1991	0.194		7.343		0.744		6.598		2.485		0.064		0.083		0.084		0.040		0.149		0.114		17.898	
Average(88-91)	0.188		7.079		0.749		6.425		2.458		0.064		0.082		0.084		0.040		0.146		0.113		17.447	

**Source: USAID Latin America and the Caribbean Selected Economic and Social Data May 1993

CARIBBEAN STRATEGY
Table 8 ODA Commitment by Purpose
for Selected Caribbean Countries
(Annual Average 1988-91)

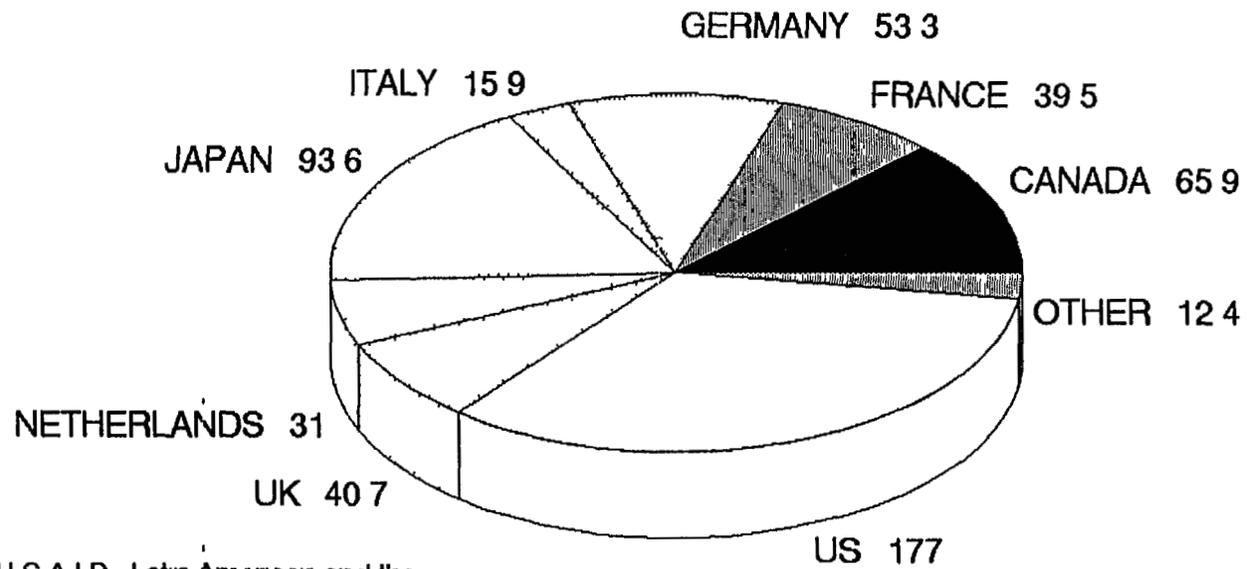
Commitments*	Belize		Dominican Rep		Guyana		Haiti		Jamaica		Antigua/Barbuda		Dominica		Grenada		St Kitts/Nevis		St Lucia		St Vincent		Total	
	Avg 88 91 (US\$ Mil)	(%)	(US\$ Mil)	(%)																				
ODA Commitments (Bilat)	15 78		100 78		80 68		156 33		280 65		4 32		7 30		5 58		5 93		16 15		3 23		676 70	
ODA Commitments (Multilat)	9 80		31 85		93 93		86 93		29 93		1 35		6 40		9 25		6 70		8 35		8 13		292 60	
Total OOF Gross	4 63		3 05		35 60		0 00		82 33		5 88		0 03		0 70		0 50		3 93		0 00		136 63	
TOTAL	30 20		135 68		210 20		243 25		392 90		11 55		13 73		15 53		13 13		28 43		11 35		1105 92	
Education	1 47	4 90%	18 30	13 52%	13 46	6 40%	12 17	4 99%	9 11	2 32%	0 00	0 00%	0 00	0 00%	0 00	0 00%	0 00	0 00%	0 92	3 24%	0 00	0 00%	55 43	5 01%
Health	1 47	4 88%	1 80	1 33%	0 00	0 00%	24 89	10 20%	19 69	5 02%	0 00	0 00%	2 20	16 08%	0 17	1 07%	0 00	0 00%	1 90	6 70%	0 00	0 00%	52 11	4 71%
Other Social Infrastr	0 54	1 81%	0 52	0 38%	1 30	0 62%	23 52	9 64%	38 58	9 83%	0 00	0 00%	3 80	27 79%	0 00	0 00%	0 11	0 80%	1 19	4 20%	0 00	0 00%	69 56	6 29%
Water Sanit Sewage	0 00	0 00%	0 67	0 49%	0 00	0 00%	10 54	4 32%	10 98	2 80%	0 00	0 00%	0 15	1 12%	0 67	4 29%	3 45	26 38%	9 23	32 59%	0 27	2 39%	35 95	3 25%
Energy	0 00	0 00%	40 32	29 77%	22 84	10 87%	12 99	5 32%	22 56	5 75%	0 10	0 85%	0 53	3 88%	0 00	0 00%	0 00	0 00%	0 00	0 00%	0 60	5 23%	99 94	9 04%
Telecommunication	0 00	0 00%	1 00	0 74%	0 00	0 00%	0 66	0 27%	30 73	7 83%	0 00	0 00%	0 00	0 00%	0 00	0 00%	0 00	0 00%	0 08	0 29%	0 00	0 00%	32 47	2 94%
Transportation	2 86	9 54%	0 00	0 00%	0 00	0 00%	13 23	5 42%	11 92	3 04%	0 63	5 50%	1 10	8 06%	1 23	7 90%	0 00	0 00%	4 25	15 00%	0 73	6 43%	35 95	3 25%
Agriculture	5 49	18 29%	9 33	6 89%	30 06	14 30%	32 72	13 41%	44 69	11 39%	0 18	1 55%	1 24	9 02%	5 25	33 79%	2 20	16 79%	1 85	6 54%	2 86	25 16%	135 85	12 29%
Extractive Industries	0 00	0 00%	0 00	0 00%	3 26	1 55%	0 00	0 00%	0 86	0 22%	0 00	0 00%	0 00	0 00%	0 00	0 00%	0 00	0 00%	0 00	0 00%	0 00	0 00%	4 12	0 37%
Manufacturing	0 40	1 33%	0 00	0 00%	1 58	0 75%	0 00	0 00%	5 39	1 37%	0 00	0 00%	0 00	0 00%	0 00	0 00%	0 00	0 00%	0 00	0 00%	0 00	0 00%	7 37	0 67%
Trade Banking Tourism	0 89	2 97%	11 79	8 70%	6 49	3 09%	6 72	2 75%	17 43	4 44%	1 97	17 13%	0 39	2 81%	2 95	19 00%	0 00	0 00%	0 72	2 55%	3 34	29 36%	52 69	4 77%
Technical Cooperation	12 79	42 60%	32 60	24 07%	25 34	12 05%	69 66	28 55%	35 33	9 00%	5 62	48 80%	2 40	17 56%	5 27	33 96%	2 77	21 18%	6 42	22 67%	3 40	29 87%	201 60	18 24%
Multisector Aid Program	3 47	11 57%	0 18	0 13%	5 22	2 48%	10 09	4 13%	27 93	7 12%	2 99	25 97%	1 48	10 80%	0 00	0 00%	4 33	33 13%	1 76	6 21%	0 18	1 56%	57 62	5 21%
Debt Reorganization	0 00	0 00%	0 00	0 00%	64 72	30 79%	5 84	2 39%	31 16	7 94%	0 00	0 00%	0 35	2 59%	0 00	0 00%	0 00	0 00%	0 00	0 00%	0 00	0 00%	102 07	9 23%
Food Aid	0 63	2 10%	4 72	3 49%	25 71	12 23%	19 55	8 01%	56 37	14 37%	0 00	0 00%	0 04	0 27%	0 00	0 00%	0 23	1 72%	0 00	0 00%	0 00	0 00%	107 25	9 70%
Emergency Aid	0 00	0 00%	0 00	0 00%	0 00	0 00%	1 46	0 60%	19 12	4 87%	0 02	0 21%	0 00	0 00%	0 00	0 00%	0 00	0 00%	0 00	0 00%	0 00	0 00%	20 60	1 86%
Unspecified	0 00	0 00%	0 26	0 19%	0 00	0 00%	0 00	0 00%	0 00	0 00%	0 00	0 00%	0 00	0 00%	0 00	0 00%	0 00	0 00%	0 00	0 00%	0 00	0 00%	0 26	0 02%
Total	30 02	100 00%	135 41	100 00%	210 20	100 00%	244 05	100 00%	392 35	100 00%	11 52	100 00%	13 69	100 00%	15 53	100 00%	13 08	100 00%	28 31	100 00%	11 38	100 00%	1105 52	100 00%
OOF TOTAL	2 72%		12 25%		19 01%		22 08%		35 49%		1 04%		1 24%		1 40%		1 18%		2 56%		1 03%		100 00%	

*Source OECD Geographical Distribution of Financial Flows to Developing Countries 1988/1991

Note ODA Official Development Assistance
OOF Other Official Flows Transactions by the official sector whose main objective is other than development motivated or if development motivated whose grant element is below the 25 percent threshold which would make them eligible to be recorded as ODA

CARIBBEAN STRATEGY

Figure 12 Assistance from Bilateral Donor Countries to Selected Caribbean Countries (1990)
(US\$ Millions)



Source: U.S.A.I.D., Latin American and the Caribbean Selected Economic and Social Data, 1993

TOTAL US\$ Mil 529.3

3-6

(\$93 6 million) and Canada is the third Figures 13 through 16 illustrate the distribution of the major bilateral donors' dollars to selected countries in the region While the ODA trends were generally "up" through the Eighties most of the bilateral donors are experiencing the same budget "crunch" as the U S Competing domestic and international priorities have with a few exceptions led to a drop in the levels of development assistance for the Caribbean region

a Japan

In dollar terms, Japan is the second largest bilateral donor in the Caribbean Figure 13 shows the distribution of Japan's ODA to selected countries for the period 1988 to 1990 Assistance is of two types, loans and grants Loans are both project and non-project Loans are 100 per cent untied, grants are available mainly for Japanese contractors In 1991 Japan provided \$ 75 million in assistance to the region Roughly half of this was provided in the form of loans to Jamaica The DR, Haiti and Guyana were the next largest recipients of Japanese aid (40 per cent collectively), all of this was provided in grant form

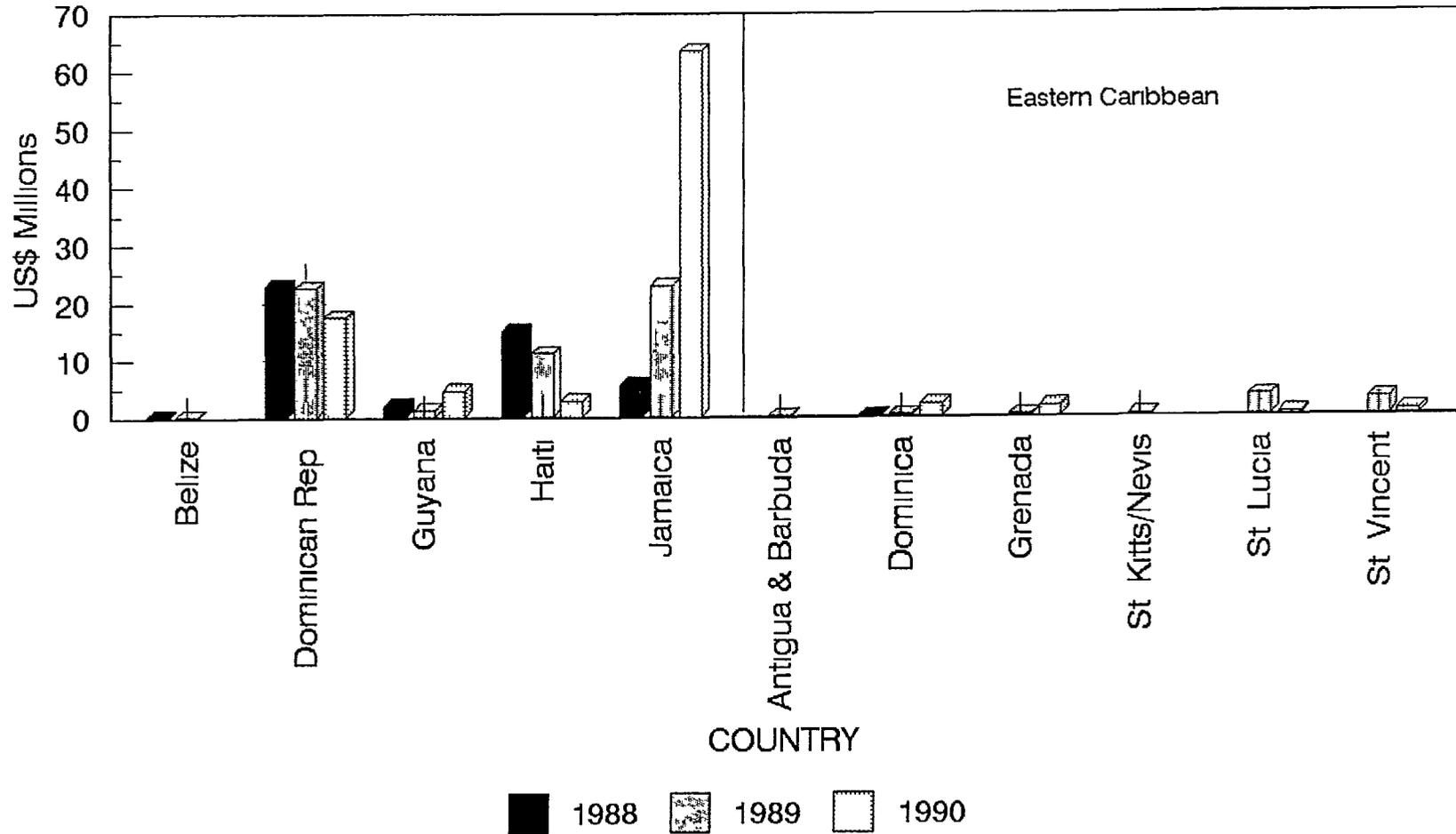
The content of Japan's assistance programs in these countries varies widely In Antigua, Belize, Dominica, and St Kitts/Nevis, Japan has provided funds largely for technical cooperation grants In the DR, Japan has provided \$145 million in aid from 1987-91 for a wide variety of activities including projects to increase food production, technical support for educational television and other audio/visual activities, coastal fisheries, and the construction of a Research Center for Gastroenterological Diseases In Grenada, Japan has supported coastal fisheries development In Guyana Japanese aid has concentrated on fisheries, electrical power, upgrading rice mills and small scale grant aid Like other donors, Japan's program in Haiti has concentrated on increasing food production, food aid, health and social welfare projects

Japan provided Jamaica with nearly \$200 million in ODA, largely in loans, from 1987-91 These funds were used largely for infrastructure projects, an agriculture sector adjustment program and the rescheduling of debts In St Lucia grants have been provided for fisheries development and St Vincent for construction of a new fish market

Japan's "model" for delivering assistance has elements both different from and similar to A I D 's approach in the region There is no country or regional "presence" similar to missions There are no "country" programs or strategic program areas Rather each year a lump sum is appropriated by the Congress for Japan's foreign assistance worldwide Requests for use of these funds from either public or private sector organizations in a country are funneled through Japan's embassies in the region They are vetted and prioritized with the respective governments or private organizations before being sent to Tokyo for review and decision Decisions are made on a project-by-project basis Upon acceptance the project goes forward to implementation with assistance from JICA if a grant or by the OECF if a loan

CARIBBEAN STRATEGY

Figure 13 Major Bilateral Donor Countries in the Region
Japan



Source: USAID, Latin America and the Caribbean Selected Economic and Social Data 1993

b Canada

Canada is the third largest bilateral donor to the region. Figure 14 shows the distribution of Canada's assistance to selected countries. The principal recipients of Canadian aid have been Jamaica, Guyana and Haiti. With the exception of Haiti and Guyana, Canada's ODA to the region has been gradually decreasing since 1988.

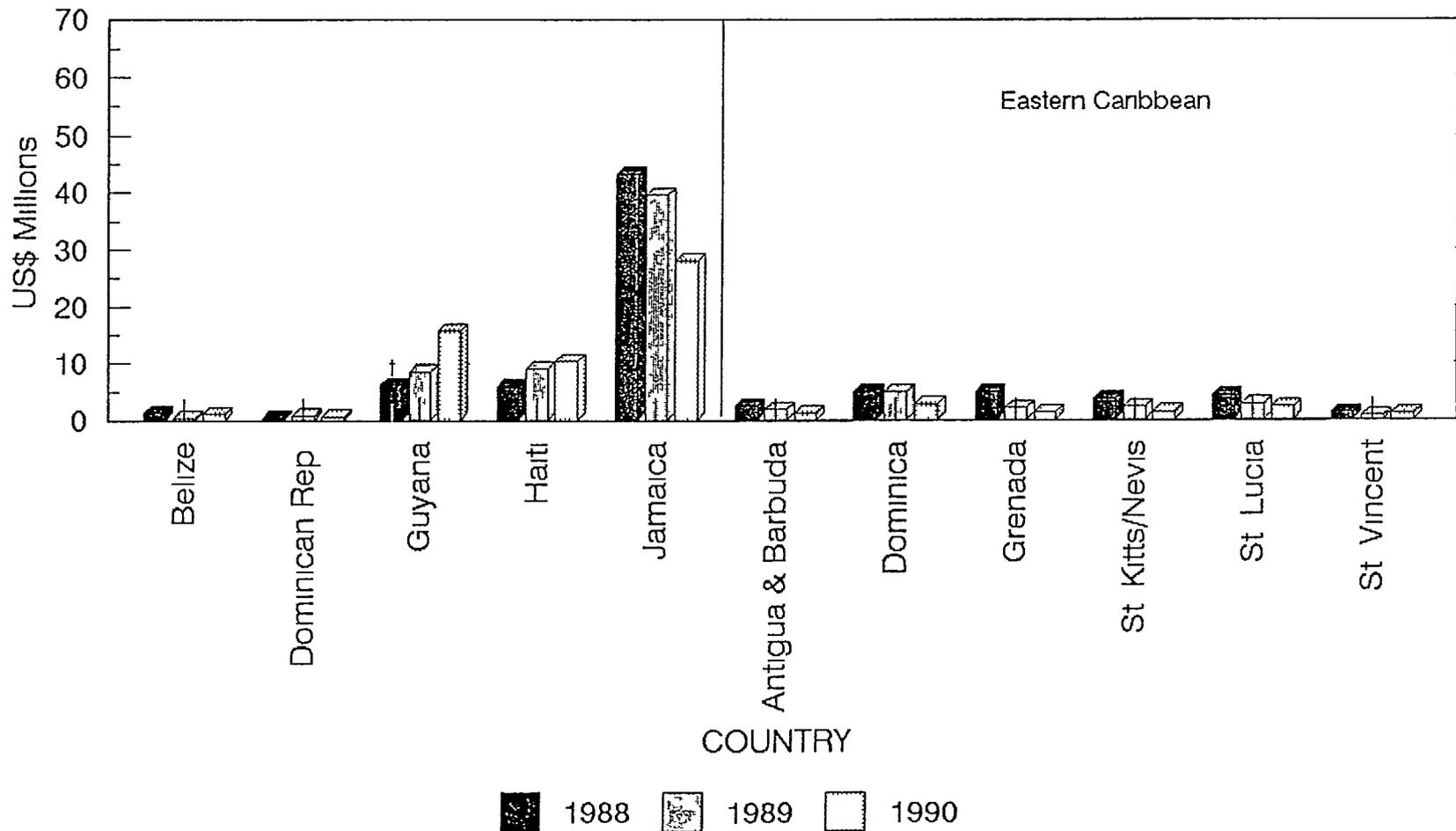
Canada has increased its focus on policy dialogue and analysis in the region. This change in focus is a result of a three year review which concluded that CIDA was too concerned with outputs and project implementation to the exclusion of a focus on strategy and results. This revised focus will gradually have an impact on CIDA's projects in the region. Currently, CIDA's focus in the OECS countries is on economic management including tax reform and customs and revenue. This is intended to assist the countries to improve their ability to compete in a post-NAFTA environment. In Antigua/Barbuda CIDA's focus has been on industry working to improve a national park. In Dominica the focus has been on agriculture, energy and water/sanitation. The emphasis on Grenada has been on transportation and water/sanitation infrastructure. In St Kitts/Nevis Canada has supported agriculture and water/sanitation infrastructure projects. In St Lucia the emphasis has been on education, forestry and water/sanitation infrastructure and in St Vincent energy, fisheries and forestry have been the target sectors. For the EC region Canada has put significant resources into education, a natural resources database and institutional support for Eastern Caribbean economic management, agriculture and fisheries. Canada has also awarded two major grants (budgeted at \$ 9.5 million) to CARICOM for institutional strengthening and a scholarship program. Additionally CIDA is funding a study to look at the management of the OECS secretariat to improve its effectiveness and efficiency.

In Belize Canada has made major investments in water and sewerage. In Guyana Canada is participating in the management of a social development fund (part of the SIMAP project) and a major fertilizer project. Additionally it is funding education, fisheries, forestry projects and providing support to the industrial sector. Canada's aid to Haiti has been primarily in the form of food aid though a number of other projects in forestry, population, cooperatives, and public sector reform are "on the boards" waiting for disbursements when the situation is stabilized. The principal focus in Jamaica has been on agriculture, forestry and the environment though Canada has provided substantial funds for food aid, education, mining, transportation and energy projects. Additionally they have provided \$10 million for institutional strengthening to UWI. Canada supports the structural adjustment process in Jamaica, Guyana and the EC countries.

Canada's approach to delivering assistance has been transformed in recent years. CIDA's operations have been recentralized to Ottawa in part to respond to budget constraints. Their days of "hands on" management in the field are gone. Field operations continue through High Commission offices but the desk for a country is now at CIDA headquarters. Before September 1993 there were three posts in the Caribbean -- Barbados, Guyana and Jamaica -- staffed by 11 CIDA personnel plus project support unit staff. Barbados was responsible for the OECS

CARIBBEAN STRATEGY

Figure 14 Major Bilateral Donor Countries in the Region
Canada



Source: U.S.A.I.D. Latin America and the Caribbean Selected Economic and Social Data 1993

countries, Guyana for the country program, the regional program including CARICOM and Trinidad/Tobago, and Jamaica for the country program, Belize, the Caymans and Turks and Caicos. After September 1993 these programs were consolidated into one program in one division at headquarters. A separate program has been set up for Haiti.

CIDA expects to be out of the Caribbean by the end of the decade. In the meantime, CIDA is aiming to become more strategic by decreasing the number of projects it funds, increasing reliance on the private sector (both private companies and NGOs), focusing programs and using executing agents to design and implement projects. CIDA's primary responsibility will then be evaluation and monitoring.

c U K

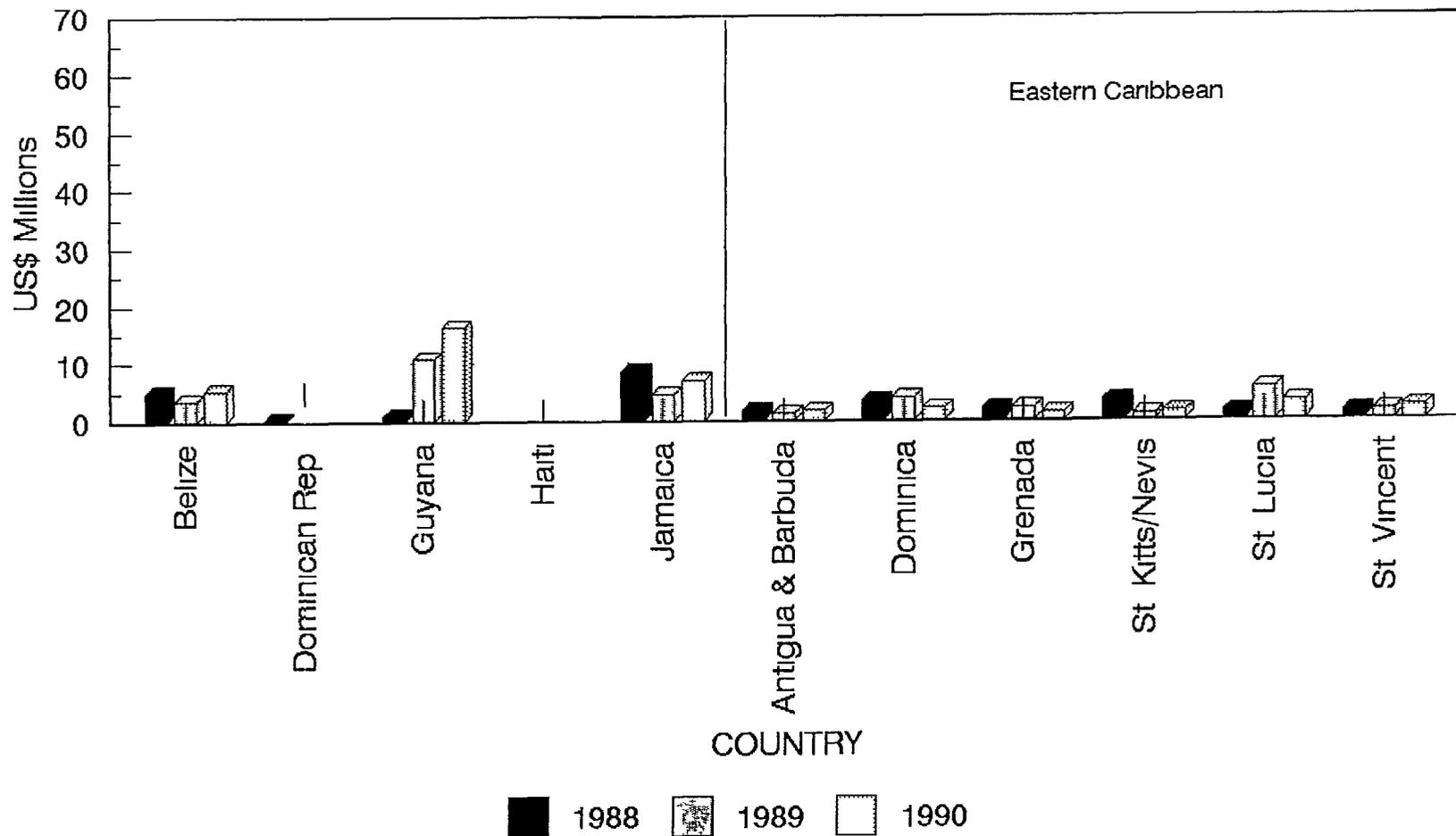
The UK was the fifth largest bilateral donor to the 11 countries that are primary recipients of U.S. assistance in 1990. Figure 15 shows the distribution of British aid to these countries. The principal recipients were Belize, Guyana, Jamaica and the OECS countries. British aid to the Commonwealth Caribbean and British Dependencies was US \$ 70 million in 1990 for the entire region. In 1992, the UK provided roughly L 46 million for the independent English-speaking countries and the territories. One third of these funds were for TA, two thirds were for capital aid (infrastructure and balance of payments support). It is expected that there will be a slight decline in this assistance over the next two years. With the decline in resources the UK will concentrate on the poorest countries, e.g. Guyana.

The UK has had a comprehensive development program in the region addressing the needs of many sectors. Until recently infrastructure has been a top priority though there is a question about continuing such efforts in the future. In education the UK has concentrated on human resource development, schools, overseas training and curriculum. In health the UK has pulled back from bilateral health programs and increased its support for PAHO, CAREC and UWI health education programs. In the area of social development the UK has concentrated on community development and is considering interventions in Guyana and Jamaica to address urban poverty. Institution building to improve the competence of governments has become increasingly important particularly in terms of assistance for law enforcement agencies (training and equipment) and the strengthening of customs laws and regulations. In the area of environment, the UK has focused primarily on forestry and has placed a priority on natural resource management in the OECS countries. Unlike the US program, very few resources have been spent on economic policy or regional integration. The only regional institution that receives support is the CDB.

The basis for assistance to the six OECS countries stems from agreements made at the time of independence. Each received L 10 million for capital aid (half in loans, half in grants) to be drawn down over the years by mutual agreement and supported by TA. The time frame ends when the funds though this too is flexible. For example, Dominica drew down its initial L 10 million several years ago so new agreements were made for two more tranches of L 5 million each. St. Vincent on the other hand is still drawing down its first tranche of L 10

CARIBBEAN STRATEGY

**Figure 15 Major Bilateral Donor Countries in the Region
United Kingdom**



Source U S A I D , Latin America and the Caribbean Selected Economic and Social Data, 1993

million. The advantage of this approach is that both the donor and the recipient country have a longer term understanding of the amount of resources that will be available and can plan accordingly.

The UK supported country-specific structural adjustment and provided substantial balance of payments support to both Guyana and Jamaica in 1990-91. However 1993 will be the last year Jamaica receives such aid. It has worked closely with the Commonwealth Development Corporation (CDC) to fund studies of institutional reform in utilities in Grenada and Antigua and provide technical assistance for utility regulation in Guyana. It has also assisted Guyana and Grenada to rationalize and restructure central ministries. The UK supports several regional institutions including technical support for CARDI, WINBAN and UWI.

The British Development Division office in Barbados is responsible for all programs with English speaking countries and dependencies in the Caribbean. The BDD has no significant programs in other countries (e.g. Haiti and the DR). In Jamaica, Belize and Guyana the High Commission is the liaison for aid programs.

d France

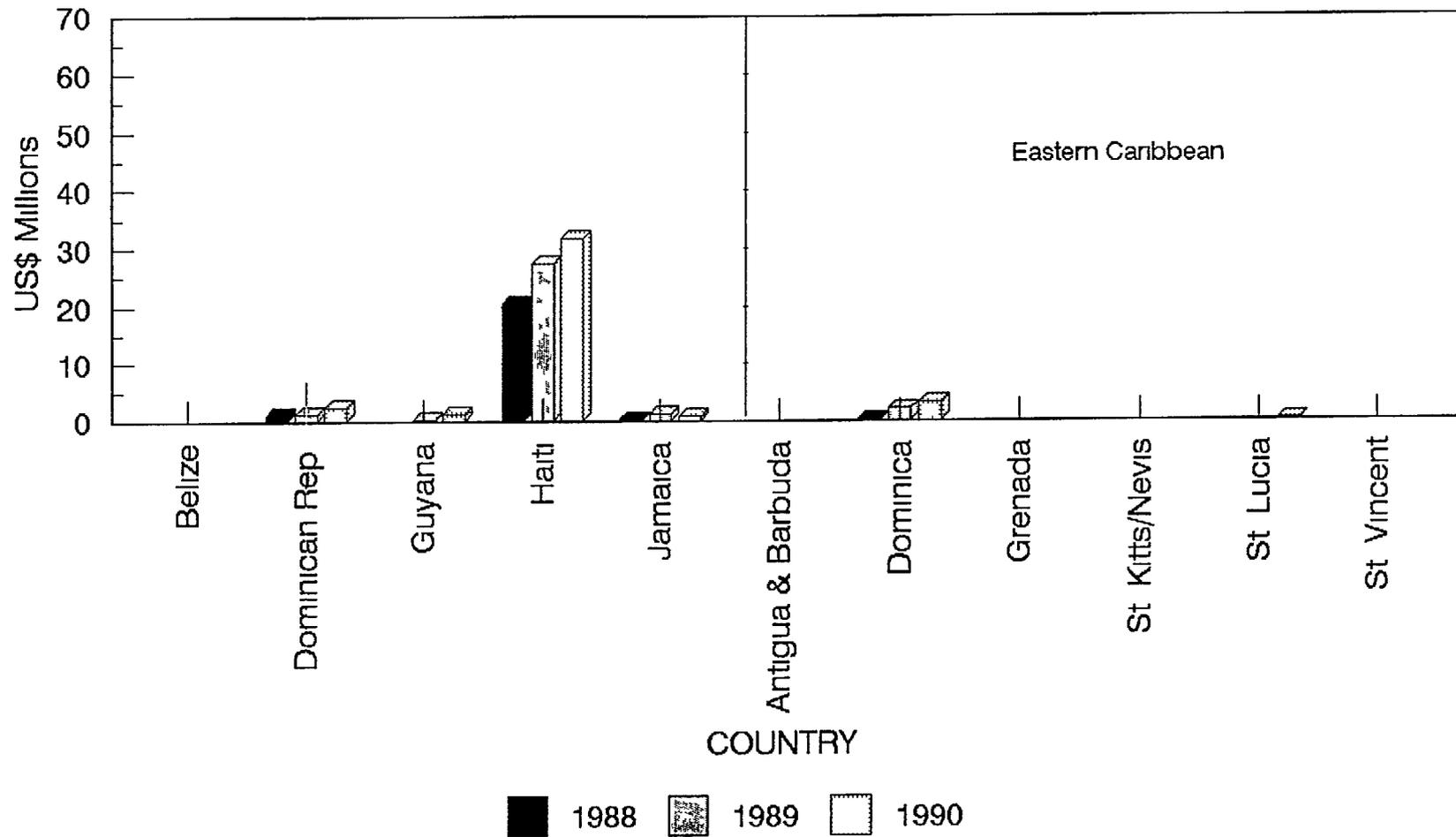
France's program in the region consists of concessional financing, external debt relief and food aid. Figure 16 shows the distribution of French assistance for the period 1988-90. Haiti has been the primary beneficiary of French technical cooperation though at present all programs have been suspended except emergency food aid. In 1992 aid to the OECS countries (FF 36 million) was concentrated in health, rural development, basic infrastructure and cultural issues. Scientific, cultural and technical cooperation with non-OECS countries totalled FF 7 million that year, two-thirds of which was for Jamaica and the DR. In 1990 a new regional cooperation fund for the Caribbean and Guyana was established aiming at projects with structural dimensions and long term implications. Each project funded must have a regional dimension and be distinct from bilateral cooperation. In 1991-92 this fund received FF 22 million for environment, fisheries, agriculture and handicraft development, training and natural disaster management.

3 Multilaterals

A large number of multilateral organizations are active in the region. The list includes the EEC, World Bank/IDA, the Caribbean Development Bank, the IDB, UNDP, WFP, UNICEF, IFAD, PAHO, Arab agencies and UNHCR. Figure 17 provides a summary of the gross disbursements to the region by multilateral donors in 1991. Figure 18 illustrates how these disbursements were apportioned for selected countries for that year. The largest multilateral donor in terms of gross disbursements was the EEC, the largest country recipient was Guyana.

CARIBBEAN STRATEGY

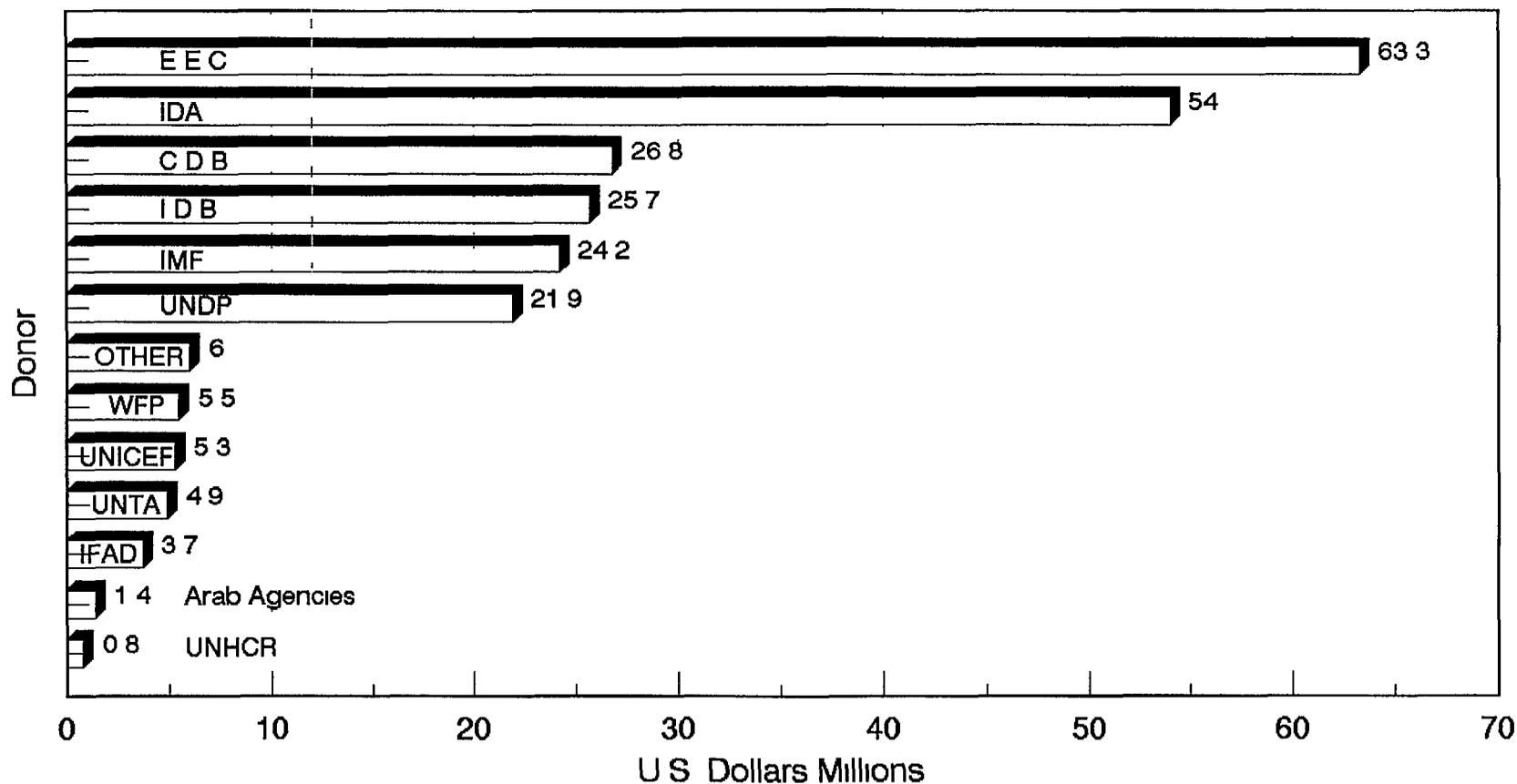
Figure 16 Major Bilateral Donor Countries in the Region, France



Source: USAID, Latin America and the Caribbean Selected Economic and Social Data, 1993

CARIBBEAN STRATEGY

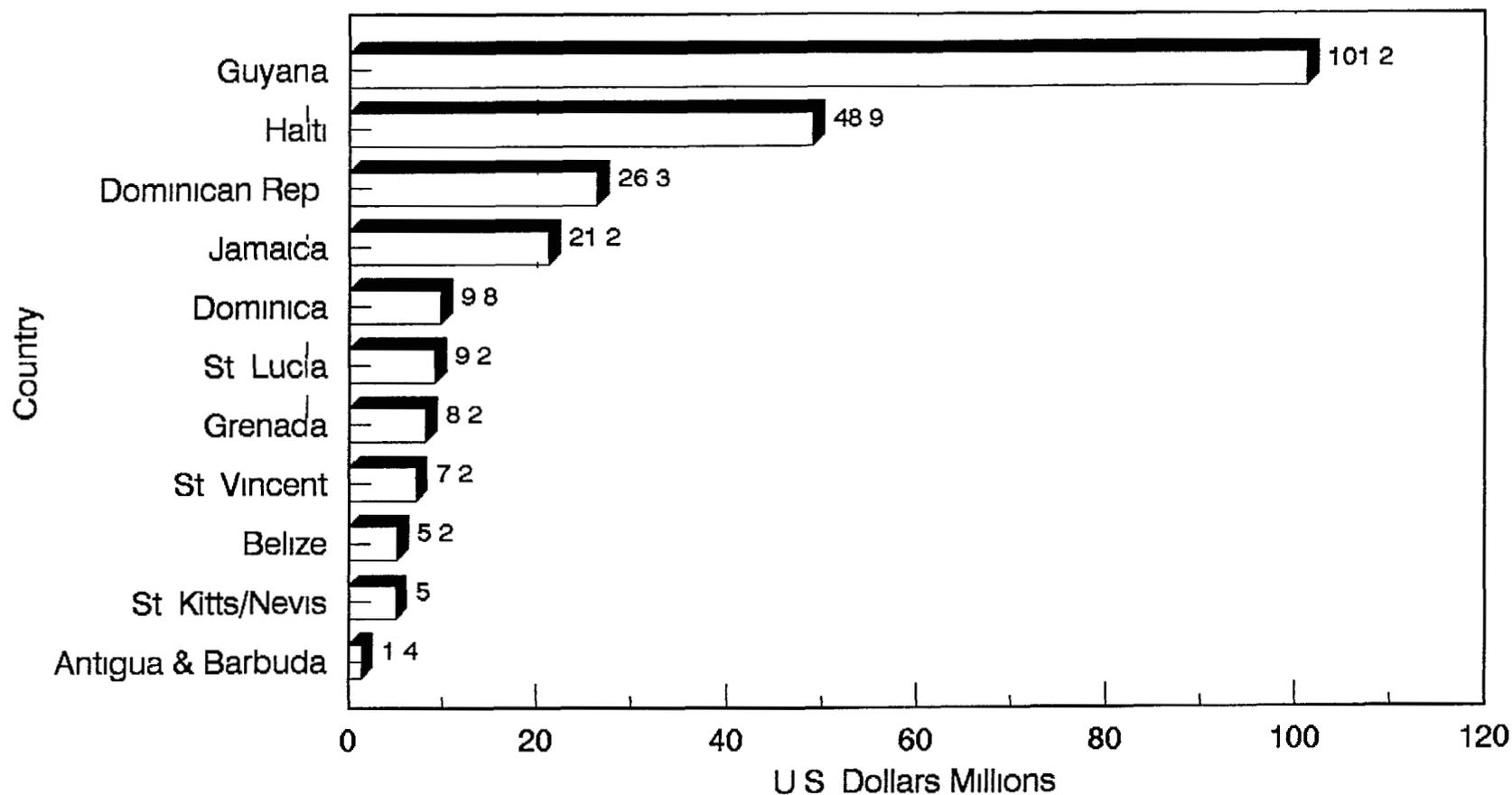
Figure 17 Total ODA Gross Disbursements by Multilateral Donor for Selected Caribbean Countries (1991)



Source: OCDE, Geographical Distribution of Financial Flows to Developing Countries, 1988/1991

CARIBBEAN STRATEGY

Figure 18 Total ODA Multilateral Gross Disbursements by Country
(1991)



Source: OCDE, Geographical Distribution of
Financial Flows to Developing
Countries, 1988/1991

a European Communities (EC)

The EC is the largest multilateral donor in the region. Its relationship with Caribbean countries is guided by the Lome IV Convention. EC assistance to the region has been increasing over the last decade. The Regional Indicative Program for the period 1992-95 is valued at ECU 90 million which is to be provided in grant form to the 15 Caribbean countries which are party to Lome IV. This program is in addition to the National Indicative Programs which will amount to ECU 386.5 million for the same period. Haiti is the largest recipient of assistance under Lome IV. The DR, Jamaica, Guyana, Suriname and Trinidad are the next largest recipients (in descending order). All the other Caribbean countries will receive less than ECU 10 million under Lome IV. The advantage of this multi-year approach is the predictability and long term nature of EEC assistance. It allows both the donor and recipient to plan for the future knowing that a certain level of resources will be available for a defined period.

The EC's Regional Program for the Caribbean is focused on six areas: trade, tourism, agriculture, transport and communications, human resource development and the environment. The CariForum (an organization of the Caribbean ACP states) is the institutional partner in the implementation of the Regional Program. The Secretary General of CARICOM is the Secretary General of the CariForum and through a Programming Unit will provide coordination and technical assistance for activities under the Regional Program.

The EC's bilateral programs vary from country to country but have some common elements. In Jamaica the focal area is rural agricultural development and infrastructure. Additional programs are supported in human resource development and trade promotion. In Guyana the focal area is the rehabilitation and upgrading of the economic and social infrastructure, including communication networks. Structural adjustment support is also provided as are small programs in the private sector and the environment. The DR and Haiti are just the beginning of their Lome 4 programs. The DR program is not yet finalized. In Haiti the emphasis is on emergency and humanitarian aid. When the current crisis subsides the EC will start over with the programming the \$120 million allocated to the country.

The focal areas for the OECS countries vary by country according to their needs. In Antigua/Barbuda the focus is on human resources development and livestock. In Dominica the focal areas are rural development (agricultural diversification) and the environment. Tourism development has also received EC support. In St. Kitts/Nevis the principal focal area for cooperation has been health sector infrastructure. Health infrastructure and agriculture are the foci in St. Lucia. Finally in St. Vincent, the EC's program has concentrated on rural development (agriculture), social infrastructure/health and secondary education.

There are six delegation offices in the Caribbean that oversee the aid program. These include delegations in Guyana, Jamaica, Trinidad/Tobago, Haiti, the DR and Barbados which handles the OECS countries. The delegation works closely with a local government officer (national authorization officer) in each host country to manage the programming of the funds.

and define the programs and projects to be supported. This "coordinating" office is the link with the local EEC delegation. There is a country officer in Brussels who oversees each country program.

b World Bank/IDA (IBRD)

The World Bank plays a significant role in the multilateral assistance to the region. It is the second largest multilateral donor in the region. The Bank has concentrated on lending for infrastructure development.

In Belize there has been an increase in investment lending mostly for infrastructure (roads) and social sectors. The Bank groups' assistance objectives have been macroeconomic framework and private sector development, infrastructure development, human resource and poverty alleviation and the environment. Loans have recently been approved or are under consideration for a large infrastructure project in Belize City (drainage) and integration of the power grid country-wide. The Bank is also working on forestry and land allocations and poverty in the west and south of the country. A secondary education project may receive funding. Additionally, preliminary discussions are underway related to private sector development and investment frameworks and assisting with the National Environment Assessment Program (NEAP) in Belize.

The IBRD has a relatively large program in Guyana handled through IDA. In the next three to four years it is expected that the IDA lending will be reduced from an average of \$30 million per year to roughly \$12 million per year. This lending has concentrated on private sector development particularly related to the deteriorating infrastructure in the bauxite and sugar industries. The Bank's assistance objectives are to assist Guyana to define a development strategy and the role of the state, maintain macroeconomic stability and encourage private sector development, public sector reform, infrastructure rehabilitation, human resource development and poverty alleviation, and the environment. Projects have been approved in the area of social sector infrastructure, public administration reform, tax reform and administration, and an infrastructure project for sea defense roads. A water supply in rural areas project is also up for review. In the future, the IBRD expects to support a private sector adjustment credit program, co-finance an education project with the IDB, embark on a rural infrastructure project to reach small farmers, a municipal waste project and assist with a small natural resource management project through the GEF.

In Haiti the IBRD has \$100 million in on-going projects "on hold" and is in the process of preparing an emergency recovery program. In the short term the Bank will focus on improvements in the public sector (e.g. infrastructure and creating employment) but in the long term sees substantial private sector investment as essential.

The Bank's program in Jamaica is moving from adjustment loans to investment lending but this effort is hampered by a lack of implementation capacity in the country. Public infrastructure is declining and local institutions are weak. In the near term the Bank will focus

on (1) public sector reform and institutional strengthening, (2) social services poverty reduction (utilizing current data to pinpoint areas of poverty and match these with targeted economic interventions to reduce poverty), (3) environment (especially waste disposal and harbor rehabilitation), and (4) private sector development. It is expected that the Bank will disburse between US\$ 60-75 million per year.

During the Eighties, the Bank's role with the OECS countries was principally policy dialogue addressing the issue of how to cope with a worsening external environment. Two regional projects in waste management and education are in preparation. These will be managed by the IBRD and co-financed by the CDB. Additionally a Line of Credit will be provided for the CDB to co-finance projects in all areas of CDB's work.

c InterAmerican Development Bank (IDB)

The IDB has significant programs in the countries where A I D is operating. In the past, the IDB has monitored its program via field offices and managed its portfolio largely from Washington. However, the IDB is moving to expand the functions of its field offices giving them a bigger role in project implementation and execution. This will involve an "upgrading" of personnel in many of these offices. The field offices will increasingly be responsible for closely monitoring contractors and recommending solutions to problems in project implementation. It is also likely that these field offices will become more involved in what A I D terms "policy dialogue" with host country governments. The paragraphs below briefly describe IDB's program in the subject countries.

Over the last five years, the IDB's program in the Dominican Republic has focused on the productive sectors including agriculture, energy, roads and ports in an effort to help the DR attain sustainable economic growth. In the immediate future, IDB's program will focus on (1) poverty alleviation, (2) restructuring of the public sector (particularly in privatizing the generation and distribution of electricity in close collaboration with A I D and other donors and in the strengthening the institutional framework in the energy sector) and (3) financial sector reform, particularly in the development of a new monetary code. Over the next three years, the IDB will also focus on health (sector reform loan for \$36 million in coordination with the IBRD) and on the improvement of port operations both in terms of physical infrastructure and institutional strengthening (\$56 million loan). In agriculture the IDB expects to redefine its approach to be more focused on the environment, for example, in using a reforestation project to create jobs and in involving more NGOs. In addition, the IDB is trying to undertake export promotion and support decentralization via community level projects. The possibility of an environment project is also under discussion. With the exception of the financial sector loan, the other projects will be handled from the IDB/DR office.

In Guyana the IDB has been working in health, electricity, education and agriculture. Its pipeline for 1993 has five foci: roads, water, power, SIMAP and investment. The largest loan is for roads. While numerous loans have been approved the bank has been able to disburse

only a small amount given the limited absorptive capacity of the country. The IDB hopes to launch a financial sector project in 1994 and a shore zone management program in 1995.

Haiti poses the same problems for the IDB as it does for other donors. It is in arrears on its loan payments and no new loans are being dispersed. When the political climate is more settled the IDB will be looking at basic service projects in water and transportation systems. The critical problem is how to implement these projects given the resources available in the country. At the moment everything is "on hold".

A focus of the IDB's program in Jamaica has been to get the country into EAI and MIF eligibility. Roads have been a major focus of the program, last year the IDB also did an electricity loan and a privatization project. In the future the IDB intends to use the MIF, largely for infrastructure and is thinking about institutional strengthening particularly of the planning office. Discussions are also underway regarding loans to assist in the privatization of the Kingston airport and in the areas of water and the environment, in particular in solid waste management, watershed management and water systems. Additionally the IDB is in discussion with the GOJ regarding projects in institutional strengthening and the rationalization of services in the health area. It is expected that approximately \$60 million in loans will be processed in 1994.

The IDB serves as the administrator for the Multilateral Investment Fund (MIF), a new facility established in 1992, which became effective in 1993. The \$1.3 billion fund has a two-part aim. In the short run, it will ease the human and social costs of the transition to a market economy, particularly in broadening participation in the enterprise economy. In the long term, MIF's investments will help boost private sector activity, streamline public sector institutions and assist enterprises in entering the global marketplace. It is a new kind of mechanism--part development institution and part venture capital fund. Its emphasis is on investments in a number of areas including microenterprise and smaller businesses, socially beneficial activities that promote the market, appropriate technology diffusion, strengthening women's contribution to development, innovations with demonstration value, institution-building for the long term, promoting active partnerships with private organizations (NGOs, PVOs, foundations, corporations etc.) and flexible and entrepreneurial approaches to investment. The three windows of the MIF--Technical Cooperation, Human Resources Development, and Small Enterprise Development--are intended to help the private sector in the LAC region bridge to the industrialized world. The MIF is still in its formative stages but is expected to accrue significant benefits to the smaller scale private enterprise.

The six countries that are members of the OECS are not members of the IDB. Recently CDB consultants were hired to carry out a diagnosis of OECS country needs related to private investment in preparation for their consideration for projects under the MIF. While this is a real possibility at present no proposals have come forward, there is no targeting in the MIF and no information is available on potential levels of assistance. It is expected that relatively small amounts of funds will be available through the MIF (e.g. \$1-2 million) for Technical Cooperation projects for these countries.

d UNDP

UNDP is the sixth largest multilateral donor in the region. It is in the middle of its fifth programming cycle (1992-96) the resources for which will total about \$ 100 million in grants for technical assistance during the period. This represents a 25-30 percent decline from the previous cycle.

UNDP has stressed public sector reform, poverty alleviation, economic integration and attention to the environment, natural resource management and disaster-response management. It is also seeking to support governments in addressing the social implications of structural adjustment and is actively pursuing major environmental interventions for Guyana, Belize and the DR. It is also supporting public sector reform and privatization.

UNDP's focus in the OECS countries is fairly clear. In Antigua/Barbuda there is only one project in physical planning. In Dominica UNDP's efforts are equally divided among education, environmental protection/natural resource management and management development/training in the public sector. The major focus of UNDP's assistance in St. Kitts/Nevis is the agriculture sector for which over 70 percent of their funds are earmarked. In St. Lucia the focus is on environment/natural resource management (over 40 per cent of funds) with additional programs in public sector management and population. The focus in St. Vincent is on poverty alleviation (land reform and agricultural diversification) with smaller programs in environment and public sector management and administrative reform.

The UNDP program in the region is handled out of several offices. Jamaica, Haiti, Guyana and the DR each have their own offices. Barbados handles the OECS countries, Barbados and some British territories. Belize does not have a full office.

e CDB

The Caribbean Development Bank is the third largest multilateral donor in the region. In 1992 total loan approvals were \$78.7 million, total grant approvals were \$20 million. Of the selected AID countries reviewed above, St. Kitts/Nevis, Jamaica and Dominica received 40 percent of the loan approvals, Guyana was the recipient of the largest grant approved. Over the last two decades the Bank has focused almost 50 percent of its financing in roughly equal measure on two sectors: (1) transportation, communication and sea defense and (2) manufacturing and mining. Agriculture, forestry and fishing was the third most significant sector receiving roughly 16 percent of the Bank's financing. The sector which received the smallest share of Bank resources was tourism (three percent). New thrusts and initiatives for the Bank are Environment, Human Resource Development and Poverty Alleviation. The Bank classifies its regional member countries as MDCs, LDCs, and Other Regional. Under this system, Guyana and Jamaica are classified as MDCs, the OECS countries and Belize as LDCs. The DR and Haiti are not members of the CDB. From 1970 to 1992 the CDB's net total financing was \$1,100 million.

There was no single focus of the capital and technical assistance projects for the above selected countries in 1992. In Belize the CDB provided a loan for market infrastructure and technical assistance in the areas of industrial development, plant diseases, air transport, water and sewerage in Belize City and tourism on Ambergris Caye. In Guyana considerable assistance continued for the country's economic recovery program and sea defenses. In Jamaica the Bank focused on rural financial services to assist farmers, artisans and entrepreneurs in western Jamaica and provision of an industrial line of credit for the industrial and tourism sectors. In the OECS countries the primary emphasis was infrastructure. In Dominica loans were made to provide credit to the private sector for projects in agriculture, manufacturing and tourism, for water supply and for the construction of industrial estates. In Grenada new assistance was targeted on feeder roads, port expansion and multi-project infrastructure projects. In St. Kitts/Nevis assistance focused on road improvement and maintenance and port development. In St. Lucia the Bank has supported a major water systems project and in St. Vincent a road construction and water supply project.

In addition to its country programs the CDB has several special activities. The Basic Needs Trust Fund, which receives its principal external support from A I D , assists the beneficiaries in expanding and conserving the stock of social and economic infrastructure essential to growth while providing basic services and short-term employment. Projects which are designed to maximize labor-intensive technologies and minimize recurrent maintenance costs are undertaken in the areas of health and education, potable water, footpaths and rural roads, environmental improvement and community based direct retail facilities used by small producers such as fishermen's wharves and farmers' outlets. Additionally, the CDB provides technical assistance to members via the Caribbean Technological Consultancy Services group which has moved clients to resource persons' establishments to learn and practice newly acquired technical skills. Agro-industry/food processing was the most active sector using this service. Sub-regional and national workshops on such topics as "Preventative Building Maintenance" and "Small Hotel Management" were also provided. CDB's Training program holds both national and sub-regional programs in several areas, including project preparation and appraisal, implementation and management and provides policy advice to governments on national economic management. It also played an important role in the Caribbean Basin Water Management Project through 1992. Finally, the CDB has cooperated with governments and other organizations on a number of discrete projects across various sectors.

Annex 4

Major Impacts, Features and Elements of Strategic Management Options

Table 10 provides an overview of the four options developed for the Caribbean. The OE cost effectiveness impact of each of these options is considerable. The baseline in Table 10 provides actual data for FY 1993. The program funding levels included in the Table are those requested by A I D. A I D 's overall program requests for the Caribbean region in FY 1994 are 29 percent below the actual expenditures made in FY 1993. They are 41 percent below the average annual expenditure for programs during the period FY 1989 through FY 1993. The 1994 requested levels have been continued for each country program for each option. Reductions in OE costs for the Options I through IV are based on several considerations. First, FY 1994 program expenditures will be reduced by about one-third from FY 1993. Requests are 29 percent below FY 1993 actual expenditures and final budget decisions within A I D are likely to reduce the requests, perhaps substantially. Actual expenditures for FY 1994, which tend to lag behind requests, are likely to be lower still. Second, FY 1994 program requests are over 40 percent smaller than the annual average program expenditures for the region over the last five years. The Caribbean program is declining, personnel and other operating costs will need to decline also. Third, OE cost reductions can be attained by shifting more of A I D 's assistance costs to the countries being assisted. This shift will be accomplished in each option by different "management mechanisms."

In Option I, for example, A I D will require more input from Caribbean countries in project design, implementation, monitoring and evaluation. It will incorporate more project management in the technical assistance package associated with each project. A I D 's own managerial staff will shrink, leaving fewer contracting officers, controllers and technical staff in the region. As another example, in Option III, the CF will depend substantially on government institutions in the nations assisted and on US and Caribbean PVOs, consulting firms and other organizations to design, implement and evaluate development activities. This will reduce A I D 's OE costs substantially.

The exact relationship between program expenditure reductions and OE cost reductions cannot be specified. Thus, the numbers provided in support of Options I, II, III and IV cannot be exact. However, the OE cost savings that can be achieved by altering A I D 's objectives and management of US-Caribbean assistance relationships can be substantial and, in principle, should at least match reductions in program expenditures. Establishment of specific goals for reductions in OE expenditures in line with decreases in program funding and improvements in management will help ensure that needed and possible OE savings are actually achieved. Moreover, the increased cost effectiveness that is possible, as pointed out in Chapters II and III of

CARRIBEAN STRATEGY
Table 10 Strategy Options

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		Present Situation Baseline 1993					Option I					Option II					Option III					Option IV								
Program Management		Mgmt	NON	US		Pgm	Mgmt	NON	US	OE	Pgm	Mgmt	NON	US	OE	Pgm	Mgmt	NON	US	OE	Pgm	Mgmt	NON	US	OE	Pgm				
Country	Category	Structure	FTE	DH	OE	Exp	Structure	FTE	DH	OE	Exp	Structure	FTE	DH	OE	Exp	Structure	FTE	DH	OE	Exp	Structure	FTE	DH	OE	Exp				
Transitional (Humanitarian)	Haiti	Mission	126	15	4 85	102 40	Haiti	Mission	63	8	2 68	79 52	Haiti	Mission	63	8	2 68	79 52	Haiti	Mission	63	8	2 68	79 52	Haiti	Mission	63	8	2 68	79 52
Sustainable Dev (Presence)	Belize	Mission	33	6	1 68	4 80																								
	Dom Rep	Mission	97	17	4 40	21 96	Dom Rep	Mission	49	9	2 40	15 36	Dom Rep	Mission	24	4	1 24	15 36	Dom Rep	Mission	17	4	0 99	15 36						
	Guyana	RDO/C	0	0	0 13	10 70	Guyana	Mission	20	4	1 07	8 51	Guyana	Mission	20	4	1 07	8 51	Guyana	Mission	20	3	0 80	8 51						
	Jamaica	Mission	92	16	5 14	16 93	Jamaica	Mission	46	8	2 80	9 51																		
	OECS	RDO/C	66	12	4 55	11 75																								
Limited presence to Non pr sence							Belize	Reg Off Caribbean (ROC)	16	6	1 57	2 60	Jamaica	ROC	29	11	2 87	9 51	Jamaica	Foundation Caribbean	15	5	1 34	9 51	Guyana Dom Rep Jamaica OECS	Other USG & Donors	0	0	0 00	0 00
4-2	Totals		414	66	20 74	168 54			194	35	10 51	119 24			136	27	7 85	116 65			115	20	5 81	116 65			63	8	2 68	79 52
Resource Levels	FTE		414					194						136						115						63				
	DH			66					35						27						20						8			
	OE				20 74					10 51						7 85						5 81						2 68		
	Program Expenditures					168 54					119 24					116 65						116 65							79 52	
Estimated FTE Savings	(No)		0					221						278						300						351			--	
Estimated DH Savings	(No)			0					32						39						46						58			
Estimated OE Savings	(m\$)				0 00					10 23						12 9						14 9					18 1			
Estimated Program Savings	(m\$)					0 00					49 29					51 89						51 89						89 01		
Estimated OE + Program Savings	(m\$)					0 00					59 53					64 78						66 83						107 1		
As a % of Baseline																														
Estimated FTE Savings	(%)		0					53						67						72						85				
Estimated DH Savings	(%)			0					48						59						69						88			
Estimated OE Savings	(%)				0					49						62						72						87		
Estimated Program Savings	(%)					0					29					31						31							53	
Estimated OE + Program Savings	(%)					0					31					34						35							57	

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this paper, can be realized while achieving A I D 's desired development impact and longer-term, broader interests and objectives of the US Thus, whatever the degree of increase in OE cost effectiveness realized, it will help A I D strategically (by positioning A I D to help accomplish a fuller range of worthy US objectives), budgetarily (by releasing funds and personnel for uses elsewhere), and managerially (by enabling A I D 's Mission management and top managers to rely more on the guidance and talent that exists in the MDCs being assisted and to concentrate their efforts on fewer countries as Caribbean MDCs graduate from A I D assistance)

Tables 11 and 12 provide additional cost information drawn from A I D Missions and A I D /W that support the data in Table 10 Figures 19, 20, 21, and 22 illustrate the results of the options in terms of illustrative numbers of full time equivalent staff, numbers of US direct hire staff, level of operating expenditures and level of program funds

Each of Options I through IV have specific elements These elements are the program content, program mechanism, the management mechanism, the country presence, the Caribbean presence and the level of resources proposed For certain options, such as Option II, the prospective location of the ROC is an issue This matter is treated later in this chapter An explanation of these elements for each option is set out below as a precursor to setting the elements in the context of one or more options

- 1 Option I Potential Activities in Each of A I D 's Four Strategic Program Areas in Each Country Managed Via the Conventional Missions/Projects Mechanism
 - a Summary of major features
 - o Program--Facilitates implementation of a package of assistance and activities in all areas of necessary to achieve desired development results, however, the size of the assistance package will be constrained by available funds Scarce funds will be focused on fewer high priority development objectives and be administered through fewer projects
 - o Management--Utilizes traditional in-country management of the development process by A I D staff via Missions and projects to achieve development objectives, provides the most A I D staff resources to nurture indigenous capacity and strengthen partnerships with host country organizations, however, A I D will have fewer projects

CARIBBEAN STRATEGY
Table 11 O E Cost by D H and Other FTE
(Actual A I D 1993 Data)

	TOTAL O E COSTS (US\$ Mil)	AVERAGE D.H COSTS ¹ (US\$ Mil)	TOTAL D.H COSTS ² (US\$ Mil)	AVERAGE FTE ³ (US\$)	TOTAL OTHER FTE COSTS (US\$ Mil)
Belize	1 6840	176468	1 0588	23155	0 6252
Dominican Rep	4 3987	142772	2 4271	24532	1 9626
Guyana	0 1320	144245	0 0828	24620	0 0492
Haiti	4 8491	148775	2 2316	23581	2 6175
Jamaica	5 1348	185289	2 9646	28555	2 1702
OECS	4 5520	196830	2 3620	40556	2 1900

1 Include U100 and U400 categories

2 Include U500 and U600 categories

3 Include U200 U300 U500 and U600 categories

* Estimated by Devres

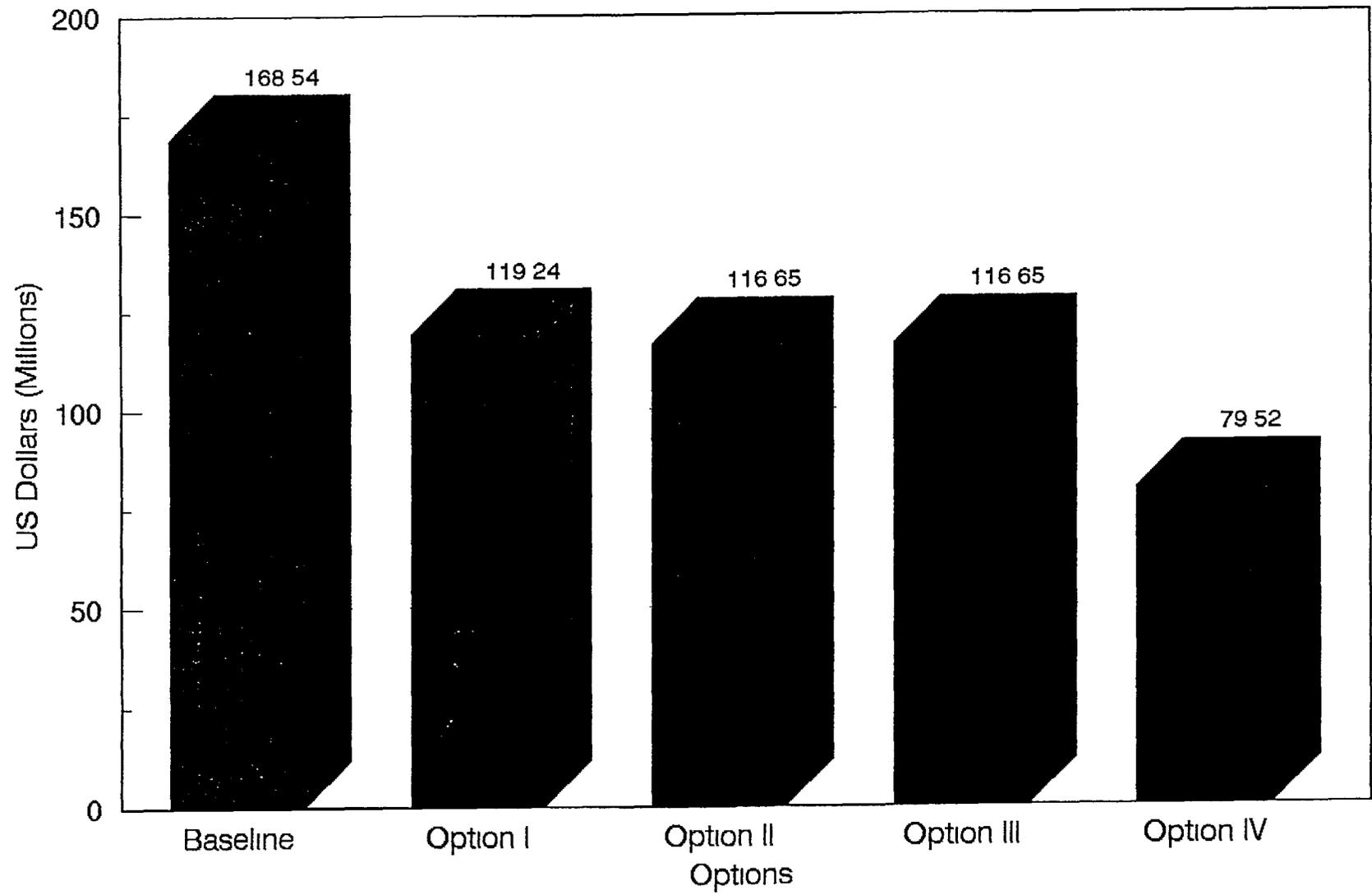
	AVERAGE DIRECT HIRE COSTS ¹ (US\$)	INDIRECT COST RATE	TOTAL O E COSTS (US\$ Mil)
Belize	176468	140 78%	1 6840
Dominican Republic	142772	151 66%	4 3987
Guyana	144245	n a	0 1320
Haiti	148775	204 96%	4 8491
Jamaica	185289	148 66%	5 1348
OECS	196830	150 61%	4 5520

1 Include U100 and U400 categories

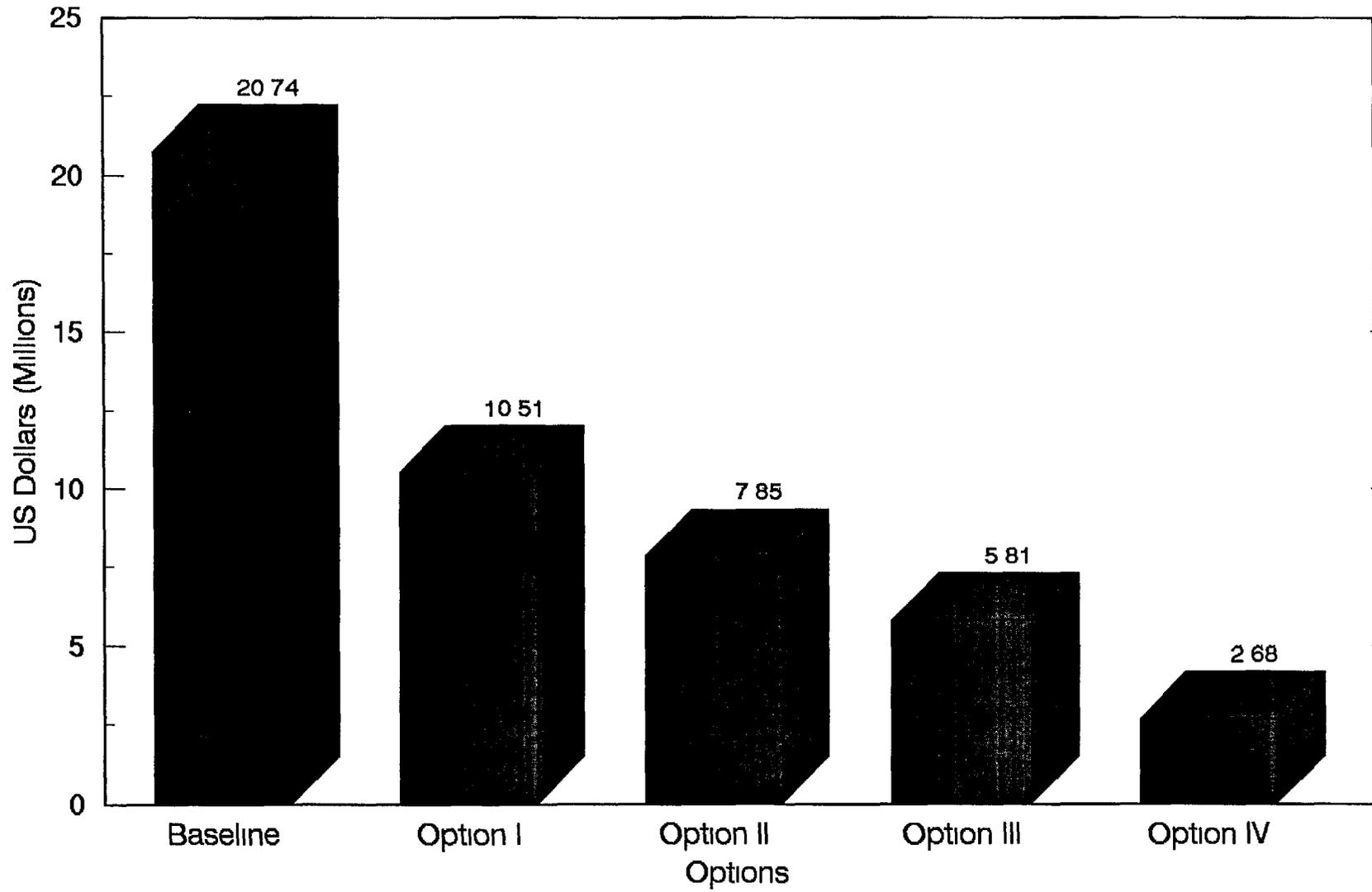
CARIBBEAN STRATEGY
 Table 12 Dissagregated O E Costs
 by Caribbean Mission, 1993

	U100	U200	U300	U400	U500	U600	TOTAL
Belize	0 6994	0 0000	0 4258	0 3151	0 2189	0 0248	1 6840
Dominican Rep	1 7443	0 2905	0 7760	0 4924	0 7121	0 3744	4 3897
Guyana	0 0000	0 0000	0 0239	0 0276	0 0438	0 0376	0 1329
Haiti	1 5901	0 5142	0 9443	0 4849	0 8635	0 4521	4 8491
Jamaica	2 0650	0 1233	0 8844	0 6549	1 0458	0 3614	5 1348
OECS	1 8164	0 8755	0 6136	0 3898	0 7801	0 0766	4 5520
TOTAL	7 9152	1 8035	3 6680	2 3647	3 6642	1 3269	20 7425

CARIBBEAN STRATEGY
Figure 19 Program Expense by Option



CARIBBEAN STRATEGY
Figure 20 Operating Expense by Option

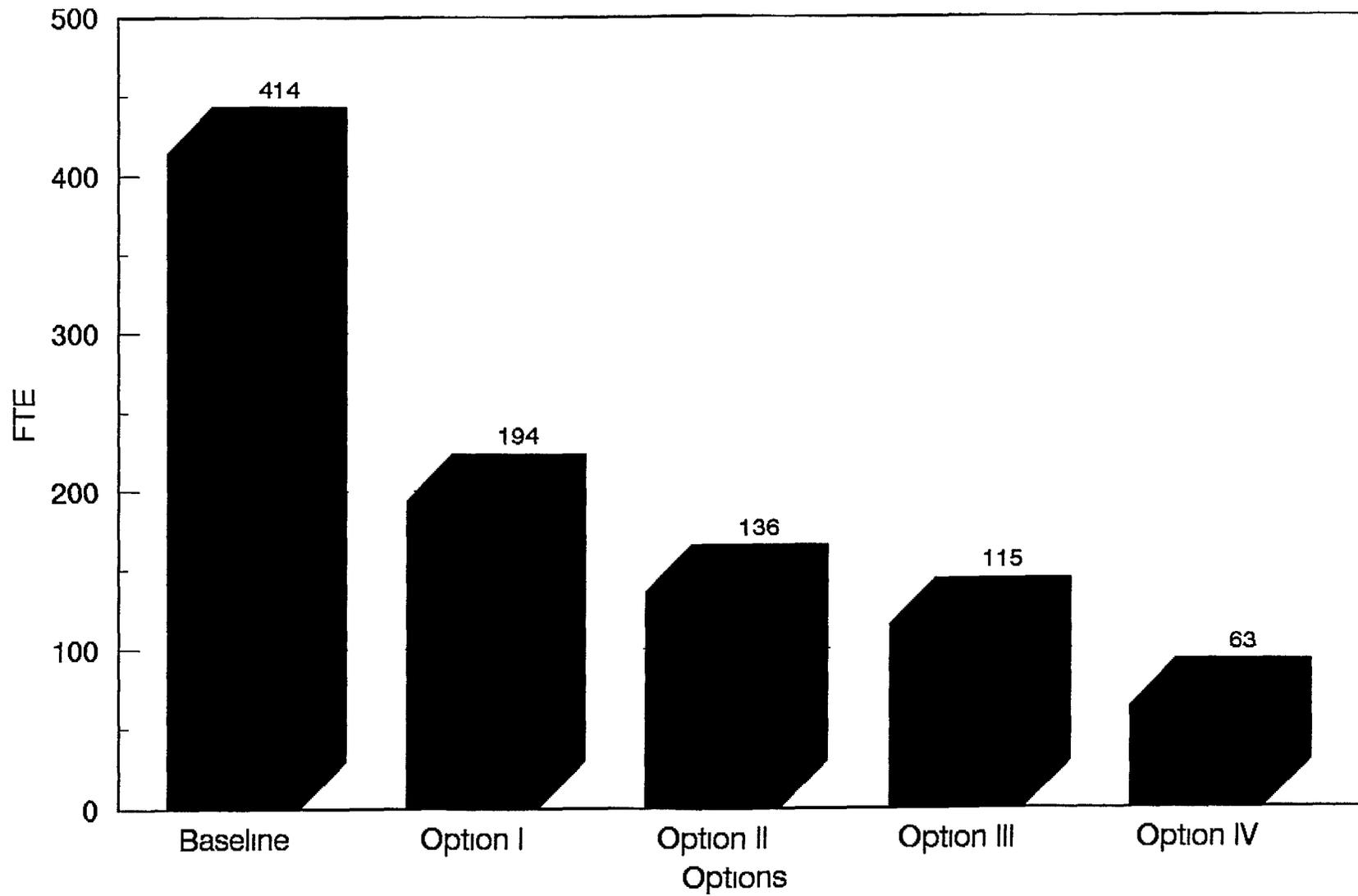


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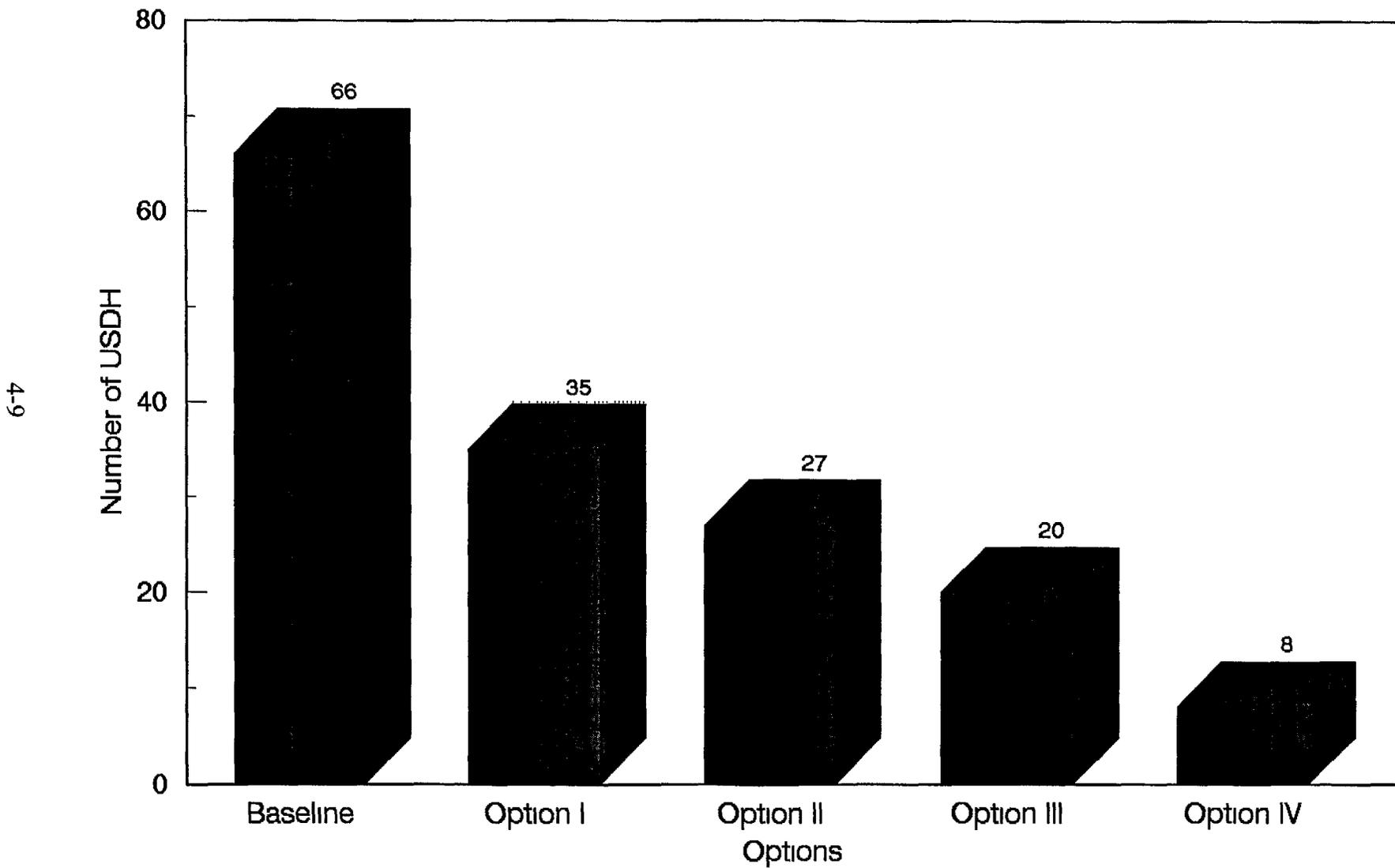
CARIBBEAN STRATEGY

Figure 21 Full Time Equivalent Staff by Option



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CARIBBEAN STRATEGY
Figure 22 U S Direct Hire Staff by Option



to develop and manage and will deliberately shift responsibility for development activities to assisted countries and organizations helping them. Even in its Mission/project mode A I D will become leaner and more cost effective

- o A I D presence--Maintains direct A I D presence in key countries in the region, reduces A I D 's presence in Belize and OECS countries but continues an assistance relationship with them,
- o Staff and OE levels--Reduces personnel and OE levels substantially below baseline levels while still depending on existing operating mechanisms, and
- o Budget--Saves 49 percent of 1993 OE and 29 percent of program funds

b Description of elements

The program content of Option I would encompass up to all four of A I D strategic program areas as determined on a country-by-country basis. Specific country needs in economic growth, environment, democratization and population and health would be acceptable program targets for Missions and the ROC or CF handling non-presence countries. However, A I D 's endeavors in each country and the region as a whole will shrink and become more sharply focused as program fund reductions force individual countries to select higher and higher priority areas to receive the limited A I D assistance available. A I D will increasingly shift responsibility to assisted countries to define development objectives, programs and projects.

The program mechanism of Option I is the individual "project" with its attendant PID, PP and related substantive and operational parts. Within Option I, the setting for the project mode is a specific country. Thus, each project can be tailored to the conditions of the country and managed on a continuous basis so as to address precise problems and to achieve exact objectives. Each project is initiated, approved, managed and funded by A I D staff with the help of contractors, NGOs or PVOs, and other public or private sector organizations in the recipient country. The project mode in Option I would depend to a higher degree than usual on recipient country help with project identification, design, implementation and evaluation to defray A I D 's costs to build up the capacity of each country to undertake its own development activity and to enable MDCs to graduate from A I D assistance. Thus, even under Option I, the program mechanism would not be "business as usual."

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The principal management mechanism within Option I is the Mission--a physical institution with specific staff, procedures and resources located in a developing country. This mechanism applies A I D direct hire and foreign national staff and other available resources to specific development problems within the country where the Mission is located. Following standard A I D management and administrative procedures, the Mission identifies development constraints and shapes and implements efforts to remove them. Missions can vary in size and in the breadth of their programs. They can be entirely self contained, including all administrative support functions, or very small. However, the principal justification for a Mission is that the size of the anticipated program requires the residential presence of a significant number of A I D staff. Non-presence countries (MDCs) would be managed via a Regional Office for the Caribbean similar in concept to the present RDO/C.

The Mission concept would be sharpened considerably under this option to increase its efficiency. Right sizing would be aggressively applied at the Mission level, leaving fewer staff to accomplish A I D 's development tasks. For example, whenever possible functions would be based in the ROC rather than at the Mission level. Controllers, contract officers, legal advisors and technical specialists would be candidates for such consolidation and reduction in force.

Option I provides A I D with a country presence in the largest number of Caribbean countries. A I D staff, resident to work in the USAID Mission, constitute an A I D and US presence in the country to which assistance is being provided. This option would result in A I D 's presence within the maximum number of countries. It also maximizes A I D 's in-depth Caribbean presence through Missions and via the location of an ROC within the region.

Option I provides the maximum level of financial and staff resources of all options. The number of staff and the types of skills embodied would be largest under this option. The staff would be resident in various countries, thus scattered from each other and unable--except at the Mission level--to complement each other easily. Over a very limited time period, A I D 's total staff in the Caribbean would be reduced substantially from that currently present even under this Option I. This reduction would, at first mark, be proportional to decreases in program funding. At second mark, A I D 's staff would be further reduced much more than proportionally to cutbacks in program funds to 1) mirror A I D 's increased concentration on fewer substantive areas of activity in the region, 2) account for the very limited number of conventional new start projects to be undertaken, 3) reflect A I D 's success in shifting project activities to Caribbean countries and institutions assisting them, and 4) adjust for A I D 's increased efficiency (consolidation of staff, improved financial management techniques, streamlined procurement procedures, cutting edge communications and other technology, etc). Thus, under Option I, A I D 's ratio of OE costs to program expenditures will become substantially smaller than at present.

c Pros and cons

The pros for this option are

- o Maximizes A I D 's ability to address and achieve US development interests in the region,
- o Supports A I D 's direct control and detailed management of US funded development activities in the region,
- o Enables A I D to continue its familiar program and management activities,

The cons are

- o Places limited emphasis on achievement of US objective of establishing extensive non-A I D linkages with mature Caribbean countries "graduated" from their A I D relationship,
- o Requires highest level of program and operating expenditures,
- o Encourages continuation of extensive A I D program and wide program coverage--more field driven and less policy-budget driven,
- o Limits A I D 's financial and program leverage,
- o Emphasizes US public sector--Caribbean public sector relationships in the region,
- o Least sustainable over time,
- o Provides limited potential for maturing of participatory relationships with Caribbean countries in the development process,

2 Option II One Regional Project in Each of A I D 's Four Strategic Program Areas Managed Via a ROC

a Summary of major features

- o Program--Enables activities in all substantive and geographical areas, but gains its largest advantage when focused on aspects of development most amenable to regional implementation,

- o Management--Emphasizes regional management of the development process by A I D staff, drastically simplifies substantive and procedural management by limiting country activities to participation in regional projects in A I D 's four strategic development areas
- o A I D presence--Reduces A I D 's direct presence in the Jamaica more than Option I Hives Belize off to Central American region and Guatemala support staff,
- o Staff and OE levels--Further reduces personnel and OE levels compared to Option I via A I D 's focus on four regional projects and the centralization of A I D 's substantive and operational management mostly in a ROC, and
- o Budget--Saves 62 percent of baseline OE funds and 31 percent of baseline program funds

b Description of elements

The program content of Option II would include one major regional activity only in each of A I D 's four strategic program areas Thus, A I D 's Caribbean program would be four regional projects--economic growth, environment, democratization, and population For example, in the strategic program area of the environment, A I D 's regional project could be to strengthen the management of coastal environmental zones This specific regional project would specify look-alike or "cookie cutter" individual country applications--country projects to strengthen management of coastal environmental zones Each country, via its Mission or through the ROC, could "buy-in" to the specific country application available under this regional project Country activities outside the regional project application, including even those within the ambit of A I D strategic program area of the environment, etc , would not be entertained by A I D

The program mechanism of Option II could be individual projects within each country or regional programs encompassing sub-projects or other development activities The ROC will be located in one country in the Caribbean and its staff will travel to the other countries The ROC and its staff can assist individual countries to develop their own specific projects using A I D 's standard project procedures With ROC funding, each project could be managed by various entities ranging from PVOs to public sector entities in each developing country Or, ROC can shape programs with regional participation to deal with regional issues (e g , the environment) Countries, for example, could be provided with a "cookie cutter" type environmental project--say environmental management systems and training--under the regional

program on a "take it or leave it basis" ROC could also create flexible mechanisms whereby individual countries could participate in regional programs in a variety of ways

The management mechanism within Option II is the Regional Office, Caribbean. The ROC could vary substantially in size and in the breadth of its program. It would be a physical institution with specific staff, procedures and resources located in one country in the Caribbean.¹ The ROC would use A I D direct hire and foreign national staff to carry out development activities in the Caribbean region. The ROC could contain all its own management and support staff or it could depend on Washington for some support functions. It would follow standard A I D management and administrative procedures to prepare and implement its development activities--principally one regional project for each of A I D 's four strategic development areas. Missions in the Caribbean region would assist their client countries in specifying and implementing their country specific aspects of these four regional projects.

ROC staff would encourage each Caribbean country to prepare its own national activity within the regional project framework and to team with US institutions in doing so. This directional encouragement by the ROC would be in support of A I D 's desire to support increased participation and capacity development in each country. It would also help establish linkages with US institutions working together with each nation on their various strategic project areas.

Option II reduces A I D 's level of presence in the region from that in Option I. It provides A I D with a country presence only in Mission countries and the country in which the ROC is located (if it is different than a Mission country). A I D staff would be an A I D /US presence in the country where the ROC was located. This option also provides A I D with a Caribbean presence via the work of the ROC.

The total level of A I D financial and staff resources would be substantially smaller in Option II than in Option I. The "cookie cutter" approach to country projects and the centralization of the four regional projects in the ROC would enable program and support staff to be further consolidated and reduced compared to Option I. The staff would be resident within one country and able to complement each other more easily than in Option I.

¹The ROC could also be located in Washington, DC or Miami. The advantages and disadvantages of different locations for the ROC (or the CF) are discussed later in this chapter.

c Pros and cons

The pros for this option are

- o Maintains A I D capacity to address US interests in the region (although at a lower level than Option 1),
- o Regional project motif streamlines A I D 's substantive and management requirements,
- o Requires lower levels of A I D operating expenditures,
- o Enables A I D to provide extensive substantive program activity throughout the Caribbean,
- o Facilitates expansion or contraction of A I D 's substantive program activities,
- o Depends somewhat more on host country capacity,
- o Enables A I D to continue with familiar program and management activities (regional offices and projects),

The cons of this option are

- o Results in a more limited A I D presence on a country to country basis,
- o Not all substantive projects are amenable to the "half-way house" regional management,
- o Provides very limited potential for expanding the role of Caribbean countries in participatory development and limited support for movement of Caribbean nations toward more mature relationships with the US,
- o Not self-sustainable in the longer term

3 Option III One Main Regional Strategic Program Area for All Caribbean Countries Plus One or More Other Justifiable Strategic Program Areas per Country Managed via a Caribbean Foundation (CF)

a Summary of major features

- o Program--Able to support all necessary elements of development, but will emphasize substantive and geographical areas in which recipient country institutions are strongest or US-developing country PVO, NGO and private sector organizational linkages are the most developed Goes the furthest in maintaining an A I D presence without the necessity of "having a program," The CF would fund specific development activities (prepared and implemented by others) within a pre-selected area of substantive concern
- o Management--Relies on a regional A I D Caribbean Foundation/Fund to encourage US and Caribbean organizations working toward A I D 's desired development results Provides for monitoring, not design or management, of development activities,
- o A I D Presence--Reduces presence of A I D staff in the Jamaica and the OECS countries more than Option II because a CF would have less A I D staff involvement than an ROC Also places Belize in the Central America-Guatemala portfolio,
- o Staff and OE levels--Further reduces personnel and OE levels by depending principally upon foundation funding to shape development efforts in the region, and
- o Budget--Saves 72 percent of OE and 31 percent of program funds

b Description of elements

The program content of Option III would include one major regional activity in only one of A I D 's four strategic program areas Individual countries could add specific activities in one or more of A I D 's other strategic program areas according to need and available resources Thus, A I D 's Caribbean program would have one major thrust--e g , environment A I D supported activities

in other substantive areas would be used to achieve key development objectives in sustainable development countries and to facilitate the creation of longer-term non-A I D linkages between the US and Caribbean countries in non-presence countries (MDCs) A I D , in its principal regional area of interest, could create a single regional project ala Option II above, or entertain all appropriate activities in the substantive area Activities outside A I D 's single regional thrust could be restricted or "guided" according to A I D 's internal conclusions or via joint planning exercises between A I D and Caribbean countries on a one-to-one or regional basis Or, A I D may entertain all country requests, especially from MDCs, based solely or mostly on decisions made by the countries themselves

If A I D chooses to reduce its focus to one strategic development area, the two top candidates are environment and economic growth The economic well-being of Caribbean countries is the most important objective for the US and Caribbean countries, for without this, other objectives such as environmental preservation cannot be achieved The trade related aspects of economic growth, in particular, are critical to the region and an area where A I D has been active and exhibits special expertise The environment also is important because it interacts with economic growth in the region and is also an important global good from the perspective of the US

There are several reasons to select the environment rather than economic growth as A I D 's major thrust in the region First, Caribbean nations are likely to do all they can to ensure a sound economic situation for themselves The importance of achieving economic growth is transparent to politicians and citizens alike Second, these nations have much of the talent and will to take action in the economic arena whereas they have less depth of talent and will to take action in the environmental area Third, economics is a prime focus of other donors, especially the major multilateral development banks Thus, not having major A I D involvement in this area will not have as significant an impact as A I D 's not being involved in the environmental area where its marginal contribution is arguably higher The US has much to offer Caribbean countries in terms of environmental policy, procedures and systems Fourth, the economic arena is the best one in which to initiate non-A I D financed linkages between US and Caribbean entities Private and public sector interests in both the US and Caribbean countries are strongest in this area and offer the best opportunities for initial establishment of new "linkages" to support A I D 's longer term strategy Fifth, despite the initiative of the World Bank in this area, Caribbean nations will need more and longer term assistance to encourage appropriate environmental action, including the development and management of environmental policies and procedures An important aspect of this assistance will be "education" as to the importance of the environment and of taking actions to sustain appropriate environmental quality Sixth, fewer funds tend to be made available in Caribbean countries to support environmental initiatives than to undergird economic activities

The program mechanism of Option III is the "grant " The Caribbean Foundation (or Fund) would provide funds to Caribbean and/or US entities to carry out specifically approved development activities The activities funded could include poverty alleviation projects, management assistance, training, technology transfer, special seminars, etc The operation of the grant program could take several forms For example, the CF could award grants only to US entities (to limit problems with accountability for funds, management, etc) who were linked formally with a specific organization in the country being assisted to carry out an agreed upon development activity Grant funds would be for both the US and Caribbean entities involved, with the US organization being responsible for the financial and administrative aspects of the grant

As with Option I, the principal setting for the grant mode would be a specific country However, regional organizations would also receive grants The grants can be given to meet the conditions of individual countries or the region and managed by the Caribbean and US entities involved to address precise problems and to achieve exact objectives, just as in the case with A I D managed projects

The management mechanism within this Option is the Caribbean Foundation or Fund (CF) The CF would have specific staff, procedures and resources and be located in a Caribbean country ² The Foundation applies A I D direct hire and foreign national staff to specific development problems brought forward by Caribbean and US entities working together The identification, development and management of development activities would be carried out primarily by Caribbean private and public sector entities and US private sector organizations The CF would provide only the financial resources in grant form to implement such activities The CF would develop its own system for soliciting, evaluating, awarding and monitoring grant proposals To focus its program, the CF could define core areas of development interest (e g , building democracy) for individual countries or the region, allocate specific quantities of grant funds to substantive areas or specific countries, etc and entertain grant requests only within such guidelines The size and shape of the CF's program would be determined by A I D /W in collaboration with others in the Executive Branch and Congress The detailed directions and operations of the CF would be determined by its board of directors and managers, some of whom could be from the Caribbean The CF could be entirely self contained or could draw administrative support from A I D /W

² The CF could also be located in Washington, DC or Miami The advantages and disadvantages of different locations for the CF (or the ROC) are discussed later in this chapter

The CF will actively encourage the expansion of development capacity and linkages with a variety of US institutions. It will not be involved with identification, design, implementation or monitoring of specific development activities but would require these to be carried out by each country. The CF also will require that each Caribbean activity it assists involve a counterpart US organization, thus encouraging the establishment of linkages by the Caribbean country and US organizations interested in participating in them.

A I D /W would provide CF staff, funding, information, links to US institutional collaborators, and policy guidance. The CF would emphasize mutual Caribbean country-US responsibility and increasingly privately sponsored and managed activities. Funding for the CF could be on some kind of a matching basis with the countries or organizations being assisted. The CF would attempt to leverage its funds through buy-ins from other donors as well.

The CF can be used to move Caribbean countries into a more mature relationship with the US in several ways. It can co-sponsor activities with multilateral institutions--e g , the World Bank--by adding its activities to the larger loan projects of such institutions. Or, the CF can add funding for specific individuals to be trained in the US (a superb linkage builder) as part of broader World Bank, other international governmental organization, or US institutional training programs. It can increasingly "harden" the terms of its assistance, requiring for example, that the host country provide 50 or even 75 percent of the cost of each activity. It can fund only activities that can be self sustaining within five years. The CF can tie its assistance to policy progress or to the activities of other donors (e g , first the British have to support the new sewage system, then the CF will help finance the requested water quality laboratory). The overall CF program can move Caribbean countries from CF assistance tied to such programs to complete dependence on the programs of the multilateral organization itself. It can also move countries from dependence on CF funding to support, for example, APHIS type training to complete reliance on linkages with APHIS itself to deal with matters of standards and inspection.

Option III provides A I D with the same overall presence as Option II. It would have a country presence in the nations where Missions continue to be located (Haiti, Guyana and the Dominican Republic) and in the country where the CF is located (if it is different from countries where A I D maintains Missions). This option also provides A I D with a Caribbean presence through the activities of the CF.

Option III provides the fewer financial and staff resources than either Options I or II because the role of the staff is principally to grant CF funds to the most appropriate recipients. The staff would reside in one Caribbean country and could therefore support and complement each other easily.

c Pros and cons

The pros for this option are

- o Less expensive than Option 1 or 2,
- o Maximizes flexibility to expand or contract A I D activities and to implement detailed programs,
- o Optimizes leverage of A I D resources and the use of public and private sector capacity,
- o Easiest to manage administratively,
- o Maintains a US presence in individual countries and the region,
- o Provides maximum potential for participation by Caribbean countries and for support of their progress toward graduation from direct A I D support,
- o Potentially more sustainable in the longer run

The cons of this option are

- o Most difficult to manage substantively and financially (because it introduces much more Caribbean country participation and minimizes A I D control compared to Options I and II),
- o Requires the most significant changes in A I D 's operations, including staffing,
- o Funding priorities and allocations are likely to be more subject to Caribbean and US political influence,
- o Could lead to scatter and lack of concentration substantively,
- o Likely to reduce the A I D program in numerous Caribbean countries, possibly creating some political difficulty

4 Option IV Graduate All But Crisis Countries to Other USG Agencies,
Private Sector Institutions & Other Donors

a Summary of major features

- o Program--Can support all aspects of development, but will focus most intensely on areas of development which will advance key US interests,
- o Management--Relies on non-A I D USG and donor agencies to foster the development of and retain the US relationship with Guyana, the Dominican Republic, Jamaica and the OECS states Supplies no A I D staff resources (except in Haiti) to foster indigenous capacity, strengthen partnerships, etc Emphasizes US-Caribbean country "relationship" rather than achievement of development objectives Provides no coherent management entity,
- o A I D presence--Eliminates A I D 's presence in all countries but Haiti,
- o Staff and OE levels--Shrinks A I D personnel and OE to minimal levels in the region by depending on other USG agencies, other donors, and Caribbean country institutions to carry out desired development activities, and
- o Budget--Maximizes OE and program savings--87 and 53 percent of baseline OE and program funds respectively, suggests that the development maturity of the Caribbean region is greater than that of other regions bidding for A I D resources

b Description of elements

The program content of Option IV would be restricted to that of Haiti

The program mechanism of Option IV is the self interest of other USG agencies and donors as it is stimulated by needs and problems in Caribbean countries Caribbean nations will relate to the US in various ways which require interfacing with USG agencies (e g , shipments of agricultural products into the US which necessitates

APHIS or FDA inspections) Both the agencies and the Caribbean countries will, from time to time, have mutual interests that will need to be accommodated APHIS, for example, may offer training sessions in a Caribbean country to enable its exporters to better meet APHIS' inspection standards for export produce This mutual activity would help both APHIS and the Caribbean country realize their individual but reinforcing interests In a similar fashion, CDC may assist a Caribbean nation in disease control to eliminate a perceived threat to the health of US citizens in that country or the US Other donors, such as the World Bank, will continue to work in Caribbean countries to achieve their own development objectives--objectives quite compatible with those of A I D

The management mechanism in Option IV would be the standard foreign relations management activities of various US agencies (State, Commerce, HHS, etc) This management mechanism will apply the same level of resources to Caribbean countries by US agencies as are now applied by them to non-A I D countries Likewise, other donors will use their available resources to pursue their own objectives in Caribbean countries Whereas the use of resources by IBRD, IDB, CDB and others in Caribbean nations is now influenced both directly by US direct involvement in those institutions and by A I D presence and activities in the Caribbean region, this management mechanism will rely only on US direct influence on other donors To the degree that US interests in the activities of other donors in which it plays a role are substantial, A I D may be able to continue to influence the actions and role of other donors vis-a-vis Caribbean nations

Option IV eliminates A I D 's country presence in almost all Caribbean countries A I D staff would be present only in the Haiti Mission

Option IV provides the most limited level of financial and staff resources of all options A I D staff would be present in crisis and weak sustainable development countries but not in other nations or elsewhere in the region

c Pros and cons

The pros for this option are

- o Least expensive,
- o Indicates to Congress, OMB and others that A I D does "graduate" countries,
- o Enables A I D to concentrate on other countries and regions where the development payoff is better,

- o Maintains US linkages with the Caribbean through other USG agencies to further develop and maintain mature US interests,
- o Openly deals with Caribbean nations in terms of US and mutual interests,
- o Creates a more mature (collaborative) US-Caribbean relationship that treats Caribbean countries as fully capable of dealing with their own development problems,
- o Most sustainable

The cons for this option are

- o Eliminates A I D 's presence and influence, including the availability and flexible use of A I D activities to support US interests,
- o Does not seek to foster directly significant development results in Caribbean countries,
- o Graduates Caribbean countries to other USG agencies that lack relationships with and sensitivity to them,
- o Eliminates the current A I D program in Caribbean countries which would create some political difficulties

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