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

DOMINICAN REPUBLIC

PROJECT PAPER

EXPORT AND INVESTMENT PROMOTION

AID/LAC/P-253

Project Number:517-0190

UNCLASSIFIED

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add  
 C = Change  
 D = Delete

Amendment Number

DOCUMENT CODE

3

COUNTRY/ENTITY

Dominican Republic

3. PROJECT NUMBER

517-0190

4. BUREAU/OFFICE

Latin America and the Caribbean

05

5. PROJECT TITLE (maximum 40 characters)

Export and Investment Promotion

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY  
12 31 83

7. ESTIMATED DATE OF OBLIGATION

(Under "B." below, enter 1, 2, 3, or 4)

A. Initial FY 85

B. Quarter 4

C. Final FY 86

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

A. FUNDING SOURCE	FIRST FY 85			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AD Appropriated Total	1495	355	1850	5090	910	6,000
(Grant)	1495	355	1850	5090	910	6,000
(Loan)						
Other						
U.S.						
Host Country		695	695		2075	2,075
Other Donors)						
<b>TOTALS</b>	1495	1050	2545	5090	2985	8,075

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) SDA	730-B	840				1850		3,500	
(2) EHR	660-B	840				2500		2,500	
(3)									
(4)									
<b>TOTALS</b>						4350		6,000	

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

840 720

11. SECONDARY PURPOSE CODE

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

A. Code BF BL TNG  
B. Amount 3,000 2,000 1,000

13. PROJECT PURPOSE (maximum 480 characters)

To strengthen the Investment Promotion Council as a mechanism to coordinate public and private efforts for the promotion and development of investment and export opportunities in the Dominican Republic.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY  
0 8 86 0 1 8 7 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)

Approval of Method of Implementation and Financing:

Steven G. Liapis, Controller

17. APPROVED BY

Signature: Henry H. Bassford

Title: Mission Director

Date Signed MM DD YY  
0 8 28 8 5

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

MM DD YY  
11 20 85

PROJECT AUTHORIZATION

NAME OF ENTITY : INVESTMENT PROMOTION COUNCIL  
NAME OF PROJECT : EXPORT AND INVESTMENT PROMOTION  
NUMBER OF PROJECT : 517-0190

1. Pursuant to Sections 105 and 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Export and Investment Promotion Project for the Dominican Republic involving planned obligations of not to exceed Six Million United States Dollars (US \$6,000,000) in grant funds over 3 years from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is 3 years and 4 months from the date of initial obligation.

2. The Project consists of financial, technical and training assistance to strengthen the Investment Promotion Council (IPC) as a mechanism to coordinate public and private efforts in the promotion and development of investment and export opportunities in the Dominican Republic.

3. The Project Agreement which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority shall be subject to the following additional terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

a. Source and Origin of Commodities, Nationality Services -- Grant Funded

Commodities financed by A.I.D. for this Project shall have their source and origin in the United States (AID Geographic Code 000) and the Dominican Republic, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the supplier of commodities or services shall have the United States and the Dominican Republic as their place of nationality, except as A.I.D. may otherwise agree in writing.

Ocean shipping financed by A.I.D. under the Project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

b. Conditions Precedent to Disbursements

i. First Disbursement to the IPC. Prior to the first disbursement under the Grant, the Grantee will, except as A.I.D. may otherwise agree in writing, furnish A.I.D. in form and in substance satisfactory to A.I.D.:

- An opinion of the Legal Advisor to the Grantee that this Agreement has been duly authorized and executed on behalf of the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms;
- A statement of the name of the person who will represent the Grantee, and of any additional representatives, together with a specimen signature of each person identified in such statement; and
- The appointment of a full-time Executive Director, acceptable to A.I.D., with the authority to manage the project.

ii. Disbursement to U.S. Office of the IPC. Prior to first disbursement under the Grant for expenses associated with the U.S. Office, the Grantee will, except as A.I.D. may otherwise agree in writing, furnish A.I.D. in form and substance satisfactory to A.I.D.:

- Evidence that a full-time Executive Director of the U.S. Office of the IPC, acceptable to A.I.D., has been named and has the authority to manage the U.S. Office and to act on behalf of the IPC in the U.S.; and
- A general work-plan and a summary budget for the U.S. Office acceptable to A.I.D. for its first year's activities.

iii. Disbursements for Sub-Grants Except for technical assistance, prior to disbursements of funds under the Grant to other Dominican or U.S. organizations, the Grantee will, except as A.I.D. may otherwise agree in writing, furnish A.I.D. in form and substance satisfactory to A.I.D., documentation indicating the use of funds. This documentation shall include, but is not limited to, program proposals, scopes of work, workplans, budgets, and evaluation criteria.

iv. Third Year Disbursement. Prior to a disbursement for year three, the Grantee will except as A.I.D. may otherwise agree in writing, furnish A.I.D., in form and substance satisfactory to A.I.D., a plan to obtain additional and permanent sources of revenue for salaries, operational and program expenses.

  
Henry H. Bassford  
Mission Director

8/28/85  
Date

DOMINICAN REPUBLIC -- PROJECT PAPER  
EXPORT AND INVESTMENT PROMOTION

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  - 1. IPC
  - 2. Chicago Association - CBPC
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  - 4. Technical Assistance Schedule
- K. Report by International Business and Economic Research Corporation (on file in USAID/DR)

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I. SUMMARY AND RECOMMENDATIONS

A. Recommendations

USAID/Dominican Republic recommends authorization of an \$6 million grant to finance the Export and Investment Promotion Project. The grantee will be the Investment Promotion Council.

B. Summary

The purpose of the project is to strengthen the Investment Promotion Council (IPC) as a mechanism to coordinate public and private efforts in the promotion and development of investment and export opportunities in the Dominican Republic. The project will flow from the strategy of the IPC as it has evolved since being established in 1982. The essence of that strategy is that private and public groups already in the country and overseas should be used to implement an investment and export development program. The IPC's role will be to become the coordinating and planning mechanism for more effective public and private collaboration; it will operate, however, through the private sector.

The three main areas of project activities will be:

1. To improve the climate for doing business by advising on and influencing policy changes to attract investment and stimulate exports and streamlining procedures in government organizations.
2. To improve exporter and investor services through staff training, organizational changes and program implementation.
3. To promote the industrial, agricultural and other business opportunities by targeting key sectors in crucial foreign markets.

AID resources will be used to provide technical advice and training to IPC and other private and public institutions such as CEDOPEX, the American Chamber of Commerce and the Association of Exporters (ADOEXPO) to conduct investment and export promotion programs in foreign markets (mainly in the U.S.); to contract for specialized assistance in locating and accessing business networks; and to provide services to existing Dominican businesses, export trading companies and financial institutions so that joint ventures can be formulated and new markets developed. Lastly, an existing cooperative agreement with the Chicago Association of Commerce and Industry will be extended for two years to permit a continuation of trade and investment promotion activities between Dominican and U.S. businesses.

## C. Issues

### 1. Constraints to Investment

The PID guidance cable requested a thorough investigation of constraints to increased investments and exports. These constraints were analyzed in detail through a contract with International Business and Economic Research Corp. (IBERC). IBERC's findings are presented in Section III (Opportunities and Constraints) of the PP as well as in Annexes F, G and H.

The IPC will address these constraints as part of the program. An estimated 20% of project funds will be allocated to resolving some of the key issues through, for example, technical assistance and training for the Customs Office, special studies/analyses of export financing techniques and streamlining of procedures for export licenses and investment applications. The IPC will also be making recommendations and pressing for needed changes to a few important laws so as to clarify the rules for foreign and domestic investors.

### 2. Organizational Mandate, Structure and Authority of IPC

The PID discussed the need for the GODR to establish the IPC as a permanent entity with sufficient stature and decision making responsibilities to service effectively investors' needs. This mandate would also provide the IPC with authority to coordinate programs of certain other governmental groups and to obtain decisions on pressing policy/procedural questions. The Mission is satisfied that the IPC will have the necessary authority to carry out its responsibilities.

After considering several other possible organizational structures, the GODR approved the establishment of the IPC as a non-profit corporation with a board of directors comprised of members from the public and private sectors. A primary factor in the decision was the political independence which would be provided. The institutional analysis contained in Annex I discusses this structure in more detail.

### 3. Revenue Sources

As a non-profit corporation, the IPC is to seek revenues from both public and private sources. During the first three years, funds for its operations will be provided from the local currency program. At the same time, funding alternatives will be developed. These alternative sources include an earmarked tax; sales of publications; assessment of private sector businesses and associations; and an investment fund. These alternatives are discussed further in the Financial Plan, Annex L. A condition precedent to third year disbursements will be included in the Grant Agreement requesting a plan be developed for alternative sources of revenue.

#### 4. Financing of Activities

The IPC will not finance activities which would be considered normal operational costs of private businesses. Some pre-feasibility studies might be financed as well as technical assistance for export trading companies and private business associations so as to improve export services.

#### 5. Promotion in the U.S.

The IPC will not undertake costly promotional efforts abroad. Initial activities in the U.S. will be conducted by an IPC representative based in the Dominican Embassy in Washington, D.C. This representative will be assisted by an advisory team (contracted with grant funds). A major element of the promotional strategy, furthermore, is the development of networks, particularly in agriculture and light industry. These networks of trade associations will be utilized to identify specific firms with a potential interest in locating in the DR or in establishing a joint venture with a local firm. The strategy and work plan for these activities is fully discussed in Annex I, Technical Analysis.

#### 6. Evaluation

Goals/targets for investment attraction, job creation and foreign exchange earnings are specified in Section V.B., Project Outputs and in Section VI.C., Evaluation Plan. The targets have taken into account investment and export trends and attempted to project the impact of strengthening the IPC and establishing an active export/investment program. These targets will be measured periodically, reevaluated and modified as appropriate. Provision is made for outside evaluations of IPC's progress toward objectives.

#### 7. New Project for Free Trade Zones (FTZ)

Recognizing the need for increased factory space, the mission has budgeted RD\$30 million under the local currency program for construction of buildings in existing or new FTZs over the next two years.

#### D. Negotiating Status

During the design of this project, many Dominican and U.S. organizations were contacted. Board members and staff of the IPC as well as representatives from other public and private organizations had the opportunity to meet with project committee members and the IBERC consultants. The project is fully understood and the proposed approach accepted by these individuals. No difficulties are anticipated in executing the project agreement.

E. Project Committee

J. Peter Bittner, Private Sector Officer  
 Debra DeWitt, Project Development Officer  
 Rodolphe Ellert-Beck, Program Officer  
 Gerald Hensley, Deputy Controller  
 Kenneth Lanza, Private Sector Officer (IDI)  
 Joseph Thomas, InterAmericas Group  
 Mario Rodriguez Mansfield, Executive Director of IPC

II. BACKGROUND

A. Economic Overview

In 1985 and in the foreseeable future, the Dominican Republic will continue to face extremely difficult economic conditions marked by continued low international prices for its commodity exports, high import demand, severe liquidity problems and slow economic growth. As of December 1984, the Dominican Republic's external liabilities exceeded US\$3 billion including accumulated debt arrearages; that is, roughly the same as total 1983 GDP evaluated at today's market exchange rate. Unemployment remains at 24 percent of the workforce, and may reach 30 percent before a turnaround can be achieved. GDP is expected to increase very little this year; in real terms, per capita GDP growth will be negative. Per capita income in real terms is at present only about US\$525. Inflation was estimated at 34 percent for 1984 and is expected to be about 25 percent during 1985.

Recently, the balance of payments current account has improved. Transfer of imports to the parallel market, promotion of non-traditional exports, and encouragement of the tourism industry have reduced imports and increased exports with a substantial net decline in the current account deficit in 1984. The balance of goods and services has declined from negative US\$636 million in 1983 to negative US\$422 in 1984, a reduction of US\$214 million. It is projected that this balance will be further reduced to US\$315 million in 1985. More remarkably, the 1984 current account deficit, including the unrequited transfers, was only US\$210 million, a performance unmatched in recent history.

This positive performance has been the result of policy reforms initiated by the Jorge Blanco administration. In April 1984, as a precondition to continuing the IMF program, the GODR took several austerity actions including: (1) increasing the exchange incentive for traditional exports; (2) transferring all import payments except petroleum and old debt to the parallel exchange market; and (3) ending new Central Bank credit to the public sector. Additional measures, announced by the President in January, 1985, included the unification of all exchange rates at the free market rate; an increase in the price of petroleum and its derivatives to reflect its true market value; an increase in electricity tariffs; liberalized interest rates; and streamlined import-export banking procedures.

As a consequence, costs of imported goods immediately rose significantly, and official inflation for the first quarter of 1985 increased to an annualized rate of 70%. This high rate of inflation should be temporary, however, because price increases seem to be slowing, as the Dominican economy attempts to find equilibrium without violent social disturbances. Nevertheless, as a price of the adjustment process, the standard of living of most Dominicans, particularly for low and medium income families, has been reduced substantially.

The outstanding issue to be faced by the GODR, however, is the enormous debt. On April 15, 1985, the GODR reached a one-year Stand-By Agreement with the IMF, largely on the strength of the policy actions of January 1985. In June, commercial and official debt was rescheduled.

Due to the declining markets for traditional products and minerals, described in Chart I below, increased emphasis and priority must be given to developing markets for "non-traditional" products. Non-traditional exports need to increase about 30% per year for the next several years before the Dominican Republic earns sufficient income from exports to cover future balance of payment requirements.

CHART I  
 ACTUAL AND PROJECTED INCOME FROM TRADITIONAL,  
 NON-TRADITIONAL AND MINERAL EXPORT SECTORS  
 (In US\$ Millions)

<u>EXPORT CATEGORY</u>	<u>Actual</u> 1983	<u>Estimated</u> 1984	<u>Projections</u> 1985
1. <u>Traditional</u>	<u>460.2</u>	<u>550.4</u>	<u>460.4</u>
Sugar and Derivatives	298.9	338.7	266.5
Coffee 1/	76.4	91.3	81.9
Cocoa 1/	60.9	77.1	67.7
Tobacco 1/	24.0	43.3	44.3
2. <u>Minerals</u>	<u>248</u>	<u>236.9</u>	<u>239.1</u>
Bauxite	-	-	
Ferronickel	83.5	107.0	119.1
Gold and Silver	164.5	129.9	120.0
3. <u>Non-Traditional</u>	<u>77</u>	<u>105</u>	<u>130</u>
TOTAL	785.2	892.3	829.5

1/ Includes both processed and unprocessed exports.

Source: Central Bank

An accurate estimate of total foreign investment is not available because there is a sizable amount of foreign investment which is not registered with the Central Bank. However, a recent study has demonstrated a continuing trend toward foreign investment particularly in the areas of IFZs, agro-industry and tourism as shown below.

## CHART 2

## AGROINDUSTRIAL INVESTMENT IN THE DOMINICAN REPUBLIC

	1983	1984*
Number of projects	15	9
Total investment	RD\$ 85,880,787	RD\$24,961,237
Projected exports 1985-7	US\$100,281,409	RD\$39,354,058
Employment Generated	2490	2000
Number with FIDE financing	14	7
Amount of FIDE financing	RD\$ 26,444,350	RD\$12,395,569

\*January-October 1984 only.

Source: Secretary of Industry and Commerce, Agroindustrial Division.

B. Exports and Investments

This section defines the three main functional areas that together comprise the investment climate in the D.R. (i.e., policy, legal and regulatory environment; investor/exporter services; and promotion) and outlines the key elements and institutions in each area.

1. Institutional Setting

Although many institutions and organizations, both private and public, are involved in many different ways with the exports and new investments, the following chart highlights those institutions which are most important. The chart also provides a brief outline of their roles and responsibilities.

Chart 3

Institutions and Organizations Relevant  
To the Export and Investment Sector

<u>Institution</u>	<u>Summary of Responsibilities</u>	<u>Involvement in Functional Areas</u>		
		<u>1</u>	<u>2</u>	<u>3</u>
<u>PUBLIC</u>				
<u>Secretariat of Industry and Commerce (SEIC)</u>				
The Industrial and the Agro-Industrial Technical Departments	-Process requests from companies for classification under incentive laws, and make recommendations to the Board of Industrial Development	X		
General Directorate of Mining (DGM)	-Charged with mineral resource development including exploration, exploitation and implementation of GODR mining policy	X	X	X
National Free Zones Council	-Promotes international investment in the Free Zones			X
Free Zone Administration	-Four separate organizations administer the respective Free Zones	X	X	
CEDOPEX	-Issues export licenses	X		
	-Researches markets/products for export and sponsors trade shows and commercial missions		X	X
<hr/>				
1.	Legal/Regulatory			
2.	Investment/Export Services			
3.	Promotion			

		1	2	3
<u>Secretariat of Foreign Relations</u>				
Subsecretariat for Economic Policy	-Coordinates overseas promotion of exports, foreign investment, reception and negotiation with foreign commercial missions, and negotiation of international trade agreements	X	X	X
Dominican Embassy and Consulates (in US)	--Investment and Export Promotion in US			X
<u>Secretariat of Finance</u>				
General Directorate of Customs	-Collection of duties and regulation of all shipments (imports/exports)	X		
<u>Secretariat of Tourism</u>				
	-Active in promotion directed to the international travel industry, and processes requests for benefits under tourism promotion and development law	X		X
<u>Central Bank</u>				
INFRATUR	-Administers special financing program for tourism development projects		X	
FIDE	-Principal source of long term financing for industry and agriculture			X
<u>Secretariat of Agriculture</u>				
Promotion Department	-Processes requests for exoneration of import duties	X		
DAPAE, IAD, BA & CEA	-Involved in control of access to major land holdings for agriculture projects		X	
<u>CIPROIN</u>	-Coordination of Public Sector agencies and institutions involved in export and investment promotion			X
<u>US Foreign Commercial Service</u>				
	-Maintains a Commercial Library, provides advice and counsel, and access to information from USDOC/Washington and Regional Offices in U.S.		X	X

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**PRIVATE**

Investment Promotion Council (IPC)	-Charged with mobilizing private sector resources to enhance the investment climate and promote new investments/ exports	X	X	X
DR Chamber of Commerce	-The official Dominican business association offering typical range of member services		X	
American Chamber of Commerce (AMCHAM)	-Primary focus is to stimulate, develop and facilitate trade, investment and industrial activity between the U.S. and D.R.	X	X	X
Asociacion Dominicana de Exportadores (ADOEXPO)	-An advocacy and support group focused on the needs of Dominican Exporters	X	X	X
Caribbean Basin Promotion Center	-Specializes in increasing trade and investment between the D.R. and the U.S. (Centered in Chicago)		X	X
Export Trading Companies (ETCs)	-Several multi-purpose ETCs provide a variety of export services		X	X
Other Business Associations	-Serve primarily as advocates for specific sectors of the business community		X	

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## 2. Investment Climate/Environment

Policy, Legal and Regulatory Environment. The studies conducted during the development of this project identified those specific policy issues, laws and regulations perceived to be especially relevant to improvement of the legal and regulatory environment for export and investment. The chart below list these key policies, laws and regulations, briefly outlines the scope of each, and indicate the GODR agency with primary responsibility for each.

Chart 4

Policy Issues, Laws and Regulations  
Relevant to the Export and Investment Sector

<u>Type of Policy, Law, Regulation</u>	<u>Major Law, Decree, Regulation</u>	<u>Responsible Agency</u>	<u>Scope of Policy, Law, Regulation</u>
Economic Policy	-GODR Policy Reforms of April 1984 and January 1985, including the Unification of FX Rates, and the April 1985 IMF Agreement.	-GODR (Jorge Blanco Administration)	-Economic Reforms to Improve Balance of Payments and Strengthen the National Economy.
	-Resolution No. 6, January 1985	-GODR	-Export Incentive to Increase FX Earning by Reducing "Discount" on FX Repatriation for Profits and Production Inputs.
Monetary Policy	-May 10th Resolution of Monetary Board and Law No. 861 (Foreign Investment)	-Monetary Board and Directorate of Foreign Investment	-Increased Access to FX for Profits and Production Inputs.
	-Various Banking Regulations, including reserve requirements, interest rates, and "State" Letters of Credit	-Central Bank	-Affect availability and cost of credit, and Confidence of the International Business Community.
Taxes and Tariffs (Fiscal Policy)	-Custom Regime	-General Directorate of Customs, Secretariat of Finance	-General system of duties and regulations governing imports and exports.
Incentives and Regulations for Foreign Investments (Multi-Sectoral)	-Foreign Investment Law No. 861	-Directorate of Foreign Investment	-Regulates FX for repatriation of profits by foreign investors.
Incentives for Export (Multi-Sectoral)	-Export Promotion Law No. 69	-CEDOPEX	-Provides incentives for non-traditional exports, including suspension of certain import duties, tax incentives (CATs), and certain FX regulations.
	-Exonerations Law No. 4027	-Secretariat of Industry and Commerce	-Provides partial exonerations of duties on machinery and equipment used as production inputs for export.
Incentives for Agro-Industrial Investment/Exports	-Agro-Industrial Incentive Law No. 409	-Agro-Industrial Technical Department, Secretariat of Industry and Commerce (SEIC)	-Provides various levels of tax incentives and exemptions on import duties for production inputs.
	-Agricultural and Livestock Promotion Law No. 532	-National Committee for Agriculture and Livestock Promotion, Secretariat of Agriculture	-Partial exonerations of import duties for equipment and raw materials
Incentives for Industrial Investment/Exports	-Industrial Incentives and Protection Law No. 299-A and Free Zone Law No. 431	-Industrial-Technical Dept., SEIC	-Provides fiscal and tax benefits to new manufacturing and assembly operations established in Free Zones.
Incentives for Tourism Investment/Development	-Tourist Promotion Law No. 153	-Planning and Programming Office, Secretary of State for Tourism; and INFRATUR, Central Bank	-Provides tax incentives and duty exemptions for eligible industries; and special financing for tourism development projects.

### III. ANALYSIS OF OPPORTUNITIES AND CONSTRAINTS

#### A. Overview

Despite its current economic difficulties, the D.R. is not without opportunities in the development of increased investment and export. Some of these attributes are necessarily shared with its Caribbean neighbors; this, however, does not necessarily make them less attractive. Others are perhaps unique to the D.R. The principal advantages enjoyed by the D.R. include:

- o It is a recipient of benefits under the CBI.
- o The tropical climate is obviously beneficial in the agribusiness sector, allowing the D.R. to compete effectively with cold-weather producers in many product areas.
- o The D.R.'s proximity to the United States is another advantage. Coupled with improved air and sea transport service, it could be of major significance in selling into the U.S. market. The country is also positioned to increase its exports to Puerto Rico and the Caricom countries.
- o The D.R. has a relatively well-developed physical infrastructure.
- o Equally important, the country's private sector has a well developed entrepreneurial infrastructure and a labor pool that appears to be eager to work and highly adaptable.
- o The D.R. has a package of export and investment incentives that is, on the whole, acceptably competitive with other Caribbean and developing countries. Some of the measures taken recently by the GODR, however, (i.e., temporary taxes on exports) make this package less competitive. Moreover, administration of incentives is often less than optimal.

With the IMF and Paris Club Agreements in place, and the unification of the exchange rate on a free-market basis, some of the larger uncertainties about the future of investment in the D.R. have been removed. This de facto devaluation has made Dominican exports more competitive. That, in turn, will make the country more attractive to export-oriented foreign investors -- provided they are assured that the rules of the game will not change frequently in the future.

Despite these many endowments, unless the D.R. is prepared to implement its policy initiatives and strengthen both its public and private sector institutions and their programs, the advantages enjoyed by the country could be substantially dissipated. The domestic and foreign investment so critical to job-creation and foreign exchange earning simply will not happen. Exports, especially from the non-traditional agricultural sector, may increase

marginally under the CBI, but this increase will probably result from the efforts of a few large foreign investors or foreign/domestic joint ventures. The business community as a whole will not participate in economic development in any meaningful way. Moreover, the manufacturing sector -- which shows much potential -- will be discouraged by cumbersome public sector procedures and red tape. Finally, unless the climate for investment improves markedly and steadily, the effects will also be felt by tourism -- today a principal earner of foreign exchange and an industry with almost unlimited potential in the D.R.

In general, the major constraints to investment and export development can be categorized as follows:

- \* Lack of coordination between public and private institutions that play a role in both investment and exports;
- \* Inadequate GODR policies and poor implementation to promote the export sector;
- \* Absence of an effective institutional support network and a central source of information and assistance for prospective investors and exporters;
- \* A dearth of innovative, export-oriented development and promotional programs; and
- \* Inadequate means of funding such new initiatives.

## B. Functional Analysis

### 1. Review of Policies, Laws, Regulations and Procedures

Annex H contains a complete description, analysis and recommendation for changes needed in the legal, policy and regulatory environment. The following paragraphs summarize the key issues.

#### a. Economic/Financial/Fiscal Issues

Chief among the policies which have affected investment and exports were those that related to the over-valued exchange rate, which limited the possibilities of entering export markets, and those which restricted access to foreign exchange. These problematic situations will tend to rectify themselves with the exchange rate unification and related policy changes of January 1985. However, this has created a situation where the existing set of incentives contained in the sometimes overlapping laws and regulations will need to be reviewed and revised to reflect the devaluation. The more quickly action is taken on this front the better in order to avoid additional investor uncertainty regarding the "rules of the game."

The predominant thrust of Dominican Republic policies in this area include: i) maintaining a tight monetary policy by requiring high reserves in the principal Dominican financial institutions; ii) pushing interest rates up to real levels; iii) "taxing" exports at various rates depending on whether the product is traditional or non-traditional; iv) pursuing a policy of regularizing Letter of Credit (L/C) transactions while not resolving the overhang of L/C's which are now retroactively subject to multiple exchange rates depending on the transaction date; and v) restricting exports of certain price-controlled items.

These policies, taken together, are a disincentive for both domestic capital formation and foreign investment in the export sector. While some are required by the IMF accord, others emanate from government policies formulated with different objectives in mind.

b. Legal/Regulatory Issues

The GODR has made a strong commitment to increasing the country's export capabilities. With the January 1985 devaluation exporters of non-traditional manufactured products will exchange all foreign exchange earnings on the free market provided they pay a temporary 5% export surcharge. Traditional exporters will exchange at the free market rate but the temporary export surcharge is 36%.

Interest in increased investment on the part of the GODR has been demonstrated through the recent changes (prior to January 1985) in the Dominican laws affecting exports and investment. For example, Law 861, the Foreign Investment Law, was amended in June 1983. Now, the law allows for the registration of foreign investment in foreign currency instead of pesos, permits inclusion of machinery as registered capital, increases the maximum percentage of allowable profit remittances from 18% to 25% of registered capital, and extends all applicable tax benefits to foreign investments, including Law 299 which governs exchange incentives for industrial production.

In May 1984, Law 861 was modified by a decree of the Monetary Board. The decree required that companies process 100% of their remittances on the parallel exchange market. Another Monetary Board decree in August 1984, required that all foreign investment continue to be registered with the Central Bank so that the Government will be able to follow the scope and direction of new investment. The foreign investment law continues to prohibit foreign investment in public utilities, communications, forest exploitation, domestic air, surface and water transportation and national defense production.

A principal concern for all foreign investors, especially those not investing in Free Zones, is (1) assurance that they will be free to repatriate their earnings and (2) that this will be done at an exchange rate which is reasonably predictable. Much uncertainty in this regard was created

in the D.R. when the May 1984 Resolutions of the Monetary Board were released. While they did not explicitly abolish Law 861, they denied access to the foreign exchange of the Central Bank for profit repatriation.

A clarification of the rules of foreign exchange repatriation is needed and long overdue. Once this clarification has taken place, foreign investment is likely to return so long as the clarified rules remain in force over time and are not changed at whim. This clarification may require a new law and not merely another Resolution, inasmuch as there is some controversy over which is controlling: the Statute or the Resolution.

A new law, the Agro-industry Incentives Law (No. 409), approved in 1982, seeks to develop agroindustrial exports, by providing tax incentives which vary in scope according to geographic location and percentage of domestic raw materials utilized in production. Unfortunately, many of the bureaucratic regulations required to activate this law have not been defined. Additionally, because of the unification measure taken in January 1985, many of the laws affecting exports and investments have become redundant. The GODR must now revise these laws to reduce uncertainty for foreign investors.

A related issue is that under Law No. 409, incentives are available only to projects in which foreigners hold 49 percent or less of the equity in a project (Article 4). This is somewhat of a deterrent to foreign investors already heavily exposed to foreign exchange risk. Inasmuch as this is a statutory limitation, there is nothing the administering agency, the Directorate of Agro-Industrial Promotion, can do on its own. The equity ceiling on foreign participation should be increased to 75 percent to encourage more foreign investment in this sector.

In the regulatory area, the major constraint which has been identified concerns the Customs Service. This is viewed as a pervasive problem involving complex issues that will require a substantial and long-term policy and resource commitment to resolve.

In summary, although the GODR has made significant progress recently, the IPC must assign the highest priority to mobilizing the private sector in a cooperative, constructive effort with the public sector to address the many issues that remain.

## 2. Investor/Exporter Services

The availability and assessment of investor/exporter services is best viewed in the context of the institutional setting. A description and assessment of the services currently provided by the key institutions and organizations (public and private) in the D.R. is included in Annex G. This analysis points to the critical need for the IPC to focus on a major, long-term effort to strengthen this institutional support network and provide more effective services. The following is a summary of key issues and recommendations.

a. Information and Assistance

There are currently no effective Dominican public or private groups able to provide a full range of services to a new investor/exporter. The American Chamber and the IPC come closest, but neither group is appropriately staffed or equipped to do so. The Chicago Association only has limited representation in country and there is no formal link to the existing public and private groups. Export trading companies focus on overseas sales and not on longer term investment projects. The result is that potential investors ("prospects") are lost.

The need for these services is paramount at the outset of an inquiry. After the investor has a commitment and advanced his plans, legal, managerial, accounting and other business services can be obtained on a fee basis. What is required, however, is an effective network of private and public groups which first help businesses appraise the country's opportunities, then aid them in finding a local partner or factory site or piece of land and ultimately guide them through the maze of paperwork with government agencies.

The original conception was that the IPC would act as a central point of contact for prospective investors, and for investors seeking their required licenses, permits, certificates, etc. That conception is still perceived to be valid. However, the IPC has not yet acquired the mandate and staff to provide such services.

b. Support Services and Infrastructure

1) Transport and Storage

Under an IDB-financed improvement program, the port of Haina and its modern facilities, including well-engineered piers constructed by some of the major companies operating in the D.R. (Falconbridge, Alcoa), is likely to be the port of the future. The ports of Santo Domingo, Puerto Plata, Manzanillo, and others can handle the traffic in the meantime. Such Dominican shipping companies as Frederic Schad or Líneas Marítimas de Santo Domingo are experienced and aggressive. Sealand provides its services also. When sufficient volume is involved, recent studies indicate that the existing companies will provide service. Nevertheless, the IPC could make the investment climate more attractive by working with the shippers and the other government agencies to make improvements which would result in the lowering of rates and more frequent services. At present, much of the shipping goes via Puerto Rico, occasioning delays and cost increases.

Warehouse space is limited, apparently due to government insistence on control by Customs and the Port Authority. Refrigerated storage is particularly in short supply. Many exporters use refrigerated containers in lieu of refrigerated rooms -- a wasteful practice. Similarly, the D.R. has two international airports, Las Americas at Santo

Domingo and Puerto Plata -- which offer cargo service. However, only Santo Domingo has refrigeration facilities. Even there, exporters must time their shipments perfectly, or take the cargo back to their own warehouse. Private enterprise, national and foreign -- should be allowed to fill this gap.

The virtual monopoly held by Air Dominicana in the airfreight business represents a major constraint. The national flag-carrier even now has barely enough aircraft to handle existing air cargo demand. Given any substantial increase in air cargo use -- especially for agroindustrial perishables -- the D.R.'s "closed skies" policies will become an even more pivotal constraint.

## 2) Industrial Free Zones

One of the major constraints to IFZ growth is a short-term building shortage. The four current zones are all in phases of expansion but since much of the available areas lack infrastructure as well as buildings, there will be a time lag for development and construction. Timely approval of classifications is also a problem. An analysis of the D.R.'s Industrial Free Zones and recommended measures to address its problems are included in Annex G.

## 3) Export Trading Companies

Export trading companies (ETCs) are potentially a powerful vehicle for trade and export promotion in the Dominican Republic. The access to trade expertise, market information, cost savings, and technical advice which a trading company can offer should encourage and facilitate interest in participating in or using an ETC.

Some of the D.R.'s experiences with establishing ETCs, however, have been negative. Invariably, the problem has been inappropriate structure and strategy. Either the services demanded to improve exports were not identified and hence not offered, the investors failed to capitalize on their own initial skills and expertise, or the segmentation of products, markets, and services undertaken was not logical or was too ambitious. The result is that ETC's have not grown as quickly as anticipated. Further analysis is presented in Annex G.

## 3. Promotion

Investment and export promotion efforts currently are conducted by the Dominican Embassy in Washington, the CEDOPEX offices in New York and Miami, and the Secretariat of Tourism. In the private sector, the most systematic efforts are those done by the Chicago Association of Commerce and Industry (through the AID/W grant) and the Newark Chamber.

At the present time, however, the country's investment/ export promotion efforts are relatively limited and, at best, ineffectual. The principal exception has been in the promotion of the La Romana and Santiago free trade zones. These zones no longer require promotional efforts on a continual basis because the demand for space now exceeds the supply.

Extensive costly efforts are not needed. But in order to remain competitive with Caribbean and Far Eastern countries and to have a continual window on the U.S. market, the D.R. must undertake efforts in a few targeted markets for a few key sectors. If it does not, potential investors will go elsewhere and government policies will be out of touch with the reality of the competition.

Communications and Publications Programs -- At this time a number of agencies and organizations are producing or are proposing to produce such promotional/communications materials as brochures, booklets, information kits, audio visual materials, and so forth. In the past, resources in this area have not been well used. Promotional materials produced by the IPC have been written and designed under pressure, usually for special events abroad. The same is true of materials produced by CEDOPEX. Finally, both the Caribbean Basin Promotion Center and the Newark Chamber of Commerce are proposing to produce such materials as information kits, videotapes, etc.

Similarly, it has been noted that a number of recent speeches delivered in the United States underline the need to (a) give some very careful thought to the messages to be communicated and (b) give equally careful attention to the language that is used to express these messages. The assistance of professional English-speaking writers should be sought.

Improving Trade and Investment Missions -- The Caribbean is drowning under the weight of "missions" of all shapes, sizes and degrees of seriousness. Previous missions have been multi-sectoral and too general to achieve results. Also, very little follow-up was conducted.

### C. Sectoral Analysis - Agribusiness

The functional analysis, above, reviewed constraints/problems that are multi-sectoral, i.e., issues that may affect any investment/export enterprise and/or development/promotion activity in the D.R. Because of the priority assigned to agribusiness promotion, and some of the unique problems to be addressed in development of agribusiness in the D.R., a summary analysis of the agribusiness sector is presented below.

The bureaucratic handling of existing GODR agricultural export and investment incentives seems to be adequate. Securing the legal incentive benefits is, however, only the first hurdle for the agri-businessperson. All indications are that the paramount problem is securing raw material in the quantity and quality necessary for profitable operation. Consequently, the

agri-businessperson's attention soon turns to availability of land and credit. He/she will quickly discover that these are the two major constraints. Any assistance obtained from IPC to gain access to land and credit will be crucial to the success of the enterprise.

Access to Land: Export operations in agroindustry require substantial investment. Specialized equipment and expert handling are necessary to satisfy the exigencies of the external markets with regard to quality. High volume is necessary to meet their requirement of reliable, large scale supply. Large scale production of raw material must be planned, therefore, if the project is to produce the cash flows which would be capable of servicing the cost of the capital investment. Thus any export operation that might be contemplated in the D.R., national or foreign, will tend to be large by Dominican standards.

Production which is intensive per hectare, such as flowers or aquaculture, generally requires small parcels of land for export purposes. Such parcels can be obtained from Dominican private owners (partners). More extensively cultivated crops such as oil palm, feed grains or citrus require parcels in the thousands of hectares to be profitable. The plants which will process these industrial crops, whether for internal or export markets, should be competitive in the world markets, and hence their size and raw material base also will need to be large.

The contiguous large parcels of land which might be available for non-traditional agricultural crops can be found, primarily, on Consejo Estatal del Azucar land, and to a much more limited degree in the areas established by the Dominican Agrarian Institute. As discussed further in Annex H, the policies, procedures, and snail-like pace of action by the bureaucracy that controls much of this land, coupled with complex issues of ownership, make land access a major concern. It is one area in which the IPC will have to become deeply involved if agroindustrial investment and export are to remain the number one priority.

Agricultural/Agribusiness Credit: Credit is the most important single constraint to the growth of investment and exports in the D.R.. In particular, agricultural and agribusiness credit is hard to obtain. Moreover, the system is skewed in a way which contradicts the national policy of broad income distribution. While borrowers with a high credit rating such as the vegetable oil processors or automobile distributors have been able to borrow significant capital for agricultural investment, the average farmer is hard put to finance his current operations, not to mention expansion.

A major complicating factor is that many Dominican farmers do not have a clear title to the land which they farm. In the absence of land as collateral, banks are reluctant to lend to them. Shortage of credit for agricultural production is, of course, not unconnected with the dire straits in which the Agricultural Bank finds itself after years of poor

administration, calamitous loan recovery and, consequently, limited ability to obtain refinancing. Today, only FIDE is an important source of credit for agriculture and agroindustry.

Although this issue is a major concern for the Export and Investment Promotion Project, it will be addressed primarily by the Agribusiness Promotion Project.

#### IV. PROJECT RATIONALE AND AID STRATEGY

The US assistance program has four major goals for the next several years: (1) equitable growth within a strengthened democratic framework; (2) expanded employment opportunities; (3) increased foreign exchange earnings; and (4) increased domestic and foreign investment. To accomplish these goals will require a strengthened and revitalized Dominican private sector. The basic strategy as pursued in the Economic Support Fund Program (ESF) and the Development Assistance (DA) Program consists of three approaches: (1) to establish a favorable economic environment for investment and foreign exchange earnings by encouraging necessary policy reform measures; (2) to promote exports of non-traditional goods and services by providing timely credits, appropriate assistance in manufacturing and marketing know-how, encouraging joint ventures with foreign capital and by eliminating administrative impediments through reduction of bureaucratic requirements; (3) to assist in diversifying traditional agricultural production and in developing new market outlets for small/medium commercial farmers; and (4) to reinforce human capital and infrastructure support. This project, along with ESF local currency program and the new Agribusiness Promotion Project are the major tenets of USAID's export expansion strategy which is aimed at making exports profitable.

Foreign and domestic investment is needed from the productive sector to generate jobs and exports. The DR's public and private organizations are not effectively servicing domestic or foreign investors. CEDOPEX can be bureaucratic and out of touch with the needs of real exporters; the Investment Promotion Council has been understaffed, and perhaps more importantly, did not have the institutional stature within the government; the private groups, such as the American Chamber of Commerce do not coordinate with government agencies nor do they have the financial resources to service investors' needs on a continuous basis. The banking community and some of the new export trading companies (ETC) are providing some services, but to clients who have a specific project which can generate income for the bank or ETC on a short term basis. Many projects have a long gestation period and the pay off is too uncertain for profit-making groups to continue providing services.

The proposed project is differentiated from our Agribusiness Project through its institution building emphasis. Whereas the Agribusiness Project will attempt to move existing business opportunities to a financing stage in the short term, the Export and Investment Promotion Project will try to build the institutional base in the public and private sectors to assist both local and foreign investors and exporters; this implies a medium to longer term focus.

## V. PROJECT DESCRIPTION

### A. Goal, Purpose and End of Project Status

The goal of the project is to increase employment, incomes and foreign exchange earnings. The purpose of the project is to strengthen the IPC as a mechanism to coordinate public and private efforts for the promotion and development of investment and export opportunities in the D.R.

This proposed project forms a cornerstone for improving the climate for foreign investment and export by (1) clarifying and improving the rules for new investment, (2) streamlining the application process for investment incentives and documentation requirements for exports (and their imported inputs); (3) mobilizing the resources of Dominican foreign private sector membership organizations to expand exports and import substitution based on comparative advantage; and (4) strengthening the institutional support network by establishing the IPC as a central clearinghouse for foreign and domestic investors.

By the end of this project, the IPC and other private and public organizations should be capable of providing effective investor/exporter services and conducting successful promotional activities with minimal outside expertise. Funding for some of these activities, as well as support for the IPC itself, will have to be provided, at least in part, by the GODR. However, in other cases, private groups themselves (e.g., ETCs) should be able to service clients on a self-sustaining basis. The extent of future GODR support and follow-on AID assistance will be dependent upon the initial success of this program. Success can be measured to a great extent in cost/benefit terms, i.e. examining the numbers of investments which IPC has helped to attract, the amount of non-traditional exports developed and the numbers of jobs generated. These targets are described below.

### B. Project Outputs by Objectiv

There are three definable needs at this point. One is to create jobs as quickly as possible. A second is to earn as much foreign exchange as possible in the shortest possible time. A third is to lay the groundwork for longer-term growth by improving the investment/export climate and engaging in investment and export activities that have a longer time-frame.

This project attempts to reconcile these three, sometimes conflicting, needs. For instance, what produces short-term employment (for example, manufacturing in free zones) does not necessarily generate the largest volume of foreign exchange (FX). Likewise large FX generators (for example, capital intensive agribusiness projects) do not necessarily create the largest number of jobs in the short-term. Most importantly, success in achieving the first two goals will depend largely on the extent to which the principal constraints in the investment/export climate identified earlier are removed or significantly reduced.

The proposed project attempts to strike a balance among these competing goals by placing initial emphasis on (1) an intensive effort to improve the investment/export climate and strengthen the institutional support network, and (2) a targeted promotion program including both free zone manufacturing and agribusiness activities.

Based on these objectives, the outputs of the project are:

1. Improve Investment/Export Climate

A principal focus of this effort will be to replace the country's import substitution orientation by promoting exports and export-oriented investment. The IPC will seek to achieve this goal through changes and improvements in economic policy, tax structure and exchange rates; and through the development of incentives attractive to both Dominican and foreign investors. Key policy changes/improvements will include:

- a. Gradual reduction in 36% tax on traditional exports.
- b. Clarification of Law 861, regarding access to foreign exchange for profit repatriation.
- c. Broadening of incentives under Law 409 to allow an increased ceiling (from 49% to 75%) on the amount of foreign participation permitted in order to receive tax incentives.
- d. Rationalization of monetary policies in relation to the investment laws already in place, in order to clarify the rules.

2. Improve Investor/Exporter Services

The principal output of this activity is that public and private organizations involved in investor/exporter's services will improve their capabilities and streamline their procedures.

3. Targeted Promotion Programs

The following outputs in two key sectors, agribusiness and light industry, are country-wide objectives for which the IPC will have a major but not exclusive responsibility. They are measured in terms of generating/saving FX, attracting investment, and job creation.

The following timetable is projected for annual foreign exchange gains and job creation beginning one year after start; i.e. the end of 1986. The projection only includes jobs created directly through production and processing and does not consider secondary and tertiary job creation.

Agribusiness: FX Gain and Job Creation

(FX in 1985 US\$ millions)

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
Total FX	\$15 m	\$21 m	\$13 m	\$28 m
Jobs	3,400	3,400	3,400	3,400

A number of opportunities to advance these goals are within reach considering the available land, prospects for investment (domestic and foreign equity leveraged by available lines of credit), and markets. The speed with which these targets may be reached depends on the investments adopted by entrepreneurs. Quick results (within one year) in terms of jobs and FX can be achieved through such crops as cotton, peanuts, sunflower, corn and sorghum, vegetables and plant fruit. On the other hand, some of the most interesting yields may be obtained from long cycle crops such as oil palm (four years); coconut (seven years); citrus (five years); and prawn and other aquacultural products (two years).

Unlike agribusiness, industrial investment in free zones (IFZs or FTZs) has an almost immediate impact on employment. It also provides a useful contribution to foreign exchange earnings though this is reduced when the investment is located in a free zone. Assuming that the IPC program initiates improvements in the investment climate, and that about 50 new factory buildings are constructed by mid-1987, increases in investments, jobs and FX earnings should come quickly. The following table estimates the annual FX gains, the new jobs created and the number of companies locating in FTZs.

FREE TRADE ZONES: FX, JOB CREATION AND NUMBER OF COMPANIES

(FX in 1985 US\$ Millions)

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
Total FX	\$2.6	\$14.5	\$20.6	26.5
Jobs	2,200	10,250	5,500	5,500
No. of New Companies	9	41	22	22

If the IPC program is successful, free zone employment could nearly double, increasing from 28,000 jobs in 1984 to 51,450 by 1989. Foreign exchange earnings could increase by 112 percent, from US\$57 million to US\$121 million by 1989. There could be a 77 percent increase in the number of companies, with more than one-third of this increase attributable to the activities of the IPC and its grantee organizations. While the projections may appear high, the demand for space and the offshore investment trends indicate that these are achievable targets.

Taking agribusiness and free zone manufacturing together, expected yearly incremental outputs would be as follows:

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	<u>Agribusiness and FTZ Summary</u>			
	<u>End 1986</u>	<u>End 1987</u>	<u>End 1988</u>	<u>End 1989</u>
Total Direct Employment	5,600	13,650	8,900	8,900
Total FX Earned	US\$17.6 m.	US\$35.5 m.	US\$33.6 m.	US\$54.5 m.

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Annex I contains additional information on how these projections were derived.

C. Description of Components

The project has 7 components to assist in achievement of the objectives and outputs cited earlier. These components are 1) the institutional development of the IPC, 2) support for the Chicago Association program, 3) business climate improvement, 4) data collection, 5) export development services, 6) investor services, and 7) promotion. While IPC will be the main executing agency, several other public and private groups will also be involved in project implementation.

## 1. Institutional Development of IPC

### a. Role of IPC

The IPC was established by Presidential Decree in 1982 to mobilize the efforts of the Dominican private sector to attract new export-oriented investment in four priority areas: Industrial Free Zones/Manufacturing; Agribusiness; Tourism; and Mining. The IPC recently changed its legal form to a public/private non-profit foundation with the same mandate and goals. (See Articles of Incorporation and related documents, Annex I.) The Board is composed of leading private sector individuals and representatives from the key government agencies. The IPC has three basic roles:

- \* To formulate sound public investment and export policies and make recommendations to the government.
- \* To strengthen the institutional support network and serve as the central clearinghouse for export and investment information, and contact point for prospective investors/exporters.
- \* To work with the public and private sectors, in the Dominican Republic and abroad, to carry out, fund, coordinate, monitor and evaluate investment and export promotion programs.

### b. Organizational and Operational Approach

The IPC will have two offices: a Santo Domingo Office with a staff of six professionals; and a U.S. Office with a representative based in the Dominican Embassy in Washington. An AID-funded long term technical assistance contractor will be attached to the IPC-Santo Domingo, reporting directly to its Executive Director. The U.S. Office will have a long-term TA project manager. (See Annex I for details on organization and staff.).

The IPC is governed by a Board of Directors who will provide leadership and support in order to identify major issues impacting on investment/export growth; study these issues; reach positions or options; and recommend policy changes to the GODR.

The IPC staff, and particularly its four sectoral investment counselors, will develop cooperative programs with key industrial and agribusiness networks in the U.S. and in the D.R. In the U.S., attention will be focused on trade associations, banks, consultants, law firms and others who are likely to be sources of intelligence about specific markets and prospective investing/joint venture companies in the target sectors. At the same time, the investment counselors will work with Dominican industrial and agribusiness firms to identify investment or export opportunities which would be of potential interest to the U.S. networks and/or companies.

c. IPC Program Activities

The IPC will implement its mandate through both direct program activities and through subgrants and contracts to private and public groups. The following activities are illustrative of the types of programs and proposals which will be financed by IPC sub-grant. Others will be developed as the project becomes operational.

The first direct activities to be undertaken will involve strengthening the Santo Domingo office and establishing a U.S. office. The grant and counterpart funds will be used to expand the DR office; to establish the U.S. office and the related outreach programs; to prepare and publish promotional literature; for the follow-up and selective visits to firms that have expressed interest in the DR; to initiate detailed studies on key policy/procedural issues and needed institutional changes; and to selectively participate in trade shows and conferences.

(1) IPC Dominican Office.

The objective of the IPC's Santo Domingo Office is to increase investment in the Dominican Republic. To achieve this end, the IPC's DR operations will coordinate the activities of other organizations involved in investment promotion and export development; escort prospective investors; collect and disseminate information regarding investment opportunities in the DR; develop the direction of the IPC program in relation to the U.S. Office; support activities aimed at eliminating constraints to investment and export; and support the training of its staff and the staff of other organizations to institutionalize the process of investment promotion.

To meet the objectives of the IPC, a resident advisor in Santo Domingo will assist the organization in its efforts to increase investment. The primary initial focus of the resident advisor will be on constraints to investment and export development.

The T.A. resident advisor will be responsible for the planning; coordination and supervision of the short-term technical contractors; advising on alternatives to strategies; developing operational and program plans for the IPC and other organizations; determining the compatibility of proposals to the IPC's strategic direction; providing technical advice to the Investment Counsellors and the Executive Director of the IPC; training the staff of the IPC in methods of investment promotion; and, assuring to the extent possible, incorporation of the strategic objectives of other organizations with those of the IPC. The person-months required to accomplish these tasks is estimated to be 36.

Short-term specialists will be utilized to provide assistance in the preparation of workplans for the IPC, CIPROIN and CEDOPEX; preparation of public relations materials; conduct seminars on investment export policy; research training requirements of the other organizations such

as Customs, ADOEXPO, CEDOPEX, and CIPROIN; design the marketing activities of the IPC; and, finally research strategy alternatives for the successful removal of policy constraints to export development through investment promotion activity. An estimated 18 person-months are required for short-term technical assistance.

(ii) IPC - U.S. office

The role of the IPC's U.S. office will be to encourage U.S. investment in the Dominican Republic particularly in the area of non-traditional exports. They will actively seek out investment prospects, conduct advertising and promotional campaigns, act as a source of information for potential investors, provide strategic information to the Santo Domingo office regarding the direction of the program, and collect and disseminate information regarding investment opportunities in the Dominican Republic.

To assist the U.S. office in meeting their objectives a long-term TA project manager and short term specialist will work to:

- Develop sector-specific marketing strategies and workplans.
- Manage the networking process, i.e. prepare mailing and contact lists; identify specific organizations and individuals corresponding to the priority sectors; and participate in follow-up activities.
- Assist the U.S. Director coordinate the programs and activities of other U.S.-based contractors.
- Prepare literature, project profiles and other materials for prospective investors and/or exporter-importers.
- Report on commercial, industrial, agricultural, legislative, regulatory and other significant developments.
- Develop and implement targeted (sectoral and regional) public relations and promotion programs.
- Provide support services to supplement the IPC's U.S. office.

There are an estimated 18 person-months of short-term technical assistance required for the U.S. Office. Marketing specialists, public relations experts and investment promotion advisors will be acquired at various stages to develop and implement programs in their functional areas. The project manager, will coordinate programs, direct the activities of the short-term specialists and lend professional advice in the areas of export development and investment promotion. An estimated 36 person-months of long-term technical assistance are anticipated for the U.S. Office.

## 2. Strengthening the Chicago Association (CBPC)

The range of programs which the CBPC will develop with IPC funding falls into the areas of investor services, export development and investment promotion. CBPC will continue its original program. In addition, it will expand its local DR office. Specific activities to be undertaken will include: follow-up on trade and investment leads already in the pipeline; attend key trade shows; prepare and disseminate market information to U.S. and Dominican clients; sponsor a seminar (Export USA) for Dominican exporters; and organize visits and investment missions for targeted U.S. and Dominican firms. Additionally, CBPC will offer training to the IPC staff to assure replication of Chicago activities following the grant period.

Grant funds will be provided through an amendment to an AID/W Cooperative Agreement for salaries, benefits, operational expenses and overhead of the Chicago and DR staff. Chicago initiated its trade and investment promotion work in the DR in late 1982 under a Cooperative Agreement; the current agreement expires in September 1985. The IPC will fund an extension of that agreement for two additional years, through September 1987.

## 3. Improvements in Business Climate.

Among IPC's top priorities are the policy constraints discussed in Section III. IPC will initiate studies and analysis of tax and legal issues (such as fiscal revenue, banking and investment laws) that are required to bring about improvements in procedures used by Customs, CEDOPEX, Central Bank, CEA, IAD, etc. IPC will provide technical assistance and training to improve operating systems and advise on structural changes needed in the management of these organizations to attract and assist investors and facilitate exports.

The TA contract will provide for 8 person-months of short term specialists to assist the IPC and other groups in these important policy changes. In addition to these constraints a number of special studies will be undertaken in the areas of barter, export financing, export credit insurance and transportation.

Training, will be an important component of policy improvements, particularly for agencies such as CEDOPEX and Customs Office. For instance, CEDOPEX personnel require upgrading in their knowledge of export markets. Four person-months of short-term technical assistance will be used to meet their planning and strategy needs. Training will be undertaken so that procedural and systemic changes can be brought about. For Customs officials there is a training program through INCAT (National Tax Training Institute), in cooperation with OAS and IDB, but only one course has been given in the export-related area. The project will provide training to the Customs Service department heads for short courses on exporting, primarily to affect attitudinal changes. At the technical level, there is currently a six-month course on exporting as well as specialized courses in areas such as Valuation and Technical Classification of Merchandise. This program will be continued, but also broadened to sensitize technicians to the objectives of an export/investment program. Four person-months of T.A. will be used to provide planning services and to establish training courses for the Customs Service. Additionally, the IPC and the Customs Service will explore the idea of commissioning the U.S. Customs to tailor-make and deliver a series of courses in Spanish in the Dominican Republic.

#### 4. Data Collection.

Several public organizations (especially CEDOPEX, SEIC, and Customs) and a few private groups are not equipped to collect and analyze basic trade and investment statistics. This effort will focus on upgrading those groups which historically have been responsible for collecting basic data. For instance CEDOPEX will be responsible for establishing realistic product sales and job creation goals. IPC, in turn, will rely on these groups for its information; it will not attempt to duplicate the work being done elsewhere.

Technical assistance will be provided to CEDOPEX to assess the needs and help with procurement, installation and initial operation of computer equipment and software. The Secretariat of Industry and Commerce will receive technical advice to analyze its data collection needs and plan a program of data collection. Training will be provided to managers and operators so that the equipment and programs are well-utilized. The project will also fund the procurement of a minimal amount of hardware and software.

#### 5. Export Development Services.

ADOEXPO, CEDOPEX, the export trading companies (ETCs) plus a few producer associations are currently responsible for servicing the export community. The IPC will finance specific proposals submitted by these groups, or contract with these groups for specific activities.

For instance, IPC will make a sub-grant to ADOEXPO to expand its activities. Those activities will include providing assistance to exporters in resolving problems encountered with government institutions;

Identifying sources of financing for exporters; assisting in the formation of industry associations; identifying markets for exports; coordinating public and private interaction in solving exporting problems; gathering and disseminating investment opportunity information; and creating a local exposition of Dominican products with the potential for export.

ADOEXFO will require approximately 4 person-months of short-term technical assistance. The short-term advisors will design a program to assist ADOEXFO to coordinate their activities with public sector entities dealing in the area of export services; identify and establish the mechanisms to provide specific export services, such as pre-export financing, marketing and networking; and form export industry associations. Training needs will be filled through informal exposure to the processes and procedures of organization and project implementation and will be designed to assist the institution building effort in the area of export services. The specific needs are in the areas of program development, publications, membership services and public policy analysis and representation.

CEDOPEX will also be a major beneficiary of project funds and will be responsible for implementing a program in support of export development services. CEDOPEX's primary responsibility will be to work with producers and producer's associations to develop programs of education, information and technical assistance to encourage expansion and/or start up of production in the targeted sectors. They will work with private sector groups and individuals to keep abreast of general and specific problems facing exporters and develop cooperative programs to solve these problems. They will also provide liaison services to the public and private banking system to ensure that export producers have access to adequate credit. With the public sector, CEDOPEX's responsibility will be to work with relevant GODR entities to ensure that export producer receive adequate incentives and expeditious treatment in acquiring raw materials and other resources, i.e., land, in order to produce the export products.

In order to carry out this program CEDOPEX will develop a network of knowledgeable staff and consultants with timely information on markets price, demand, etc., who will introduce producers and their products to potential buyers and conduct systematic follow up with both export producers and prospective buyers.

To assist CEDOPEX in the development of the program outlined above, the project will fund approximately four person-months of technical assistance under the umbrella TA contract. Short-term experts will develop, design and begin implementation of an operational plan and determine specific training needs through formal instructions and on-the-job training in order to upgrade and teach new skills to the CEDOPEX staff. Training will also be required for CEDOPEX's overseas representatives as well as commercial officers in Dominican Embassies so that they can be better prepared to represent the country on trade and investment promotion efforts.

Also under the project, through the IPC, ETCs and other producer or development associations (for example FEDOCA - the sugar producers' association) will receive funds for technical advice on a product-by-product and company-by-company basis so that these groups will be able to service their members and assist in expanding and diversifying production for export.

Technical assistance, approximately 4 person-months of short-term specialists, will be made available to these organizations. Initial advice will be directed at refining strategies and establishing priorities. Subsequently, detailed work plans with measurable outputs will be formulated. Local currencies and U.S. dollars will be provided through subgrants or contracts by IPC to fund specific program initiatives. Additionally, training activities will be undertaken to upgrade the skills of the ETC's staff in the areas of trade development, export development and networking.

#### 6. Investor Services.

The investor services component will provide a similar range of services to those foreign businesses interested in investing in the Dominican Republic as under the export services component. Several local groups such as the American Chamber of Commerce (AMCHAM), FEDOCA and the National Council of Businessmen (CNHE) will have important roles in this program. These groups will host visits, introduce investors to appropriate local businesses and potential partners, arrange trips to factories and agricultural sites and otherwise help to answer questions. These groups will be used by IPC and vice-versa to accommodate potential investors and help to assure that visits are successful in terms of favorable impressions and availability of services. The IPC itself will assume the responsibility of following up with particular investors and helping to get decisions taken by the GODR.

Project funds will be provided through subgrants and contracts to these groups for staff and operational expenses which will be incurred as a result of these expanded responsibilities.

Another element of investor services relates to the expansion of free trade zones and improvement in their services. The existing zones and several new zones will be assisted and public policy will be analyzed. Advice will be provided on such issues as management of zones, location and infrastructure requirements for new zones, techniques for accessing private funds for construction through mortgage banking sources, rental rate policies, etc. This expertise will complement local currency funds which are used for construction of the zones themselves.

A total of 10 person-months of specialized short term TA will be required to advise the organizations on how to improve their services and for preparing/analyzing new program initiatives. Training, through participation in workshops and seminars, and on-the-job work in organizations such as the Chicago Association will also be carried out.

(7) Promotion

In addition to the activities already being undertaken by CBPC, the IPC's U.S. office, the TA contractor and other U.S. groups such as chambers of commerce and/or trade associations will undertake selected promotional activities. The Newark Chamber of Commerce, for example, has submitted a proposal to perform certain promotional activities including conducting seminars and conferences in the northeastern the U.S.; doing public relation related to trade in the D.R. and developing a data base of northeastern firms with a potential for investment or trade linkages. In all cases, these promotions will be approved by the IPC with the U.S. representative having the responsibility for coordinating and overseeing those aspects of the work plan that are focused in the U.S. A prime objective is to have these promotions targeted at specific industries in the high priority areas already discussed.

Funds will be used for promotional literature, mailings, visits to appropriate firms, trade shows and conferences, and staff time and operational expenses of the organizations who are contracted for these promotions. Approximately 3 person-months of short-term technical assistance will be required to coordinate the specific roles of the agencies involved in promotional efforts.

(8) Program Linkages and Support

As indicated previously, credit is a major constraint for agricultural investors. This problem will be resolved in part through provision of a US\$17.3 million loan, matched by RD\$90 million in local currencies, through the Agribusiness Promotion Project. This project will also offer a great variety of assistance in conducting feasibility studies and accessing specialized agricultural expertise through the Joint Agricultural Consultative Committee. Further, under the local currency program about RD\$30 million is earmarked for construction of space in new and existing free trade zones. An estimated 50 new buildings are expected to be available by mid-1987.

D. Financial Plan and Summary Cost Estimates1. Introduction

The AID contribution to this three-year project is US\$6,000,000 in grant funds. The GODR contribution is US\$2,075,000 local currency equivalent. Tables 4, 5 and 6 summarize the sources and uses of these funds by component.

Technical Assistance: The Host Country contract for \$1,800,000 will be used to procure an Institutional contractor to assist the IPC carry out the work of the organization by providing TA to sub-grantees. The other Host-Country sub-contract (or IPC sub-grants) totaling \$1,470,000 include expenses outside the scope of the institutional contractor agreement, operational costs (including salaries

overhead and equipment) for the subgrantees program, and equipment purchases for the IPC. An AID-Direct contractor will also be contracted (\$350,000) and will be utilized by the IPC to formulate its strategic plans and provide TA to the Council. In addition, \$665,000 will be used to amend and extend an existing cooperative grant agreement with the Chicago Association of Industry and Commerce.

Training: A host country contract in the amount of \$950,000 will be initiated to procure short-term training, both formal and informal, for the IPC staff and sub-grantees of the IPC.

IPC Operational Costs: The cost of running the IPC operational unit in the U.S. is anticipated to cost \$615,000 during the life of the project. A portion of these funds may be utilized to cover U.S. dollar costs of the Santo Domingo Office. Special arrangements will be made for direct reimbursement of those approved costs.

Evaluation/Audit: The cost of the evaluations and audits will be \$150,000 and will be implemented through AID direct contracts.

TABLE IV  
SUMMARY FINANCIAL PLAN  
(US\$000)

	AID GRANT		GRANTEE <sup>1</sup> / L/C	TOTAL
	L/C	FX		
1. Investment Promotion Commission				
-Operations (staff, equipment and overhead)	0	615	555	1,170
-Technical Assistance	0	1,300	-	1,300
-Program Costs	240	240	200	680
Sub-Total	240	2,155	755	3,150
2. Chicago Association		665	150	815
-Salaries and Benefits	-	260	35	295
-Travel and per diem	-	35	-	35
-Office operating expenses	-	70	40	110
-Sub-contracts	-	130	-	130
-Overhead	-	170	-	170
-Program costs (local office)	-	-	75	75
Sub-Total		665	150	815
3. Improvements in Business Climate	90	250	100	440
-Technical Assistance				
-Training				
-Research/Studies				
4. Data Collection	-	300	-2/	300
-Technical Assistance				
-Equipment			-	
-Systems Analysis			-	
-Training				
5. Export Development Services	100	600	870	1,570
-Technical Assistance				
-Training				
-Program Costs				

	<u>AID GRANT</u>		<u>GRANTEE<sup>1/</sup></u>	<u>TOTAL</u>
	<u>L/C</u>	<u>FX</u>	<u>L/C</u>	
6. Investor Services	<u>100</u>	<u>300</u>	<u>200</u>	<u>600</u>
-Technical Assistance				
-Program Costs				
-Operational Expenses				
-Training				
7. Investment Promotion	<u>410</u>	<u>290</u>	<u>-</u>	<u>700</u>
-Program Cost				
-Operational Expenses				
-Training				
-Technical Assistance				
8. Export Investment Prom. Advisor	-	350	-	350
9. Evaluation/Audits	<u>-</u>	<u>150</u>	<u>-</u>	<u>150</u>
TOTALS	940	5,060	2,075	8,075

1/ To be provided by IPC or other public and private organizations.

2/ Local costs to be contributed by private firms or GODR agencies' own funds; some of which are not yet calculated.

TABLE V  
PROJECTED DISBURSEMENT BY YEAR  
(000'0. US\$)

	YEAR I		GODR	YEAR II		GODR	YEAR III		GODR	TOTALS	
	L/C	A. I. D. \$		L/C	A. I. D. \$		L/C	A. I. D. \$		A. I. D.	GODR
IPC											
-Operations(U.S. included)	0	300	200	0	200	150	0	115	205	615	555
-Technical Assist.	0	500	0	0	400	0	0	400	0	1,300	0
-Program Costs	80	80	50	80	80	75	80	80	75	480	200
CHICAGO ASSOCIATION	0	330	75	0	335	75	0	0	0	665	150
BUSINESS CLIMATE											
-Technical Assist.	0	40	15	0	30	15	0	30	20	100	50
-Training	20	40	10	10	30	10	10	30	10	140	30
-Research/Studies	25	25	0	5	25	10	20	0	10	100	20
DATA COLLECTION											
-Technical Assist.	0	50	0	0	50	0	0	0	0	100	0
-Equipment	0	40	0	0	10	0	0	0	0	50	0
-Systems Analysis	0	40	0	0	10	0	0	0	0	50	0
-Training	0	30	0	0	30	0	0	40	0	100	0
EXPORT DEV. SERVICES											
-Technical Assist.	0	50	60	0	50	60	0	50	60	150	180
-Training	50	100	40	25	100	50	25	50	17	350	107
-Program Costs	0	100	175	0	50	175	0	50	233	200	583
INVESTOR SERVICES											
-Technical Assist.	0	50	25	0	50	25	0	25	25	125	75
-Program Costs	20	40	25	15	40	25	15	20	25	150	75
-Operational Exp.	20	10	20	15	10	20	15	5	10	75	50
-Training	0	20	0	0	20	0	0	10	0	50	0
INVESTMENT PROMOTION											
-Technical Assist.	0	10	0	0	10	0	0	10	0	30	0
-Training	40	50	0	40	50	0	40	40	0	260	0
-Operational Costs	50	30	0	70	0	0	20	30	0	200	0
-Program Cost	50	20	0	50	20	0	50	20	0	210	0
EXPORT/INV. ADVISOR	0	125	0	0	125	0	0	100	0	350	0
EVALUATIONS/AUDITS	0	50	0	0	50	0	0	50	0	150	0
TOTALS	355	2,130	695	310	1,775	690	275	1,155	690	6,000	2,075

E. Methods of Implementing and Financing

1. Summary of Methods

Table VI below, illustrates the methods of implementation and financing to be utilized. The methods of financing are preferred methods of financing under the Administrator's Payment Verification Policy Statements and represent no deviation from the Mission's general assessment of financing policy and procedures. Therefore, no further justification of the methods of financing is required.

## METHODS OF IMPLEMENTATION AND FINANCING

<u>Method of Implementation</u>	<u>Method of Financing</u>	<u>Approx. Amount</u> (in 000's US\$)
<u>Services</u>		
Host Country Contract (non-profit or profit)	Direct L/Com	\$1,800
Host Country Contract or sub-grant (non-profit or profit)	Direct Reimbursement	1,470
AID Direct Contract - PSC	Direct Pay	350
Cooperative Grant	Direct Pay or LOC	665
<u>Training</u>		
Host Country Contract	Direct L/Com or Direct Reimbursement	950
<u>IPC Operational Costs</u>		
	Direct Reimbursement	615
<u>Evaluation/Audit</u>		
AID Direct Contract (profit making)	Direct Pay	<u>150</u>
TOTAL		<u>\$6,000</u>

IPC is a newly created institution with little previous experience with AID. As a result, IPC will consult closely with the Mission during the contracting process. Furthermore, to better ensure USAID's monitoring in terms of prepayment review of foreign exchange contract costs, the method of payment will be through direct letter of commitment. The USAID foresees no problems with host country contracting, in fact we believe it will enhance the institutional capacity of the IPC.

## 2. Sources of Funds

This project will be funded from both the Special Development (Section 106) and Education (Section 105) Accounts. This decision is based on the institution building nature of this project, the policy changes which we expect will be derived and the types of program which IPC will sponsor to stimulate investments and exports.

During the initial period of implementation the IPC will concentrate on establishing and strengthening the institutional framework in the private and public sectors through an extensive program of technical advice and training. An estimated \$3.6 million of the total \$6 million grant will be used for TA and training programs. TA will be provided to the IPC and the other participating organizations through institutional and other contracts. Numerous short-term training programs, seminars/workshops, both in the U.S. and in-country plus substantial on-the-job training will be conducted to benefit the employees of the participating organizations. An estimated 75-100 persons from these organizations will receive training through this project. Many of them will participate in several courses. In addition, the organizations themselves will sponsor training programs, particularly for Dominican exporters. CEDOPEX, for example, will expand its activities and is expected to reach several hundred persons each year. Lastly, the IPC and other groups will prepare a variety of written educational and promotional material to guide exporters and investors.

Thus, the use of Section 105 education funds is completely consistent with its stated purpose "to strengthen the management capabilities of institutions which enable the poor to participate in development and for advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities".

## 3. Recurrent Costs of IPC

One of the issues to be examined in more detail during project implementation is the source of additional, permanent revenues for IPC. Local salaries and operational expenses will initially be paid for by local currencies generated from ESF funds. These costs are projected as follows:

<u>LOCAL CURRENCY COSTS</u>			
<u>(RD\$000)</u>			
	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>
Salaries	372	410	450
Program Costs	228	175	195
Overhead	<u>110</u>	<u>110</u>	<u>110</u>
TOTAL	710	695	755

Beyond year 3, we project costs at about the same level. Thus a source of revenue will have to be developed to provide IPC RD\$700,000-800,000 per year.

Several possible sources are being considered, including an earmarked tax, an endowment fund which would earn interest, sales and publications, contributions/assessments from private business and fees for services rendered. These ideas will be examined during project implementation. A condition precedent to disbursements for Year 3 will be included in the Agreement to require IPC to plan for this need.

#### VI. PROJECT IMPLEMENTATION

The following plan includes a schedule of sequential key events to be included during specific stages of project implementation and a schedule of evaluation efforts to be carried out in accordance with project design requirements and PID guidance. The schedule of events is indicative of the tentative target dates by which each event should be concluded. The evaluation plan is designed both as a monitoring tool and as an evaluation tool which will enable mid-course project alterations should they be required.

##### A. Schedule of Sequential Key Events

The list of critical events during the project's life is presented below. The schedule is a guide to target dates and will be subject to change according to the shifting requirements of the project and the ability to meet previously scheduled events. As suggested by the title, the list refers to those events deemed pivotal to successful project implementation and does not include the numerous routine activities which will occur simultaneously.

<u>Event</u>	<u>Target Date</u>
1. Signing of PROAG with IPC	August 28, 1985
2. Executive Director of IPC appointed	August 28, 1985
3. Initial C.P.s met.	October 30, 1985

- |   |                   |
|---|-------------------|
| 4. Completion of Contractual Agreement with Investment Promotion Advisor.   | October 30, 1985  |
| 5. Employment of 2 Investment Counsellors.                                  | October 30, 1985  |
| 6. Selection of a U.S. Representative employed to act on behalf of the IPC. | October 30, 1985  |
| 7. Initial Program Grant Disbursements Initiated.                           | November 15, 1985 |
| 8. Deputy Director of IPC selected.   | November 30, 1985 |
| 9. RFP for TA to IPC issued.  | November 30, 1985 |
| 10. Selection of 2 additional investment counsellors completed.             | January 30, 1986  |
| 11. Contract awarded for IPC T.A.   | March 30, 1986    |
| 12. Advisor for IPC arrives.  | April, 1986       |
| 13. Evaluation 1 (management review) is conducted.                          | October, 1986     |
| 14. Evaluation 2 is conducted   | April, 1987       |
| 15. Audit is conducted  | November, 1987    |
| 16. Evaluation 3 is conducted   | August, 1988      |
| 17. Audit 2 is conducted  | November, 1988.   |

B. Procurement Plan

The project does not require procurement of a significant amount of commodities. Procurement under the project will primarily involve the solicitation, evaluation and selection of a technical assistance contractor for work with the IPC. The current plan requires an RFP for a technical assistance contractor to the IPC to be issued by November 30, 1985. Anticipated contract award date is scheduled for January 30, 1986 with contractor arrival suggested for March 1, 1986.

The TA contract is expected to be an institutional award to a U.S. firm or group of firms which will provide specialized long and short term assistance directly to IPC, as outlined in Section V.C., as well as to the other participating organizations. The RFP and the TA contract will be written to provide very specific assistance which can be clearly identified in

advance for the IPC itself. The RFP will also allow for a wide variety of TA to be provided in the future to other groups when needs are more clearly known and when program ideas become operational. In effect the contract will be structured to permit access to TA similar to an IQC arrangements.

In accordance with State 230994 (1984), every effort will be made to use the services of disadvantaged firms and historically black colleges as defined in the Grey Amendment. Billings for technical assistance contractors which require payment in US\$ will flow directly between USAID/Controller's Office and the Technical Assistance Contractor with PSO Project Management monitoring and approving the flow.

### C. Evaluation Plan

The evaluation plan envisioned for the project is constructed to provide maximum information regarding achievements, direction, and the ability of project management to meet the stated objectives by PACD. Working with the GODR, the project has established sectoral objectives to achieve national goals for investment and employment generation. As part of the IPC's strategic planning process and under the guidance of USAID and a technical consultant, monitoring of the project's progress will be a daily activity with the responsibility resting directly upon the Executive Director of the IPC. Evaluations will be conducted periodically; informally by AID Project Management and formally by outside, independent evaluators and by AID contractors. Periodic scheduled and unscheduled audits of IPC and sub-grantees will also be conducted. All scheduled and unscheduled evaluations will include sex disaggregated data collection and analysis.

#### 1. Timing of the Evaluations

The project is scheduled to initiate disbursements beginning August 30, 1985 and to be fully expended by PACD of December 31, 1988. During the three project years three evaluations will be conducted. USAID project management will initiate the process (RFP or IQC) with funding from the operations budget of the IPC.

In addition to the three scheduled evaluations and the two formal audits, it is anticipated that spot audits will be conducted by USAID project management if deemed necessary. USAID project management will condition funds to Grantee and Sub-Grantee on the right to audit use of funds.

#### 2. Criteria for Evaluations

##### Evaluation 1: (August, 1986) - IPC:

The first, formal evaluation (operational review of management) will be conducted by AID Project Management one year following the initial disbursement of Grant funds to the IPC. The objectives of the first evaluation will be the following:

- 1) Assess IPC management effectiveness in:
  - Preparation and Implementation of IPC's strategic plan.
  - Management Techniques such as development of short term organization of goals, and management by objectives.
  - Analyzing Sub-Grantee Proposals.
  - Monitoring Sub-Grantee Projects.
- 2) Assess TA contractor role and contribution through:
  - Evaluation of scope-of-work objectives and accomplishments.
  - Technical contributions (i.e. number of workshops, increase in investment inquiries etc.).
- 3) Assess IPC's effectiveness as an inter-agency, inter-sectoral coordinator.
  - Evaluation of their ability to achieve this goals as a public/private sector coordination organization.
  - Evaluation of their success identifying and implementing legal and policy reforms.
  - The ability of the IPC to attract investment.
  - The effectiveness of the U.S. branch in providing information and promoting investment.
- 4) Assess progress towards first year outputs.
- 5) AID Project Managers conducting the evaluation will access the following sources, inter alia, in reaching their conclusions:
  - IPC strategic plan, files, records, logs, etc.

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\*Nature and extent of the audits will be subject to the results of the evaluations.

- Sub-Grantee Project Plans, logs, records, reports.
- Consultant's reports
- GODR statistics (Subsecretariat for Economic Policy)
- Free zone statistics by gender and results of WID study
- FIDE statistics, Central Bank, Customs
- CIPROIN, CEDOPEX, Industrial and Agro-Industrial Technical Departments
- AID Project Management Reports
- Participant Surveys

Evaluation 2: (January, 1987) - IPC:

The second evaluation will be conducted by an outside contract. It will consider all the points (1-3) of the first evaluation. Additionally, it will determine how successful the project has been in incorporating the suggestions and mid-course corrections offered by the Evaluation 1 report. The ability of the IPC as an institution to contribute to achievement of the second year output will also be examined.

Evaluation 3: (August 1988) - IPC:

The third and final evaluation conducted by an outside contractor will identify the success or failure of the IPC in accomplishing their objectives. Additionally, the evaluators will determine the degree of success achieved in altering the direction of the organization's objectives or structure following Evaluation 1 and 2. This final evaluation will recommend long-term alterations, if required, and offer analysis on the ability of the IPC to sustain its role as the leading Investment Promotion and Export Development Institution, both financially and politically. Therefore, this final evaluation is expected to be both an examination of the institution's success in meeting past objectives as well as an evaluation of the ability of the organization to sustain itself. The evaluation will also consider the success of the first phases of implementation of the self-sufficiency plans to meet recurrent cost requirements.

Projects and programs of Sub-Grantees will also be evaluated. These evaluations will be included in the formal evaluation and audit process listed above. It is further expected that the IPC will conduct informal monitoring and evaluations of their Sub-Grantee's projects and programs and will evaluate the progress of each project or program. These activities will be included in the work plan of the IPC.

#### D. USAID Monitoring and Reporting Arrangements

The USAID Project Manager in the Private Sector Office will have the responsibility for monitoring all project activities, evaluations and audits. The PSO will be charged with coordinating all billings flowing through the USAID/Controller's office and the monitoring of all quarterly disbursements to the IPC organization. USAID Project Management will report on the status of the project quarterly.

#### E. Audit Plan

The implementation and evaluation plans anticipates the need for two formal non-federal audits. The first audit will be scheduled for November 1987 and will include a review of the financial viability of the IPC in regard to projected recurrent costs and revenue generations. The objectives of the audit are three fold. They are to:

- Identify and evaluate the financial mechanisms utilized by the IPC.
- Identify and confirm the appropriate uses of project funds by the IPC and their sub-grantees.
- Suggest improvements in the structure and method through which funding is provided to the IPC and their Sub-Grantees and determine if the methods designed to meet recurrent costs are appropriate.

The auditors will access various different sources including, but not limited to:

- Evaluations
- USAID Project Management Quarterly Reports
- USAID/Controller's Office
- IPC Financial Records (receipts, contracts, accounts)
- Sub-Grantee Financial Records

The end-of-project audit will evaluate the successful incorporation of Audit 1 suggestions and will comment on future sources and uses of IPC and Sub-grantee funding. The report by the auditors will offer suggestions regarding necessary alterations in the financial structure of the IPC generation of revenue, and appropriateness of expenditures. The report will also assess the continued financial viability of the organization and offer financial forecasts, extending 5 years to 1993.

## VII. SUMMARY OF ANALYSES

### A. Institutional Analysis - IPC

A complete description of the institutions involved in this project, except for IPC, is contained in Annex G. The IPC is discussed in detail in Annex I. A summary of IPC's evolution and proposed new organizational structure follows:

#### 1. Current Organization

IPC was created by the President in 1982. Its mandate is to mobilize the resources of the private sector to seek new foreign investment in the areas of agro-industry, mining, industrial free zones and tourism. The IPC, while considered a public sector entity, is composed mainly of business leaders. It is a temporary commission, comprised of a board of directors of 13 private and 3 public sector representatives; its president is the Secretary of Commerce. IPC has a staff of five persons.

#### 2. Proposed Organization

The IPC is in the process of changing its legal form from a Presidential Commission established by Decree to a public/private non-profit foundation. Its mandate and goals, however, remain unchanged. Moreover, its Board of 17 persons will continue to be composed of leading private sector individuals and representation from the four key government agencies concerned with investments and exports, including CEDOPEX, the Central Bank and the Secretaries of Foreign Affairs and Commerce. The Secretary of Commerce will remain as president of the board.

This change of legal form will take the Commission out of the public sector, yet it will retain its important link to key public sector organizations. Second, it will minimize the possibility that the organization could become staffed with unqualified appointees. Third, it will remove the pay ceilings which apply in the public sector, thus making it possible for the Commission to recruit a small cadre of highly qualified individuals.

#### a. Role and Mission

The IPC will have three basic roles:

- \* To help formulate sound public policies to increase investments and exports and to recommend these policies to the government.
- \* To strengthen the institutional support network and serve as the central clearinghouse for export and investment information, publications and other communications materials, and as a central contact point for prospective investors/exporters.

- \* To work with both the public and private sectors, both in the Dominican Republic and abroad, to conceive, fund, coordinate, monitor and evaluate new promotion programs to increase exports and investment.

b. Structure and Staffing

The IPC will have very small staff of highly qualified professionals and operate primarily through intermediaries, i.e., other private and public sector organizations. The staff will consist initially of sixteen people (see below), of whom seven will be professionals, and the balance support staff.

Executive Director	1
Deputy Director/Development	1
Investment Counselors <u>1/</u>	4
Director, U.S. Operations <u>2/</u>	<u>1</u>
Total Professionals	7
Support Staff (secretaries, etc.)	<u>9</u>
Total Staff	16

3. Conclusions

The new organization, with independent status, increased staff and budgetary support from the GODR, coupled with this proposed AID grant, should be in an excellent position to help resolve some of the problems affecting investors and exporters. It will only be effective, however, by working with and through other DR and US organizations. The IPC's strategy and organizational structure have been designed with these factors in mind. Moreover, many of the lessons learned by similar organizations in other countries have been applied. Thus, with well-qualified staff to be recruited over the next few months, the IPC should be able to effectively carry out the program as designed.

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1/ One each for agribusiness; manufacturing/FTZs; finance; and special projects.

2/ A second position will be created as appropriate to the opening of a second U.S. office.

Although IPC is a relatively new organization, we have determined that a host country contract would be most appropriate. The IPC will be backstopped in the public sector by two organizations (CEDOPEX and Secretary of Industry and Commerce) which have had experience in institutional contracting. Further, IPC's U.S. representative will be directly assisted by this contractor. Thus, it is important that a contractual relationship be initiated directly. AID will advise on RFP and evaluation procedures as well on requirements for preparing the contract itself.

#### B. Technical Feasibility Analysis

As discussed in the project description, the IPC will undertake projects itself and also fund activities through other organizations. The project's design and technical feasibility is based on careful consideration of the country's export opportunities, trends in the U.S. marketplace, foreign investment flows, and current constraints (institutional, legal/regulatory, credit, etc.) and natural resources limitations.

The IPC will concentrate its efforts on the two sectors in which the D.R. has significant comparative advantage - agriculture/agribusiness and light industry, particularly on FTZs.

In agriculture/agribusiness, target products will be oil seeds, oranges, pineapples, animal feeds, fresh and processed fruits and vegetables, flowers and prawn.

These items were selected on the basis of market demand as well as productive capacity keeping in mind that the country needs both to earn and save foreign exchange. Other opportunities exist in further processing of coffee and cocoa to obtain more value-added and increasing production of black tobacco. To attract investors in these areas, the IPC will look toward the integrated agribusiness companies, some of which are already operating in the DR, and the large fresh fruit and vegetable brokers. It is expected that both Dominican and foreign investors will be participating in these projects.

In light industry, target products will be apparel and textile products, electronics/electrical goods, metalworking, toys, games, dolls, data processing/data entry, furniture, medical equipment and supplies.

These products were selected because many companies in these sectors already have offshore operations; the production processes they employ are often characterized by separable assembly operations, e.g., production-sharing possibilities; most are labor intensive; the D.R. has extensive experience in some of these products; in many of these sectors, companies are facing significant wage-cost pressures; in some sectors, special problems exist (quotas on apparel and textile products); impending protection for footwear; most can utilize factory space of a size ordinarily found in Free Zones; and high technology is not a significant factor in most of these sectors.

Lastly, the GODR has some 130 companies in four FTZs employing about 30,000 persons. There is a good base of experience upon which to interest a foreign investor.

In summary, the project has been designed so that the IPC can implement an export and investment promotion strategy based upon real investment opportunities, the country's natural resources and advantages and the limitations of its institutions and legal/regulatory environment.

### C. Economic Analysis

In analyzing the economic feasibility of the project, the Mission concluded that the conventional economic analysis establishing a relationship between costs and benefits would not be an appropriate guide for AID's participation or non-participation in the financing of the project. For example, a full 20% of the project funding is geared toward creating a "climate" under which local and foreign investment will be attracted and under which export development will occur.

The objective of the GODR in establishing the IPC is to effectively coordinate the activities and efforts surrounding the development of export-oriented industries, to attract foreign investment, and to generate employment. It is obvious, however, that any success in employment generation is not attainable solely to IPC efforts, since very little employment shall be generated in the absence of investment by private individuals and firms. Therefore, it would be erroneous to credit the IPC for the benefits accruing to the economy and neglecting the costs born by the private investors. Additionally, to engage in a cost-benefit analysis of hypothetical sub-categories of investments would be a theoretical exercise and probably irrelevant to the employment generation objectives of the GODR. Lastly, it should be logically and rationally assumed that an investment would not take place unless the investor was reasonably certain that he would obtain a rate of return equivalent to other opportunities opened to him.

On the benefit side, a ROI (Return-on-Investment) was not considered the appropriate yardstick for the evaluation for this project since, as was stated, it was assumed that investors would seek an equally-profitable ROI. Following this reasoning, benefits are compared with IPC project costs (AID + GODR contributions) plus the anticipated capital investment cost in the industrial and agribusiness sectors. Based upon the information collected and extrapolated, the figure of \$2,994 per job was the average amount invested in both sectors for each job created.

The analysis took into account Direct Project Cost (AID and GODR contributions) as well as forecasted capital investment costs to firms. Therefore, to measure the economic value of this project it was considered reasonable to measure the success of the project in terms of the domestic value added of labor. Value added was defined as the nominal yearly salary a worker in each respective sector receives plus employment benefits not

directly paid to the workers, i.e., about \$728 for Agribusiness and \$1,273 for Light Industry Manufacturing (see Table I, Annex J). Without doubt, there are other benefits which were not accounted for, which, were they to be included, would only serve to strengthen the positive results of the analysis.

In all calculations, to arrive at a present value figure, a discount rate of 17% was used as the nominal opportunity cost of capital. Project costs and capital investments were considered during the first three project years in which it was assumed that all investments would be made, while benefits accruing to the investments were extended out for 10 years.

The business of the IPC is the coordination and facilitation of activities which encourage investment, generate employment, and increase exports to earn foreign exchange. On the basis of historical data and projections of average growth rates, the introduction of new firms in the light industry area is expected to be:

<u>END OF YEAR</u>			
<u>Year I (1986)</u>	<u>Year II (1987)</u>	<u>Year III (1988)</u>	<u>Year IV (1989)</u>
9	41	22	22

Total incremental foreign exchange being generated by the additional business are expected to total (in millions of US\$):

<u>Year I</u>	<u>Year II</u>	<u>Year III</u>	<u>Year IV</u>
17.6	35.5	33.6	54.5

The ratio of foreign exchange gains as a percentage of capital investment and project costs are:

<u>Year I</u>	<u>Year II</u>	<u>Year III</u>	<u>Year IV</u>
.72	1.1	1.2	2.6

with the nominal mean for project years 1986/1989 of US\$1.27 gain for each US\$1.0 invested.

On the basis of the various assumptions listed above and in the attached tables, the conclusions reached are favorable. These are summarized below. (For details and calculations, refer to Tables I-III.)

1. The basis for investment of AID project funding in conjunction with counterpart funding is sound and is predicted to attract incremental capital investment of \$102.8 million by the end of Year IV, leveraging project funding by 12.7 to 1 ratio.

2. Incremental foreign exchange generated is anticipated to be \$141.2 million by Year IV for an aggregate mean of \$3,815 foreign exchange generated per incremental job created.

3. Total incremental employment is conservatively estimated at 37,011 jobs in both sectors by the end of Year IV.

4. Finally, a favorable Benefit to Cost ratio was calculated at 2.04 to 1 (see Table III, Annex J) based upon partial benefits extending through 1995.

#### D. Social Analysis

##### 1. Socio-Economic Context

The Dominican Republic's present population is estimated at six million, of which the total available labor comprises 36%. Although the country's annual population growth rate is 2.8%, the labor pool annually grows by 3.3%. This rate of growth means that an additional 72,000 people enter the labor market each year, and because of the high proportion of the population below the age of 19 (52%), this rate of growth will continue into the future.

The majority of the labor force (62%) finds employment in the agricultural sector. Although precise unemployment rates for rural areas are unavailable, under-employed is estimated to be as high as 65%. In the agro-industrial/manufacturing sector workers earn an average RD\$226 per month. A rural, agricultural laborer receives an estimated RD\$150 to RD\$200 per month. Countrywide, average monthly incomes for males and females are RD\$234 and RD\$150 respectively.

##### 2. Impact and Benefits

This project is directed at attracting/stimulating investment, earning foreign exchange by developing exports and generating jobs. These direct jobs will produce benefits in the form of wages paid to the employees of agricultural and industrial enterprises, which are the target industries under this project. The wages paid, in turn, will have secondary effects and produce jobs indirectly in the industries which service the new investments or through the firms located in communities where the new wage earners are living.

In terms of employment, by the end of 1989 this project is expected to help create about 37,000 new jobs in agriculture and industry. These jobs will be geographically dispersed. In agriculture the jobs will be

located throughout the entire country; in industry, the jobs are likely to be concentrated in the four existing free trade zones and in several new zones being planned. Employment in the FTZs alone is expected to increase from about 30,000 to about 52,000 persons by 1989. This increase will bring a substantial benefit to both men and women employees, as jobs for unskilled laborers in the FTZs are among the most beneficial in the country; employment tends to be fairly constant throughout the year; wages rates of US\$95 per month plus benefits (30% of wages) are among the best in the country; and working conditions are generally satisfactory -- certainly better than in the informal sector.

### 3. Impact on Women

Wage rates in both industry and agriculture are said to be slightly lower for women than for men. This is difficult to verify because so many of the wages in agriculture are paid on a daily basis (RD\$7.00 per day is the rate). For manufacturing the wage rates are determined in part by the country's minimum wage (recently raised to RD\$225 per month), in part by industry standards (textile firms probably pay less than electronic firms and other highly specialized companies), and in part by productivity bonuses given by many organizations.

In total, probably 60-70% of the jobs created as a result of this project will be occupied by women. In the FTZs the percentage will probably reach 80-85%. During project implementation, gender disaggregated data should be collected and analyzed during the scheduled evaluations in order to determine the impact of the project in increasing the percentage of women employed as a result of jobs created under this project. It is recommended that a special study be commissioned to follow-up in this area.

### 4. Transfer of Technology and Skills

There will be immediate positive transfer of skills particularly in the FTZs. An important feature of industrialization is the organization of the work day and work techniques. Learning to work to meet production deadlines is transferable from one job to another. Training in modern production methods as well as local participation in production via joint ventures will result in the transfer of technology.

### 5. Conclusions and Implications for Project Management

For Agriculture/Agribusiness. As indicated in the recent social analysis of the agribusiness project, we have concluded that increasing agribusiness activity will be socially beneficial. We have found also that there are a number of areas of social impact that deserve attention during implementation of that project. These include:

- Effects on food availability and nutrition in communities producing export crops rather than subsistence or domestic food crops;

- Effects on the participation of women in agribusinesses, as laborers, administrators, or managers;
- Effects on school attendance of increasing family incomes in agribusiness communities;
- Open-ended inquiries about how family life or community social structures may be affected by the expansion or startup of agribusiness in communities.

These factors will be examined through case studies of selected agricultural/agribusiness investments.

For Light Industry. The main issues relate to wage rates, benefits and working conditions. This issues will also be examined through case studies of selected new industries and special studies. These should concentrate on the gender division of labor; division of resources and income; wages and working conditions; and possibilities of enhancing female participation..

#### VIII. CONDITIONS, COVENANTS AND NEGOTIATING STATUS

##### A. Negotiating Status

During the design of this project, many Dominican and U.S. organizations were contacted. Board members and staff of the IPC as well as representatives from other public and private organizations had the opportunity to meet with project committee members and the IBERC consultants. The project is fully understood and the proposed approach accepted by these individuals. No difficulties are anticipated in executing the project agreement. Finally, the IPC should be legally established as a non-profit corporation during August.

##### B. Conditions and Covenants

Several conditions are envisioned, as follows:

1. Prior to first disbursement.
  - a. Evidence that the IPC has been legally established as a non-profit corporation; including submission of the approved articles of incorporation.
  - b. Evidence that the IPC has employed an executive director.
2. Prior to any disbursements for expenses of U.S. office, the IPC will present evidence that it has named a U.S. representative, that such representative is empowered to act on behalf of the IPC in the U.S. and that the U.S. office has prepared a work plan and summary budget for its first year's activities.

3. Prior to disbursements for sub-grants/contracts with other DR or U.S. organizations, the IPC will submit documentation (such as program proposals, scopes of work, work plans, etc.) outlining the proposed use of funds.

4. Prior to disbursements for year 3 of the project, IPC will explore alternative sources of revenues for its operational expenses and prepare a plan for developing such alternatives by the end of year two of the project.

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ANNEX A

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SUBJECT: GUIDANCE CABLE, EXPORT AND INVESTMENT  
PROMOTION PROJECT (517-0190), PID REVIEW

1. SUMMARY: A DAEC REVIEW OF THE REFERENCED PROJECT WAS HELD ON WEDNESDAY, FEBRUARY 20. IT WAS CONCLUDED AT THE DAEC THAT THE MISSION COULD PROCEED WITH PP DEVELOPMENT AND AUTHORIZATION IN THE FIELD, BUT MUST TAKE INTO CONSIDERATION, THE FOLLOWING ISSUES DURING PP DEVELOPMENT:

2. CONSTRAINTS: SUCCESSFUL ATTRACTION OF INVESTMENT WILL REQUIRE THE GOCR TO TAKE MEASURES TO FACILITATE SUCH INVESTMENT, INCLUDING REVISING CURRENT REGULATIONS AFFECTING ACCESS TO LAND NOW HELD BY THE STATE SUGAR COUNCIL (CEA) OR THE AGRARIAN REFORM INSTITUTE (IAD). THE MISSION SHOULD CONSIDER, AS PART OF PP DEVELOPMENT OR UNDER THE PROJECT, FUNDING CONSULTANTS TO ASSIST CFA AND IAD IN IDENTIFYING LANDS AVAILABLE FOR COMMERCIAL DEVELOPMENT AND STREAMLINING PROCEDURES FOR LAND LEASING (AS WELL AS HELPING THEM FORM JOINT VENTURES WHEN FEASIBLE). IN ADDITION, THE PID NOTES THAT, DUE TO THE EXCHANGE RATE UNIFICATION AND OTHER MEASURES TAKEN IN

JANUARY 1985, MANY OF THE LAWS AFFECTING EXPORTS AND INVESTMENTS HAVE BECOME REDUNDANT, AND THAT THE GOCR MUST NOW REVISE THEM TO REDUCE UNCERTAINTY FOR FOREIGN INVESTORS. THE MISSION AND IPC SHOULD TRACK THE ON-GOING REVISIONS TO HELP ASSURE THAT THEY DO RESULT IN A CLEAR SET OF LAWS, COMPREHENSIBLE TO THE INVESTOR AND REASONABLE IN THEIR REQUIREMENTS.

FINALLY, IN ORDER TO HELP IDENTIFY OTHER POTENTIAL CONSTRAINTS TO INVESTMENT, THE MISSION SHOULD EXAMINE DURING PP DEVELOPMENT ALL THE STEPS NECESSARY TO START UP AND CARRY OUT AN EXPORT UNDERTAKING OR AN INVESTMENT; FROM INITIAL COLLECTION OF INFORMATION TO FINANCING OF INVESTMENT AND OPERATING COSTS, AND IDENTIFY OBSTACLES ENCOUNTERED AT EACH STEP. THE OBSTACLES ENCOUNTERED SHOULD BE INCORPORATED INTO THE MISSION'S OVERALL AGENDA OF NEEDED POLICY AND PROCEDURAL REFORM, AND ADDRESSED EITHER IN THE CONTEXT OF THE ESF CONDITIONALITY PROGRAM

ACTION:	
INFO:	
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ANNEX A  
Page 2

3. SCOPE OF IPC AUTHORITY: THE SUCCESS OF IPC DEPENDS ON ITS ABILITY TO CONVINCING OR OTHERWISE INFLUENCE PRIVATE AND GOVERNMENT ORGANIZATIONS (PARTICULARLY CUSTOMS) TO INTRODUCE POLICIES AND UNDERTAKE ACTION TO PROMOTE EXPORT TRADE AND INVESTMENT IMPLEMENTATION. IT WAS FELT THAT THE MOST EFFECTIVE MEANS OF ADDRESSING THE ISSUE WAS TO INCLUDE MEMBERS OF CRITICAL AGENCIES --CUSTOMS, CEDOPEX, AMCHAM, ETC.-- ON IPC'S BOARD SO THAT THOSE WHO DECIDE, AS IPC BOARD MEMBERS, WHAT POLICIES SHOULD BE REVISED, WILL BE IN A POSITION, AS EXECUTIVES OF THEIR RESPECTIVE ORGANIZATIONS, TO HELP IMPLEMENT THE REVISIONS. THE MISSION SHOULD REVIEW THE MAKE-UP OF IPC'S BOARD WITH THIS STRATEGY IN MIND.

ALSO, WHEN THE IPC IS ESTABLISHED AS A PERMANENT AGENCY ITS MANDATE SHOULD CLARIFY ITS AUTHORITY. THE MISSION SHOULD, AS A CONDITION TO APPROVING THIS PROJECT, BE SATISFIED THAT THE IPC'S AUTHORITY IS SUFFICIENTLY CLEAR AND BROAD TO ENABLE IPC TO EFFECTIVELY CARRY OUT ITS RESPONSIBILITIES.

4. REVENUE: THE DAEC SUPPORTED THE MISSION VIEW THAT IPC SHOULD, TO THE EXTENT FEASIBLE, STRIVE FOR RELIABLE REVENUE SOURCES INDEPENDENT OF AID PROVIDED IT COULD FIRST DEVELOP A TRACK RECORD. PRIOR TO IDENTIFYING SOURCES OF REVENUE, THE MISSION SHOULD CLARIFY WHAT, SPECIFICALLY, IPC'S ACTIVITIES WILL BE. THAT INFORMATION, IN TURN, WILL HELP DEFINE THE ORGANIZATION'S

PERSONNEL AND FUNDING REQUIREMENTS, AS WELL AS THE FEASIBILITY OF GENERATING FEE-BASED REVENUE. IT WAS GENERALLY FELT THAT FEES COULD BE CHARGED ONLY IF IPC WERE PROVIDING SPECIALIZED INVESTOR SERVICES, NOT FOR GENERAL PROMOTION ACTIVITIES. THE MOST IMPORTANT OBJECTIVE HOWEVER IS TO ASSURE THAT THE IPC DEVELOPS INTO A LEAN AND EFFECTIVE ORGANIZATION. ONCE THIS IS ACCOMPLISHED, AID COULD ADDRESS THE LONG TERM FUNDING ISSUE IN A FOLLOW-ON PROJECT. (IN LIGHT OF THIS IT WAS THE CONSENSUS AT THE DAEC THAT A GOOD OPTION FOR IPC FUNDING WAS AN earmarked TAX).

5. FINANCING: THE QUESTION WAS RAISED AS TO WHICH PROJECT SUB-ACTIVITIES SHOULD BE GRANT FUNDED AND WHICH LOAN FUNDED. IT WAS AGREED THAT THE MISSION SHOULD NOT SUBSIDIZE NORMAL OPERATIONAL COSTS OF BUSINESSES, AS THIS WOULD GIVE AN UNMERITED COMPETITIVE ADVANTAGE TO THE BENEFICIARIES. IPC COULD, HOWEVER, GRANT-FUND PRIVATE, PRE-FEASIBILITY STUDIES WHICH WOULD CONTRIBUTE TO BUILDING UP A DATA BASE FOR ALL PROSPECTIVE INVESTORS, AS WELL AS TA AND/OR PROMOTOR COSTS RELATED TO BRINGING TOGETHER

INVESTORS WHERE NEEDED TO CONCLUDE AN INVESTMENT DEAL. ANY OTHER FINANCING FOR PRIVATE FIRMS SHOULD BE PROVIDED ON A REIMBURSABLE BASIS.

6. PROMOTION IN THE U.S.: PROMOTION IN THE U.S. IS, WHILE CRUCIAL, A POTENTIALLY HIGH COST COMPONENT OF THIS PROJECT.- THE MISSION SHOULD EXPLORE, AND COST-CUT, VARIOUS ALTERNATIVE LINKAGES WITH U.S. INVESTORS, SUCH AS AN OFFICE IN THE DOMINICAN EMBASSY IN WASHINGTON, A CONTRACT WITH A FIRM SPECIALIZING IN PROMOTION, LINKAGES THROUGH OTHER BUSINESS ORGANIZATIONS, ETC. THE ALTERNATIVE, OR MIX OF ALTERNATIVES, WHICH OFFERS THE MOST COST-EFFECTIVE MEANS OF REACHING THE U.S. INVESTMENT COMMUNITY SHOULD BE SELECTED. THE MISSION SHOULD UTILIZE DIFFERENT CONTRACTORS ON AN EXPERIMENTAL BASIS TO SEARCH OUT INVESTORS (INCLUDING DOMINICAN, US AND OTHER FOREIGN INVESTORS). THE MISSION SHOULD ALSO EXPERIMENT WITH LOCAL INVESTMENT PROMOTION; I.E. PERSUADING EXISTING DOMINICAN COMPANIES TO SET UP OPERATIONS IN NEW AREAS IN THE DR.

7. TRADE ZONE EXPANSION. THE MISSION'S REPRESENTATIVE INDICATED THAT, DESPITE THE DOMINICAN REPUBLIC'S CURRENT ECONOMIC CRISIS, ITS TRADE ZONES ARE DOING WELL AND, IN FACT, DEMAND IS OUTPACING SPACE AVAILABILITY. THE MISSION SHOULD DEVELOP A PROJECT TO PROMOTE INVESTMENT IN TRADE ZONES AND TO PROMOTE INVESTMENT IN ASSEMBLY INDUSTRY IN THOSE FIRMS.

8. EVALUATION: THE MISSION SHOULD WORK JOINTLY WITH THE GOVERNMENT TO DEVELOP NATIONAL GOALS FOR INVESTMENT AND EMPLOYMENT CREATION. THESE GOALS SHOULD BE ESTABLISHED FOR NATIONAL AND FOREIGN INVESTMENT BY SECTOR:-  
AGRI-BUSINESS, ASSEMBLY, LIGHT MANUFACTURING, ETC.  
FOLLOWING THIS AN OVERALL INVESTMENT PROMOTION STRATEGY ① SHOULD BE DEVELOPED. THE MISSION IN CONJUNCTION WITH THE GOVERNMENT SHOULD ESTABLISH INVESTMENT AND JOB CREATION GOALS FOR THE IPC AND OTHER PRIVATE SECTOR PROJECTS. TWO SETS OF EVALUATION CRITERIA SHOULD BE DESIGNED: (1) ONE FOR IPC ITSELF WHICH WOULD HELP DEFINE IPC'S PROMOTION STRATEGY AND MEASURE THE IMPACT OF THAT STRATEGY AND, (2) ANOTHER FOR IPC'S CONTRACTORS. IPC SHOULD SET GOALS FOR ITSELF REGARDING EMPLOYMENT CREATION AND INVESTMENT TO BE REACHED THROUGH ITS EFFORTS. THESE TARGETS SHOULD BE

CONSTANTLY MONITORED AS A BASIS FOR APPRAISING THE COST EFFECTIVENESS OF IPC OPERATIONS. IN ADDITION, THE ORGANIZATION SHOULD HAVE AN INDEPENDANT EVALUATION ANNUALLY TO CONFIRM ITS PROGRESS AS WELL AS TO IDENTIFY AREAS WHERE IMPROVEMENT, OR REORIENTATION OF GOALS ARE REQUIRED.

CONTRACTORS WHO ARE EMPLOYED BY IPC TO PROMOTE INVESTMENT IN THE DR SHOULD LIKEWISE HAVE SPECIFIC GOALS SET TO ASSIST IN THE EVALUATION OF THEIR EFFECTIVENESS - NUMBER OF SEMINARS, NUMBER AND SIZE OF MAILINGS, PHONE CALLS TO POTENTIAL INVESTORS AND DOLLARS INVESTED AS A RESULT OF THEIR EFFORTS- VERSUS THE COST OF THE CONTRACTOR'S SERVICES.

THE PP SHOULD CONTAIN A DETAILED EVALUATION PLAN INCLUDING, BUT NOT LIMITED TO THE ABOVE GUIDANCE.

9. PD71. IN REGARD TO THE STRICTURES OF POLICY DETERMINATION 71, THIS PROJECT MAY NOT FUND ANY UNDERTAKING WHOSE GOAL IS TO PROMOTE THE PRODUCTION OR EXPORT OF CITRUS CROPS FOR THE UNITED STATES MARKET.

10. GRAY AMENDMENT. EVERY EFFORT SHOULD BE MADE TO USE THE SERVICES OF DISADVANTAGED FIRMS AND HISTORICALLY BLACK COLLEGES, AS DEFINED IN THE GRAY AMENDMENT. PLEASE REFER TO STATE 230994 (1934).

11. THE MISSION IS REQUESTED TO EXAMINE THE FEASIBILITY OF DEVELOPING A NEW PROJECT TO SUPPORT PROMOTION OF INVESTMENT IN THE ASSEMBLY INDUSTRY AND CREATION OF NEW IFZS. ARMACOST

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PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Life of Project : \$6.0 million  
Total U.S. Funding: \$6.0 million  
Date Prepared : February 5, 1985

Project Title & Number: Export and Investment Promotion Project

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions																																																																		
<p><u>A.1 Goal</u></p> <p>Increased employment, incomes and foreign exchange earnings.</p>	<p><u>A.2</u></p> <p>-Value of exports -Jobs created</p>	<p><u>A.3.</u></p> <p>-Data from IPC, CEDOPEX -Central Bank data -National Economic data</p>	<p><u>A.4</u></p> <p>-Political stability of D.R. -Effectiveness of IPC strategy -Increased efforts by public/private institutions.</p>																																																																		
<p><u>B.1 Purpose</u></p> <p>Establish the IPC as a mechanism to coordinate public and private efforts in the promotion and development of investment and export opportunities in the Dominican Republic.</p>	<p><u>B.2 End of Project Status</u></p> <p>-IPC established as non-profit corporation and assuming responsibility for obtaining decisions on new investment. -IPC serving as lead Dominican organization in coordinating export and investment promotion programs.</p>	<p><u>B.3</u></p> <p>-Project review and evaluation -GODR statistics -AID project files -Settled labor conditions</p>	<p><u>B.4</u></p> <p>-US economy remains healthy -Ability to obtain well motivated personnel with the necessary educational and business background. -Settled labor conditions.</p>																																																																		
<p><u>C.1 Outputs</u></p> <p>-Improved investment/export climate. -Improved exporter/investor services</p> <p>-Targetted investment programs -Agricult/agribusiness -Light industry</p>	<p><u>C.2 Output Indicators</u></p> <p>-Increased number of jobs and export earnings as follows</p> <table border="1" data-bbox="655 991 1070 1176"> <thead> <tr> <th></th> <th>Year 1</th> <th>Year 2</th> <th>Year 3</th> </tr> </thead> <tbody> <tr> <td>Jobs - Ag</td> <td>3,400</td> <td>3,400</td> <td>3,400</td> </tr> <tr> <td>- Ind</td> <td>2,200</td> <td>10,250</td> <td>5,500</td> </tr> <tr> <td>FX - Ag</td> <td>\$15.</td> <td>2L</td> <td>13.</td> </tr> <tr> <td>- Ind</td> <td>2.6</td> <td>14.5</td> <td>20.6</td> </tr> </tbody> </table> <p>(FX in 1985 US\$ millions)</p>		Year 1	Year 2	Year 3	Jobs - Ag	3,400	3,400	3,400	- Ind	2,200	10,250	5,500	FX - Ag	\$15.	2L	13.	- Ind	2.6	14.5	20.6	<p><u>C.3</u></p> <p>-IPC data -Consultants reports -Project records -Survey of participants</p>	<p><u>C.4</u></p> <p>-US investment climate receptive -Appropriate changes/streamlining government regulations. -New FTZ building constructed -New public lands accessed for investments.</p>																																														
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**GOBIERNO DE CONCENTRACION NACIONAL**

**SECRETARIA DE ESTADO DE INDUSTRIA Y COMERCIO**  
*Oficina de Promoción de Nuevas Inversiones*  
Santo Domingo, República Dominicana  
"AÑO DE LA JUVENTUD"

JUL 13 9 31 AM '85

COMIEX-349

15 de Julio de 1985

Señor Henry H. Bassford  
Director, Agencia Internacional  
para el Desarrollo, AID  
Santo Domingo, D.N.

Estimado señor Bassford:

La República Dominicana necesita urgentemente aumentar sus exportaciones y atraer nuevas inversiones extranjeras. Nuestro crecimiento económico depende ampliamente en el desarrollo de estas dos importantes áreas.

Necesitamos formular, estimular y coordinar iniciativas efectivas para lograr aumentar esas exportaciones y poder desarrollar nuevos mercados y nuevas inversiones, para lo que nos proponemos llevar a cabo un programa de tres años que nos permita dar asistencia adecuada, tanto a los inversionistas locales como a los extranjeros.

De manera de poder realizar nuestro "Proyecto de Promoción de Exportaciones e Inversiones", necesitamos fortalecer las bases de las instituciones, tanto en el sector público como en el privado. Necesitamos proveer asistencia técnica y entrenamiento a las instituciones escogidas, para que estrategias coordinadas puedan ser formuladas de manera que nos permitan lograr las metas deseadas, pero no contamos con los recursos necesarios.

Por tal motivo nos permitimos recabar la ayuda económica de esa Institución para realizar el susodicho programa, a través de una donación. El costo estimado de este proyecto de tres años es de US\$6 millones.

En espera de que nuestra petición contará con el beneplácito de la Agencia Internacional para el Desarrollo, que en tantas otras ocasiones nos ha patrocinado, aprovechamos la ocasión para reiterarle los sentimientos de nuestra mayor consideración.

ACTION:	
PSD	
1-25-85	
DIR	/
DD	/
PDN	/
PRG	/
CUN	/
MGT	/
HRO	/
HPO	/
PSD	/
AED	/
CHAON	/

JAN/mr/bm

Lic. ~~Jose~~ Antonio Najri  
Secretario de Estado de  
Industria y Comercio  
Presidente

5C (1) COUNTRY CHECKLIST

Listed below are, first, statutory criteria applicable generally to FAA funds, and criteria applicable to individual fund sources: Development Assistance and Economic Support Fund.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA Sec. 481. Has it been determined that the government of the recipient country has failed to take adequate steps to prevent narcotic drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully? No
  
2. FAA Sec. 620 (c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such a citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government? No

3. FAA Sec. 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? No
  
4. FAA Sec. 532 (c), 620 (a), 620 (f), 620D; FY 1982 Appropriation Act Secs. 512 and 513. Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos, Vietnam, Syria, Libya, Iraq, or South Yemen? Will assistance be provided to Afghanistan or Mozambique without a waiver? No
  
5. ISDCA of 1981 Secs. 724, 727 and 730. For specific restrictions on assistance to Nicaragua, see Sec. 724 of the ISDCA of 1981. For specific restrictions on assistance to El Salvador, see Secs. 727 and 730 of the ISDCA of 1981. N/A
  
6. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction, by mob action, of U.S. property? No
  
7. FAA Sec. 620 (1). Has the country failed to enter into an agreement with OPIC? No. (However, agreement is currently inoperative pending settlement by GODR on PID convertibility claim.)

8. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters? N.A.
- (b) If so, has any deduction required by Fishermen's Protective Act been made?
9. FAA Sec. 620 (q); FY 1982 Appropriation Act Sec. 517. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any AID loan to the country? No
- (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the appropriation bill appropriates funds? No
10. FAA Sec. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the amount of foreign exchange or other resources which the country has spent on military equipment? (Reference may be made to the annual "Taking into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.) N/A

11. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?
- No. Diplomatic relations have not been severed.
12. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget? (Reference may be made to the Taxing into Consideration memo.)
- GODR is current on U.N. obligations.
13. FAA Sec. 620A; FY 1982 Appropriation Act Sec. 520. Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism? Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed a war crime?
- No
- No
14. FAA Sec. 666. Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under FAA?
- No

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15. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements on safeguards? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device, after August 3, 1977? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.) No
16. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Session of the General Assembly of the U.N. of Sept. 25 and 28, 1981, and failed to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.) No
17. ISDCA of 1981 Sec. 721. See special requirements for assistance to Haiti. N.A.

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria.

a. FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

No

2. Economic Support Fund Country Criteria

a. FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the country made such significant improvements in its human rights record that furnishing such assistance is in the national interest?

No

b. ISDCA of 1981, Sec. 725 (b). If ESF is to be furnished to Argentina, has the President certified that (1) the Government of Argentina has made significant progress in human rights; and (2) such assistance is in the national interests of the U.S.?

N.A.

c. ISDCA of 1981, Sec. 726 (b). If ESF assistance is to be furnished to Chile, has the President certified that (1) the Government of Chile has made significant progress in human rights; (2) it is in the national interest of the U.S.; and (3) the Government of Chile is not aiding international terrorism and has taken steps to bring to justice those indicated in connection with the murder of Orlando Letelier?

N.A.

5C(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable generally to projects. This section is divided into two parts. Part A. includes criteria applicable to all projects. Part B. applies to project funded from specific sources only: B.1. applies to all projects funded with Development Assistance Funds, B.2. applies to projects funded with Development Assistance Loans, and B.3. applies to projects funded from ESP.

CROSS REFERENCES:

IS COUNTRY CHECKLIST UP TO DATE? Yes.  
HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT? Yes.

A. GENERAL CRITERIA FOR PROJECT

1. FY 82 Appropriation Act Sec. 523; FAA Sec. 634A; Sec. 653(b).

(a) Describe how authorizing and appropriations Committees of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that amount)?

(a) The project was included in the FY 85 Congressional Presentation as a new project in FY 85. A Congressional notification has been made, and has expired.

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial, other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

(a) N.A.

(b) Yes.

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

N. A.

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4. FAA Sec. 611 (b); FY 1982 Appropriation Act Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources dated October 25, 1973? (See AID Handbook 3 for new guidelines.) N.A.
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project? N.A.
6. FAA Sec. 209. Is project susceptible of execution as part of regional or multilateral project? If so why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. The Project cannot be executed as part of a regional project.
7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions. This grant program is directly concerned with fostering investment promotion and export development subprojects that will encourage (a) through (f).

8. FAA Sec. 601 (b). Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

The project will provide increased U.S. investment and trade with the U.S. The technical assistance and equipment for the project will be procured from U.S. private sector sources.
9. FAA Sec. 612(b); Sec. 636(h); FY 1982 Appropriation Act Sec. 508. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

The project agreement will require that local currencies generated by ESF and PL-480 programs be used in the implementation of project activities.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

There is no excess, U.S. owned local currency available for this program.
11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes.
12. FY 1982 Appropriation Act Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar, or competing commodity?

N.A.

13. FAA 118(c) and (d).  
Does the project comply with the environmental procedures set forth in AID Regulation 16? Does the project or program take into consideration the problem of the destruction of tropical forests. **Yes.**
14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)? **N.A.**

**B. FUNDING CRITERIA FOR PROJECT**

**1. Development Assistance Project Criteria**

a. FAA Sec. 102(b); Sec. 111; 113; 281 (a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

The project is directed to increasing the wellbeing of the country's poor. This would be accomplished through the development of an operational mechanism for establishing and expanding investment in the country. These investments will in turn stimulate and increase manufactured and agricultural production, promote exports and improve distributional equity among segments of the national population. This project will promote the participation of women in productive employment as laborers, administrators, and managers.

b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used?

Yes.

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- c. FAA Sec. 107. Is appropriate emphasis on use of appropriate technology? (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? Yes.
- d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement been waived for "relatively least-developed" country)? The recipient country is providing 26% of the costs of the project.
- e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least-developed?" (M.O. 1232.1 defined a capital project as "the construction, expansion, equipping or alteration of a physical facility or facilities financed by AID dollar assistance of not less than \$100,000, including related advisory, managerial and training services, and not undertaken as part of a project of a predominantly technical assistance character. No.

promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

The project supports development and promotes skills of both administrative and technical personnel through seminars and workshops. Furthermore, local institutions and consultants will be utilized in the project.

2. Development Assistance Project Criteria (Loans Only)

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, at a reasonable rate of interest.

N. A.

N. A.

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?

3. Economic Support Fund  
Project Criteria

- a. FAA Sec. 531(a). Will this assistance promote economic or political stability? To the extent possible, does it reflect the policy directions of section 102? N. A.
- b. FAA Sec. 531 (c). Will assistance under this chapter be used for military, or paramilitary activities? N. A.
- c. FAA Sec. 534. Will ESF funds be used to finance the construction of the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such use of funds is indispensable to nonproliferation objectives. N.A.
- d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements be made? N.A.

MULTISECTORALSUMMARY OF MAJOR CONSTRAINTS, SUGGESTED ACTIONS AND IMPLEMENTING GROUPS

<u>TYPE</u>	<u>CONSTRAINT/PROBLEM</u>	<u>ACTION</u>	<u>IMPLEMENTING GROUPS</u>
B/C	<u>Information and Liaison:</u> Visitor reception/tracking; inadequate input on investment and exporter operations.	i) Visitor reception/orientation. ii) Investor tracking data base. iii) Literature: preparation of handbooks, guides.	ADOEXPO; IPC AMCHAM and Official Chamber
*A	<u>Customs and Taxes:</u> i) Negative attitude to tax collection.	Training; reorganization.	AID/TA; OAS; Assoc. of Free Zone Cos.; INCAT
	ii) Tax regime problems including complexity.	Support for implementation of simplification.	AMCHAM and other private sector groups.
	iii) High taxes-- o 36% traditional; 5% non-traditional on exports. o High tax on repatriated earnings.	Evaluation of the competitive impact of these taxes on traditional/non-traditional products and establish alternative revenue raising schemes. Exempt all exports from tax.	ISSA; (Ag side); Industrial side--Assoc of Free Zone Cos. plus U.S. AID/TA; AMCHAM; CPI.
	iv) Customs officials poorly trained; high turnover of personnel and shortages in key areas.	Training. Comparative study on procedures (incentives), salary, personnel policy, structure).	U.S. Customs; U.S. AID TA; OAS
	v) Import orientation to detriment of exports.	Seminars for customs chiefs on exporting; regional colloquia (see Ag list).	OAS; IDB; INCAT; AID
	vi) Slow centralized approval for non-Free Zone transactions both import/export.	See iv) above.	U.S. Customs; OAS; U.S. AID/TA

\*Priority projects

CODE:

- A- Policy, procedural, attitudinal and institutional constraint.  
B- Investor/exporter services constraints.  
C- Promotional constraints.

MULTISECTORAL

<u>TYPE</u>	<u>CONSTRAINT/PROBLEM</u>	<u>ACTION</u>	<u>IMPLEMENTING GROUPS</u>
	vii) Customs structural problems because of old legislation.	Legal changes.	ADOEXPO; OAS; U.S. Customs; Congress
	viii) Administration; cumbersome procedures, complicated regulations.	By-passing need for director level approval for Law 69; support for implementation of simplification.	U.S. Customs; U.S. AID/TA; AMCHAM
*A	<u>Investment Procedures:</u> Lengthy bureaucratic procedures (e.g., incentive approval) which hurt competitive position of country.	Evaluate processes for streamlining process; develop reliable liaison to assist potential investor.	Users; CIPROIN; CPI; AMCHAM; CEDEXPO; U.S. AID/TA
A	<u>Transportation:</u> To/from D.R. high rates, infrequent shipments, often no direct transport possible; inadequate infrastructure; national air cargo monopoly.	Develop appropriate infrastructure; monitoring; coordination.	AMCHAM; IDB; CPI
*A/B	<u>CIPROIN:</u> Lack of effective coordination in government;	Expand membership and prepare work plan for CIPROIN.	Members of CIPROIN in conjunction with IPC.
*A	<u>Credit:</u> Lack of liquidity.	i) Rationalize available resources. ii) Evaluate creation of new financial intermediaries which can provide needed resources otherwise unavailable to the private sector.	IBRD; CDB; IDB; U.S. AID/TA
A	<u>Barter:</u> Complex and time-consuming regulations.	Evaluate means of streamlining procedures. Change legislation.	CEDOPEX; U.S. AID; AMCHAM; Congress
*A	<u>Import Substitution:</u> Bias toward import substitution thinking.	Reward exporters and publicize their successes.	ADOEXPO; CEDEXPO; CPI; President
*Priority projects			

MULTISECTORAL

TYPE

CONSTRAINT/PROBLEM

A

Foreign Investment Law:  
Uncertainty re repatriation and FX rate.

\*B/C

Corporate Planning:  
Lack of intelligence on corporate investment planning.

\*A

Foreign Exchange & L/Cs:  
Problems of earnings, repatriations; FX exchange rate official; and FX procedures; stale L/Cs.

\*A

Credit:  
o Lengthy and uncertain loan procedures.  
o Availability.  
o Limitations on existing government sources.  
o Lack of adequate export finance.

A/B

o Availability of export credit insurance

Trading Companies:  
o Networks - inadequate  
o Status (EMC, trader) - uncertain  
o Market orientation - poor  
o Financial limits - substantial

\*Priority projects

ACTION

Evaluation of impact on investment.

Development of investment intelligence via small, joint projects.

Study on FX regime on exports; improve international standing; legislation change; clear these L/Cs.

Initiate study to evaluate Central Bank; causes of delay, impact on exports, and recommend procedural changes to facilitate programs in FIDE, etc. Ease credit restrictions. Change program terms and conditions of loans. Drop rate ceiling on regulated institutions and regulate all financial intermediaries. Establish EDP.

Establish credit insurance program.

Strategic planning assistance. International liaison assistance. Develop relations/deals with financial intermediaries. Training.

IMPLEMENTING GROUPS

AMCHAM; U.S. AID/TA

IPC, Trade Assoc. (concern corp. targeting trade assoc networks, what's happening among members).

ADOEXPO; U.S. AID; Central Bank; ADOEXPO; Congress; Monetary Board; CPI; IDB; IBRD

Central Bank; U.S. AID; UNIDO

Dominican Official Chamber of Commerce; CPI; AID

U.S. AID; CEDOPEX; CPI; AMCHAM; IESC; similar companies abroad.

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MULTISECTORAL

<u>TYPE</u>	<u>CONSTRAINT/PROBLEM</u>	<u>ACTION</u>	<u>IMPLEMENTING GROUPS</u>
A/C	<u>Export Marketing/Investment Promotion:</u> Repatriation of earnings. High tourist industry investment minimum.	Clarification of rules. Repeal legislation.	Central Bank; Monetary Board; Congress; Official Chamber of Commerce
*C	Lack of consensus on priority sectors for agribusiness and industrial investment.	Analyze opportunities and obtain agreement.	CEDOPEX; CPI; President
A/B/C	Inadequate use of younger echelon of Dominican business.	Name as resource persons.	CPI
C	Dominant sector in IFZs -- apparel -- ruled by quota considerations.	Diversify IFZs.	CPI; Free Zone Council; AMCHAM; ADOEXPO
A/B	§936 (Internal Revenue Code) US\$ in Puerto Rico.	Press for U.S. legislative changes.	U.S. AID; AMCHAM; CPI
*B/C	Lack of knowledge about investment inquiries, i.e., company, type, nature, etc.	Electronically linked tracking system.	CPI; AMCHAM; Official Chamber, others.
B/C	Multisectoral missions, often unfocused.	Decide priority sectors. Make match with mission participants.	CPI; ADOEXPO; AMCHAM
B/C	Lack of information about U.S. markets, sources of information, etc.	Familiarize D.R. with U.S. Foreign Commercial Service.	CPI; ADOEXPO; AMCHAM; U.S. AID; FCS
*C	Lack of awareness of CPI and its programs.	Launch local public relations programs.	CPI/Consultants
*C	Lack of positive recognition for exporters.	Develop program to reward.	CPI; CEDOPEX; ADOEXPO; President
C	CPI lack of knowledge of U.S. market for promotion purposes.	Obtain technical assistance.	CPI/AID/Consultants
C	Shortage of trained investment and export promotion personnel abroad.	Arrange short- and long-term training for D.R. Economic and Commercial counsellors	CPI; U.S. AID; CEDOPEX; EEC; UNIDO

\*Priority projects

AGRIBUSINESS

<u>TYPE</u>	<u>CONSTRAINT/PROBLEM</u>	<u>ACTION</u>	<u>IMPLEMENTING GROUPS</u>
*A/B	<u>Land Access:</u> Difficulty in packaging appropriate parcels.	<ul style="list-style-type: none"> <li>o Assist investors with putting together commercial plots.</li> <li>o Encourage divestiture of large land holdings used in low productive crops.</li> <li>o Develop meaningful land survey/recording system.</li> <li>o Use of nucleus estate model.</li> </ul>	<ul style="list-style-type: none"> <li>- Consejo Nac. de Hombres de Empresa</li> <li>- Fed. de Colonos Azucareros</li> <li>- Depto. de Promocion Agro-Empresa</li> <li>- CEA</li> <li>- Agricultural Bank</li> <li>- Ministry of Agriculture</li> </ul>
*A	<u>Credit:</u> Lack of liquidity, knowledge about loan application procedures.	<ul style="list-style-type: none"> <li>i) Loan retailing innovative study.</li> <li>ii) Preparation of producer loan applications (farm plans, financial analysis, marketing).</li> <li>iii) Bridge Loan Promotion</li> <li>iv) Crop Insurance Program Expansion</li> </ul>	<ul style="list-style-type: none"> <li>- Assoc. de Bancos de Desarrollo</li> <li>- Fundacion Dominicana de Desarrollo</li> <li>- Asocs. Para el Desarrollo</li> <li>- ADOEXPO</li> <li>- Fundacion Dominicana de Desarrollo</li> <li>- Asocs. Para el Desarrollo</li> <li>- ADOEXPO</li> <li>- Soc. de Industrias</li> <li>- ADACA</li> </ul>
A/B	<u>Processing:</u> Processing and prioritization problems.	<ul style="list-style-type: none"> <li>i) Technical assistance re processing documents.</li> <li>ii) Training in establishing priorities to avoid product bottlenecks.</li> </ul>	<ul style="list-style-type: none"> <li>- U.S. Customs</li> <li>- CETOPEX</li> </ul>

\*Priority projects

AGRIBUSINESS

<u>TYPE</u>	<u>CONSTRAINT/PROBLEM</u>	<u>ACTION</u>	<u>IMPLEMENTING GROUPS</u>
B	<u>Infrastructure:</u> Lack of adequate infrastructure to support certain investments such as cut flowers.	Coordination of development of appropriate infrastructure and investment promotion.	- Consejo de Gobierno with - CIPROIN
B	<u>Technology Transfer:</u> Low productivity of inappropriate techniques used.	Assign and maintain SEA agronomists in service of farmer associations to increase their productivity.	- Assoc. Para de Desarrollo - Fundacion Dominicana de Desarrollo - ADOEXPO - Assoc. de Colonos Agric.
*A/B	<u>Export Marketing/Investment Promotion:</u> o Inadequate market penetration. o Production Assembly centers lacking. o Environment: legal, regulatory.	i) Feasibility study to rationalize export trade. ii) Develop promotion strategies for target foreign markets. iii) Feasibility study for Export Assembly Center, Santiago. iv) Promotion of improvement in legal environment (legislation). v) Develop Investor Reception Center.	- ADOEXPO - Networks in U.S. - Assoc. Para de Desarrollo (Santiago) - AMCHAM - AMCHAM/ADOEXPO/ Official Chamber of Commerce
A	<u>Foreign Investment Law:</u> 49% investment cap under Law 409.	Increase ceiling to 75%.	Congress, CPI; Depto de Promocion Agro-Empresa

\*Priority projects

INDUSTRIAL

<u>TYPE</u>	<u>CONSTRAINT/PROBLEM</u>	<u>ACTION</u>	<u>IMPLEMENTING GROUPS</u>
*A/B	<u>Infrastructure:</u> Lack of Free Zone buildings.	i) Develop infrastructure. ii) Provide credit for construction. iii) Investigate use of industrial parks, other short-term measures such as special Free Zones.	U.S. AID; IDB; Free Zone Managers; National Free Zone Council; Assoc. of Free Zone Companies; AMCHAM
A/B	<u>Customs:</u> o Delays in clearing.  o Modifications in Free Zone investor resolutions for imports.	o Restructure procedures, evaluate staffing needs.  o Give custom unilateral authority to amend resolution.	o U.S. Customs; U.S. AID/TA; OAS; IDB  o National Free Zone Council
B/C	<u>Marketing Know-how:</u> Problems in networking, product packaging, pricing, etc.	i) Provide training. ii) Promote sales through appropriate intermediaries.	U.S. AID/TA; CEDOPEX; Export Trading Co.; CBPC; IESC
A/B	<u>Free Zone:</u> Delays in identification of space, approval process, etc.	Evaluate procedures and make recommendations on improving de politicizing process. Develop organization to provide counsel, liaison for search process.	AMCHAM; U.S. AID/TA; CEDOPEX; National Free Zone Council

\*Priority projects

## A. PUBLIC INSTITUTIONS

1. Secretariat of Industry and Commerce (SEIC)
  - a. Department of Industry and Commerce
  - b. Technical Agro-Industrial Department (TAD) and Technical Industrial Department (TID)
  - c. General Directorate of Mining (DGM)
  - d. National Free Zone Council
  - e. Dominican Center for the Promotion of Exports (CEDOPEX)
2. Secretariat for Foreign Affairs
3. Secretariat of Finance - General Directorate of Customs
4. Secretariat for Tourism
5. Central Bank
  - a. Department for the Development of Tourist Infrastructure (INFRATUR)
  - b. Department of the Fund for Economic Development (FIDE)
6. Secretariat of Agriculture
  - Agribusiness Promotion Department (DEPAE)
  - Dominican Agrarian Institute (IAD)
  - Agricultural Bank (BA)
  - State Sugar Council (CEA)
7. Interinstitutional Committee for Identification and Promotion of Investment Opportunities (CIFROIN)

## B. PRIVATE INSTITUTIONS/ORGANIZATIONS

1. Investment Promotion Commission (IPC)  
--(See Annex I)
2. Official Chamber of Commerce of the D.R.
3. American Chamber of Commerce of the D.R. (AMCHAM)
4. Dominican Association of Exporters (ADOEXPO)
5. Caribbean Basin Promotion Center (CBPC)
6. Other Business/Professional Associations
7. Export Trading Companies (ETCs)

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## INTRODUCTION

The Dominican Republic has a profusion of public and private sector agencies and institutions involved in various aspects of export and investment development, promotion and facilitation. While this situation is not uncommon in developing countries, and is in evidence throughout the Caribbean Basin, it raises serious questions about (a) effective coordination of efforts, (b) elimination of wasteful duplication, and (c) optimizing scarce human and financial resources.

Several public and private institutions and organizations have carved out a niche in the export and investment promotion and regulation arena. Presented below is a brief description and assessment of these institutions and organizations, and a few specific recommended initiatives the IPC should take vis-a-vis specific organizations as part of a coordinated, long-term program to strengthen this institutional support network.

### A. PUBLIC INSTITUTIONS

#### 1. The Secretariat of Industry and Commerce (SEIC)

The SEIC is the main Dominican entity with overall responsibility for implementing GODR law and policy in regard to non-agricultural production in the country. Within the SEIC several departments exist, including:

a. The Department of Industry and Commerce which certifies and registers brands and patents, and expedites authorizations to begin commercial operations in the country.

b. The Technical Agro-Industrial Department (TAD) which is responsible for coordinating a national policy of agro-industrialization, establishing priorities among agro-industrial projects to be implemented and receiving, evaluating and approving requests of companies that seek to obtain rights and benefits under the Agro-industrial Promotion law; and the Technical Industrial Department whose role is similar to the TAD in that it has responsibility for those businesses seeking Free Zone status and classification under the various industrial incentive laws. These Departments make recommendations to The Board of Industrial Development which makes the final decision.

c. The General Directorate of Mining (DGM), is is the governmental entity charged with mineral resource development including exploration, exploitation and implementation of the GODR's mining policy. This Department has published several booklets and articles, which have been published in widely read mining industry periodicals in North America.

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d. The National Free Zone Council which was created to bring representatives of the various Zones together. It has, as a principal objective, the promotion of international investments in the Free Zones. While it has been relatively passive in promotion, some individual Zones have been more active.

The GODR should be encouraged to review the necessity for continuation of the council, and to consider whether -- in light of the IPC's mandate to promote investment in the IFZs -- the Council's other responsibilities could not be absorbed/merged with other government departments or agencies.

The Council's two non-promotional responsibilities are registration of firms for location in the IFZs, and negotiations with foreign governments regarding export restrictions (e.g., U.S. textile quotas). Consideration should be given to CEDOPEX assuming these responsibilities; absorbing some of the Council's more experienced staff; and making other staff, as well as the Council's offices, available to the IPC.

The Industrial Development Corporation (CFI) is responsible for the administration of the export processing zone in San Pedro de Macoris.

One of the major constraints to IFZ growth is a short-term building shortage. The four current zones are all in phases of expansion but since much of the available areas lack infrastructure as well as buildings, there will be a time lag for development and construction.

Two recommendations can be made for an interim solution to the building shortage problem. The first would be to grant "special free zone" status to individual factories (e.g., free standing zones). Such a legal mechanism exists under Law 299. The second recommendation would be to promote the country's industrial parks, with a "package incentive deal." There is currently space available in both the Haina and Herrera Industrial Parks.

The "package incentive deal" would include importation of raw materials under bond (Law 69) and a 50 percent exoneration of machinery and equipment (Law 4027) for export firms. If the company later wished to transfer to the industrial free zone when space became available, they would be able to. However, for this to be viewed as a more attractive alternative to the investor, the exoneration on machinery and equipment should be institutionalized.

Timely approval of classifications is also a problem. The process can take up to three to four months and is often delayed one month awaiting Presidential approval. The problem has been partially alleviated in that a firm may now begin importation of machinery and equipment under bond once the Industrial Development Board has approved the application and issued the firm's Resolution. However, the process could be streamlined if the National Council of Free Zones, which was legally established to oversee Free Zone operations, could be given total discretionary power in the area, thus eliminating the need for Presidential approval on a case-by-case basis. Such a measure would require a change in Law 299 and presents another justification for support of the project for the modification of the Customs Regime.

A second problem in the procedural area lies in modification of a firm's original list of imported machinery, equipment and materials. At present, changes in both quantity and type of goods requires a modification in the firm's Resolution. Although this is not a lengthy process, it should be automatic in cases of changes in quantity of goods already approved for importation, in order to motivate increased production in the zones.

Other Customs problems are mentioned in more detail earlier section and in below. In general, import and export procedures for Free Zone companies have been improving over the past two years, the major constraint being that problems often have to be solved on a case-by-case basis at high levels. There is a need to institutionalize policy based on issues which have been previously resolved.

Lastly, in regard to centralization of information on Free Zone operations, the Council of Free Zones, or the IPC (see "d" above), should be an information clearinghouse for free zone investment to facilitate access and avoid problems of misinformation.

e. The Dominican Center for the Promotion of Exports (CEDOPEX) was established in 1971. It has a dual function of promoting exports and granting export licenses. Its primary activities, in addition to those mentioned, are to encourage participation in international trade shows, organize commercial missions, serve as a regulatory body to establish rules and regulations for export and incentive classification, and act as a source of public information.

CEDOPEX has promotional offices in Port-Au-Prince, Madrid, Caracas, New York and Miami. The new CEDOPEX work plan directs it to prepare a joint program of investment in export production with the SEIC's TAD and the IPC and to establish a technical committee to prepare studies and project profiles for exports.

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In the regulatory area, CEDOPEX has made substantial progress during the recent past. The issuance of export licenses is no longer the bureaucratic night mare it was not long ago.

In the other two broad areas of the organization's work conducting research and promoting exports -- CEDOPEX is clearly in need of help. Its activities need to be brought more in line with the real needs of the exporting community.

--Market Studies and Product Profiles: CEDOPEX operates an ambitious research and publications program. This section concentrates on only two aspects of this program: (a) preparation of market studies and (b) preparation of product profiles. Market studies as defined in CEDOPEX publications are not studies of the performance or potential of specific products in specific markets. Rather, they are more akin to "country profiles", giving basic facts about a country. CEDOPEX has no overall strategy or guidelines to determine which markets to study and the selection process is, at best, tenuous.

Product studies, or profiles, cover specific products, but do not always relate these products to markets that might buy them. As with the market studies, the absence of a well informed strategy severely impairs the organization's relevance to the real world. Studying "exportables" -- products which are in supply too large for domestic consumption -- is at best only half the equation. The other -- and, perhaps, the more important -- half, is the market. Increased production may be the key to increased exports, but the question is "production of what?" In the very short term, the answer may be "whatever the country already has." But no viable export strategy can be built on this foundation. Market requirements must come first. It is these needs which CEDOPEX is not now adequately exploring and where it urgently needs help.

Lastly, the market/product research publications and promotional materials produced by CEDOPEX need upgrading -- in terms of language, content, design, flexibility and relevance/credibility with the target business community.

Of paramount importance, there is no program to market or distribute these publications to prospective foreign investors on any systematic basis; in both the D.R. and overseas markets. As best, such publications are "calling cards" or "ice breakers." In order for them to serve their ultimate purpose, however, they must be tied in with a systematic program of networking and corporate contact, overseas as well as in the D.R.

--International Trade Fairs and Commercial Missions:

Decisions concerning participation in Trade Fairs are said to be made on the basis of (a) priority products, i.e., past performance, future potential, excess exportable capacity and (b) priority markets. The objective of these participations, according to CEDOPEX, is to build future contacts, not to produce on-the-spot sales.

CEDOPEX funds the construction of the physical space, literature, etc. Exhibiting companies pay their own travel and subsistence costs.

Based on discussions with CEDOPEX, it would be fair to draw the following conclusions:

- 1) CEDOPEX participates in more fairs, in more markets, than it has the capability to manage and follow-up effectively.
- 2) Choices both of products and of markets are not always rational. Prior participation or exportable excess production alone do not provide a sound strategic basis for participation.
- 3) The same firms appear to participate in these fairs year after year. While CEDOPEX makes some attempt to broaden its constituency to include new or prospective exporters, participations tend to be dominated by the old established rum, food and tobacco product firms.
- 4) There appears to be no organized or systematic follow-up of participating companies' experiences, not simply on-the-spot, but three, six or twelve months after the event. While some participating companies report that fairs have resulted in sales and new contacts (particularly in agroindustries), CEDOPEX cannot point to any single "success story" related to participation in a fair. Being able to relate such experiences is important not merely to evaluate program effectiveness; there is nothing more effective in attracting new exporters than the success experienced by others.
- 5) Perhaps most importantly, CEDOPEX's choices of participations in international fairs do not appear to be rooted in any coherent organizational or national export strategy. The absence of such a strategy also affects the other aspects of the organization's work program which are discussed in this section.

The CEDOPEX Commercial Missions program is potentially far more cost-effective than its participations in international fairs simply because (a) they are less expensive in absolute dollars and (b) they involve smaller groups, hence provide at least the potential for more one-on-one contacts.

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Nevertheless, there does not seem to be any consistent correlation between selection of products/markets and an overall CEDOPEX strategy. As with participation in international fairs, there appears to be little systematic contact with the private sector either in planning or in manning commercial missions. Participants are ordinarily chosen by CEDOPEX. Orientation meetings are evaluation of a mission's effectiveness is based principally on deals done during the mission or promising possibilities uncovered. There is no longer-term follow-up on a systematic basis, hence there is no data on benefits that might be attributed to specific missions.

## 2. The Secretariat for Foreign Affairs

To an increasing extent, this Secretariat (through its subsecretariat for economic policy, is becoming involved in coordinating visits of foreign investors, and the effect of this apparent conflict with the IPC has yet to become clear. Dominican embassies and consulates abroad are also marginally involved in investment and export promotion through their commercial counselors, who distribute literature and answer inquiries.

A recent development which has yet to be assessed as to its full impact on IPC's coordinating role is Presidential Decision No. 8758 dated April 2, 1985. The Decision states that in future the Foreign Ministry will have the responsibility for prior coordination of such activities as the overseas promotion of Dominican exports and foreign investment in the country, reception and negotiation with foreign commercial and investment missions in the Dominican Republic, actions at home or abroad which would reduce foreign protectionism directed at Dominican exports or deal with other economic issues, and actions seeking foreign advisory services for Dominican foreign trade or investment promotion.

The paramount question here is not simply how this new departure will affect the IPC's coordinating role, but rather (a) whether Foreign Affairs is technically qualified to undertake the tasks given to it and (b) whether this represents merely another unnecessary layer of bureaucracy standing between investor and investment, or exporter and buyer.

## 3. The Secretariat of Finance (Customs Service)

The responsibility for the collection of duties and the regulation of all shipments, both incoming and outgoing, rests with the General Directorate of Customs which is located within the Secretariat of Finance. This agency views its main tasks as ensuring that the proper customs duties are levied and collected. Customs personnel are maintained at all commercial points of entry, including the international airports of Santo Domingo and Puerto Plata, and the Ports of Santo Domingo, Haina, Boca Chica, San Pedro de Macoris and Puerto Plata.

Customs procedures are generally agreed to be complicated, time consuming and at times arbitrary. The office is viewed by importers and exporters as an obstacle rather than as a facilitator. There is a clear need to streamline and/or improve customs procedures in many areas. The major problems of Dominican Customs Service can be classified in four categories: Attitudinal, Technical, Structural, and Administrative.

#### Attitudinal

The Dominican Customs Service today is based on the system set up by U.S. occupying forces in the 1920s for purposes of tax collection. Import duties have been the chief revenue producing mechanism for the country historically and continue to be so today. Very few pay income tax and there is no property tax.

The result of this situation is that Customs has developed a "detective" mentality which sees revenue collection as its only goal, overlooking the effect their decisions may have on development of local industry, new investments, and exports. There is also a lack of understanding of exporting, and the need to differentiate between materials imported for use in the local market and those to be processed for re-export. Materials intended for processing and re-export need to move in and out of Customs quickly. The meticulous and inflexible procedures of Customs can prove to be costly in terms of time.

Persons interviewed in both Customs and the private sector verified that to a great extent, this inflexibility is due to the increasing number of contraband violations to which Customs feels it must respond by closer surveillance of merchandise. However, the country might be losing more in potential investment and export revenue than it gains by this "fine-tooth" approach.

While surveillance is strict (theoretically there is 100 percent verification of merchandise compared to about 10 percent in U.S. Customs) punishment for violators has not been severe. In most cases, penalties have been minimal -- payment of taxes on the merchandise. In very few cases has an export license or industry classification for exonerated been cancelled. No fines have been imposed. It is true that wrong orders are not always the fault of the Dominican importer, and in these cases payment of taxes is sufficient. But unless outright violators are more severely punished, i.e., taking away classifications for import tax exonerations, all exporters will continue to suffer for the violations of a few.

#### Technical

Two problems exist in this area within Customs: The general level of academic preparation of technical staff, and the high turnover rate which makes technical training difficult.

It was pointed out by both the Instituto Nacional de Capacitacion Tributaria (INCAT) staff and the private sector that technical personnel at Customs are, on the whole, not as well prepared academically as their counterparts in other finance-related governmental agencies such as CEDOPEX, the Central Bank, and the Secretariats of Industry/Commerce and Finance.

Identification and classification of merchandise is also a problem. Complaints from the private sector are the Customs personnel cannot do a good valuation of merchandise quickly and efficiently, and that they arbitrarily set values too high/too low, sometimes out of ignorance. Time lost bickering with Customs over valuation equates with money, and delays increase the risk of theft or damage to the merchandise.

Admittedly, some of problems are due to corrupt practices which in part arise from the low salaries paid lower level Customs employees. However, the majority of Customs brokers and exporters interviewed felt that the problem was a combination problem of ineptness and corruption.

The high turnover rate (both in/out of Customs and inter-departmental changes) make effective training difficult. There is no Civil Service in the Dominican Republic and appointments to entry level jobs in Customs are extremely politicized. The highest turnover rates are found in the ports (colectorias) and in the Valuation Department of the Directorate General of Customs. These are two of the key areas in Customs, and those most often singled out as problem areas. The first deals with identification and classification of merchandise, while the second carries out the valuation and assessment of duties.

#### Structural

The current Customs Regime (Law 3489/1953) is outdated, being based on economic realities and developmental priorities that no longer exist in the Dominican Republic. The picture has become further complicated due to the fact that changes in procedures and tax levels have been made in a piecemeal fashion, creating an administrative nightmare.

The Customs Regime is archaic and does not reflect the country's export development priorities. One example of this is that the Dominican Republic is one of the few countries to still require the consular invoice. Changes need to be made to speed the importation of raw materials and inputs which will in turn be re-exported.

The patchwork way in which changes have been made under standing procedures for importing and exporting are difficult for the average businessman to understand. High duties on imported inputs, machinery, and equipment have never been repealed, but simply changed by administrative

exonerations such as the Industrial Incentive Law (229/1968) and the Export Promotion Law (69/1979). As the original Customs Regime did not contain procedure for the implementation of these laws, the procedures had to be spelled out within each law itself. Law 229 was amended in 1983 and other changes have been proposed, such as transferring approval power from the President of the Republic to the National Council of Free Zones. Some say a total overhaul of the law is needed.

A Project for the Modification of the Customs Regime was sent to Congress during the Guzman administration but was postponed due to the 1982 elections. The project, which contemplates consolidating all Customs procedures into a single law, has been revised and was submitted to President Jorge Blanco by the Secretary of Finance in late April 1985. The project would aid Customs administratively by placing all procedures for import and export in one comprehensive legal instrument.

Trying to sort out the various tax laws on imports can be equally, if not more, confusing. The Tariff Schedule (Law 170/1971) as well as numerous special tax regimes must be taken into account.

A study and project have also been developed for the streamlining of the import tax legislation. The Project for the Unification of the current tariff schedule and the various special taxes, assigning one single tax level, based solely on the type of merchandise imported. Destination of the final product (local or export market) or other factors would not be taken into account.

This project, also submitted but never considered by the full Congress during the Guzman administration, has been re-submitted to President Jorge Blanco.

Aside from these two problems, another major problem is the basic level for imported inputs. The current tax structure encourages abuse by high tax levels, and is a disincentive for the development of local industry. Again one returns to the problem of the basic philosophy of Customs: tax collection or economic development?

#### Administrative

Most Customs brokers and exporters identified administration as the major problem of the Customs Service. Several specific areas were singled out.

One problem for both free zone and non-free zone exporters is the unnecessary re-inspections resulting from mistrust among Customs officials at various levels. There is also a lack of confidence among personnel at the ports (colectorias), the Customs deposits and the General Directorate of

Customs in Santo Domingo which leads to re-inspections of merchandise at several levels within the country. This becomes a significant problem when dealing with perishable foodstuffs and increases the risk of theft or damage to goods imports at both the port of entry and the free zone during 1984.

Import and export procedures for free zone companies have greatly improved over the past two years, according to the exporters and Customs brokers interviewed. Goods are now being in one to three days. Some problem areas still need to be addressed, however. For example, free zone companies currently must request a modification in their Resolution for minor changes in both quantity and type of raw materials imported. The current Director of the Free Zone Council is working to modify this so that it will only be necessary to request revision for changes in the types of materials.

A more important problem is that, to date, most of the problems of free zone firms have been solved on a case-by-case basis at very high levels; i.e., the Director or Assistant Director of Customs and the Director of the Free Zone Council. This is not only inefficient but also taxes the willingness and goodwill of persons in those positions to spend extra time and creative energy looking for solutions to each individual problem.

On the other hand, importation under Law 69 is a different story and can take up to two weeks. As one exporter put it, "Law 69 offers the facilities for exportation, but the procedures are difficult and time-consuming." Even within the General Directorate of Customs it was recognized that improvements were needed. Delays are mainly due to: (a) centralization of authority in the hands of the Director General of Customs; (b) need for reorganization, training, and upgrading of staff to meet increased needs of non-traditional exporters.

Within the General Directorate of Customs, an Assistant Director has the power to authorize documentation for industrial free zone imports. There is no such counterpart for exporters under Law 69. Authorization of the bond paid for temporary internment of raw materials must be authorized by the Director. According to customs agents, this process can often take up to three days, where authorization for free zone firms can take only hours. There are no standard forms and each approval must be typed individually.

Bottlenecks also occur at the ports, and in the reimbursement of bonds, due to lack of sufficient personnel. In the ports, each container is inspected and its contents verified against the official documents or manifest. Until recently, Law 69 merchandise was given priority over other merchandise. However, due to the increased volume of non-traditional exports, this is no longer possible and goods are often held up for up to two days. Processing is sometimes further delayed by lack of sufficient personnel and equipment at the weigh-in stations at the Port Authority deposit. This in turn affects the availability of containers which are tied up in this waiting process.

In regard to discharge/satisfaction of bonds, it is currently not an automatic mechanism and can take up to fifteen to twenty days to collect.

#### Recommendations for Improving the Customs Service

There are two basic requirements for improving the Dominican Customs Service: (a) reorganize and streamline the current structure, and (b) try to improve its efficiency.

The objectives of both options involve improving staff capacity in key areas and the following specific measures:

- \* train current personnel in exporting, and classification and valuation of merchandise;
- \* bypass the need for Director level approval for Law 69 firms;
- \* pass legislation to consolidate Customs procedures and the tax code.

Reorganization: In general, Customs needs to be reorganized to reflect the changes in trade flows which have occurred over the past year. Since non-traditional exports have increased, more personnel needs to be put to work in the areas affecting those exports: the ports, valuation and setting of bonds, cancellation of bonds.

Establishing personnel in each port (including the airport), specifically for Law 69 firms or export operations, could help move these goods along more quickly; i.e.g., inspections, verification. Establishment of a separate department within Customs for dealing with bond cancellations could reduce this time. Other suggestions from the private sector include establishing set amounts for three, six, nine, or twelve months, or basing the bonds on the value of the merchandise instead of on the level of taxes to be paid.

#### Training

Increasing staff in key areas related to exporting should be accompanied by training of current staff in two basic fields: (a) exporting, and (b) technical areas such as valuation and classification of merchandise. Training is needed at both the department head and entry levels.

In the export area, the problem will only be solved with a change in the mentality of those in higher levels at Customs--a change from a fiscal mentality to a developmental one, and an understanding of the importance and essentiality of exporting to the future economic health of the Dominican economy. Fiscal reforms will be essential in changing this attitude so that

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Customs will not longer see itself as the major source of revenue for the government. However, training can be complementary. Detailed recommendations for the training program are contained in the IBERC report on file.

Two points should be mentioned in the valuation area: (a) Customs recently contracted SGC, a Swiss company, to verify import and export values of merchandise in the General Directorate in Santo Domingo; and (b) a computer project is under study which could facilitate valuation.

Computer terminals will be placed in the General Directorate and the Haina, Boca Chica, Santo Domingo ports, and the airport, with the tie-in to the Secretary of Finance Computer Center. The project involves developing a registry of importers (done) and developing control and follow-up measures on import documentation (manifesto). The terminals have been purchased and some basic training of operators has been done. The project is currently held up waiting for the naming of a new Director of the project in the Computer Center.

Bypass Director's Approval: Delegation of authority for Law 69 operations to an Assistant Director, or placing both free zone and Law 69 operations under one Assistant Director for Exports would expedite the import process for these firms.

If the authority for approvals could be given to Customs officials in the ports, processing time could be cut by four or five days. It is possible that the Computer Project contemplated by Customs would facilitate such a move.

Support for Legal Changes: In regard to streamlining and simplifying procedures, two projects which have been presented to the President should be supported, as well as subsequent "Reglamentos" which will govern their implementation. They are the: (a) Project for the Modification of the Customs Regime; and (b) Project for the Unification of the Tariff Schedule and Special Tax Law. In regard to the Modification of the Customs Regime, it was pointed out by several governmental officials and private lawyers that the new law should be made as precise as possible. There should be automatic application without much interpretation left for Customs officials.

Stricter Punishment for Violators: Stricter guidelines should be set out by the Secretary of Industry and Commerce, the Council of Free Zones (299 A), and the Agroindustrial Technical Department (409), CEDOPEX (Law 69), to determine punishment for the following three cases of import violations:

- a. importation of prohibited goods;

- b. importation of materials used in the production process, but not currently on the company's Resolution, taking into account whether the company has submitted a revision to the Resolution;
- c. mis-shipment, wrong size, quantity, goods; fault of foreign supplier.

Re-Inspections: Although the private sector agrees that Customs has good reason to suspect increased cases of contraband, re-inspections could be cut down by better coordination between the Customs and the Port Authority, and within different departments of Customs itself.

#### 4. The Secretariat for Tourism

This Ministry has 300 people, a budget of RD\$5 million, and offices in New York, Toronto and Montreal. The Secretariat has been most active in promotions directed to the international travel industry, rather than directly to the tourist consumer. While its Board has an interconnection with the Board of INFRATUR, there is some evidence of bickering and rivalry between the two agencies.

#### 5. The Central Bank

In addition to the critical role of the Central Bank concerning economic, monetary and fiscal policy matters, this institution includes two agencies that are playing a special role in investment/export development.

a. The Department for the Development of Tourist Infrastructure (INFRATUR), which has played a major role in implementing the development of the tourist resort near Puert Plata on the north coast, although its mandate is broader and covers the financing of tourist projects throughout the Republic. Through INFRATUR, the Central Bank has provided funding for the development of 1,000 rooms which are currently under construction to augment the approximately 7,000 already existing.

b. The Department of the Fund for Economic Development (FIDE), which has been the principal source of long term funds for Free Zones, exports, etc. Funds have been provided principally by USAID for construction of building and facilities, and processing of machinery and equipment for export. FIDE is involved in export and investment promotion in two ways: (a) financing of projects through the Export and Agroindustrial Fund (AID), Program of Industrial Reactivation (IDB), and Energy Saving Fund (IDB); and (b) participation in CIPROIN. In addition, the Governor of the Central Bank is a member of the IPC.

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FIDE's program of Industrial Reactivation (FRI) has total funding of US\$50 million. Since mid-January, RD\$35 million has been approved and applications have been submitted for another RD\$16. This fund is basically for imports of raw materials. First round loans are in US dollars through a special account in the US. However, second round disbursements will be made in RD\$.

The Energy Saving Fund is to finance improved energy use by industry. In addition, two other IDB funded programs are under consideration: (a) US\$37 million to be approved through INFRATUR, to be lent in US\$ and paid back in US\$; and (b) US\$70-80 million in short- and long-term agroindustrial loans to, local and export firms. Exchange risks will be passed on to the final user. FIDE hopes to have funds available by early 1986.

#### 6. The Secretariat of Agriculture

Although this Secretariat has a broad range of responsibilities that affect investment/exports in the agribusiness sector, this analysis focuses on the institutions and agencies within this Secretariat that play a key role in the access to land.

In 1984 the Ministry of Agriculture created a new Department called DEPAE (Departamento de Promocion Agro-Empresarial -- Agribusiness Promotion Department). DEPAE's mission is to attract private investment to the Government lands which are administered by the Dominican Agrarian Institute (and, to a lesser degree, the Agricultural Bank). It has been involved in negotiations with the Silver Citrus Cooperative of Florida regarding an orange plantation, and Griffin and Brand of Texas regarding a tomato paste operation.

Through DEPAE (and IAD and BA) the foreign investor can negotiate access to land which otherwise would be out of reach, since many small parcels are involved. However, the price to pay is dealing with governmental bureaucracy. While some titles have been issued to individual owners recently, in general the lands (mostly properties expropriated from the Trujillo interests) remain under IAD administration.

IAD-administered lands might be an important addition to acreage available from CEA in some instances (see below). Of independent interest is the Manzanillo Project in the north-west where IAD controls 13,300 hectares of land including a 3,500 hectare state farm. The area has irrigation, and is suitable for growing legumes and vegetables in rotation with sorghum and cotton. The nearby port of Puerto Manzanillo has been modernized recently.

The Agricultural Bank owns farm land as a result of loan defaults. Most parcels are too small, scattered, and situated in marginal areas to be of great interest to the investor, but a check with BA will be worthwhile in those situations where land packages are being made up from different sources.

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The snail-like pace of action by the bureaucracy, coupled with complex issues of ownership, make land access a major concern. It is one in which the IPC will have to become deeply involved if agroindustrial investment and export are to remain the Number One Priority.

The Consejo Estatal de Azucar (CEA) - State Sugar Council controls the country's largest land area. Of its 150,000 hectares, the best 100,000 hectares are in sugarcane; the rest is only marginally useful for intensive agriculture. However, only about half the current Dominican sugar production can be sold to the United States under its quota system. In the face of this adversity, CEA has embarked upon a diversification program, including the leasing of some of its lands.

The conditions under which CEA is prepared to make land available for diversified agribusiness projects, however, appear to be somewhat onerous -- designed to maintain the institution's control over land even if it should go out of the sugar business altogether. It remains to be seen how investors will react to CEA's policy of equity participation by land lease as opposed to outright lease. It is clear, however, that CEA lands constitute the best available option for attracting significant agribusiness investment. Raw material is the key, and land availability is the key to raw material. Only CEA can offer large, contiguous parcels of land to the investor.

The IPC's posture should be that of a friend to both parties that might be involved in negotiations for access to CEA land, smoothing the way. In time, the IPC might make recommendations to CEA to modify its policy -- if the record should warrant that. The nucleus estate model should receive preference.

7. The Comité Interinstitucional para la Identificación y Promoción de Oportunidades de Inversiones (CIPROIN)

This is a recently formed ad hoc body whose objective is to bring together many of the public sector agencies and institutions involved in export and investment promotion. This new public sector task force was also designed to identify promising investment projects and make them known domestically and abroad.

The membership of CIPROIN, consists of ONAPLAN, SEA, SEIC, COMIEX, INESPRE, INDOTEC, FIDE, CEDOPEX, and FONDOREI. While there are a number of important omissions from CIPROIN's membership (for example, INFRATUR, the Central Bank, the Monetary Board and the Customs Service), with the inclusion of additional agencies, this body could play an important role in helping to coordinate and facilitate investment and export activities. CIPROIN publishes a newsletter, has published project profiles, prepared by CEDOPEX and the SEIC, and is reportedly considering preparation of a diagnostic on the Dominican agroindustrial sector.

B. PRIVATE INSTITUTIONS

1. Investment Promotion Commission (IPC)

(See Annex I)

2. The Official Chamber of Commerce of the Dominican Republic

While the Santo Domingo Chamber seems to have impressive leadership and is eager to be more deeply involved in the trade and investment area, it currently lacks the professional and support personnel that would be required to achieve this goal. At present the Chamber also lacks an ongoing relationship with any other institution in investment and export promotion. To date they have only been called on a sporadic basis to identify parties who would wish to participate in various trade shows, commercial missions, etc. They could offer much more in the technical area.

The Chamber has ambitious plans to upgrade current staff to become more active in investment/export development, not only to aid their membership but also potential investors. Also, the Chamber has requested funding from USAID for a computer project which would involve building a data base with information on trade and investment opportunities in countries other than the U.S.

3. The American Chamber of Commerce of the Dominican Republic (AMCHAM)

With a broad membership of over 1000 companies, AMCHAM's objectives are to stimulate, develop and facilitate commercial trade, investment and industrial activities between the U.S. and the D.R. It is well established and recognized in the D.R. as a source of possible contacts and leads for foreign businessmen.

The organization publishes a helpful annual guide to doing business in the D.R. (which the IPC uses as its own, with a different cover); provides information on laws and regulations of the country, and on opportunities for trade and investment; provides local businessmen with business introductions in the U.S.; and propagates D.R. investment climate/incentives at Chamber of Commerce conferences in the U.S. Some of its officers and Directors are members of the Board of IPC, and there is good communication between the two organizations.

In terms of being of assistance to the IPC and to the D.R.'s investment and export development programs in general, AMCHAM has one serious problem: lack of personnel. While everyone on the small staff is dedicated to achieving these goals generally, no one is mandated to deal with them specifically. Without such a staff person, AMCHAM's participation would need to continue to be ad hoc.

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4. The Dominican Association of Exporters (ADOEXPO)

Although this organization has about 200 members, very few of them are actively involved, on a continuous basis, in export activities. Services to members are very limited, but include assisting in resolving problems within the bureaucratic system which are impeding growth of the export market. It also serves as a mechanism to bring these difficulties to the attention of the government.

Like AMCHAM, ADOEXPO lacks professional and support staff. Unlike AMCHAM, however, it does not have a large and active constituency of members. Exporters tend to gravitate toward the organization in times of crisis or when a new government policy needs to be explained (or opposed). With a grant from USAID, ADOEXPO recently commissioned a study to identify exporter's needs and to outline the major elements of a National Export Plan.

With strengthened staff and support services, ADOEXPO proposes to take on an expanded range of activities, including the following:

- \* Assist exporters in resolving problems encountered with government institutions.
- \* Identify sources of financing for exporters.
- \* Assist in formation of industry associations, identification of markets, establishment of ties with specific interested importers.
- \* Organization of work sessions in which private and public sector representatives would come together to find consensus solutions to problems facing exporters.
- \* Disseminate market and investment opportunity information among exporters.
- \* Actively participate in identification and recommendation of priority export related projects which could be funded by AID/IPC.
- \* Create regional commissions/organizations to disseminate ideas for potential agroindustrial projects (ADOEXPO, Santiago).
- \* Maintain permanent information service for exporters.
- \* Sponsor and promote an educational department for exporters with sectoral specifications.
- \* Create a permanent local exposition of Dominican export products.

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5. The Caribbean Basin Promotion Center (CBPC)

The CBPC began operations in 1982 under the sponsorship of the Chicago Association of Commerce and Industry (with a grant from AID/W). It was designed to increase trade and foreign investment in both the Dominican Republic and Costa Rica. A consultant is based in Santo Domingo and assists interested business people (primarily from the Chicago area) investigating opportunities in the D.R.

As the program has evolved, the CBPC has perceived the need to graduate from general promotion to a predominantly one-on-one approach to both investments and exports. The CBPC also proposes to channel more of its efforts through trade and industry associations to ultimately reach the companies themselves.

b. Santo Domingo Office. The CBPC was established before there was an active Investment Promotion Commission. It therefore was necessary for Chicago to have an anchor in the Dominican Republic. The head of the anchor organization -- himself a member of the Investment Promotion Commission -- is an effective and distinguished professional who is capable of operating at the highest levels. No doubt the addition of a staff person will enable the CBPC's Santo Domingo office to look after the nuts and bolts as well.

Without doing anything to impede the CBPC program, either in the U.S. or the D.R., the IPC should coordinate these activities as well as any other similar contractors. If, for example, Chicago refers a prospective investor to its Santo Domingo representatives, then the IPC should be informed, and perhaps involved if that would be helpful and appropriate. In this instance, the CBPC would stand in the same relationship to the IPC as would ADOEXPO, AMCHAM or the Santo Domingo Chamber of Commerce.

c. The CBPC has expressed a need to identify the problems faced by Dominican exporters by either carrying out a new study or consolidating existing materials. The need for a new study is questionable, since a needs-and-problems analysis has only recently been carried out through ADOEXPO. These two organizations should be brought together by the IPC.

6. Other Business/Professional Associations

There are numerous, additional associations which represent private business in the country, such as the National Council of Businessmen, the Free Zone Association, the Association of Industrialists of the Dominican Republic, the Dominican Federation of Businessmen, among others. Most of these associations do not play a promotional role, rather they serve as advocates for the business community.

7. Export Trading Companies (ETCs)

Over the past two years several multi-purpose export trading companies (ETCs) have been organized to identify new markets and assist Dominican firms in exporting agricultural and industrial products. The largest two ETCs are CARITRADE and COMEDOM. Both ETCs are privately-owned by shareholders representing banking, insurance, shipping and agroindustrial companies. At least two other multi-purpose ETCs are being formed.

In all cases these ETCs are providing a variety of export sales services. As they become more sophisticated they also hope to provide investment packaging services so as to be able to locate joint venture partners and attract foreign capital to specific sub-projects.

ETCs are potentially a powerful vehicle for trade and export promotion in the Dominican Republic. The access to trade expertise, market information, cost savings, and technical advice, which a trading company can offer should encourage and facilitate interest in participating in or using an ETC.

ETCs are logical vehicles for helping the Dominican Republic face its many export problems at the industry and market level. These problems include an industrial base which is, in some sectors, too small and fragmented to achieve competitive scale production and costs; a lack of international networks for dependable market information/feedback and distribution; limited available expertise in marketing, finance, and organizational analysis for potential exporters requiring trade, management, and technical advice; financing practices so conservative as to exclude large segments of domestic industry; an input content of exports which is often very high and, because it is sourced individually, expensive. These are problems which Dominican ETCs, attuned to the specific obstacles its constituency faces, can address and ameliorate.

Some of the Dominican Republic's experiences with establishing ETCs have been negative. Invariably, the problem has been inappropriate structure and strategy, where either the services demanded to improve exports were not identified and hence not offered, the investors failed to capitalize on their own initial skills and expertise, or the segmentation of products, markets, and services undertaken was not logical or was too ambitious.

As an ongoing concern, the ETC is, like all businesses, subject to the requirements for market analysis, competitive analysis, organizational analysis, and financial viability. As such, the great potential for export or trade promotion through ETCs in the Dominican Republic can only be tapped with appropriately structured companies.

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Recommendations for IPC Initiatives: The IPC should give serious consideration to making the country's present and future ETCs more effective. Some of the major issues to be considered are:

- \* Size of domestic market -- The market which serves as the initial base for industrialization and from which an export industry can be developed, is often too small to provide scale production at competitive cost or a springboard for diversification. The Dominican ETCs, by combining the efforts of individual companies with complementary offerings, can help to overcome this drawback.
- \* Lack of International networks -- International networks are essential as conduits for dependable potential market information and distribution. A related problem has been the reluctance to break with tradition and adapt products to particular markets or to adopt new techniques. The Dominican ETCs should establish a geographically appropriate infrastructure in order to service both market information needs and distribution. The ETC should act as an interpreter of the market and competitive trends so that products are appropriately produced for a particular market.
- \* Limitations in human resources -- CEDOPEX lacks depth in marketing know-how, organizational ability, and financial and technical expertise. The organization gets the expertise by depending on academics or high-priced temporary professionals from abroad. The Dominican ETCs should respond to the specific needs of its constituents by providing greater management or technical advice and by taking a greater active responsibility in the export process.
- \* Financing restrictions -- The conservative funding practices as well as liquidity problems in the Dominican Republic's financial institutions with regard to existing businesses and entrepreneurs limit the growth potential of exporting firms. This is true both in terms of required bridge capital in the firms' export cycles and in terms of the ability to extend credit to buyers abroad. The Dominican ETCs can take on significant financing services to help exporters overcome these problems and could, in taking title to goods, actually remove much of this burden from the exporter. A large Dominican trading company representing many small companies will have much greater leverage in dealing with financial institutions. Furthermore, financial institutions which in some cases already are part of the investor group could provide the needed access to credit.

- \* Surplus production of goods and services -- Many companies have surplus capacity which cannot be utilized and which is quickly depreciable (e.g., hotels with empty rooms). Dominican ETCs should organize themselves to tap these surpluses and offer them on a discounted basis for cash or, alternatively, on a barter basis. In the latter case, the goals of the Dominican ETC should be to swap for services and goods which would typically be needed and require the expenditure of foreign exchange.

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ANALYSIS OF POLICIES, LAWS AND REGULATIONS

INTRODUCTION

- A. ECONOMIC/FINANCIAL/FISCAL POLICY ISSUES
- B. LAND ACCESS
- C. LEGAL/REGULATORY ISSUES
  - 1. Foreign Investment Law No. 861
  - 2. Export Promotion Law No. 69
  - 3. Tourist Promotion Law No. 153
  - 4. Free Zone Law No. 299-A
  - 5. Industrial Incentives Law (No. 299-B/C)
  - 6. Agro-Industrial Incentive Law No. 409
  - 7. Agricultural and Livestock Promotion Law No. 532
  - 8. Mining Law No. 146
  - 9. Barter Law No. 2005

## INTRODUCTION

Possibly the most critical role to be played by the IPC is to be a catalyst for improvements in the investment/export climate in the D.R. For it is through the leadership of its Board members, and with the collective efforts of the relevant private and public sector institutions, that policy issues will be tabled and constructive suggestions made to the highest levels of the GODR as to legal, bureaucratic, procedural, fiscal, and economic constraints to investment attraction and export performance -- and how such situations could be ameliorated.

These issues are described below:

### A. ECONOMIC/FINANCIAL/FISCAL POLICY ISSUES

The GODR has initiated austerity measures meeting the requirements of the recent IMF accord. The following is descriptive of these measures:

1. The Central Bank is maintaining a policy of tight money by requiring high reserves in the principal Dominican financial institutions. But this policy has been pursued in such a manner that the reserves have fled the traditional financial institutions such as the commercial banks and development banks and have ended up in the hands of the relatively unregulated financieras. These institutions are charging interest rates which are more than one thousand basis points higher than the regulated banks but as the only institutions with liquidity, they are getting these rates.

This situation has led to a squeeze on traditional financial institutions which are seeing their depositor bases eroded, their earnings reduced by interest rate ceilings, and the loss of traditional clients borrowers because of liquidity difficulties. The backbone of commercial banking's business, the large client, is being lost as it is no longer serviced.

2. Export are being "taxed". Traditional exports are subject to a 36 percent tax. Non-trationals are subject to a 5 percent tax.

The government does not use the term tax -- these measures are called "discounts" (see Sixth Monetary Board Resolution, 23 January 1985). There are several problems with this practice.

First, by having two different tax rates, the government is discriminating against certain classes of exports. In this case, this happens to be against exporters with the largest world market. Margins are cut so substantially by this measure that there is a disincentive to export.

Second, the taxation of exports serves as a major disincentive to traditional manufacturers or agro-industrial companies which are currently servicing only the Dominican market but have the capacity (i.e., technical know how, cost structure, product quality) to sell internationally.

Third, potential investors will certainly be put off by this policy (which is not followed in most of the countries competing for these investor dollars). In addition, there is already a substantial tax on earnings repatriation facing the foreign investor.

3. The government is faced with a problem of business confidence both domestically and internationally because of its handling of Letters of Credit (L/C) prior to 17 April 1984. On May 10, 1984, the Central Bank repudiated its L/C commitments prior to the 17 April date. This was followed by the 23 January 1985 Monetary Board Resolution which reaffirmed a commitment to pay on these L/Cs along the following staggered schedule and, in certain circumstances, at entirely new exchange rates. Specifically, 1) imports which will get the original 1:1 rate will be those where the importer paid pesos to the commercial bank and it, in turn, paid the pesos into the Central Bank prior to 17 April 1984; 2) a compromise rate of RD\$1.62 to US\$1.00 is available to imports which had been withdrawn from Customs prior to 17 April 1984; and finally 3) imports withdrawn from Customs after 17 April 1984 will be paid out at the free market rate prevailing at the clearing date, whenever that is.

Since this resolution, it is estimated that some US\$120 million in L/Cs were compromised by the original repudiation by the Central Bank. Unfortunately, interviews with a number of commercial banks indicate that many of these "delinquent" L/Cs have still not been cleared.

In summary, the handling of these L/Cs has left doubt in both the domestic private and the international community about the government's reliability on international commitments. At a time when the government needs to build the confidence of the private sector and to encourage it, it has accomplished just the opposite.

Finally, there is some concern that these government acts are driving more and more business into "underground" transactions which are not regulated.

4. Foreign exchange risk for the overseas investor is an issue which both the Monetary Board and the Central Bank have overlooked in their respective policy development programs. Typically, the local exporter is protected by programs operated by the Investment Fund for Economic Development (FIDE) which finances pre- and post-export activities. These programs are

generally available only to Dominican companies. The exchange risk is assumed by the Central Bank which borrows hard currency under program loans from development agencies.

Foreign investors, whether in the Free Zone or the Dominican Republic proper, are unable to hedge their investments. Yet, all business people need to have access to some sort of hedging device to ensure that they will achieve a reasonable return on their investment. Current policy restricts the foreign investor from going into the local peso market to borrow for local capital expenditures in the Free Zone.

Compounding the problem is uncertainty as to the legal exchange rate. The 1:1 rate is still the official rate and there is some question as to whether the Monetary Board actions changing this are legal. While no court case has been adjudicated, some commercial bankers have found potential foreign investors put off by this uncertain situation.

5. The discounting procedure used in export transactions is complex and misunderstood by many commercial bankers, exporters, and even staff members at the Central Bank. This problem has been compounded by the 23 January, 1985 Monetary Board Resolutions No. 6 and 17. The application of these Resolutions has been plagued by lack of clear instructions on how the procedures will work and by the Central Bank following different procedures than those set out in Resolution 17. Differences were noted among major commercial banks' understanding in the following area: i) the exchange rate used (is it the official rate? The parallel rate? A combination of both?); ii) when the discount is applied, which impacts pay out to the exporter?; iii) where is the client's account credited? (One bank said it took forty-eight hours after a transaction was completed to credit a client account because of Central Bank procedures; another said accounts were credit immediately.)

This would indicate that procedures have been poorly designed and/or not communicated to relevant members of the business community. This will have a negative impact on the prospective investor/exporter who sees a difficult business environment made even more complex.

Recommendations for IPC Initiatives: These policies, taken together, are a disincentive for both domestic capital formation and foreign investment in the export sector. While some are required by the IMF accord, others emanate from government policies formulated with different objectives in mind. Measures which should be taken in order to improve the attractiveness of the Dominican Republic include:

- \* Exempting all exports from withholding "taxes". (This is called a "discount" in Resolution No. 6 of 23 January 1985.) A policy should be followed which rewards all those who export and does not discriminate against any class of exportables. This would encourage all agro-industrial sectors to export which have the appropriate capacity to do so; it would let the marketplace determine what was competitive in international markets; it would increase profit margins which could help cover fluctuations in the foreign exchange markets for exporters having to rely on foreign-sourced materials for their production; and it would encourage investors to invest on the basis of potential real returns in the international marketplace and not based on the economic policies of the government.
- \* "Sate" Letters of Credit (L/Cs) which were opened and/or negotiated by 17 April 1984 should be reconciled and payment expedited. The present situation has caused liquidity problems for local business and raises questions internationally about the reliability of the Central Bank and the ability of private Dominican banks to perform. The situation also encourages companies to transact business outside normal commercial banking channels because of uncertainties of both the execution of L/Cs and the reliability of exchange rate commitments by the Central Bank.
- \* A mechanism for minimizing foreign exchange (FX) risk should be developed for the foreign investor. While a viable forward exchange market would be difficult to develop at present, a valuable intermediate step could be taken: Foreign investors, both in the Free Trade Zones and in the Dominican Republic proper, should be allowed to borrow a substantial part of their peso costs. Thus, while investing FX in capital equipment, technology, and raw materials, the investor would at least be able to hedge its risk for local building supplies and related expenses by arranging for local financing.

A further change should be considered vis-a-vis the taxes imposed on repatriation of earnings. By levying an 18 percent tax plus 3 percent surtax on the repatriated earnings, the government is discouraging direct investment outside the Free Zones. Inasmuch as there is a greater positive economic impact if the investment is locally based, the Dominican Republic should reconsider the policy.

Similarly, the repatriation limits on capital gains from liquidated businesses should be lifted. The current rate of 2 percent per annum to a maximum of 20 percent is confiscatory.

The Monetary Board should consider modifying its 17th Resolution of 23 January 1985 which established draconian reserve requirements on commercial banks in order to encourage the export sector. Under current conditions, the creation of private sector export financing schemes is unrealistic inasmuch as real interest rates are too high and commercial banks are overregulated vis-à-vis attracting deposits.

Recommendations Related to Economic/Financial/Fiscal Policy

Issues: A number of institutional innovations should be considered by the IPC. These include an export development fund, an export credit insurance program and a Banker's Acceptance Program. See IBERC report for details.

B. LAND ACCESS

Export operations in agroindustry require substantial investment. Specialized equipment and expert handling are necessary to satisfy the exigencies of the external markets with regard to quality. High volume is necessary to meet their requirement of reliable, large scale supply. Large scale production of raw material must be planned, therefore, if the project is to produce the cash flows which would be capable of servicing the cost of the capital investment. Thus any export operation that might be contemplated in the Dominican Republic, national or foreign, will tend to be large by Dominican standards.

The contiguous large parcels of land which might be available for non-traditional agricultural crops can be found, primarily, among sugarcane growers (public and private), and to a much more limited degree in the colonies established by the Dominican Agrarian Institute.

CEA (Consejo Estatal del Azúcar - State Sugar Council): On January 30, 1985 the Board of Directors of CEA passed a Resolution which ratifies a document entitled "Strategy for the Agroindustrial Diversification of the Government Sugar Industry" as a guideline for diversification projects. The decision should ease the way for greater progress in putting sugarcane lands into more profitable production.

Three projects already had been launched. The first, FRUDOCA, a partnership between United Brands and Dominican landowners, leased 947 hectares of the Catarey Sugar Estate, and planted pineapple on that land and the adjoining lands of comparable size belonging to the Dominican partners.

The second project is INDUSPALMA, a partnership between CEA and the Sociedad Industrial Dominicana, the largest Dominican producer of vegetable oils. CEA owns 25% of the enterprise which has planted oil palm on 625 hectares of CEA lands along with another 938 hectares of private lands.

The third project which is still in the initial stages, is a partnership between CEA and Dole Pineapple, to plant pineapple on some of the lands of the Amistad Sugar Estate.

The three projects have served to develop a CEA policy for structuring diversification projects. In essence, CEA wishes to become minority shareholder in the diversification projects, holding preferred stock issued in return for its contributions in land, infrastructure, and services. The January 30, 1985 Resolution lays down the following guidelines:

-- Management organization based on a mixed enterprise model-partnership between CEA and private shareholders (Dominican and foreign).

-- Active CEA participation in both the organization of the enterprises and their management. Inclusion of equity investment bank representatives on the board of directors as arbiters.

-- Long term lease of CEA lands constitutes paid-in capital, along with contributions of irrigation works, roads, railroads, bridges, and other infrastructure.

-- There will be two classes of stock: Class A (preferred stock issued to CEA and possibly to other investors); Class B stock earning dividends.

-- CEA option to subscribe additional shares if capital is increased.

-- By-laws may contain provisions designed to protect the interests of minority shareholders, such as emission of different classes of stock as to voting rights, joint or alternating appointment of the principal executives, or the requirement of a unanimous vote for certain decisions.

Most issues are to be settled by negotiation -- such as designation of the members of the Board of Directors, disposition of assets in case of dissolution, modification of By-laws, compensation for technology transfer, etc.

CEA envisions the diversification program as consisting of three categories:

-Category I: Fallow Lands:

-Category II: Sugarcane Land Trade-Off:

-Category III: Reduction of Sugarcane Production:

To CEA, this means that more than 62,50 hectares of public and settler sugarcane lands should be diversified. Consequently, CEA envisions the gradual transformation of some of the sugar estates into diversified agricultural operations. The first order of priority would be those estates which are not competitive even at times of high prices on the world market.

C. LEGAL/REGULATORY/ISSUES/ENVIRONMENT

A businessman looking at a project or transaction in the Dominican Republic might not necessarily be impressed by the legal framework and administrative practices he discovers governing most business transactions. The system within which he can operate has a certain degree of similarity to those of most Latin American countries and some basic constitutional principles which are identical to those of the United States.

Foreign investors, like domestic investors, must comply with the general business laws of the Dominican Republic. And for those investment activities of foreigners who seek no special incentives or currency repatriation privileges, it is fair to say that their activities are virtually treated in the same manner as Dominican nationals in their business dealings.

Simultaneously, however, the Dominican Republic has special legislation encouraging local and foreign investment in a wide range of industrial activities as well as in special areas of specific interest to the country such as exports of non-traditional products; agroindustries; Free Zone operations; tourism and mining. The more important legislation\* involved in this activity is as follows:

1. Foreign Investment Law

Law No. 861 of July 22, 1978 was at one time hailed as a major achievement and an important means of attracting new foreign investment into the country. The Law attempted to define the rights and obligations of both foreign and Dominican (known under the law as "national") investors by defining their respective spheres of action.

The Law was a voluntary registration statute whereby investors who willingly registered under the law would be guaranteed foreign exchange from the Central Bank for the repatriation of profits and were under an obligation to deposit their investment.

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\*To limit duplication, analyses and recommendations concerning laws and regulations involving the Customs Service and the Industrial Free Zones are presented in the discussion of those institutions in Annex G.

Free Zone manufacturing and assembly operations were excluded from the application of the law as were investors willing to accept a profit in Dominican pesos.

### Benefits

The principal benefit of the law was that it guaranteed foreign investors who chose to register under the law the right to obtain foreign exchange from the Central Bank at the official exchange rate of one U.S. dollar for one Dominican peso for the purpose of remitting profits abroad upon the liquidation of business operations in the Dominican Republic.

The second Resolution of the Monetary Board dated April 17, 1984, ushered in a new era for business in the Dominican Republic. As a result of this Resolution, all goods and services that formerly received divisas from the Central Bank at the one-to-one rates were transferred to the parallel market with several exceptions, one of which was profit remittances abroad of foreign investors registered under Law 861. Unfortunately, the first Resolution of the Board of May 10, 1984, further stipulated that only remittances for which pesos had been deposited with the Central Bank by April 17 would be allowed to be repatriated. Any request or deposit of pesos after April 17th would be directed to the parallel market.

### Prerequisites for Qualification

Law 861 limited the areas in which a foreigner could invest and still qualify for foreign exchange at the one-to-one rate. Under the law, companies are divided into three categories depending upon the percentage of capital contributed by foreign or national investors. The first category, National Enterprise, is defined as an enterprise, constituted in the Dominican Republic, in which more than 70 per cent of the capital is owned by national investors. The second category, Mixed Enterprises, is defined as an enterprise, constituted in the Dominican Republic, in which national investors own up to 51 percent of the capital. The last category, Foreign Enterprise, is defined as an enterprise in which foreign investors own more than 49 percent of the capital of the company, even if it is only 49.1 percent of the capital.

### Areas of Economic Activity

Areas of economic activity reserved exclusively for the National Enterprise were: production of materials and equipment directly linked to national defense and security; mass communications; internal transportation, except freight related to the import/export sector; and forest exploitation.

It should be noted that foreign investment cannot be registered in the areas of: public services, such as potable water, aqueducts, electrical energy, mail, telecommunications and telephones; and exploitation of radioactive materials, minerals and hydrocarbons which are regulated by special laws.

#### Responsible Agency

The Directorate of Foreign Investment was created by Law 861 in order to accept applications. The directorate is a Board which consists of the Governor of the Central Bank, the Secretary of State for Industry and Commerce, the Secretary of State for Finance, the Technical Secretary of the President, the Executive Director of the Dominican Center for Export Promotion, and several representatives of the private sector.

#### Establishment of Registry

While registration under Law 861 was voluntary, the second Resolution of May 10, 1984 required that all foreign investment as well as transfer of technology and technical assistance be registered with the Central Bank if permission is to be given for the foreign investors to utilize the parallel market known as the free market divisas. Those investors already registered with the Central Bank pursuant to Law 861 would be registered by administrative action within the Foreign Exchange Department of the Central Bank. These investors registered under Law 861 may request certification from the Central Bank to the effect that they have been duly certified under the New Registry without obligation. Such certification, we understand, is forthcoming but a written request from the investor will expedite its issuance.

Under the first Resolution of May 10, a company must meet the three criteria in order to be eligible to receive "divisas" at the official one to one rate. The three conditions are:

a. have filed an application to remit dividends abroad before April 17, 1984.

b. have deposited the pesos with the Central Bank for remittance prior to April 17; and

c. have obtained approval from the Foreign Exchange Department for remittance prior to April 17.

Obviously, most companies will have to resort to the free market for remittances of dividends. Even for the companies that do meet the required conditions, they can only benefit from the official rate for the time

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that they have pesos deposited at the Central Bank prior to April 17; after these companies have exhausted their pesos deposited before the 17th of April, they too will have to resort to the free market for all their needs, including dividend and profit remittances.

The bright side of this picture, if there is any, is that under Law 861, repatriation was allowed of only 25 percent of the registered investment annually while the Monetary Board Resolutions mentioned above impose no limit on the amount of dividends or profits that a company may remit on a yearly basis.

### Practical Considerations

The May 10th Resolutions of the Monetary Board did not explicitly abolish Law No. 861. The scope of the Resolution was limited to denying any access to the "divisas" of the Central Bank for profit repatriation. The practical effect of this is to shift all investors onto the parallel market in order to find the foreign exchange with which to remit their profits abroad.

Since the May 10th Resolution did not explicitly abolish Law No. 861, government authorities have still been enforcing those portions of the statute which have not been explicitly revoked by the May 10th Resolution.

This has created an artificial situation whereby the Foreign Exchange Department of the Central Bank still insists that profit repatriation is limited to only twenty-five percent of the profits of any one year, which is the old formula under Law 861. Some eminent jurists argue that since the Law has not been abolished by the Congress -- which under the Constitution, is the only body which can abolish a statute -- the Foreign Exchange Department of the Central Bank has adopted a legally valid position. Other jurists argue that, given the state of law in the Dominican Republic, Law 861 has, for all practical purposes, been abolished and the Foreign Exchange Department of the Central Bank has dubious authority to enforce a law which has been effectively abolished.

### Recommendations

A clarification of the rules of foreign exchange repatriation is needed and long overdue. Once this clarification has taken place, foreign investment is likely to be encouraged to return so long as the clarified rules remain in force over time and are not changed at the whim of the government.

## 2. Export Promotion Law

Law 69, the Export Promotion Law of 1979, was designated to stimulate exports of non-traditional products by establishing two special incentives for certain products with a high content of national value added. The law allows the importation under bond, with a suspension of import duties and laws, of materials which go into the manufacture of goods destined to be exported in a period of one year or less.

The second benefit derived under Law No. 69 is a tax incentive. Exports of high national interest may receive the benefit of a Tax Payment Certificate, known as a CAT, issued by the Dominican Center for Export Promotion (CEDOPEX) for a percentage of the export price of the product. This percentage may not exceed 15 percent except in cases where the product contains a high agricultural content of Dominican origin. In such cases, the CAT may be granted in an amount of up to 25 percent of the export price on each export.

The Tax Payment Certificates known as CATs may be used by the beneficiary or his endorsee to pay taxes or any other debt to the Government. CATs are freely negotiable and are excludable from income for Dominican Income Tax purposes.

### Benefits

The main benefit is a monetary one. Under Law 251, all foreign currency in the Dominican Republic must be exchanged at the official exchange rate of one Dominican peso for one U.S. dollar for Dominican pesos through the Central Bank or a commercial bank authorized by the Central Bank for this purpose. The Central Bank is also responsible for providing foreign currency known as "divisas" as they are required. Under Law 69 and Monetary Board Resolution #6 (January 23, 1985), foreign exchange generated by non-traditional exports is exchanged at the "unified rate," minus a discount or surcharge of 5%. The "unified rate" is equal to the average market exchange rate over the previous five business days. Foreign exchange must still be exchanged for local currency through the Central Bank or an authorized commercial bank.

### Prerequisites for Qualification

The prerequisites in the case of Law No. 69 must be listed in a negative manner. Certain products are excluded from the benefits of this law, as are certain industries. Traditional products such as raw sugar, molasses,

cacao and its by-products, leaf tobacco, ferronickel, bauxite, petroleum and its by-products, and minerals in any form are explicitly excluded from the benefits of this law.

In addition to the above products, exports of goods manufactured by industries in the Industrial Free Zones are also explicitly excluded from the benefits of this law.

All other products are eligible for benefits under the law and exporters of these products have to fill out a simple application from with CEDOPEX for a special export license which is usually granted within one week.

#### Responsible Agency

CEDOPEX, the Dominican Center for the Promotion of Exports, is the agency to which one applies for benefits under Law 69. The Special Export License which is obtained from CEDOPEX is usually acquired within one week from the date of application and is the vehicle through which the benefits of Law 69 flow.

### 3. Tourist Promotion Law

Law 153 or the Law for the Promotion and Incentive of Tourist Development was created in 1971 and designed to establish an accelerated and rational process for the development of the tourist industry in the Dominican Republic.

#### Benefits

Law 153 provides a series of tax incentives and import duty exemptions for eligible industries. Under the law, private Dominican financing is also available on generous terms.

INFRATUR, the Central Bank Tourist Development Agency, has been granted loans with repayment schedules of up to 17 years.

An eligible project registered in national currency and/or registered foreign exchange would also enjoy the following incentives:

- a. 100 percent exemption from income taxes;
- b. exemption from construction taxes;
- c. exemption from taxes on incorporation or on the capital increase of said corporations;
- d. exemption from national and municipal operating taxes;
- e. exemption from public entertainment taxes.

Another benefit is a guarantee under Article 11 of the law to provide foreign exchange from the Central Bank for profit repatriation and for the purchase of raw materials and goods necessary to the tourist industry.

There is also a 100 percent exoneration of all import duties and taxes on articles and materials which are not available in quality and at competitive prices from local manufacturers which are necessary for the construction, equipment and furnishing of the tourist facilities concerned in selected geographic areas that may be approved by the Tourist Development Board.

#### Prerequisites for Qualification

Any project wishing to take advantage of this law must involve a minimum investment of one hundred thousand Dominican pesos (RD\$100,000). Projects oriented toward receptive tourism will receive preference over projects oriented toward internal tourism. Receptive tourism is defined as that which attracts tourists or nationals domiciled abroad, and which generates foreign exchange for the country.

#### Responsible Agency

Applications to receive the benefits of this law are submitted to the Planning and Programming Office, an agency of the Secretariat of State for Tourism. The process usually takes some 60 days from the time of application to the granting of the benefits.

#### Practical Considerations/Recommendations

The first and foremost consideration is that as a result of the 1st Resolution of April 17, 1984, of the Monetary Board the guarantees expressed in Article 11 of Law No. 153 are no longer valid. These guarantees were the ones mentioned earlier concerning the availability of foreign exchange at the Central Bank for profit repatriation and for the purchase of raw materials and goods necessary to the tourist trade. As a result of the May 10<sup>th</sup> Resolution, all tourist-related industries must now obtain foreign exchange on the parallel market.

As mentioned earlier, with respect to Law No. 861, a clarification by administrative fiat of the rules concerning profit repatriation and the use of the parallel market would be very useful in encouraging greater foreign investment in the country in general and in the tourist sector in particular.

Another major factor that affects the growth of the tourist industry is that in order to qualify for the benefits of Law No. 153, a minimum investment of DR\$100,000 is required. This prevents many establishments which cater to tourists and cannot apply for the benefits of this law if the investment of the particular restaurant is less than RD\$100,000. Consequently, these restaurants have to compete with much larger enterprises which do qualify for the benefits of Law No. 153. These include restaurants in the larger hotels.

If this minimum were either abolished or significantly reduced, it is very likely that this measure might stimulate many smaller establishments into applying for these benefits and upgrading their operations. Many small operations might also be encouraged to start.

#### 4. Free Zone Law

Incentives for Free Zone operations are available under the Industrial Incentives and Protection Law No. 299 of April 23, 1968, as amended. This law was designed to promote the industrial expansion of the country by providing tax and other incentives for investments in the manufacture of new products through the processing of raw or semi-finished materials. Excluded from the scope of the law are investments in sugar, agriculture, mining, petroleum and tourism, all of which are subjects of existing or projected special incentive laws. Incentives are granted under the law according to a special category established therein, Category "A." Category (or class) "A" includes new manufacturing or assembly Free Zones established and operated under the law governing Industrial Free Zones, Law No. 4315 of October 22, 1955 as amended by Law No. 431 of May 3, 1969.

#### Benefits

Article 12 of the Incentive Law No. 299 makes available the following fiscal incentives or tax benefits to Category "A" enterprises:

- Up to a total 100 percent exemption from Dominican income taxes as established by the income tax law. . . or any other law substituting it;
- 100 percent exemption from all import taxes, customs duties and other imports applicable to raw materials, semi-manufactured products or materials used in the composition or manufacture of the products, and containers or packing materials;

100 percent exemption from export taxes for the first five years and 50 percent exoneration thereafter for the remainder of the period of incentives; and

- 100 percent exemption from all corporate capitalization, formation and documentary taxes.

The period of the incentives, except as noted above, is twenty years. In addition to the foregoing fiscal incentives, Free Zones enterprises enjoy the benefits of low wage rates and relative freedom from the host country burdens of the Dominican Government. It should be noted that import duties and taxes range from 100 to 150 percent of the FOB value of imports and continue as the primary source of revenue for the Government.

#### Prerequisites for Qualification

The prerequisites for qualification are stated in a negative manner as is true of many Dominican laws. The benefits of this law may not be granted to the following industries:

- a. Those that require exemptions not already granted to similar industries already installed or in process of installation;
- b. Those that in requesting exonerations or subsidies, make a false representation of positive savings of foreign exchange;
- c. Those that produce or use goods in a stage of processing lower than those of similar existing industries.

#### Responsible

The original application is filed with the Industrial Technical Department of the Secretary of State for Industry and Commerce, and is reviewed by the National Council of Free Zones. It takes three to four months to obtain an "A" classification.

#### Practical Considerations

One recent study showed that it took a little over DR\$3,000 to create a job in an Industrial Free Zone as opposed to DR\$24,000 to create a job outside a Free Zone. If one were to draw any conclusions from this fact, and from the fact that Haiti built an area only half the size of the Dominican Republic which has three times as many Industrial Free Zone companies, it is that many more industries can be attracted to the Dominican Republic and that it is very economical to create jobs in this manner.

The major reform which should have a positive effect on Free Zone operations has been the abolition of the "preferential" US\$1 = RD\$1.48 rate under which they were required to exchange in order to pay local costs of production. As a result of Monetary Board Resolution #6 (January 23, 1985), foreign currency used by Free Zone firms to pay local costs of production is now exchanged at the "unified rate," minus a discount of 5 percent. The "unified rate" is equal to the average market exchange rate over the previous five business days. This should render their operations more profitable, in spite of the fact that inflation has also meant increases in labor, electricity, and rental costs. However, profitability of the firms could be increased by exemption from the 5 percent discount or surcharge.

It also has a positive psychological effect on current or future investors. Although profit margins may be the same or only slightly higher than before, increased costs of labor or electricity are easier to justify than losses due to foreign exchange restrictions imposed by the Dominican government.

#### 5. Industrial Incentive Law 299

The object of this Law is to promote and stimulate new or existing industries, national or foreign, that actively contribute to the country's economic development.

#### Prerequisites for Qualification

In order to qualify, an eligible industry must be on that manufacturers new products, though the transformation of raw materials, semi-manufactured products or intermediary products. The following activities are excluded from the benefits of this law, as they are governed by special laws: The Sugar Industry; the extraction of petroleum and natural gas; the fishing activities in their capture phase; mineral activities in their extraction phase; agricultural and cattle activities; hotel activities; tourism activities; construction industry; services and transport; the simple packing of products; and handicraft industries.

#### Industrial Classifications

Industrial activities are classified in three categories: "A", "B" and "C".

Category "A" covers operations in the industrial free zones.

Category "B" includes import substitution operations of products not currently produced in the country.

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Category "C" covers expansion or new production of import substitution operations for products currently produced in the country.

Benefits

Benefits vary by industrial classification "A", "B" or "C". Benefits of category "A", or industrial free zone operations, have been outlined in the previous section on Free Zone Law.

Category "B" operations receive the following exonerations:

- a. Exoneration of 95% of all taxes and import duties and all other related levies, including import tariff, unified taxes and internal consumption taxes, levied upon raw materials, semi-manufactured products entering into the composition or into the process of making the product, containers and packing materials, provided the same cannot be obtained from domestic production.
- b. Exoneration of 95% of all taxes and import duties and other related taxes, including import tariff, unified taxes and internal consumption taxes, levied upon fuel and lubricants used exclusively for the industrial process, except gasoline (petrol).

Benefits for category "C" firms are as follows:

- a. Exoneration of up to 90% (in the judgement of the Board of Industrial Development), of all import duties and related taxes, including import tariff, unified taxes and internal consumption taxes, levied upon raw materials, semi-manufactured products that enter into the composition or into the process of making the products, containers and packing materials, provided the same cannot be obtained from domestic production.
- b. Exoneration of 90% of all taxes and duties on import and all related taxes, including import tariff, unified taxes and internal consumption taxes, levied upon fuel and lubricants used exclusively for the industrial process, except gasoline (petrol).

All industrial enterprises covered by this Law, receive exoneration from the income tax established under Law No. 5911 of May 22, 1962, as modified, in a percentage equivalent to the net profits reinvested for the development of the same or in new industries, provided they previously present the project for the approval of the Board of Industrial Development. The exoneration referred to in this article, shall in no case surpass 50% of the income to be paid by these enterprises.

### Responsible Agency

The Industrial Technical Department of the Secretary of State for Industry and Commerce is the agency to which one applies for Law 299 benefits. It usually takes three to four months to obtain approval.

Approval by the President of the Republic is one of the requirements needed before an "A" Classification is granted.

### 6. Agro-Industrial Incentive Law

The Agro-Industrial Incentive Law No. 409 of January 15, 1982, was designed to "stimulate and regulate the agroindustry as an attractive way of increasing capital investment in the rural sector". The law meets its objective by offering a number of tax incentives.

#### Benefits

The incentives granted included exemption from income tax of up to 100 percent in the case of certain companies and exemption of up to 100 percent from import duties granted on components used in production and on machinery, equipment and fuel imported for the agroindustrial process.

#### Prerequisites for Classification

In order to qualify for these incentives companies may not obtain benefits under other similar incentive or provisions or obtain benefits in respect of special contracts. Companies are classified into one of two categories under Article 2 of the law:

"For the purposes of the granting of the benefits and concessions granted by this law, all agroindustrial activities are classified in two categories known as First Category: integrated agroindustries, and Second Category: non-integrated agroindustries. Both Categories exclude production activities of common alcohols, alcoholic beverages, cigars and cigarettes and coffee by-products with a small grade of manufacture, such as roasted and ground coffee. Likewise rice factories and manufacture of carbonated drinks.

Integrated agroindustries are defined as those that... in the same company produce raw materials of agricultural origin and/or promote, contract and finance such agricultural productions, process them industrially and commercialize the resulting products and by-products, and in which there is linkage between the production elements of basic national raw materials and the plant or industrial process for its processing.

A non-integrated agricultural enterprise is defined as any agroindustrial enterprise that does not comply with the criteria required of an integrated agroindustrial company.

Companies are further classified into three other subcategories for industrial classification based on the percentage of the use of raw materials, as regards the total cost of the raw materials as follows:

\* Subcategory "A" - If the quantity is included between fifty percent (50%) and less than sixty five percent (65%) of the raw materials, total cost.

\* Subcategory "B" - If the quantity is included between sixty-five percent (65%) inclusive, and less than eighty-five percent (85%) of the raw materials, total costs.

\* Subcategory "C" - If the quantity is included between eighty-five (85%) inclusive, and one hundred percent (100%) of the raw materials, total cost.

#### Responsible Agency

To qualify for the incentives, a company must be at least 51 percent owned by Dominican investors as of the date the request for Law 409 benefits is filed with the Agroindustrial Technical Department which is a division of the Agroindustrial Promotion Directorate. Once the classification request is granted by the Agroindustrial Promotion Directorate, majority control of the company may pass to foreigners without this fact jeopardizing the company's classification under the law from which the company's benefits flow.

#### Practical Considerations/Recommendations

If the maximum percentage of foreign participation allowed (forty-nine percent) were eliminated or reduced, it is possible that there would be greater foreign investment in the agroindustrial sector.

Greater foreign investment would also be encouraged if there were more expedient processing of the applications for Law 409 benefits.

#### 7. Agricultural and Livestock Promotion Law

Law No. 532 of December 12, 1969 was enacted in order to spur to development of the Agricultural and Livestock sector of the economy by means of certain benefits and tax exonerations.

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### Benefits

The benefits of this law are mainly the exoneration of the part or all of the import duties on a wide range of equipment and raw materials.

Fertilizers and irrigation equipment are completely exempt from the payment of all import duties.

Mix, vitamins or any ingredient which is used in the preparation of the feed of livestock, pay a 5 percent import tax.

Seed, insecticide, live plants, fertile eggs, livestock itself and other raw materials, pay a 10 percent import duty.

All other heavy equipment such as tractors, freezers, etc. pay a 26 percent import tax.

### Prerequisites for Qualification

The only prerequisite needed for qualification under this Law is the need to import products, articles, machinery, and/or raw materials for an agricultural or livestock project.

### Responsible Agency

The National Committee for Agricultural and Livestock Promotion, an agency of the Secretary of State for Agriculture, is the agency in charge of the administration of this law.

## 8. Mining Law

The Dominican Republic is a country rich in mineral deposits. Ferronickel, bauxite, gold and silver are currently mined by major foreign companies. Other minerals, such as copper, brown coal, amber, marble, gypsum, alabaster and salt are also found in marketable quantities.

Law No. 146 of 1971 states that all minerals found in the soil or subsoil of the country, including those under the sea, belong to the State. Rights to explore or work these minerals must be obtained through government contract concessions. Concessions are authorized through the Secretary of State for Industry and Commerce and include an exclusive right to explore for three years. The extent of the concession can reach a maximum area of 30,000 hectares. Once the exploration is completed, the concession authorizes the holder to extract, refine and sell the minerals that are within the area of

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the concession for 75 years. This is an exclusive right and the concessionaire must, every 25 years, submit to the legal requirements of the mining legislation then in force. The Government may demand an equity position in any mining operation in the Dominican Republic.

9. Barter Law

The law concerning regulations of Mercantile Barter or Exchange (Law 2005 of 1984) was designed to address the problem of scarcity of foreign exchange by promoting exports and reducing expenditures of foreign exchange for certain imported items.

Prerequisites for Qualification

Four types of exchange are allowed under the Law:

- a. Exchange: is the operation by which the exporters sells specific goods to the importer in exchange for other goods.
- b. Compensation: consists in that the exporter agrees to receive in goods all or part of the payment of goods sold, transferring the purchase compromise to a third party that may be a final user of products or of a business company.
- c. Reimbursement Purchase: in this operation the exporter supplies plants, the equipment, and technology of an importer and agrees to accept the partial or total payment goods that the importer will produce with the exporter's equipment or technology.
- d. Compensatory Purchase: the exporter sells goods, technology, or services to an importer, and agrees to purchase from the latter, within a specified period, a total specific value of selected goods and of a list predetermined by both parties.

CEDOPEX determines priority export products for barter based on the following criteria (see list at end of section):

- a. Difficulty of sales on the international market of the articles of local production.
- b. Opening of new markets.
- c. Diversification of the exportable national items.

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- d. That the exportation cannot be effected by the usual channels of foreign trade.
- e. Obtainment of net favorable balances in the operation.
- f. Availability of local supply.

Imports are analyzed using the following criteria (see list at end of section):

- a. Availability of local supply.
- b. Importance for the nation of the goods that are to be imported under this mechanism.
- c. The balance that may result from the operation of mercantile barter or exchange.

#### Responsible Agencies

Barter operations are approved by the Directive Council of CEDOPEX, which in turn obtains the necessary technical opinions from CEDOPEX, Central Bank, and other GODR institutions whose input is required.

#### Practical Considerations/Recommendations

The legislation is drafted in such a way that the exporter becomes mired in a byzantine maze of multiple government agency clearances which do not permit timely transactions to be consummated. This also increases the transaction cost of barter. Finally, the bonding requirement, which is not utilized in cash transactions, acts as a further disincentive because of associated burden of additional administrative time and expenses. Several Dominican companies involved in past barter and transactions have found deals fatally compromised by the delays and expenses resulting from this legislation.

TECHNICAL ANALYSIS

(Organization and Program Plan for IPC)

- A. INTRODUCTION
- B. INSTITUTIONAL DESCRIPTION AND ANALYSIS - IPC
  - 1. Current Organization
  - 2. Proposed Organization
    - a. Role and Mission
    - b. Structure and Staffing
    - c. Position Description
- C. STRATEGY AND WORK PLAN
- D. ARTICLES OF INCORPORATION

A. INTRODUCTION

This annex contains both an institutional analysis of IPC and a technical discussion of the planned program. It describes the evolution of IPC, its new form of organization (that of a non-profit corporation), its current and proposed staffing levels and position descriptions for key personnel, and its proposed strategy and workplan. Its Articles of Incorporation are also attached.

B. INSTITUTIONAL DESCRIPTION AND ANALYSIS - IPC

1. Current Organization

The IPC was created by the President in 1982. Its mandate is to mobilize the resources of the private sector to seek new foreign investment in the areas of agro-industry, mining, industrial free zones and tourism. The IPC, while considered a public sector entity, is composed mainly of business leaders. It is a temporary commission, comprised of a board of directors of 13 private and 3 public sector representatives; its president is the Secretary of Commerce. IPC has a staff of five persons. The IPC carries out its mandate by seeking to attract foreign investors in the DR through the distribution overseas of information on the investment climate, incentives and opportunities, and assisting interested foreign investors in obtaining information and support from specific Dominican institutions relevant to their needs. Further, IPC carries out activities in data collection regarding existing firms in the DR, makes recommendations to the executive branch on foreign investment incentive legislation and identifies project profiles to be promoted overseas.

2. Proposed Organization

The IPC is currently in the process of changing its legal form from a Presidential Commission established by Decree to a public/private non-profit corporation. Its mandate and goals, however, remain unchanged. Moreover, its board will continue to be composed of leading private sector individuals and representation from the key government agencies concerned with investments and exports. The board will have 17 members, of which four are from the government (CEDOPEX, Central Bank, Secretary of Foreign Affairs and Secretary of Commerce and Industry) and 13 from the private sector. The Secretary of Commerce is the president of the board.

This change of legal form will take the Commission out of the public sector; yet it will retain its prominent public sector membership, which will become important for influencing policy changes. Second, it will minimize the possibility that the organization could become staffed with unqualified appointees. Third, it will remove the pay ceilings which apply in the public sector, thus making it possible for the Commission to recruit a small cadre of highly qualified individuals.

a. Role and Mission

The IPC will play three basic roles:

- \* To help formulate sound public policies to increase investments and exports and to recommend these policies to the government.
- \* To strengthen the institutional support network and serve as the central clearinghouse for export and investment information, publications and other communications materials, and as a central contact point for prospective investors/exporters.
- \* To work with both the public and private sectors, both in the Dominican Republic and abroad, to conceive, fund, coordinate, monitor and evaluate new promotion programs designed to increase exports and investment.

b. Structure and Staffing

The IPC will have very small staff of highly qualified professionals and operate primarily through intermediaries, i.e., other private and public sector organizations. The staff will consist initially of sixteen people (see below), of whom six will be professionals, and the balance support staff.

Executive Director	1
Secretary to Executive Director	1
Deputy Director/Development	1
Secretary to the Staff	1
Secretary/Receptionists (AM/PM)	2
Investment Counsellors <u>1/</u>	4
Accountant/Office Manager	1
Driver	1
Messenger	1
Cleaner	1
Director, U.S. Operations <u>2/</u>	1
Secretary to Director/US	<u>1</u>
Total Fulltime Personnel	16

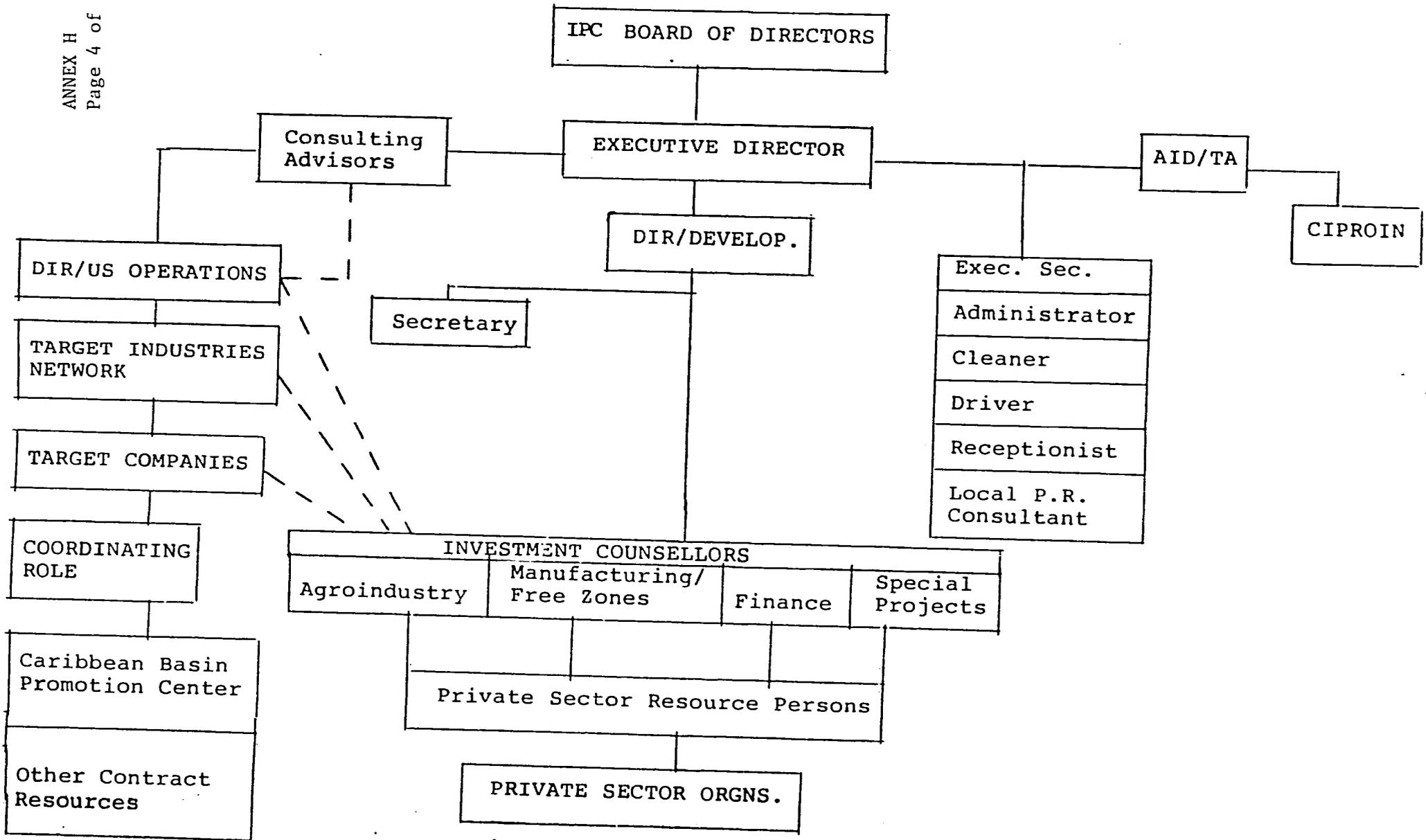
Organization chart follows:

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1/ One each for agribusiness; manufacturing/FTZs; finance; and special projects.

2/ A second position will be created as appropriate to the opening of a second U.S. office.

IPC AND RELATED ORGANIZATIONS



(\* ) Including tourism and mining, when required.

## POSITION DESCRIPTIONS

### Executive Director

#### 1. Mission and Responsibilities

The Executive Director reports to the Board. He is responsible, inter alia, for:

- carrying out the Board's policies and instructions;
- preparing reports, policy, position and options papers, and other written communications for the Board and other relevant bodies;
- representing the organization as a speaker in either English or Spanish;
- managing and periodically evaluating the organization's human resources;
- administering and being accountable for the organization's funds and financial viability;
- developing/suggesting/reviewing the organization's short and long-term plans and projects;
- Maintaining positive and constructive relationships with public and private sector organizations, in the D.R. and abroad;
- directing the work of such consulting and advisory resources as may be required; and
- preparing periodic reports on the organization's progress and/or problems.

#### 2. Contacts

The Executive Director will initiate/maintain close and continuing contact with public and private sector agencies, organizations, firms, etc. in the D.R. and abroad.

#### 3. Experience

The Executive Director will be an experienced administrator and manager, preferably with experience in both public and private

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sectors, both in the D.R. and abroad; will have a demonstrated track record in financial, administrative and program management; and will will be fluent in written and spoken English and Spanish. Other languages would be helpful but not essential.

## Position Description

### Deputy Director/Program Development

#### 1. Mission and Responsibilities

The Deputy Director/Program Development reports to the Executive Director. Under the Executive Director's supervision, he/she will generally be responsible for (a) conceiving new programs and projects to be carried out directly by the IPC or through its public or private sector intermediaries; (b) working in close liaison with such intermediaries in the D.R. and abroad to monitor on-going programs; and (c) at the discretion of the Executive Director, represent the organization as speaker/participant in relevant meetings, conferences, seminars, missions, etc.

#### 2. Contacts

In addition to working with the Executive Director, the Deputy Director/Program Development will maintain close liaison with (a) other staff members in the D.R.; (b) other organizations in the D.R.; (c) the organization's representative(s) in the U.S.; and (d) the US/AID technical assistance person.

#### 3. Experience

The Deputy Director/Program Development will have extensive knowledge of the institutions and dynamics of both the D.R. and the U.S., particularly in the export and investment fields. He/she will be fluent in both written and spoken Spanish and English. He/she will preferably have had direct business experience and extensive contact with business people, particularly in respect of export and investment. He/she will be an experienced public speaker. He/she will probably have a degree in economics, international trade or management sciences. He/she will also have a demonstrated track record in program development and team-building.

## Position Description

### Investment Counsellors (4) (ICs)

#### 1. Mission and Responsibilities

Each investment counsellor will report to the Executive Director and will work closely with both the Executive Director and with the Deputy Director/Program Development. His/her mission includes (a) working with the Executive Director, the Deputy Director/Program Development, and the Director, U.S. operations to develop "networks" and corporate contacts among prospective investors/exporters in the D.R. and abroad in his/her field of specialization, i.e., agribusiness, finance, manufacturing, and special projects (including tourism, mining and free zone operations); (b) providing support services, personally or through other appropriate organizations, to prospective investors/exporters who express interest in doing business in/with the D.R.; (c) assisting such investors/exporters to obtain required government authorizations to begin and continue operations; and (d) participating along with the staff as a whole in developing/monitoring new or existing programs and projects, particularly in his/her specialized field.

#### 2. Contacts

Each IC will be capable of initiating and maintaining extensive contacts with institutions, organizations and individuals in his/her area of specialization and in the investment/export area in general, in the D.R. and abroad.

#### 3. Experience

The successful candidate(s) will be fluent in both written and spoken English and Spanish; have several years of direct, relevant experience in his/her field of specialization, particularly as it relates to investment and export development and implementation; have worked successfully with public and private sector individuals and organizations; and have a degree (or work equivalent) in his/her area of specialization, or in international trade, finance, industrial engineering or management sciences.

## Position Description

### Director of U.S. Operations

#### 1. Mission and Responsibilities

The Director of U.S. Operations reports to the Executive Director.

His major mission is to work with the CPI staff, particularly the Investment Counsellors, and with CPI consultants in the U.S., to establish productive relations with industrial and agribusiness networks, companies and firms of service providers, that will result in increased investments in the Dominican Republic and increased exports of Dominican products to the United States.

To achieve this goal, the Director, U.S. Operations will be responsible for:

- Preparing and maintaining mailing and contact lists.
- Developing, in cooperation with other CPI staff, joint promotional and market intelligence gathering projects with trade associations and service provider networks.
- Maintaining up to date contact files.
- Keeping CPI staff in Santo Domingo informed of activities and progress via periodic reports, telephone conversations and frequent travel to the D.R.
- Maintaining close liaison with consultants and with organizations under contract to AID/DR, e.g. the Chicago Association of Commerce and Industry; and coordinating the programs of these consultants and contractors.
- Responding to inquiries and requests for information from companies, associations, etc. interested in the D.R.
- Assisting in the planning and implementation of promotional events, e.g. trade missions, exhibitions, etc.
- Participating in analyses of target industrial and agribusiness sectors in the U.S.

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2. Contacts

CPI Executive Director; Sectoral Specialists, Consultants, Contractors, and Export/Investment prospects.

3. Experience

The Director, U.S. Operations, should be fluent in both English and Spanish and be familiar both with the U.S. and its business communities, and with business and government in the D.R. He should have a university education, preferably with a concentration in economics, sales or management sciences. Experience in both public and private sectors in the D.R. is essential. Additionally, working experience with a U.S. private sector concern would be helpful.

C. STRATEGY AND WORK PLAN

- Objectives: Create jobs.  
Earn Foreign Exchange.  
Build Institutions to Carry Out and Continue to Pursue These Objectives.
- Strategies: Increase Exports.  
Attract Export-Oriented Investment.
- Method: Establish Comparative Advantages for the D.R. Over Its Caribbean Basin Neighbors.
- Tactics: Progressively Remove or Substantially Minimize Major Constraints.  
Aggressively Publicize This Process Through Targeted Programs of Promotion in the D.R. and Abroad.  
Provide Effective Services to Prospective Investors and Exporters.

Implementing the Mission

The IPC will implement its mission in three ways:

- \* By making grants of funds to other organizations for well-conceived programs and projects which will further the nation's objectives.
- \* By conducting a limited range of activities which utilize the skills of its own staff.
- \* By strengthening public and private sector institutions as a natural by-product of both of the above, as well as through the provision of specific training and technical assistance.

IPC Programs

1. Establishing Priorities

Establishing priorities will be the IPC's first order of business. To be realistic, these must begin with sectoral priorities and must be as product-specific as possible.

The IPC will concentrate its initial efforts on two broad sectors: manufacturing and agribusiness. In both, the thrust will be (a) to identify and progressively remove or substantially minimize the constraints now preventing the full realization of the potential in these sectors, and (b) simultaneously to launch aggressive programs of outreach to prospective investors and exporters in these sectors.

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## 2. Sectoral Strategies

### a. Agribusiness

#### 1) Target Products:

- \* Oil Seeds
- \* Oranges
- \* Pineapples
- \* Animal Feeds
- \* Fresh and Processed Fruits and Vegetables
- \* Flowers
- \* Prawn and Aquaculture

#### 2) Basis:

Circumstances of trade and investment change constantly. Hence, the list above should constantly be revised. The point of departure for this effort, however, is the following:

Oilseeds. The importation of some \$50 million worth (55,508 metric tons in 1984) of crude vegetable oils per annum is a significant component of the \$300 million gap in the Dominican balance of payments. Only 20,739 metric tons were produced domestically in 1984. It also means that an investor can count on a ready market (Dominican per capita consumption of edible oils and fats is 29 pounds per annum). The two oil palm, one coconut, and one cottonseed plantation projects which have been launched recently will cover at most 20% of this domestic demand. Land is available from CEA and private owners (particularly members of the Federation of Sugarcane Settlers). A delicate point to investigate will be the disposition of the four Dominican edible oil processors to form joint oilseed production ventures with other investors to attract additional capital for the industry.

Orange and Pineapples. In the Caribbean tourist industry, the Dominican Republic has a well heeled market for frozen concentrated orange juice. Its geographic location puts it in a good position to fill the gap which has been created by the decline of Florida's orange industry. The IPC should begin by working with Delta Commercial which recently announced an RD\$25 million investment in orange production and processing, but has some way to go toward its goal of planting over 6,000 hectares of orange groves (it plans to include outgrowers).

Animal Feeds. Livestock and poultry breeders pay a high price for feed, since most of the grain and oilseed cake content has to be imported. Yet, feed grains to meet the national demand (about 80,000 TM) could be produced on about 25,000 hectares. Advances are being made in growing sorghum and corn in the northwest, and the new oilseed production projects should yield an increased supply.

Fresh and Processed Fruit and Vegetables. The Dominican Republic has an excellent opportunity to export fruit and vegetables. Dominican ability to penetrate it already has been demonstrated by melon and cucumber exports by ABC Dominicana and DOMEX. Certain processed vegetables also can find market niches (frozen okra exported by Southland Dominicana, tomato paste produced by Industrias Darcelo, frozen cassava, grated coconut, and canned guandul exported by Procesadora San Martin de Porres). There are other opportunities in the U.S. market for frozen vegetables (green beans), and there is health demand for ethnic specialities (fresh and canned) such as yautia, yams, and ginger.

Flowers. The potential gross earnings of \$200,000 per hectare/year in flower production are very attractive. Some 125 hectares would yield gross export earnings of \$25 million -- a feasible share of the \$150 million U.S. flower import market (mainly carnations, roses and chrysanthemums). Much more suitable land than that is available in Valle Nuevo, Constanza, and Jarabacoa which are the traditional flower producing areas in the Dominican Republic. In 1983, only RD\$353,000 worth of cut flowers was exported (almost entirely to the U.S. and Puerto Rico), as well as RD\$533,000 worth of ornamental plants (U.S. and Holland). The need is for investment and transport improvement. Available roads, refrigerated overland transport, refrigerated storage facilities, and air cargo service are not adequate for a major expansion of flower exports (the useful life of a cut flower is about eight days under refrigeration).

Prawn and Aquaculture. In 1982, the United States imported 124,000 TM of shrimp and prawn (more than half of its consumption). Japan imported 129,000 (more than two thirds of its consumption). Western Europe imported 95,000 TM in 1980. Given American and Japanese preference for saltwater shrimp, the European market is of particular interest to the Dominican Republic (along with the Caribbean and local markets). The penaeus vannamei species of saltwater shrimp which is best suited for aquaculture is available only in Pacific Ocean waters. The Dominican Republic lacks both the natural seed and coastal conditions comparable with the success stories of shrimp culture -- Ecuador and Panama. Freshwater prawn are present in the rivers naturally, and can be grown in ponds more easily. In 1984, 17 prawn producers were registered with the Ministry of Agriculture. 614 TM were produced in 1982 of which some 30TM were exported to the United States. Given the technical and financial difficulties of promoting prawn culture, this should not be a high priority for IPC, notwithstanding the allure of the U.S. price (\$3 to \$6.70 per pound of frozen tails, depending on the number of tails per pound, in 1983). Some clay soil sites with freshwater supply have been identified, but there is competition from rice growers for some of that land.

### 3) Traditional Exports

While priority should be given to non-traditional exports (they demonstrated their promise in 1984 by growing by 40%), and to attracting foreign investment to them, IPC should not lose sight the fact that the bulk of Dominican export earnings still drive from traditional exports.

However, the IPC should not involve itself with sugar. Coffee, cocoa, and tobacco are another story. These traditional exports must pay a 36% surcharge upon exchanging their foreign currency earnings. Yet the Dominican Republic has to compete in the world markets with many other producers of these commodities who do not impose comparable taxes. While the coffee trade is regulated by an international cartel, cocoa and tobacco are sold on the free market. Continuing to impose the 36% surcharge on these two commodities is tantamount to making them non-competitive.

IPC should play a role in the formulation of the policies affecting traditional exports. It should bring to the attention of policy makers the implications of various courses of action for exports and foreign investment.

#### 4) Promotional Strategy

The IPC should look for potential investors, first, among the integrated agribusiness companies. Several companies have already located here. Others such as International Multifoods of Minneapolis or Mendelson Zellar (a subsidiary of Campbell's) of San Francisco might be interested in similar ventures.

While shipping fresh produce on consignment is a risky enterprise, there are some brokers (e.g., Sun World Corp. of Tampa, Florida, or Basic Foods International of Fort Lauderdale, Florida) who are willing to participate actively and co-invest. Investment packages also might be put together with some of the technology service companies such as FoodPro of San Jose, California (which operates in conjunction with Security Pacific Trading in terms of offset trade agreements).

#### 5) Target Markets: Year I

- \* The United States.

- \* Puerto Rico (American corporations reportedly have accumulated some \$9 billion in earnings in Puerto Rico. Under existing laws, they cannot repatriate this capital without paying income taxes. By networking with the appropriate American corporations as well as the CBI countries, IPC might help bring about the legislative changes which would be necessary to allow this capital to flow to CBI-area investments. The specific objective will be to obtain intelligence on the needs and plans of American and Puerto Rican companies that might be interested in the Dominican Republic, and to develop working relationships with them).

#### b. Manufacturing

##### 1) Target Products

- \* Apparel and Textile Products
- \* Electronics/Electrical

- \* Metalworking
- \* Toys, Games, Dolls
- \* Data Processing/Data Entry
- \* Furniture
- \* Medical Equipment and Supplies

2) Basis

While there are many other potential sectors and subsectors -- and the IPC and its intermediaries should be flexible enough to recognize and pursue these on an opportunistic basis -- initial concentration should be on the above. Allowing for differences from sector to sector, and also on regional requirements, these target sectors share many of the following common attributes:

- \* Many companies in these sectors already have offshore operations.
- \* The production processes they employ are often characterized by separable assembly operations, e.g., production-sharing possibilities.
- \* Most are labor intensive; many can utilize unskilled or semi-skilled labor.
- \* The D.R. has extensive experience in some of them.
- \* In many of these sectors, companies are facing significant wage-cost pressure in the U.S. or in NIC offshore operations.
- \* In some sectors, special problems exist (quotas on apparel and textil products); impending protection for footwear; ergo; special opportunities (807 operations, CBI benefits).
- \* Most can utilize factory space of a size ordinarily found in Free Zones.
- \* High technology is not a significant factor in most of these sectors.

3) Target Markets, Year I

- \* The U.S.
  - \* Proximity
  - \* CBI entry
  - \* 807 Possibilities
  - \* Size of Market; Number of Target Sector Firms
  - \* Highly Developed Networks (see later)

\* Puerto Rico

- \* Production-sharing prospects
- \* Proximity
- \* Transport
- \* Accumulated blocked earnings by U.S. companies  
(see earlier reference).

4) Promotional Strategy

The IPC should make contact with the U.S., Puerto Rican, and Dominican networks serving these target sectors, and with companies which:

- \* Already have offshore operations.
- \* Are mid-sized companies, or subsidiaries of large multinationals.
- \* Are located East of the Mississippi in the U.S., for ease of access, short-term.
- \* Face wage-cost squeeze in parent company locations or offshore operations in NICs.
- \* Manufacture OEM products characterized by large numbers of separable assembly operations.
- \* Face special problems, e.g., quotas on textiles and apparel products; impending protection for footwear, etc., regardless of country of parent companies (many in these two categories will be Far Eastern companies).

5) Recent Investments: Free Zones

Most of the export-oriented manufacturing investments in the IPC's target sectors are likely to be attracted to the country's four Industrial Free Zones.

GODR statistics show 131 companies, employing some 30,200 people, currently operating in these four IFZs. Significantly, apparel and textile products companies account for more than two-thirds of this investment. Given the realities of the U.S. import control (quota) program, there is still some scope for growth in this sector in the D.R., but on a highly selective basis. More importantly, there is a significant scope for diversification of the industrial population of the IFZs. According to the National Free Zone Council, there are 40/50 companies waiting to begin operations in the IFZs, and their sectoral distribution follows historic patterns, i.e., apparel is overwhelmingly the dominant sector. There is no basis for believing that this emphasis will change by itself. Diversification of IFZs will require aggressive and effective efforts on the part of the IPC and its grantee organizations to contact companies, associations, and service-provider networks in other target sectors, while at the same time working to ensure that a favorable investment climate awaits them.

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### 3. Reaching the Market - Networking

As a matter of policy as well as practical reality, the IPC's small specialist staff will use its limited time to create relationships with trade associations and other service-provider organizations in its target sectors in the D.R. and abroad (principally the U.S.). These relationships will (a) help to extend the IPC's modest human own resources; (b) provide valuable intelligence on target sectors, markets and requirements; and (c) serve as door-openers to companies which may be prospective investors/importers. This process is known as networking.

In every country in the world, but especially in the United States, there are networks -- often interconnected -- covering every conceivable industry and sphere of activity. The IPC should regard these networks as key helpers. The IPC staff and their representative(s) in the U.S. should devote a substantial amount of time and effort to (a) identifying the networks it needs to be on -- corresponding to the selected investment targets -- and (b) painstakingly cultivating network executives and member companies.

In both Manufacturing and Agribusiness, the IPC will develop lists of:

- \* Trade and Industry Associations in target sectors;
- \* International banks;
- \* Legal and accountancy firms with clients in target industries;
- \* Manufacturers of machinery, equipment, raw materials in target industrial and agricultural sectors;
- \* Appropriate persons in the bilateral and multilateral lending agencies;
- \* Management consulting companies; and
- \* Trading companies.

It should then develop modest financial relationships with a few of these key networks. Paying a network organization a fee for, say, collaborating on a booklet dealing with industry-specific opportunities in the D.R., would be valuable primarily because it would result in exposure of the D.R.'s "case" to a key audience and yield on-going feedback about which companies are looking for what.

In cooperation with consultants and the IPC's U.S. Director, the sectoral specialists should approach target trade associations and other service-provider groups. This should be in person, not by mail. The entree might be to propose small collaborative projects such as circulating jointly prepared brochures or newsletters to the membership, or holding luncheon meetings for members to hear Dominican speakers. The basic objective is to develop sustained relationships with these associations in order to obtain their cooperation in identifying corporate targets for investment promotion.

At the same time, the sector specialists should make contact with the corresponding Dominican sectoral organizations. The objective here is eventually to create sector-specific "matches" of U.S. and Dominican organizations.

In addition, IPC staff should start compiling lists of service-provider businesses, and enter into a dialogue with them as well. These should include Dominican and U.S. companies engaged in banking, transport, storage, insurance, manufacture of packing materials, provision of inputs (seed, fertilizer, pesticides), manufacture and distribution of machinery, etc.

#### 4. Servicing the Investor/Exporter

From the IPC's standpoint, it is critical that (a) prospective investors/exporters be carefully targeted and effectively approached -- both directly and through industry associations and other service-provider networks -- and then followed up relentlessly.

##### a. Investor Reception

The original conception was that the IPC would act as central point of contact for prospective investors, and for investors seeking their required licenses, permits, certificates, etc. That conception, we believe, remains valid. Implementing it will be one of the primary tasks of the four Investment Counsellors within the IPC staff.

However, with respect both to the introductory and "walk-through" functions, the IPC will develop professional (paid) working relationships with a variety of organizations including AMCHAM, the Official Chamber of Commerce, ADOEXPO, and others. The choice of which organization to call on at any particular time should depend on the nature of the work which needs to be done.

Support for these organizations should be continuous for an agreed period of time, and should be substantial enough to fund all or part of a knowledgeable staff person devoted to this function. The local office of the CBPC should also be prepared to take on investor liaison work referred to it from the IPC.

##### b. Facilitation of Investor Visits

The IPC will become a central stopping point for (a) prospective investors who are seriously investigating business opportunities in the D.R.; (b) business people who have already made a commitment to invest, but who may need assistance in finding a dependable local partner, identifying consultants, or working through the bureaucracy to obtain the necessary permits, authorizations, licenses, exonerations, etc.; and (c) importers and buyers who have come, or are planning to come, to the D.R. in search of particular kinds of products.

c. Investor Follow-Up

Careful follow-up can yield a wealth of valuable information about why some companies invest, why some don't, what turns people off and on. Over time, this can provide a useful guide to what is good and less good about "the product" -- and therefore, what needs to be strengthened, changed, scrapped, modified, and so forth. In principle, the same Investment Counsellor should follow the progress of a prospective investor from the beginning of his process until the end of it -- and beyond.

The follow-up process must, of course, be as personal as possible. The prospective investor's questions must be fully and truthfully answered. If this involves additional information-gathering, it should be done thoroughly and expeditiously. The IPC's U.S. representative(s) should be seen as a key link between the D.R. and the prospective investor. Other resources -- the CBPC, AID, the FCS, and others -- should also be informed and should participate in investor follow-up.

d. Investor Data Base

It is clear that because there are many points of entry for the prospective investors, and little coordination among these sources, no one really knows how many prospects have inquired, come personally, invested or did not.

The process of "logging in" prospects and then systematically tracking them should be institutionalized. This should be achieved by connecting the principal "points of entry", such as AMCHAM, the Official Chamber, ADOEXPO, and CBPC.

e. Improving Trade and Investment Missions

The Caribbean is drowning under the weight of "missions" of all shapes, sizes and degrees of seriousness. The guidelines should be followed for missions:

- \* Multi-sectoral missions rarely achieve much -- in either direction.
- \* Mission participants -- in or out -- should be (a) pre-qualified, (b) thoroughly briefed, and (c) this information shared with whoever is hosting the mission.
- \* There should be a formal de-briefing for every mission -- in or out.

- \* There should be provision for systematic follow-up of every participant.
- \* Participants -- especially incoming -- should be thoroughly researched.

f. Publications Program

The quality of most of the investment and export related publications now issued by or on behalf of the Dominican Republic is poor -- in terms of language, content, design, flexibility and relevance to business people with varying interests.

A publications program will be undertaken by the IPC as the central source and clearinghouse for all investment and export promotion information. The approach to this publications program will be sectoral (not general) and it should address those sectors in industry and agriculture which have been identified as priorities.

It is entirely feasible to produce certain "core" materials on the Dominican Republic and its export and investment potential, while creating a format that allows addition to this core of sector-specific materials. The same kind of treatment is possible not only in printed materials, but in audio visual materials as well -- slide films, videocassettes, films, etc.

As important as the production of the communications materials themselves are their marketing and distribution. No publication or visual should ever be commenced before a rational distribution plan has been developed -- there are far too many instances (including some in the D.R.) of expensive materials being developed and getting stacked in supply rooms until they are no longer relevant. Both the need for, and the distribution of, communications materials are outgrowths of the overall marketing strategy.

g. Use of the U.S. Foreign Commercial Service

The IPC and its related organizations have become familiar with the services and facilities available from or through the FCS. This contact will continue and be strengthened.

h. Trade Shows and Exhibitions

Trade shows and exhibitions are expensive and time-consuming. CEDOPEX should develop a rational strategy for participations and systematic follow-up. If a Dominican presence at a particular event is desirable, the IPC should first consider "walking the show" rather than becoming an exhibitor.

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i. CIPROIN

At this time, CIPROIN is the only entity at sub-cabinet level which makes an attempt to coordinate public sector activities in the investment/export area. The IPC should attempt to build on this modest beginning, by:

\* Acting as CIPROIN's Secretariat, e.g., scheduling meetings, planning agendas, developing collaborative programs among public sector agencies and arranging for private sector in-put. As private corporation, the IPC can be a member ex officio.

\* Using CIPROIN as a means of staying aware of public sector programs and projects, and helping to foster better coordination in the public sector.

\* Pressing for the expansion of CIPROIN's membership to include, at a minimum, INFRATUR, the Central Bank and the Custom Service.

j. Changing the Import Substitution Mentality

Only one thing will change the inward-looking attitudes that have grown up over a decade of import substitution: export success. An even success will change attitudes slowly. The IPC will play a leadership role in hastening the process by funding and participating in an imaginative program of training, orientation, and well-publicized rewards for the successful exporter -- domestic or foreign.

Not surprisingly, there is no evidence of an export methods in the Dominican Republic that is remotely comparable with the export environment created by South Korea or Taiwan. If there is to be a vigorous growth of non-traditional exports, and if foreign and domestic investment is to be attracted to it on a significant scale, a more export-minded setting must be created.

Toward that end, IPC will develop a series of orientation activities to train personnel in export skills, analyze market/product potentials and opportunities, and establish psychic and material rewards.

Replacing the D.R.'s inward-looking mentality with an outward-looking and more optimistic export mentality is a long-term proposition. But it is perhaps the most important single action the IPC can take.

A long-term, consistent and imaginative public relations program capable of receiving enthusiastic support from the President of the Republic, is recommended. A model exists in the experience of the U.S., and elements of it might well be adaptable to the Dominican ethos.

In the early 1960s, the United States found itself with massive trade imbalances (massive at least in terms of those days). With the blessing and participation of President Kennedy, the Commerce Department disinterred the old "E for Efficiency" program used to reward defense plants in World War Two, and re-introduced it as "E for Export." Companies applied for the award, using carefully constructed guidelines set out by the Commerce Department. Winners received a certificate in a personal presentation ceremony with the President or the Secretary of Commerce, "E" flags to fly over their plants and offices, and were photographed with JFK, other Administration officials, and their Senators and Congressmen. In time, winners joined an elite group of "E" alumni which met twice a year with the Secretary of Commerce to advise him on problems and new policies to encourage export expansion.

In developing such a program, the IPC should draw on organizations such as AMCHAM, CEDOPEX, JACC, ADOEXPO, and the Instituto Superior de Agricultura.

D. ARTICLES OF INCORPORATION

TO BE ADDED

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IPC - ARTICLES OF INCORPORATION

( CUARTO BORRADOR )

ESTATUTOS SOCIALES

CORPORACION PROMOTORA DE INVERSIONES EXTRANJERAS, INC.

SANTO DOMINGO, D.N.

ENTRE, los que suscriben:

EL ESTADO DOMINICANO, debidamente representado, según poder especial otorgádole por el Ciudadano Presidente de la República, Dr. Salvador Jorge Blanco, por el Secretario de Industria y Comercio, Lic. José A. Najrí y el Secretario de Estado de Relaciones Exteriores, Dr. José A. Vega Imbert, ambos dominicanos, mayores de edad, casados, portadores de las cédulas de identificación personal No. 131232, Serie Ira., y No. 44605, Serie 31, respectivamente, domiciliados y residentes en esta Ciudad;

EL BANCO CENTRAL DE LA REPUBLICA DOMINICANA, Institución bancaria, organizada de conformidad con la Ley No. , de fecha , debidamente representada por su Gobernador, Lic. Hugo Guilliani Cury, dominicano, mayor de edad, casado, portador de la cédula de identificación personal número 274915, Serie 18, domiciliado y residente en esta Ciudad;

EL CENTRO DOMINICANO DE PROMOCION DE EXPORTACIONES (CEDOPEX), Institución organizada de conformidad con la Ley No. 137, de fecha 21 de mayo del año 1971, debidamente representada por su Director Ejecutivo, Lic. Eduardo Tejera, dominicano, mayor de edad, casado, portador de la cédula de identificación personal No. 191456, Serie Ira., domiciliado y residente en esta Ciudad; y

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LOS MIEMBROS DE LA COMISION PROMOTORA DE NUEVAS INVERSIONES EXTRANJERAS, designados mediante sus respectivos Decretos por el Ciudadano Presidente de la República, Dr. Salvador Jorge Blanco, señores:

- a) Ing. Jorge Abbott, dominicano, mayor de edad, casado, industrial, residente en esta Ciudad, portador de la cédula de identificación personal No. 110897, Serie 1ra.;
- b) Lic. José Luis Abraham, dominicano, mayor de edad, casado, abogado, domiciliado y residente en esta Ciudad, portador de la cédula de identificación personal No. 162371, Serie 1ra.;
- c) Dr. Alfredo Bergés, dominicano, mayor de edad, casado, abogado, domiciliado y residente en esta Ciudad, portador de la cédula de identificación personal No. 36776, Serie 3l;
- d) Ing. Hugh Brache, dominicano, mayor de edad, casado, industrial, residente en esta Ciudad, portador de la cédula de identificación personal No. 27985, Serie 1ra.;
- e) Arq. Rafael Calventi, dominicano, mayor de edad, casado, arquitecto, domiciliado y residente en esta Ciudad, portador de la cédula de identificación personal No. 59139, Serie 1ra.;
- f) Arq. Oscar E. Coen, dominicano, mayor de edad, casado, empresario naviero, domiciliado y residente en esta Ciudad, portador de la cédula de identificación personal No. 56704, Serie 1ra.;
- g) Dra. Luisa de Windt de Tavera, dominicana, mayor de edad, casada, empresaria privada, de este domicilio y residencia, portadora de la cédula de identificación personal No. 59497, Serie 1ra.;

- h) Lic. Eduardo Fernández, dominicano, mayor de edad, casado, economista, domiciliado y residente en esta Ciudad, portador de la cédula de identificación personal No. 49273, Serie 31;
- i) Sr. Alejandro Grullón, dominicano, mayor de edad, casado, banquero, domiciliado y residente en esta Ciudad, portador de la cédula de identificación personal No. 40156, Serie 31;
- j) Ing. Fernando Periche Vidal, dominicano, mayor de edad, casado, banquero, de este domicilio y residencia, portador de la cédula de identificación personal No. 58547, Serie 1ra.;
- k) Sr. Eduardo Mejía, dominicano, mayor de edad, casado, empresario, domiciliado y residente en esta Ciudad, portador de la cédula de identificación personal No. 39943, Serie 1ra.;
- l) Sr. Enrique Herrera Marín, español, mayor de edad, casado, empresario, domiciliado y residente en esta Ciudad, portador de la cédula de identificación personal No. , Serie ;
- k) Sr. Frank Rainieri, dominicano, mayor de edad, casado, empresario, domiciliado y residente en esta Ciudad, portador de la cédula de identificación personal No. 118709, Serie 1ra.

CONSIDERANDO: Que mediante Decreto No. 556, del 6 de diciembre del año mil novecientos ochenta y dos (1982), el Ciudadano Presidente de la República, Dr. Salvador Jorge Blanco, creó la COMISION PROMOTORA DE NUEVAS INVERSIONES EXTRANJERAS, la cual ha tenido como objeto principal "contactar inversionistas privados y extranjeros con el propósito de estimularlos a invertir en el País, en las áreas específicas del turismo, las zonas francas, la agroindustria y la minería".

CONSIDERANDO: Que para dichos fines, se estableció, que los Miembros de la citada Comisión, "podrán realizar viajes al exterior y organizar seminarios, con el fin de dar a conocer las oportunidades de inversión y la política del Gobierno en esos campos, coordinando siempre sus actividades con las del sector público".

CONSIDERANDO: Que tal como se expresó en la exposición de motivos del Decreto No. 556, de referencia, "la experiencia ha demostrado que el sector privado dominicano es eficiente en labores de promoción internacional" y que, en consecuencia, ha sido política constante de la Comisión, implementar sus actividades dentro de un marco de organización identificado con los mecanismos y sistemas de trabajo de dicho sector, recogiendo así igualmente, el sentir del Ciudadano Presidente de la República, reiterado sostenidamente en sus reuniones celebradas con dicha Comisión.

CONSIDERANDO: Que es indispensable dotar a la Comisión de personalidad jurídica y patrimonio propio, para que al efecto pueda desarrollar sus actividades y cumplir sus fines a nivel institucional y permanente, y así, elaborar su propio presupuesto y disponer en forma autónoma todo cuanto concierne a su organización y funcionamiento.

SE HA DECIDIDO CONSTITUIR, una entidad sin fines de lucro, que estará regida por estos Estatutos y por las disposiciones de la Ley No. 520, de fecha 26 de julio de 1920 y sus modificaciones, sobre asociaciones que no tengan por objeto beneficios pecuniarios, para lo cual, en calidad de fundadores, suscriben el presente documento, que gobernará la asociación, determinará el régimen de su organización y reglamentará las materias de que tratan los artículos siguientes:

#### CAPITULO I

Denominación. Objeto. Asiento. Duración. Composición.

ARTICULO UNO: La Asociación se denominará "CORPORACION PROMOTORA DE INVERSIONES EXTRANJERAS, INC.", y en lo adelante de

ARTICULO TRES: La entidad formada por este acto tendrá su domicilio en la Ciudad de Santo Domingo, Distrito Nacional, Capital de la República Dominicana.

La Junta Directiva fijará el local donde quedará establecido dicho domicilio social y podrá trasladarlo a cualquier otro local dentro de la misma ciudad.

Igualmente podrá establecer oficinas o representaciones, tanto en cualquier otra ciudad de la República Dominicana como en el extranjero.

ARTICULO CUARTO: "LA CORPORACION" ha sido creada por tiempo indefinido y sólomente podrá ser disuelta en la forma establecida en los presentes Estatutos.

ARTICULO CINCO: Además de los socios fundadores que suscriben el presente acto, "LA CORPORACION" estará integrada por los socios que ingresen en ella después de su incorporación.

ARTICULO SEIS: Podrán ser socios las personas mayores de edad, así como las personas jurídicas públicas o privadas.

Los socios que ingresen con posterioridad a la constitución de "LA CORPORACION", deberán ser presentados por 3 directivos y aceptados por la Asamblea de Socios. Además, deberán satisfacer la cuota de ingreso que fije la Junta Directiva.

ARTICULO SIETE: Pierden su condición de socios:

a. Los que dimitan mediante carta dirigida a la Junta Directiva.

los presentes Estatutos se llamará "LA CORPORACION", la cual tendrá un sello con la siguiente inscripción: "CORPORACION PROMOTORA DE INVERSIONES EXTRANJERAS, INC.", Santo Domingo, República Dominicana". Este sello se estampará en todos los documentos que indique la ley y estos Estatutos.

ARTICULO DOS: La presente entidad tiene por objeto principal:

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b. Las personas físicas que sean expulsadas por la Junta General por motivos graves, después de haberse oído sus explicaciones, conforme lo establezcan los reglamentos dictados al efecto.

PARRAFO: La muerte, dimisión o exclusión de un socio no pondrá fin a "LA CORPORACION", que continuará existiendo entre los demás socios.

ARTICULO OCHO: Los socios no tienen derecho al activo social ni a dividendos ni utilidades de ninguna especie, en virtud de que " LA CORPORACION ", no persigue fines de lucro.

Asímismo, ningún socio tendrá derecho a restitución de su aporte o contribución de cualquier género al patrimonio de "LA CORPORACION", estableciéndose que en tal caso el destino de dicho patrimonio se regulará por lo prescrito en el Artículo 45 de los presentes estatutos.

ARTICULO NUEVE: Los socios no serán responsables de las deudas y compromisos de "LA CORPORACION", sino en cuanto a lo que dispone el Artículo 33 del Código de Comercio.

## CAPITULO II

### Del Patrimonio de "LA CORPORACION"

ARTICULO DIEZ: El Patrimonio de "LA CORPORACION" estará constituido por: a) Una dotación inicial compuesta en la forma descrita en

el artículo once de los presentes estatutos; b) El Fondo de Reservas y los demás muebles o inmuebles, corporales e incorporales, que "LA CORPORACION" adquiriera a título gratuito u oneroso en el desarrollo de sus fines sociales.

La Dotación

ARTICULO ONCE: La dotación inicial de "LA CORPORACION" estará compuesta por:

Fondo de Reservas y otros bienes

ARTICULO DOCE: El Fondo de Reservas estará formado por las contribuciones, donativos y subvenciones que sean otorgados a "LA CORPORACION", y que no están especializados para gastos de operación; los superávits de sus operaciones anuales y las cuotas de ingreso de los socios. Dichos fondos podrán ser generales o especializados, conforme lo determine la Junta Directiva.

PARRAFO: "LA CORPORACION" podrá aceptar cualquier donación o contribución bajo las cargas y condiciones propuestas por el disponente, siempre que estas cargas y condiciones sean congruentes con los fines de "LA CORPORACION".

ARTICULO TRECE: El Patrimonio de "LA CORPORACION" sólo responde de los compromisos contratados por ella a través de sus representantes legales.

CAPITULO III

Organización

ARTICULO CATORCE: La Dirección y Administración de "LA CORPORACION" estará a cargo de:

- a. La Asamblea de Socios.
- b. La Junta Directiva.
- c. La Dirección Ejecutiva

La Asamblea de Socios

ARTICULO QUINCE: La Asamblea de Socios estará integrada por los socios y su atribución principal será delinear la política general de "LA CORPORACION", de acuerdo con la ley, las prescripciones de los presentes estatutos y sus resoluciones, las cuales obligan a todos los socios, aún a los ausentes y disidentes, y no serán susceptibles de ningún recurso.

ARTICULO DIECISEIS: La Asamblea de Socios se reunirá obligatoriamente por lo menos una vez al año, dentro de los tres meses posteriores a la fecha establecida para el cierre de operaciones, para conocer el informe de la Junta Directiva sobre su gestión y las cuentas del período que finalice; la aprobación de dichas cuentas y del presupuesto del ejercicio siguiente; la renovación de aquellos miembros de la Junta Directiva cuya elección le competa y cualquier otro asunto incluido en el orden del día, relativo al desenvolvimiento de "LA CORPORACION" y a la gestión de sus intereses.

La Asamblea de Socios se reunirá, además, cuantas veces lo requiera el interés de "LA CORPORACION".

ARTICULO DIECISIETE: La Asamblea de Socios será convocada por la Junta Directiva mediante aviso contenido en un periódico de circulación nacional, o por medio de circular de convocatoria o por carta certificada o telegrama dirigido a los socios.

En la convocatoria se fijará el día y hora, así como el lugar de la Asamblea, debiendo mediar un plazo no menor de veinte (20) días francos entre la convocatoria y la reunión.

La Junta Directiva deberá convocar a la Asamblea de Socios cada vez que el Estado, o por lo menos una quinta parte de los socios se lo requiera por escrito.

ARTICULO DIECIOCHO: Las reuniones de la Asamblea de Socios se celebrarán en el domicilio social, salvo que el aviso de convocatoria indique otro lugar.

ARTICULO DIECINUEVE: Para deliberar válidamente deberán estar presentes o representados en la Asamblea de Socios, por lo menos la mitad de los socios. Sin embargo, cuando la Asamblea de Socios sea convocada para deliberar sobre cualquier proposición que conlleve modificación de los presentes estatutos o disolución de "LA CORPORACION", deberá reunir un quórum de las tres cuartas partes de los socios. En dichos casos, la Asamblea de Socios se denominará "Extraordinaria".

PARRAFO: Además de los requisitos indicados en este artículo, para fines de determinar el quórum necesario para la Asamblea de Socios, se establece que para ésta deliberar válidamente, ya sea como Asamblea Ordinaria, Extraordinaria o Constitutiva, deberán estar presentes en ella por lo menos dos (2) representantes del sector público.

ARTICULO VEINTE: En caso de que la Asamblea General Ordinaria no reúna el quórum necesario será convocada nuevamente en los próximos 10 días y en esa reunión podrá deliberar válidamente, sobre los puntos contenidos en el orden del día de la primera convocatoria, cualquiera que fuere el número de socios asistentes o representados.

Las disposiciones que anteceden se aplicarán también a las Asambleas Extraordinarias, pero el quórum requerido en la segunda convocatoria deberá ser de por lo menos lamitad de los socios, manteniéndose la condición de que para su validez, esté representado el Estado Dominicano, con por lo menos dos representantes del sector público.

ARTICULO VEINTIUNO: Cada socio tiene derecho a asistir a las reuniones de la Asamblea o hacerse representar por otro socio, mediante poder especial escrito. Ningún socio podrá representar más de dos (2) socios.

Cada socio, además, tiene derecho a participar en todas las deliberaciones y votaciones con derecho a un voto. Las personas jurídicas serán representadas por su representante legal o por un apoderado especial. En lo que respecta al Estado Dominicano, el Presidente de la Junta Directiva tendrá de pleno derecho su representación en cualquier Asamblea General, salvo que se otorgue poder especial a otra persona.

ARTICULO VEINTIDOS: El bufete directivo de la Asamblea General estará compuesto por el Presidente y el Secretario de la Junta Directiva.

ARTICULO VEINTITRES: Las resoluciones de la Asamblea General se tomarán por mayoría simple de los asistentes, salvo en el caso de la Asamblea Extraordinaria señalada en el artículo 19 in-fine, cuyas decisiones necesitarán el voto de por lo menos

las tres cuartas partes de los socios presentes o representadas. Sin embargo, las resoluciones de la Asamblea que decidan la disolución de "LA CORPORACION" se regirán por lo prescrito en el artículo 45 de estos Estatutos.

ARTICULO VEINTICUATRO: Las deliberaciones de la Asamblea General se comprobarán por actas inscritas en un registro especial y firmadas por el Presidente y el Secretario de la Asamblea y por los socios asistentes a dicha Asamblea. Las copias y extractos de dichas actas harán fé cuando estén firmados por el Presidente y el Secretario de la Junta Directiva, o quienes hagan sus veces, y lleven el sello de "LA CORPORACION".

#### La Junta Directiva

ARTICULO VEINTICINCO: La Junta Directiva tendrá a su cargo la dirección y administración de "LA CORPORACION".

ARTICULO VEINTISEIS: La Junta Directiva estará integrada de pleno derecho por cuatro (4) miembros del sector público y por siete (7) miembros del sector privado, que serán designados por la Asamblea de Socios, más el Director Ejecutivo de "LA CORPORACION" La Asamblea de Socios podrá aumentar la cantidad de los miembros del sector privado, hasta el máximo de nueve (9), pero nunca menos de siete (7).

Son miembros del sector público:

- a. El Secretario de Estado de Industria y Comercio, el cual será de pleno derecho el Presidente de la Junta Directiva y el principal representante del Estado Dominicano;
- b. El Secretario de Estado de Relaciones Exteriores, o un representante designado por él;

c. El Gobernador del Banco Central de la República Dominicana, o un representante designado por él;

d. El Director Ejecutivo del Centro Dominicano de Promoción de Exportaciones (CEDOPEX), o un representante designado por él;

Miembros del sector privado:

e. No menos de siete (7) personas y no más de nueve (9), designados por la Asamblea de Socios de "LA CORPORACION"; y

f. El Director Ejecutivo de "LA CORPORACION" quien será de pleno derecho, el Secretario de la Junta.

PARRAFO I: La Asamblea de Socios designará a un Vicepresidente y a un Tesorero de entre los miembros de la Junta Directiva que pertenezcan al sector privado.

PARRAFO II: Los miembros de la Junta Directiva que pertenezcan al sector privado, durará en sus funciones un período de dos años y podrán ser reelegidos por períodos similares y consecutivos por la Asamblea de Socios.

ARTICULO VEINTISIETE: En caso de dimisión o incapacidad permanente de un miembro de la Junta designado por la Asamblea, la Junta Directiva procederá inmediatamente a reemplazarlo hasta tanto se reúna la Asamblea para ratificar dicho nombramiento o designar el sustituto definitivo. En lo que respecta a los demás miembros, éstos serán reemplazados por sus respectivos sustitutos en los organismos de los cuales formen parte.

ARTICULO VEINTIOCHO: La Junta Directiva tendrá un Presidente, un Vicepresidente y un Tesorero designados en la forma antes indicada, un Secretario, quien será el Director Ejecutivo, y el resto serán miembros titulares de la misma.

ARTICULO VEINTINUEVE: Los cargos de la Junta Directiva serán no remunerados. Sin embargo, la Junta Directiva podrá asignar una remuneración a cualquier miembro de dicha Junta, que, en ejecución de sus atribuciones o por delegación de funciones que la Junta le otorgue, dedique de manera permanente todo su tiempo, o una parte importante del mismo, a las actividades de "LA CORPORACION".

ARTICULO TREINTA: La Junta Directiva se reunirá por lo menos una (1) vez al mes y cuantas veces lo exija el interés de "LA CORPORACION".

El Presidente estará obligado a reunir la Junta Directiva cuantas veces lo requieran cuatro (4) miembros de la misma y en caso de que no lo hiciera en un plazo de diez (10) días, los requirientes podrán proceder válidamente a su convocatoria.

ARTICULO TREINTIUNO: En caso de ausencia, enfermedad, impedimento o licencia del Presidente y del Vicepresidente, La Junta Directiva designará uno de sus miembros para que ejerza, mientras tanto, las funciones del Presidente.

ARTICULO TREINTIDOS: Las decisiones de la Junta Directiva se tomarán por mayoría simple de votos. En caso de empate, el voto del Presidente será preponderante.

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ARTICULO TREINTITRES: Para deliberar válidamente la Junta Directiva deberá estar integrada por lo menos por la mitad de sus miembros, debiendo estar siempre representado el Estado Dominicano, con por lo menos dos (2) de los miembros del sector público.

ARTICULO TREINTICUATRO: Las decisiones de la Junta Directiva se comprobarán mediante actas escritas en un registro especial que firmarán el Presidente, el Secretario y los miembros asistentes a la reunión correspondiente. Los extractos de dichas actas harán fé cuando estén firmadas por el Presidente y el Secretario, y selladas con el sello de "LA CORPORACION".

ARTICULO TREINTICINCO: La Junta Directiva proveerá mediante regulaciones internas todo lo relativo a su funcionamiento, licencia de sus miembros, disciplina y cualquier otro asunto referente al mismo no previsto en estos estatutos.

ARTICULO TREINTISEIS: La Junta Directiva estará investida de los más amplios poderes para dirigir y gobernar "LA CORPORACION", así como para llevar su Administración y la gestión de sus operaciones sociales. Podrá, en consecuencia, realizar todos los actos y contratos que interesen al objeto y desenvolvimiento de "LA CORPORACION", cualquiera que fuera su naturaleza, in-

cluyendo la adquisición o enajenación de bienes muebles e inmuebles y derechos reales, pudiendo, en consecuencia, comprar, vender, gravar y disponer de cualquier clase de bienes de "LA CORPORACION" o que éste adquiriera. En general, la Junta Directiva, tendrá todas las atribuciones y facultades que no les estén expresamente prohibidas o que estén reservadas en estos Estatutos a otros organismos o funcionarios de "LA CORPORACION".

PARRAFO: Tiene especialmente los siguientes poderes, los cuales son simplemente enunciativos y no limitativos:

- a. Cumplir y hacer cumplir los presentes Estatutos y las resoluciones de la Asamblea General;
- b. Representar legalmente a "LA CORPORACION" por medio de su Presidente o delegar tal representación en uno de sus miembros, con aprobación de la mayoría, para algunos asuntos específicos;
- c. Elaborar, aprobar o modificar los reglamentos necesarios a los fines sociales;
- d. Designar Comités de Socios o no socios para asistir en actividades específicas de "LA CORPORACION", y aprobar o modificar los proyectos de reglamentos y los de trabajo propuestos por dichos Comités;
- e. Resolver las cuestiones de orden administrativo que le sean planteados y que estén fuera de las atribuciones del Director Ejecutivo;

f. Conocer el informe mensual del Tesorero, conforme a lo dispuesto por el Artículo 42 de los presentes Estatutos;

g. Presentar a la Asamblea Anual a que se refiere el Artículo 17, un informe detallado de la labor de cada período anual, acompañado de un estado descriptivo de los ingresos y egresos ocurridos durante el año, así como de las demás cuentas que sean de lugar, y con los detalles de las operaciones de las empresas y de los proyectos de "LA CORPORACION";

h. Convocar las Asambleas Generales;

i. Resolver todo lo relativo a la colocación de los fondos y recursos conforme a los reglamentos existentes;

j. Designar al Director Ejecutivo, así como al personal de "LA CORPORACION", fijándoles a dichos funcionarios y empleados su remuneración y condiciones de trabajo;

k. Abrir cuentas corrientes en los bancos establecidos en la República Dominicana o en el exterior y girar a su cargo, mediante cheques firmados por el Presidente y el Tesorero o las personas a quienes la Junta Directiva delegue poderes para esos fines;

l. Nombrar abogados, convenir con éstos el pago de sus honorarios, ejecutar sentencias, practicar toda clase de embargos, asentir, desistir, establecer recursos y realizar cualquier otro acto judicial o extrajudicial;

m. Aceptar las donaciones, donativos y contribuciones que realicen los socios o terceras personas;

n. Tomar inscripciones de hipotecas o privilegios y cancelarlos o restringirlos;

ñ. Tomar a préstamos por cuenta de "LA CORPORACION" y para fines y necesidades de la misma, los valores que estime convenientes, otorgando cualquier clase de garantía; emitir bonos a esos efectos y garantizar dichos bonos con hipotecas, prendas o anticresis;

o. Adquirir y enajenar por todos los medios toda clase de bienes y derechos mobiliarios e inmobiliarios;

p. Tal como se expresa anteriormente, dichos poderes son puramente enunciativos y por tanto la Junta Directiva podrá realizar todos los actos, operaciones y contratos de administración o de disposición que no le estén expresamente prohibidos por la ley o por estos Estatutos.

ARTICULO TREINTISIETE: La Junta Directiva podrá delegar parte de sus poderes en el Director Ejecutivo o en uno o varios de sus miembros, socios de "LA CORPORACION", o personas ex-

trañas para que actúen conjunta o separadamente. El acto contentivo de dicha delegación, determinará la extensión de los referidos poderes y las condiciones bajo las cuales se ejercerán.

ARTICULO TREINTIOCHO: Los miembros de la Junta Directiva sólo responden de la fiel ejecución de su mandato y no contraen ninguna obligación personal ni solidaria en relación con los compromisos sociales. Sin embargo, si ellos realizaren algún acto o contrajeran algún compromiso por "LA CORPORACION" sin estar autorizados por los Estatutos, por la Asamblea General o por sus propias resoluciones, serán responsables personalmente, no tan sólo por el mismo acto, sino por los daños y perjuicios que ocasionen. Los miembros de la Junta Directiva que voten en contra no contraerán responsabilidad.

Atribuciones de los Miembros de la Junta Directiva.

ARTICULO TREINTINUEVE: Son atribuciones del Presidente:

a. Representar legalmente a la Junta Directiva de "LA CORPORACION" ante los terceros y en justicia, pudiendo en tal calidad, firmar válidamente toda clase de contratos y documentos, salvo cuando los presentes estatutos dispongan que sean necesario, además de la firma del Presidente, la del Tesorero, en cuyo caso se exigirá la firma de ambos;

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- b. Presidir las reuniones de la Asamblea y de la Junta Directiva;
- c. Suscribir las convocatorias de dichas reuniones;
- d. Suscribir con el Secretario los documentos que den fé de las actas y resoluciones de la Junta Directiva y de la Asamblea General.

ARTICULO CUARENTA: Son atribuciones del Vicepresidente:

- a. Colaborar con el Presidente en sus funciones;
- b. Sustituir al Presidente en caso de ausencia temporal, ejerciendo todos los poderes y atribuciones de éste.

ARTICULO CUARENTIUNO: El Secretario de la Junta Directiva será el Director Ejecutivo. Son atribuciones del Secretario:

- a. Ser Secretario de la Asamblea de Socios;
- b. Redactar y suscribir las actas de las sesiones de la Junta Directiva y de la Asamblea General;
- c. Llevar por separado los libros de actas de las Asambleas de Socios y de la Junta Directiva;
- d. Expedir extractos de las actas de las reuniones de la Junta Directiva y de las Asambleas.

ARTICULO CUARENTIDOS: Son deberes y atribuciones del Tesorero:

a. Supervisar los movimientos de ingresos y egresos, y mantener informado al Presidente;

b. Dar cuenta trimestralmente del movimiento de los fondos a la Junta Directiva y presentar anualmente un estado de cuenta a la Asamblea;

c. Organizar la contabilidad de "LA CORPORACION";

d. Colaborar con la Junta Directiva en la elaboración del proyecto anual de presupuesto.

#### Comisario de Cuentas

ARTICULO CUARENTITRES: La primera Asamblea General y cada Asamblea General anual designará uno o más comisarios de cuentas y sus suplentes, quienes podrán ser socios o personas extrañas a "LA CORPORACION", encargados de producir ante la Asamblea General anual siguiente un informe sobre la situación de "LA CORPORACION" y sobre el balance de las cuentas presentadas por la Junta de Directores. Este informe deberá ser entregado al Presidente de "LA CORPORACION" en el domicilio de ésta, quince (15) días por lo menos antes de la fecha fijada para la reunión de la Asamblea General que deba ser presentado. Los Comisarios durarán en sus funciones un (1) año y podrán ser reelegidos por períodos sucesivos.

Durante los noventa (90) días anteriores a la fecha fijada para la reunión de la Junta Anual, el o los Comisarios tendrán el derecho de tomar comunicación de los libros y de examinar las operaciones de "LA CORPORACION" cada vez que así lo estime conveniente el interés social.

Cada semestre se preparará un estado sumario de la situación activa y pasiva de "LA CORPORACION", el cual será puesto a disposición de los comisarios de cuentas.

En caso de urgencia los comisarios podrán convocar la Junta General.

A falta de nombramiento del o de los comisarios y sus suplentes por la Asamblea General o en caso de impedimento o negativa de uno o más de los comisarios nombrados, se procederá a su designación o a su reemplazo por acto del Presidente del Tribunal de Comercio del domicilio de la Asociación, a instancia de cualquier interesado y citados en forma los Directores.

#### El Director Ejecutivo

ARTICULO CUARENTICUATRO: La Junta Directiva designará un Director Ejecutivo que tendrá el carácter de mandatario de dicha Junta, de conformidad con los poderes que le sean asignados por ésta y las atribuciones que le confieren los presentes estatutos.

ARTICULO CUARENTICINCO: El Director Ejecutivo, independientemente de los poderes que por delegación le confiera la Junta Directiva, tendrá las siguientes atribuciones:

- a. Asegurar la buena marcha de las actividades de "LA CORPORACION" y, a tales fines, cumplir y hacer cumplir las resoluciones de la Asamblea y la Junta Directiva;
- b. Asistir a las reuniones de la Junta Directiva;
- c. Ser Secretario de la Junta Directiva;

d. Proponer a la Junta Directiva la designación o destitución de cualquier miembro del personal, así como la implantación de reglamentos internos de trabajo. Suspender cualquier empleado o trabajador provisionalmente hasta tanto la Junta Directiva resuelva sobre dicha suspensión;

e. Someter a la consideración de la Junta Directiva, aquellos asuntos que a su juicio debe conocer ese organismo o cuyo estudio, consideración o decisión convenga en beneficio de "LA CORPORACION";

f. Ejecutar el presupuesto aprobado por la Asamblea según el Artículo 16 de los presentes Estatutos.

#### CAPITULO IV

##### Disolución

- ARTICULO CUARENTISEIS : "LA CORPORACION" podrá ser disuelta por resolución de la Asamblea Extraordinaria o por sentencia del Tribunal de Comercio competente, de conformidad con el Artículo 12 de la Ley 520 del 26 de julio de 1920, modificado por la Ley 666 del 7 de julio de 1982.

PARRAFO UNO: La resolución de la Asamblea Extraordinaria que decida la disolución de "LA CORPORACION" deberá ser aprobada por la 3/4 parte de los socios que integren "LA CORPORACION" en ese momento.

PARRAFO DOS: La Asamblea General Extraordinaria que resuelva disolver "LA CORPORACION", en virtud de lo más arriba expresado, designará a los socios que procederán a la liquidación del patrimonio corporativo, reglamentará de manera amplia y pormenorizada la forma en que se procederá a la liquidación del patrimonio corporativo, reglamentará de manera amplia y pormenorizada la forma en que se procederá a la liquidación de dicho patrimonio. Una vez terminada la liquidación, los bienes de "LA CORPORACION" pasarán a otra asociación o asociaciones que acuerde la Asamblea, los cuales deberán tener fines similares a los de "LA CORPORACION". En caso de que al momento de la liquidación no existiera una entidad con fines similares o de que la Asamblea no se haya podido poner de acuerdo sobre el particular, el Estado Dominicano pasará a ser propietario de dichos bienes.

## CAPITULO V

### Disposiciones Generales

ARTICULO CUARENTISIETE: Los ejercicios sociales durarán del primero de enero al 31 de diciembre de cada año, con excepción del primer año que abarcará desde el día de la constitución de "LA CORPORACION" hasta el 31 de diciembre de ese año.

Cada año se practicará un balance y se presentarán los estados financieros que sean necesarios para demostrar claramente la situación económica de "LA CORPORACION". Dichos es-

tados financieros deberán quedar concluídos dentro de los tres meses siguientes a la clausura de cada ejercicio y ser entregados a la Junta Directiva, a fin de que oportunamente pueda someterlos a la consideración de la Asamblea con los informes, explicaciones y documentos que se consideren convenientes. La Junta Directiva contratará auditorías independientes y las cuentas deberán ser debidamente auditadas antes de someterse a la consideración de la Asamblea.

ARTICULO CUARENTIOCHO: "LA CORPORACION" llevará los siguientes libros:

- a. Un libro registro de actas de la Asamblea de Socios;
- b. Un libro registro de actas de la Junta Directiva;
- c. Un libro registro de los socios;
- d. Cualesquiera otros que señale la Junta Directiva.

Dichos libros deberán ser foliados y rubricados por un Juez de Paz del municipio donde esté el domicilio social a la fecha de apertura, en la primera y última página, de conformidad con el Artículo 7 de la Ley 520 antes indicada, salvo los señalados en los literales a y b que anteceden.

ARTICULO CUARENTINUEVE: La contabilidad social será llevada en la forma más clara y precisa; en ella deberán figurar to-

dos los ingresos y egresos de "LA CORPORACION", con indicación de la procedencia de los primeros y la inversión de los segundos.

Dicha contabilidad estará sujeta a la fiscalización del Estado Dominicano, el cual dispondrá las auditorías que estime convenientes.

ARTICULO CINCUENTA .: Los socios fundadores y los que ingresen recibirán un Certificado donde conste su condición de socios de "LA CORPORACION".

## CAPITULO VI

### Disposiciones Transitorias

ARTICULO CINCUENTENO: Dentro de los 30 días a partir de la fecha de suscripción de los presentes Estatutos, se celebrará una Asamblea General de Socios, denominada "Asamblea Constitutiva" para aprobarlos, declarar constituida "LA CORPORACION" y designar los miembros de la Junta Directiva, cuya elección le compete. Dicha Asamblea podrá ser convocada por cualquier socio fundador y se reunirá y deliberará conforme las prescripciones dictadas para las Asambleas Ordinarias en los presentes Estatutos.

ARTICULO CINCUENTIDOS: El Presidente de la Junta Directiva queda investido de todos los poderes necesarios para solici-

tar al Poder Ejecutivo la incorporación de "LA CORPORACION" y realizar cualquier acto relacionado con dicha finalidad.

Hecho y firmado en ocho (8) originales, dos para ser depositados en el archivo de "LA CORPORACION"; cuatro (4) para ser entregados al Procurador General de la República para que gestione el Decreto de Incorporación ante el Poder Ejecutivo; y los dos restantes para ser depositados en la Secretaría del Tribunal de Comercio y en el Juzgado de Paz de la comunidad donde esté el domicilio social a la fecha de apertura, República Dominicana, el día                      del mes de                      del año mil novecientos ochenta y cinco (1985).

FIRMAS

3 de Julio, 1985

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TABLE I

ANNUAL COST TO THE FIRM PER WORKER  
(Figures in US\$ at 3:1 Conversion 1985 Rates)

<u>Nominal Yearly Wage per Worker</u>	<u>Hourly Wage Rate</u>	<u>Benefits</u>	<u>Yearly Cost</u>
Agribusiness:			
(Rate + Benefits) x 8 x 6 x 52*	\$0.29	\$0.00	\$ 728
Industry:			
(Rate + Benefits) x 8 x 6 x 52	\$0.39	\$0.12	\$1,273

Annual Cost to the Firm per Worker:\*\*

<u>Year</u>	<u>Agribusiness</u>	<u>Industry***</u>
1986	764.40	1,336.65
1987	802.62	1,403.48
1988	842.75	1,473.66
1989	884.89	1,547.34
1990	929.13	1,624.71
1991	975.59	1,705.94
1992	1,024.37	1,791.24
1993	1,075.59	1,880.80
1994	1,129.37	1,974.84
1995	1,185.84	2,073.58

\* Rate + Benefits are multiplied by a mean 8 hour workday times an average 6 day workweek by the number of working weeks to obtain in the yearly cost.

\*\* Assumes a yearly wage increase of 5% in both sectors.

\*\*\* Industrial extrapolations were taken from mean figures calculation from operational, light-industry facilities.

TABIE II

PRESENT VALUE CALCULATIONS OF PROJECT COSTS 1/  
(In U.S.\$000)

Year	AID/GODR Contributions 2/	Capital Investments Private Firms 3/		Total Nominal Cost	Total 4/ Present Value
		<u>AG</u>	<u>IND</u>		
1985	2,690	19,250	2,377	24,317	24,317
1986	2,690	19,250	11,275	33,215	28,389
1987	2,690	19,250	6,050	27,990	20,447
1988	-	19,250	6,050	25,300	15,797
	8,070	77,000	25,752	110,822	88,950

- 1/ Project costs include both AID and counterpart equivalent US\$ contributions as well as anticipated capital investment contributions by private companies.
- 2/ AID and counterpart funding disbursements are assumed to be equally distributed beginning in Calendar Year 1985. Actual projected disbursements differ from this equal distribution. Projected disbursements yield even more positive results than shown, since they are skewed toward later years resulting in heavier discounting of cost and effectively increasing the Benefit/Cost ratio.
- 3/ Capital investment in Agribusiness for Plant and for Investment in Production is pro-rated equally over 4 years.
- 4/ Opportunity Cost of Capital (K) = 17%.

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TABLE III

ESTIMATED DIRECT BENEFITS

Year	Employment Generation				Direct Benefits (Millions)			
	Agribusiness		Industry		Nominal		Present Value**	
	Incre- mental	Cummu- lative	Incre- mental	Cummu- lative	Agri- business	In- dustry	Agri- business	In- dustry
1986	3,400	3,400	2,161	2,161	2,595	2,889	2,221	2,469
1987	3,400	6,800	10,250	12,411	5,450	17,419	3,987	12,275
1988*	3,400	10,200	5,500	17,911	8,596	26,395	5,367	16,480
1989	3,400	13,600	5,500	23,411	12,035	36,225	6,422	19,331
1990	1,000	15,500	-	23,411	14,402	38,036	6,569	17,349
1991	1,000	16,500	-	23,411	16,097	39,938	6,275	15,569
1992	-	16,500	-	23,411	16,907	41,935	5,632	13,973
1993	-	16,500	-	23,411	17,747	49,031	5,054	12,539
1994	-	16,500	-	23,411	18,635	46,233	4,536	11,253
1995	-	16,500	-	23,411	19,566	48,545	<u>4,070</u>	<u>10,099</u>
=====							50,133	131,337

\* It is assumed for this analysis that employment cumulatives by 1988 will remain constant in industry for the balance of the period which was examined. The same assumption was made in agribusiness following Year 1992.

\*\* Opportunity Cost of Capital (K) = 17% with Year I = 1986. Project Benefits are calculated for a full ten years.

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(TABLE III - Continuation)

The analysis reveals that a Benefit to Cost Ratio of the project based on the value added of labor alone was:

$$\frac{\text{Benefit}}{\text{Cost}} = \frac{2.04}{1.00}$$

The following conservative assumptions were incorporated into the analysis:

- Benefits accrued for ten years following the initial investments.
- Employment generation increased through Year 3 of the project for the Industrial sector and then remained constant, while in the Agribusiness sector employment increased through Year 6 before stabilizing.
- Secondary and tertiary benefits, such as indirect job creation, which normally are considered were not included in this analysis.
- Opportunity Cost of Capital (K) was set equal to a nominal value of 17%.
- Capital Investment in agribusiness was assumed to be spread equally through Years 1985/1988.
- Benefits which normally flow through the increased levels in foreign exchange were also not considered.
- An incremental wage increase of 5% was added to each year to account for cost of living increases or increases in the minimum wages.
- Investments made in 1985 were not calculated to have an impact until 1986.
- Incremental agribusiness jobs required a capital investment of \$5,700. Capital Investments projected in the six agribusiness areas were disaggregated on a per annum basis and equal distributions were assumed for the total annual investment. Anticipated incremental employment was calculated as a function of the capital investment stream through 1989. (Table IV)

TABLE IV

AGRIBUSINESS DISAGGREGATION

<u>Product</u>	<u>Capital Investment (85-88) Per Annum (US\$ Millions)</u>	<u>Jobs Created* (86-89)</u>
Oilseed	\$ 8.75	1,535
Citrus	\$ 2.33	408
Feed	\$ 4.75	833
Fruits and Vegetables	\$ .75	132
Flowers	\$ 1.92	337
Prawn	<u>\$ .75</u>	<u>132</u>
	\$19.250	3,377

\* Investments in 1985 are assumed to lag one year before benefits of job creations accrue. The cost of creating one job in the Agribusiness Sector was calculated at 1985 US\$5,700.

TABLE V  
INDUSTRIAL SECTOR  
FORECASTS

	Fore- casted <sup>1</sup> Jobs Without IPC <u>Total</u>	Fore casted <sup>2</sup> Jobs With Project <u>Total</u>	Incre- mental <sup>3</sup> Jobs With IPC <u>Total</u>	Incre- mental Jobs With IPC <u>Per Annum</u>	Gross FX Gain per Job <sup>5</sup>	FX Gain (US\$ Millions)  <u>Per Annum</u>
1985	28,063	28,063	-	-		
1986 (I)	30,095	32,256	2,161	2,161	\$1187	\$ 2.6
1987 (II)	32,127	44,538	12,411	10,250 <sup>4</sup>	\$1169	\$14.5
1988 (III)	34,160	52,071	17,911	5,500	\$1151	\$20.6
1989 (IV)	36,192	59,603	23,411	5,500	\$1132	\$26.5
				<u>23,411</u>		<u>\$64.2</u>

- 1 Trend line Analysis utilizing the Sum of the Least Squares was used to calculate data from 1980 onwards.
- 2 As a result of CPI activities it is assumed that average number of employees per company would increase from 230.5 to 240.5. Project impact begins in year, 1986 (I).
- 3 These jobs are attributable to IPC activities which have increased investment activity in the Industrial Sector.
- 4 Average number of employees per company is estimated to increase to 250 because of additional new companies going into full production. Capital investment costs of creating a new job was calculated to \$1,100.
- 5 These figures were subjected to a Trend Line Analysis using sum of the Least Squares Method. Monetary Law changes in February 1985 ( which altered favorable Governmental exchange from US\$1:RD\$1.48 to parallel market rates of US\$1:RD\$3) indicates that FX earnings of the GODR in US\$ terms will be less than prior years. Earnings are therefore estimated to be 51% less favorable than the projected FX earnings per job beginning in 1986 and are reflected accordingly.

**NOTE:** Expansion of Industrial Activity was limited by the logistics of construction in the Free Zones. Funds have been allocated for 50 new buildings which are anticipated to be on-stream by 1987. Construction activities are as follows: Puerto Plata (5), La Romana (12), Santiago (20) San Pedro (3), Bani (5) and ITABO (5). Demand for space exceeds ability to supply. Following 1987 it was assumed that 22 new firms would enter per year.

IPC BUDGET DETAIL

OBJECT OF EXPENSE	YEAR I		YEAR II		YEAR III	
	RDS	US\$	RDS	US\$	RDS	US\$
Salaries & Fringes	371,880	60,000	409,086	120,000	449,974	132,000
Capital	112,298	41,500 (**)	---	41,500 (***)	---	---
Program (****) (incl. T/A)	227,800	372,000	176,500	532,500	196,500	532,500
Overhead	107,300	46,000	110,500	87,000	110,500	86,500
Grant (*)	1,242,554	1,316,166	1,242,554	1,316,166	1,242,554	1,316,166
TOTALS	<del>2,061,838</del>	<del>1,835,666</del>	<del>1,938,640</del>	<del>2,097,166</del>	<del>1,999,528</del>	<del>2,067,166</del>

(\*) Grant funds are notionally divided equally over the three-year life of project for presentation purposes. In practice, distribution will probably be unequal.

(\*\*) Washington office.

(\*\*\*) Atlanta or Miami office.

(\*\*\*\*) Includes consulting assistance both in D.R. and U.S. which is payable in US\$. For additional detail, see Chapter VIII, Training and Technical Assistance.

CPI CORE UNIT (STAFF)

<u>Expenditure</u>	<u>YEAR I</u>		<u>YEAR II</u>		<u>YEAR III</u>	
	<u>RD\$</u>	<u>US\$</u>	<u>RD\$ (1)</u>	<u>US\$ (1)</u>	<u>RD\$ (1)</u>	<u>US\$ (1)</u>
<u>Salaries (Annual)</u>						
Executive Director	50,000		55,000		60,500	
Deputy Director	45,000		49,500		54,450	
Investment						
Counsellors(4)	160,000		176,000		193,600	
Account/						
Administrator	12,000		13,200		14,520	
Executive Secretary	9,600		10,560		11,616	
Secretary	8,500		9,350		10,285	
Secretary/						
Receptionist(2)	14,000		15,400		16,940	
Chauffer	4,200		4,620		5,082	
Messenger	3,600		3,960		4,356	
Cleaner	3,000		3,300		3,630	
Director US Ops (DC)		30,000		33,000		36,300
Secretary (DC)		20,000		22,000		24,200
Manager, Atlanta						
or Miami		----		25,000		27,500
Secretary, Atlanta						
or Miami		----		20,000		22,000
	<u>309,900</u>	<u>50,000</u>	<u>340,890</u>	<u>100,000</u>	<u>374,979</u>	<u>110,000</u>
Salaries						
Fringes @ 20%	61,980	10,000	68,196	20,000	74,995	22,000
Subtotal Personnel	371,880	<del>60,000</del>	409,086	120,000	449,974	132,000

(1) C.O.L. increase = 10% p.a.

Expenditure

Program Costs	Year I (1)		Year II (2)		Year III	
	RD\$	US\$	RD\$	US\$	RD\$	US\$
Publications/Printing	60,000		20,000		30,000	
Videocassette Production/Rpro	15,000				10,000	
Consultants/Technical Assist.	50,000	250,000 (*)	50,000	350,000 (*)	50,000	350,000 (*)
Investment Missions	32,000	52,000	35,000	50,000	35,000	50,000
Subscriptions	1,800	5,000	2,500	2,500	2,500	2,500
Training	3,000		3,000		3,000	
Representation	6,000	25,000	6,000	50,000	6,000	50,000
Travel and Subsistence	60,000	40,000	60,000	80,000	60,000	80,000
<u>Subtotal</u>	<u>227,800</u>	<u>372,000</u>	<u>176,500</u>	<u>532,500</u>	<u>196,500</u>	<u>532,500</u>
<u>Overhead Costs</u>						
Petty Cash	3,000	6,000	3,000	12,000	3,000	12,000
Rent	30,000	12,000 (**)	30,000	25,000	30,000	25,000
Utilities	15,000	3,000 (**)	15,000	6,000	15,000	6,000
Telephone	6,000	8,000 (**)	6,000	12,000	6,000	12,000
Telex	9,600	6,000 (**)	10,000	10,000	10,000	10,000
Maintenance of Vehicles & Equipment	3,600	1,000 (**)	4,000	2,000	4,000	2,000
Xerox	9,600	2,500 (**)	10,000	5,000	10,000	5,000
Vehicle Insurance (& Other)	2,500	1,000	2,500	2,000	2,500	2,000
Office Supplies	9,000	3,000	10,000	5,000	10,000	7,500
Gasoline, etc.	9,000		10,000		10,000	
Postage, subscriptions, etc	<u>10,000</u>	<u>2,500</u>	<u>10,000</u>	<u>5,000</u>	<u>10,000</u>	<u>5,000</u>
<u>Subtotal</u>	<u>107,300</u>	<u>46,000</u>	<u>110,500</u>	<u>87,000</u>	<u>110,500</u>	<u>86,500</u>
<u>TOTAL</u>	<u>335,100</u>	<u>418,000</u>	<u>287,000</u>	<u>619,500</u>	<u>307,000</u>	<u>619,000</u>

(1) Includes Washington, DC office

(2) Assumes second US office, Atlanta or Miami

(\*) Consultants will assist both DR headquarters and US representatives, but cost will be payable in US\$.

(\*\*) These costs may be eliminated if CPI office is located in Dominican Embassy in Washington.

Expenditure

Capital Costs (non-recurring) (D.R. only)

	<u>YEAR I (**)</u>
	<u>RD\$</u>
<u>Equipment and Construction</u>	
Vehicle equipment	20,000
Electrical equipment	1,200
Typewriters (2)	7,248
Calculators (2)	1,500
Computer or Word Processor	28,000
Audio visual equipment	9,000
Air-conditioning units	9,600
Office renovation	5,000
Telephone installation	4,500
Telex installation	500
Air-conditioning installation	<u>4,500</u>
Subtotal	91,048
<u>Furniture (*)</u>	
Desks, chairs, conference table, files, etc.	Subtotal <u>21,250</u>
Total Capital	RD\$112,298

(\*) Required for move to larger premises.

(\*\*) No additional capital expenditure is planned for Years II and III.

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CHICAGO ASSOCIATION - CBPC

BUDGET DETAIL  
 PROPOSED BUDGET FOR CONTINUATION OF THE CARIBBEAN  
 BASIN PROMOTION CENTER ON BEHALF OF THE DOMINICAN REPUBLIC  
 AND COSTA RICA, OCTOBER 1, 1985 - SEPTEMBER 30, 1988

ANNEX J.2  
 Page 1 of

	TOTAL 1st YR	TOTAL 2nd YR	TOTAL 3rd YR	3-YR TOTAL
<b>I. SALARIES</b>	\$195,300	\$210,925	\$227,800	\$634,025
FRINGES at 26.85%	52,438	56,633	61,164	170,235
<b>SUB-TOTAL</b>	<u>247,738</u>	<u>267,558</u>	<u>288,964</u>	<u>804,260</u>
<b>II. TRAVEL &amp; PER DIEM (DOMESTIC)</b>				
• 6 R/T CHI-WASH. at \$400	2,400	2,400	2,400	
Per Diem: 12 nights at \$75	900	900	900	
• 16 R/T CHI-OTHER at \$500	8,000	8,000	8,000	
Per Diem: 48 nights at \$75	3,600	3,600	3,600	
• Local Trans., car rental, etc	1,500	1,500	1,500	
<b>(INTERNATIONAL)</b>				
• Invest./Trade: 8 R/T at \$600	4,800	4,800	4,800	
Per Diem: 80 nights at \$70	5,600	5,600	5,600	
• Management: 6 R/T at \$600	3,600	3,600	3,600	
Per Diem 30 nights at \$70	2,100	2,100	2,100	
• Consultants: 2 R/T at \$600	1,200	1,200	1,200	
Per Diem: 12 nights at \$70	840	840	840	
In-Country Trans: 122 days at \$12	<u>1,464</u>	<u>1,464</u>	<u>1,464</u>	
<b>SUB-TOTAL</b>	36,004	36,004	36,004	108,012
<b>III. OTHER DIRECT COSTS</b>				
• Telephone & Telex	22,000	24,000	26,000	
• Postage & Courier	7,000	7,300	7,800	
• Photocopies, Printing, Trans.	12,500	13,000	13,500	
• Office Supplies	200	210	220	
• Special Events; Mtgs.	6,000	6,000	6,000	
• Computer Pur.; Instal, Spls.	22,000	1,000	1,000	
• Other Equip. Purchase	1,000	1,000	1,000	
• Equip. Maintenance	2,400	2,400	2,400	
• Medical Exams	540	540	540	
• DBA Insurance	900	900	900	
• Pspts., Visa, Entry/Exit Fees	500	500	500	
• Dues, Registrations, Subs.	2,000	2,000	2,000	
• Temporary Help	2,000	2,000	2,000	
• Contingency & Misc.	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	
<b>SUB-TOTAL</b>	<u>81,040</u>	<u>62,850</u>	<u>65,860</u>	209,750
<b>SUB-TOTAL I-III</b>	364,782	366,412	390,828	1,122,022
<b>IV. OVERHEAD (46.96% of I-III)</b>	171,302	172,066	183,532	526,900
<b>V. SUB-CONTRACTS</b>				
• Representative in Dom. Rep.	33,600	35,300	37,000	105,900
• Benchmarks, Inc.	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>180,000</u>
<b>TOTAL BUDGET</b>	\$629,684	\$633,778	\$671,360	\$1,934,822

Capital Costs (non-recurring) (USA Only)

	<u>Year I</u>	<u>Year II</u>
	<u>Washington, DC (*)</u>	<u>Atlanta or Miami (**)</u>
Typewriter/Office Equipment	US\$ 3,000	US\$ 3,000
Computer/Word Processor	10,000	10,000
Furniture	15,000	15,000
Photocopier (rental)	3,500	3,500
Telephone & Telex Installation and Rental	5,000	5,000
Miscellaneous	<u>5,000</u>	<u>5,000</u>
Subtotal Capital (USA)	<u>US\$41,500</u>	<u>US\$41,500</u>

(\*) = Most of these costs will be avoided if CPI Washington office is located in the Dominican Embassy in Washington, D.C.

(\*\*) = Establishment of Atlanta or Miami will depend upon satisfactory performance of Washington office.

## SUMMARY BUDGET AND ALLOCATION BY USAID MISSION

	YEAR 1	YEAR 2	YEAR 3	TOTAL
<u>COSTA RICA</u>				
I. SALARIES	\$123,869	\$133,779	\$144,482	\$402,130
II. TRAVEL & PER DIEM	18,002	18,002	18,002	54,006
III. OTHER DIRECT	<u>40,520</u>	<u>31,425</u>	<u>32,930</u>	<u>104,875</u>
SUB-TOTAL	182,391	183,206	195,414	561,011
IV. OVERHEAD	85,651	86,033	91,766	263,450
V. SUBCONTRACTS				
1. Rep. in D.R.C.				
2. Benchmarks	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>90,000</u>
TOTAL	\$298,042	\$299,239	\$317,180	\$914,461
<u>DOMINICAN REPUBLIC</u>				
I. SALARIES	\$123,869	\$133,779	\$144,482	\$402,130
II. TRAVEL & PER DIEM	18,002	18,002	18,002	54,006
III. OTHER DIRECT	<u>40,520</u>	<u>31,425</u>	<u>32,930</u>	<u>104,875</u>
SUB-TOTAL	182,391	183,206	195,414	561,011
IV. OVERHEAD	85,651	86,033	91,766	263,450
V. SUBCONTRACTS				
1. Rep. in D.R.	33,600	35,300	37,000	105,900
2. Benchmarks	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
TOTAL	\$331,642	\$334,539	\$354,180	\$1,020,361
<u>BUDGET TOTAL</u>				
I. SALARIES	\$247,738	\$267,558	\$288,964	\$ 804,260
II. TRAVEL	36,004	36,004	36,004	108,012
III. OTHER DIRECT	<u>81,040</u>	<u>62,850</u>	<u>65,860</u>	<u>209,750</u>
SUB-TOTAL	364,782	366,412	390,828	1,122,022
IV. OVERHEAD	171,302	172,066	183,532	526,900
V. SUBCONTRACTS				
1. Rep in D.R.	33,600	35,300	37,000	105,900
2. Benchmarks	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>180,000</u>
TOTAL	\$629,684	\$633,778	\$671,360	\$1,934,822

TECHNICAL ASSISTANCE BUDGET  
(US\$000)

	Y E A R			TOTAL
	<u>1</u>	<u>2</u>	<u>3</u>	
Summary	<u>250</u>	<u>350</u>	<u>350</u>	<u>1,000</u>
Long-term advisor in DR <sup>1/</sup> (full time)	110	115	120	345
Technical backstop in US <sup>2/</sup> (full time)	60	65	70	195
Short-term specialized ass't (12 months) <sup>3/</sup>	20	20	20	60
Operational Costs (Travel in US and to DR) (Perdiem) (Telephone/communications) (Miscellaneous)	60	70	70	200
Overhead for firm <sup>4/</sup>	<u>150</u>	<u>155</u>	<u>160</u>	<u>465</u>
TOTAL	400	425	440	1,265

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- 1/ Salary of \$65,000 first year, \$70,000 second year and \$75,000 third year.  
2/ Salary only.  
3/ \$250/day x 20 days/mo. x 24 mos.  
4/ 100% of salaries to cover benefits and fees.

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TECHNICAL ASSISTANCE SCHEDULE

<u>IPC</u>			<u>Required Person-Months</u> 1).
U.S. Office			
-	Short-term	TA	18
-	Long-term	TA	36
Santo Domingo Office			
-	Short-term	TA	18
-	Long-term	TA	36
Business Climate			
CEDOPEX			
-	Short-term	TA	4
Customs Service			
-	Short-term	TA	4
Data Collection			
CEDOPEX			
-	Short-term	TA	4
-	Systems Analyst		2
Secretariat of Industry and Commerce			
-	Short-term	TA	4
-	Systems Analyst		2
Export Development Services			
ADOEXPO			
-	Short-term	TA	4
CEDOPEX			
-	Short-term	TA	4

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Export Trading Companies			
- Short-term	TA		4
Investor Services			
- Short-term	TA		10
Promotion			
- Short-term	TA		3

) Calculation were based on a mean estimated cost of \$12,000 per man-month.

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