

UNCLASSIFIED

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

DOMINICAN REPUBLIC

PROJECT PAPER

HUMAN RESOURCES DEVELOPMENT
(Amendment)

AID LAC/P-081/1

Project Number:517-0127
Loan Number:517-V-036

UNCLASSIFIED

PROJECT DATA SHEET

1. TRANSACTION CODE

C A = Add
C = Change
D = Delete

Amendment Number

1

DOCUMENT CODE

3

COUNTRY/ENTITY

Dominican Republic

3. PROJECT NUMBER

517-0127

4. BUREAU/OFFICE

Latin America and the Caribbean

05

5. PROJECT TITLE (maximum 40 characters)

Human Resources Development

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
019 | 215 | 88

7. ESTIMATED DATE OF OBLIGATION
(Under "B." below, enter 1, 2, 3, or 4)

A. Initial FY 81

B. Quarter 4

C. Final FY 86

8. COSTS (\$000 OR EQUIVALENT \$) =

A. FUNDING SOURCE	FIRST FY 81			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	342	287	629	2185	3215	5400
(Grant)	(342)	(7)	(349)	(1135)	(15)	(1150)
(Loan)	()	(280)	(280)	(1050)	(3200)	(4250)
Other						
U.S.						
Host Country		128	128		2193	2193
Other Donors)						
TOTALS	342	415	757	2185	5408	7593

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) EDU	610	660	639	750	4250	400	-	1,150	4,250
(2)									
(3)									
(4)									
TOTALS				750	4250	400	-	1,150	4,250

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

650

11. SECONDARY PURPOSE CODE

683

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

BR

BU

PART

TNG

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To expand vocational/technical and managerial training opportunities to Dominicans interested in studying in priority areas in vocational/technical programs or in management training programs for small and medium-sized enterprises.

14. SCHEDULED EVALUATIONS

Interim MM YY | MM YY | Final MM YY
0 | 4 | 8 | 5 | 1 | 2 | 8 | 8 | 0 | 8 | 8 | 8

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment)

Add a new component for managerial training for small and medium sized enterprises; extend the PACD by two years; and reprogram the faculty training component from loan to grant funding.

17. APPROVED BY

Signature



Title

Craig Buck
Acting Director
USAID/Dominican Republic

Date Signed

MM DD YY
10 | 7 | 08 | 8 | 5

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY
| | | | |

Project Paper Supplement
for
Human Resources Development

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AMENDMENT NUMBER TWO
TO THE
PROJECT AUTHORIZATION

Name of Country:	Dominican Republic
Name of Project:	Human Resources Development
Number of Project:	517-0127
Number of Loan:	517-V-036

1. Pursuant to Section 105 of the Foreign Assistance Act of 1961, as amended, the Human Resources Development Project was authorized on September 25, 1981 and amended on September 30, 1981. That authorization, as amended, is hereby amended as follows:

a. Paragraph 1. is deleted in its entirety; substituted therefor is the following:

"1. Pursuant to Section 105 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Human Resources Development Project for the Dominican Republic involving planned loan obligations of Four Million Two Hundred and Fifty Thousand Dollars (\$4,250,000) to the Foundation for Educational Credit and grant obligations of One Million One Hundred and Fifty Thousand Dollars (\$1,150,000) to the Foundation of Educational Credit over a seven-year period from date of authorization to help in financing foreign exchange and local currency costs for the project."

b. Paragraph 2 is deleted in its entirety; substituted therefor is the following:

"2. The Project consists of sub-lending to students for vocational/technical training in priority skill areas, managerial training for small and medium sized enterprises, and the strengthening of the FCE as a support agency."

c. A new paragraph, 3.C.4, Conditions Precedent to Loan Disbursements, is added as follows:

"4. Prior to the first disbursement, or the issuance of any commitment documents under the Project for managerial training for small and medium sized enterprises, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D. a detailed implementation plan and evidence that a full time education/entrepreneur specialist has been hired for the managerial training component."

2. Except as amended herein, the Authorization and Amendments thereto, remain in full force and effect.



Craig G. Buck
Acting Director

July 8, 1985

Date

I. SUMMARY AND RECOMMENDATIONS

A. Summary

The Human Resources Development Project Grant (517-0127) was designed to provide technical assistance, commodity procurement, and training for the Educational Credit Foundation (FCE) in support of activities funded under the complementary Loan Project (517-V-036). Since the signing of this Project in 1981, the implementation of the subloan component for faculty training was delayed due to problems with the provision of technical assistance for the institutional development plans which were designed, in part, to identify priority faculty training needs. Now that this problem is being addressed, loan financing for this component has become impossible due to the current economic situation in the Dominican Republic. Faculty members do not have sufficient income to repay U.S. dollar loans at the unified exchange rate (currently RD\$3.15=US\$1.00). Therefore, in order to ensure the implementation and achievement of this Project objective, \$400,000 additional grant funds will be provided to finance faculty training.

The loan funds originally programmed for the purpose of the faculty subloans will be used to fund a new component for managerial training for small and medium-sized enterprises. In order to complete both the managerial and faculty training components of the Project a two-year PACD will be required.

B. Recommendations

Based on the analysis carried out by the Human Resources Division and FCE the Project Committee recommends that: 1) the Human Resources Development Project be amended to increase the LOP by \$400,000 in grant funds for the training of vocational/technical faculty of participating institutions; 2) the original \$400,000 in loan funding programmed for the faculty training component be reprogrammed for the managerial training component; and 3) the PACD be extended for two calendar years, or until September 25, 1988.

II. BACKGROUND

A. Original Project Design

The goal of the Human Resources Development Project is to improve the income, productivity, and overall quality of life of poor Dominicans through increased skills training. The purpose is to expand vocational/technical training opportunities and assist the poor to participate in vocational/technical training programs in priority skill areas. The project consists of three components: 1) student subgranting by the FCE for vocational/technical training; 2) strengthening of vocational/technical training institutions through the procurement of commodities and faculty

training; and 3) strengthening of the FCE as a support agency. The first two components are loan funded and the third is grant funded.

Total Project funding is \$7.2 million. AID provided \$4.25 million in loan funds to FCE, guaranteed by the Dominican Government and \$750,000 in grant funds. The FCE counterpart is \$1.75 million. Of the total project funding, \$5.55 million was programmed for subloans to needy students, as well as for commodity and faculty subloans. The AID grant, plus \$150,000 of the FCE counterpart, was programmed for technical assistance, equipment and training for the institutional strengthening of FCE.

To date, the student subloan component is meeting its objectives and the commodity procurement for the participating vocational/technical institutions should be completed within the next six months. However, no activity has taken place in the faculty training component due to project design, project administration, technical assistance, and economic reasons.

III. SPECIFIC IMPLEMENTATION PROBLEMS

A. General Overview

Over the past three years, several factors have contributed to the delays in project implementation. The original project design included two organizations to administer the Project: the Educational Credit Foundation (FCE) and the Institute for the Training of Technical Professionals (INFOTEP). INFOTEP decided not to participate in the Project the day that it was signed, and subsequently, all of the employment aspects and labor market activities assigned to INFOTEP were transferred to FCE. However, since FCE is an educational credit organization, it did not have the capability to handle many of the tasks originally designed for INFOTEP.

Problems with FCE administration and the technical assistance team were also responsible for project delays. The prior administration did not invest the time nor the counterpart personnel required to implement the project, and relations between the administration, the TA team and AID were poor. Technical assistance, provided by Texas A&M, did not complete all of the activities originally contemplated. This was due to several reasons including a difficult situation with FCE; the adequacy and quality of the TA personnel sent to the Dominican Republic; and the design of the TA contract whereby the Coordinator sporadically commuted from Texas to supervise the in-country activities. Resolution of some of these problems coincided with a declining economic situation. Since the signing of the Project Agreement in 1981, the economic conditions in the Dominican Republic have drastically changed. The Dominican peso began to decline in value and has now been shifted from an official rate of US\$1.00=RD\$1.00 to a unified exchange rate, which fluctuates at about US\$1.00=RD\$3.15.

B. Constraints to Faculty Training

Based on an analysis by FCE, the maximum capacity for repayment of an education debt is 10% of a person's salary. With U.S. training costs estimated at US\$3,000 per month, loan repayment by faculty members with a monthly salary estimated at RD\$650, has become impossible. In order to implement this component, therefore, grant funding is required. In addition to the faculty members' inability to repay the loan, educational institutions were reluctant to participate in a joint-financing of faculty training sub-loans. These institutions are currently required to fund: a) the salary for temporary faculty replacement; b) the salary for the faculty member in-training; and c) round-trip international airfares. Therefore, the institutions were not willing to additionally burden themselves with loan repayment assistance for the off-shore training.

Because of the economic problems and the difficulties encountered in pursuing alternate solutions, more time than originally anticipated will be required to implement this component of the project.

III. PROJECT MODIFICATION

A. Introduction

In order to respond to the specific implementation problems under the project several modifications have been proposed which require a supplement to the Project Paper. There will be a new loan funded component added to the project; a change in funding for faculty sub-loans from loan to grant; and an extension of the Project Assistance Completion Date. These additions and modifications will impact on: 1) the Project Description, primarily the goal and purpose statements; 2) the Project Activities component for Assistance to Vocational Technical Institutions: Faculty Development; 3) the addition of the new managerial training component for Small and Medium-sized Enterprises; and 4) the budget which will reflect the changes in funding among components. A new condition precedent prior to the implementation of the managerial training component is suggested

B. Current Status and Additional Information

The objectives of the Project are being achieved under the: 1) student subloan component; 2) FCE institutional strengthening component; and 3) commodity procurement activity for vocational/technical institutions. However, the faculty and new management training components will require the following additions and/or modifications to the original Project Paper:

1. Project Goal and Purpose

The goal of the project, as revised, is to improve the income, productivity, and overall quality of life of Dominicans through increased skills training. The revised purpose of the project is to expand

vocational and managerial training opportunities to Dominicans interested in studying in priority areas in vocational/technical programs or management training programs for small and medium-sized enterprises.

2. Project Activities

a) Assistance to Vocational/Technical Institutions - Faculty Development

The basic objective of this component was to improve vocational education primarily through off-shore training of faculty members. The beneficiaries and their respective courses of training were to include three categories: professors (training in pedagogical skills and trade upgrading); administrators (management and theory of vocational education); and counselors (occupational counseling and training). The professors were to receive at least 60% of the scholarships, and the administrators and counselors not more than 40%.

The current plan is to train only the professors and, whenever possible, administrators. This decision has been based on the fact that most institutions cannot send administrators for training since work demands require full-time employment commitments at the institutions. In addition, counselors are virtually non-existent in the training institutions.

Faculty members will be sent to the U.S. for short-term courses offered in Spanish in pedagogical skills and trade upgrading as they relate to the library and laboratory equipment purchased by the participating institution under this component and the individual institutional development plans. Examples of areas for training include: computer maintenance and operation; laboratory technicians in soils analysis, physics, electronics, biology, microbiology, chemistry, biochemistry, communications; industrial mechanics; audiovisual specialists; and physical therapy. Since this training has not yet been programmed, additional project time will be required.

In order to implement this activity, each institution requesting a commodity procurement subloan will nominate faculty members for short-term training from 2 to 6 months. FCE will then process all of the required AID training documents which will be forwarded to the AID offices for finalization and for visa processing. The host country institutions will be required to: 1) sign an agreement with the employee guaranteeing employment upon return from training; 2) provide salary for both the employee and the replacement staff, as required; and 3) to the extent possible, the institution and/or individual will endeavor to finance international airfare.

b) Assistance to Small and Medium-sized Enterprise Managers

(1) Component Description

The basic objective of the small and medium-sized enterprise management training component is to improve the management skills of the entrepreneurs, general managers, directors and/or functional executives of the

small and medium-sized enterprises. This will be accomplished through the establishment of a program within FCE to provide direct credit to persons who currently hold managerial positions in small and medium-sized enterprises or to persons interested in administrative and managerial skills training. Three kinds of training courses will be considered for financing: specially designed short courses; academic courses in regular university programs and correspondence courses.

The Dominican Republic has a relatively large number of small and medium-sized enterprises which play an important role in the economy in terms of the labor-intensive activities they develop. Nevertheless, these businesses, established in both the formal and informal sector, have suffered from unmet needs and constraints to growth. In late 1970's the Dominican Government and the private sector itself began to realize the importance of promoting small and medium-sized enterprises as a mechanism for economic growth. In the studies of this sector that have been done it is always pointed out the principal problems faced by the small businessperson are the lack of credit, technical assistance, and managerial skills. While credit and technical assistance are important, there currently exist special sources of credit and technical assistance through the AID financed Small Industry Development Project, the ADEMI loan program for micro enterprises and the Dominican Development Foundation. However, there currently is not a management skills training program directed toward this group.

During the first year of activities, it is anticipated that educational institutions will be able to offer, but not be limited to, the following practical courses in priority areas: general administration, general accounting, cost accounting, marketing, investment analysis, personnel administration, labor law, financial analysis, budget planning and inventory control. These specific training courses will strengthen the capacity of managers in small and medium-sized enterprises to use more efficiently the credit funds they receive through other sources and projects. This training is needed to increase their administrative efficiency, business productivity, expand their markets, and therefore, contribute to employment.

The proposed courses and any other training programs to be financed under this project must be approved by FCE who will be responsible for informing AID of the various types of courses being offered. The training courses are to be no longer than 9 months in duration and are to be practically, rather than theoretically oriented. Course instructors, therefore, must have an academic background and sufficient practical experience to teach the content requirements, while at the same time impart the knowledge and managerial skills to the participants. It is expected that between 50 and 70 courses will be offered with 20-30 participants per course.

FCE will provide sub-loan financing to: 1) current institutions; 2) individual small and medium enterprises; and 3) current and potential managers. Training will be funded under a contractual loan agreement which will require at a minimum one cosignator acceptable to FCE.

For firms and educational institutions applications will be made directly to FCE for a line of credit and will contain a training plan for the use of the funds requested. After terminating the training program the sub-loans will be repaid over a 24 month period with a 3 month grace period. The interest rate will be 12% annually with a one time 4% administrative costs fee and a 1% contribution to the guarantee fund. However, before an individual applies for a sub-loan from FCE, the interested person must be admitted to a training institution which offers appropriate managerial training. Once acceptance has been confirmed, FCE will process the sub-loan application and will subsequently notify both the borrower and training institution of the Credit Committee's decision regarding approval. All of the beneficiaries of this project will have to sign a loan contract with FCE and have, at least, one acceptable guarantor.

(2) FCE Implementation of the Component.

The Small and Medium-size Enterprise Training component of the Human Resources Development Project will be managed by a qualified person hired by FCE as part of the counterpart contribution to the project. This person will serve as a liaison between the academic and business communities in promoting the private sector training opportunities. As part of the over-all project staff, the person hired will report directly to the Project Coordinator. The hiring of the full-time education/entrepreneur specialist, as well as the development of a detailed implementation plan, will be a condition precedent to disbursement under this component.

In order to promote the component, a publicity campaign will be mounted by FCE to inform firms of the availability of loan funds for this specialized training. In addition, FCE will be required to provide information to small and medium business executives, as well as to train institutions on the training courses and programs.

(3) Beneficiaries

During the next three years of project implementation, approximately 1,050 people with management responsibilities in small and medium-sized enterprises will be trained. In the first year approximately 300 will be trained, 350 the second, and 400 the third year.

More specifically, the direct beneficiaries of this Project will be: a) persons occupying management positions in medium and small companies, who, by receiving training, will be able to increase their efficiency and/or utility within the firm and, as a result, have the potential to improve their salaries and b) self-workers and potential managers who could be employers after receiving the appropriate management training.

The indirect beneficiaries would be the unemployed and occasional workers who would be able to take advantage of stable and/or additional employment opportunities as a result of the improved management of small and medium-sized enterprises.

The quantity and geographic distribution of the possible direct beneficiaries of this Project is related to the number of existing companies and their location. According to the Secretariat of Labor files, there were 20,000 companies in April 1985, of which 13,000 or 65%, were operating in Santo Domingo, and 2,500 or 12%, in Santiago. Other urban areas also had a significant number of firms. Therefore, while the project will recruit the majority of participants from the Santo Domingo and Santiago urban areas, managerial training for agribusiness managers will be emphasized in the rural areas.

(4) Participating Institutions

FCE will promote the availability of the educational loans for: a) persons with management functions in small and medium-sized companies, b) training entities with the potential to participate in the Project, and c) eligible small and medium business enterprises.

A variety of training opportunities for upgrading managerial skills will be included in the project and will be offered as specialized courses, night courses, short programs or specially designed institutional programs. At this time several of the tertiary level educational institutions offer degrees in business administration, applied economics, accounting, management, commerce, marketing and agrobusiness. Many of the institutions have expressed a willingness to mount programs for small and medium business management training using existing programs as a basis for the design of specialized courses. An example of an institution that currently offers specialized courses is the Center for Rural Development Administration at the Superior Agriculture Institute (ISA) which offers a five week course for agribusiness managers, as well as three day seminars on topics concerning agriculture and animal husbandry. Special correspondence courses, especially for those in rural areas, could be offered by the CENAPEC program which currently offers high school equivalency degrees by correspondence.

Since many institutions are already offering degree courses in management areas, the absorption of additional students in the management training area for short-term regular courses or for courses tailored to specific needs is not seen as a constraint. Requirements for entry into

credit programs would be in conformity with academic requirements. However, for specialized, short-term courses, normal university requisites will not apply because they will be accepted as continuing education students.

An illustrative list of institutions that have expressed interest in participating in the Project by offering management training courses include:

- Universidad Católica Madre y Maestra (UCMM).
- Instituto Tecnológico de Santo Domingo (INTEC).
- Universidad Tecnológica del Cibao (UTECI).
- Universidad APEC (UNAPEC).
- Instituto Tecnológico del Cibao Oriental (ITECO).
- Universidad Tecnológica del Sur (UTESUR).
- Universidad Nacional Pedro Henríquez Ureña (UNPHU).
- Centro de Administración del Desarrollo Rural. (CADER).
- Fundación Dominicana de Desarrollo (FDD).
- Centro APEC de Educación a Distancia (CENAPEC).

In addition to these institutions, there are other which have the potential to participate. These institutions will be contacted by FCE during the Project promotion period and encouraged to participate.

(5) Project Estimated Costs

This Project component will require a total investment of \$443,750 of which \$400,000 will be reprogrammed from the Loan. FCE, as part of their counterpart, will contribute \$43,750. This funding will cover the salary costs of a full-time education/entrepreneur specialist, as well as the other back-up staff and overhead to implement the component. It will also include a portion of the publicity costs associated in marketing the new training component.

The following budgets summarizes the estimated costs of the management training component:

TABLE I
PROJECTED EXPENDITURES
(US\$)

Y E A R	PARTICIPANTS*	FUNDING SOURCE		TOTAL COST
		USAID*	FUNDAPEC**	
1985-1986	300	93,750	15,625	109,375
1986-1987	350	131,250	14,063	145,313
1987-1988	400	175,000	14,062	189,062
T O T A L	1,050	400,000	43,750	443,750

* It was estimated that inflation will increase the cost per participant.

** The exchange rate was calculated at US\$1.00 = RD\$3.20.

TABLE II

DETAILED BUDGET OF PROJECT INPUTS

	1985 - 1986		1986 - 1987		1987 - 1988		1988 - 1988		T O T A L	
	USAID	FUNDAPEC	USAID	FUNDAPEC	USAID	FUNDAPEC	USAID	FUNDAPEC	USAID	FUNDAPEC

I. Training Loans	93,750		131,250		175,000				400,000	
II. Project Component Manager		9,375		9,375		9,375				28,125
III. Administrative Costs		6,250		4,688		4,687				15,625
	93,750	15,625	131,250	14,065	175,000	14,062	400,000			43,750

The cost per participant, estimated at RD\$1,000 as an average for a three-month course, will vary according to the characteristics of the persons to be trained; the context and the methodology of the training; and the institution which is offering the course.

With the funds generated by the sub-loan repayments over the life of the project, a revolving fund will be created in order to finance future participants requesting loan assistance for studies in management area careers. These, too, would be courses offered by national universities to persons with managerial responsibility in the small and medium enterprises. Any changes in either the use of the repayment funds for purposes other than managerial training or the interest rate will require prior AID approval.

The following Table III is a revised budget table for the Project, detailing the additional grant funds for the faculty training component, the reprogrammed loan funds for the managerial training component, as well as other minor reprogramming to allow for the use of unutilized grant funds for the purchase of additional computer equipment.

TABLE III
SUMMARY PROJECT COST ESTIMATE

Activity	A. I. D.			COUNTERPART LC	GRAND TOTAL
	LOAN FC	GRANT FC	TOTAL AID		
<u>Loan</u>					
Subloans to Students	3,200	--	3,200	1,300	4,500
Subloans to Voc/Tech Institutions					
- Equipment	650	-	650	-	650
Subloans to SME Managers	400	-	400	-	400
<u>Grant</u>					
Technical Assistance	-	480	480	-	480
Faculty Training	-	400	400	-	400
Off-Shore FCE Training	-	45	45	-	45
Commodities	-	185	185	5	190
Publications	-	15	15	10	25
Evaluation	-	25	25	-	25
Salaries	-	-	778	778	
Computer Software	-	-	100	100	
Grand Total	4,250	1,150	5,400	2,193	7,593