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ACTION PLAN -- FYs 1986/1987

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USAID/DOMINICAN REPUBLIC

ACTION PLAN -- FYs 1986/1987

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USAID/DOMINICAN REPUBLIC

ACTION PLAN: FYs 1986/1987

I. BACKGROUND. THE ECONOMIC ENVIRONMENT

The economic difficulties now being faced by the Dominican Republic have as their antecedent a series of policy decisions dating back to 1965. Traditionally an agrarian society, the Dominican Republic only began to develop domestic industrial capacity under the Balaguer administration, with the 1968 enactment of the Industrial Incentives and Protection Law (Law 299), which laid the foundation for the development of an Import Substitution Industry (ISI).

Between 1968 and 1974, the Dominican economy experienced rapid economic growth with an average annual GDP growth of 11%. High levels of industrial investment coincided with expanding world trade and high prices for traditional agricultural exports. As more ISIs were established, additional white-collar jobs were created, a middle class began to emerge, and the demand for middle-class consumer products increased, leading to more foreign imports. Demand for foreign exchange increased more rapidly than the amounts that the traditional exports (sugar and coffee) could supply, and the parallel market began to show a 10% premium for U.S. dollars.

The drastic increase of oil prices in 1974 further increased the demand for foreign exchange. Fortunately, rising world sugar and coffee prices, new gold exports, and a drawdown on foreign exchange reserves provided sufficient foreign exchange to maintain a precarious external balance with an average 20% parallel market premium. However, because of a relatively small domestic market, opportunities for ISI investment began to decline. Reduced industrial investment brought the average GDP growth rate down to 5%. Throughout the period, however, external debts were low and the debt service burden did not exceed 11% of foreign exchange earnings. Public sector deficits rarely exceeded 0.5% of GDP, and there were even some years of budget surpluses. Nevertheless, the economy contained two basic weaknesses: agricultural output, under the burden of price controls, stagnated to less than 2% a year growth, and the national rate of unemployment exceeded 20%, even when the economy was growing at the rate of more than 10% a year.

With the doubling of oil prices in 1979 and precipitous drop in sugar prices in 1981, the Dominican economy went into a tail spin. Externally, trade imbalances became increasingly severe, and internally, the country was unable to adjust spending to income. Increasingly high levels of public spending were not supported by an adequate revenue base and public sector deficits mounted rapidly; a contributing factor to the government's fiscal deficit problem were the losses incurred by public sector enterprises. Much of the deficit was financed with expensive short-term external borrowing, and

by 1984 the country's external debt burden reached $3 billion. Structural imbalances in the private sector import-substitution industries further inhibited export growth needed to generate more foreign exchange. Price controls, inappropriate and unrealistic exchange rates, import-substitution and anti-export trade policies, and other structural inefficiencies also exacerbated the problem. As a result, by the end of 1984, the parallel market exchange rate increased from a 20% premium to 200%, real GDP growth declined to less than 2%, and official inflation reached more than 35%.

A. Short-Term Economic Stabilization: The GODR Response

1. Adjustment Toward Exchange Unification

In mid-1982, the new Jorge Blanco government proposed a broad-based financial and economic reform program, and requested IMF support through a three-year Extended Fund Facility (EFF) arrangement. This was formally approved by the IMF for an amount equivalent to SDR 371.25 million (about US$450 million at the time) for the three-year period, 1983-1985. The financial program for the EFF established targets or limits on net assets, credit, international reserves, external payment arrears, foreign loan disbursements and import payment transfers. On the strength of this 1983 IMF agreement, negotiations were begun with foreign commercial banks to reschedule up to US$600 million in short-term commercial credits. This was concluded in late 1983 with an agreement that required a GODR down-payment of 5%, with amortization to be made in 17 quarterly installments starting January 1985.

The GODR met the performance criteria of the IMF-EFF agreement through September 1983, but by the end of the year, it was substantially out of compliance, due to excessive fiscal deficits. Subsequent EFF negotiations with the IMF for the second year program were not successful, and negotiations were suspended in May 1984 and subsequently terminated in July. The principal obstacle was the GODR's reluctance to carry out a schedule for completing transfers of all imports to a parallel market rate of exchange, including petroleum imports, with an appropriate pass-through to consumers. The GODR political judgment was that continued rapid price increases could incite further violence like the rioting of April 1984, which resulted in more than 60 deaths. In subsequent discussions about a possible Stand-By Arrangement, the GODR agreed to proceed with the transfer of petroleum imports to an appropriate intermediate exchange rate, but by then there was disagreement on other GODR subsidy policies.

In August 1984, the GODR issued an Economic Policy Statement outlining a set of Policy Reform and comprehensive adjustment measures through 1985. While not concluding any formal agreement, the IMF accepted this statement as "a transitional program leading into a comprehensive Stand-By arrangement", and negotiations were revived. The GODR also moved petroleum imports to an intermediate exchange rate and raised the prices of petroleum products by an average of 70%. With this change, most import transactions were to be made at rates greater than the official parity. Exceptions remained, including public debt, private debts registered prior to April 17,

1984, some basic foods and medicine, and petroleum imports destined for use by the Dominican Electricity Corporation (CDE). The GODR also announced its intention to unify the exchange rate at "a realistic level by the end of 1985", and to take various measures to reduce public sector deficits, limit money supply, and maintain less than 10% a year inflation.

On January 23, 1985, the GODR announced the abandonment of the multiple exchange rate practice and unified all currency exchange at a freely determined market rate. This decision has eliminated the major source of price distortions. All imports, consumer goods as well as raw material imports, must now be transacted at their true market value, untampered by government intervention. In addition to the unification measure, the GODR announced other policy measures related to monetary, financial, and fiscal reforms, including:

-- No net increase in credit to the public sector from the Central Bank and the state owned commercial bank, the Banco de Reservas.

-- A temporary surcharge of 36% on traditional exports and 5% on non-traditional exports, except tourism, with receipts to be used to provide resources for the Exchange Stabilization Fund created within the Central Bank.

-- Minimum value of financial certificates issued by commercial banks, savings associations, and development banks reduced to RD$10,000, and 180 day minimum maturities with annual interest rates to be set by each institution at between 9.5% and 18%.

-- Fuel prices increased by about 60%, electricity rates increased between 42% and 68% for residential users of more than 300 KW monthly, and between 9% and 51% for commercial users. Industrial electricity user rates increased by 25% initially and 2% per month through 1985 to total of 49%.

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 adjustments due to the higher market exchange rate should not continue once the free market rate stabilizes, if stringent stabilization measures are pursued. The free market rate after the unification announcement rose as high as RD$3.50 to US$1.00, but later fell to RD$2.70 to US$1.00 before it stabilized at the current level of RD$3.20 to US$1.00. 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. In an attempt to deal with this problem, within the IMF guidelines, the government proposed an increase in the minimum wage from RD$175 per month to RD$225. The Dominican Congress approved an alternative

higher minimum wage of RD$250, which has been vetoed by the President. No definitive resolution of this issue has been achieved.

2. IMF Stand-By Agreement

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 23, 1985. The D.R. may purchase SDR 78,5 million spread over a year, and conditioned on quarterly consultations. Under the Agreement, the following performance criteria must be met by June 30, 1985: (1) combined Central Bank and Reserve Bank net public sector credit cannot increase by more than RD$100 million, (2) the Central Bank net domestic assets must be reduced by RD$50 million, (3) net foreign assets must increase by US$35.9 million, and (4) external arrears must be reduced by US$64 million. As of December 31, 1985, there is to be (a) no increase in Central Bank and Reserve Bank net credits to the public sector, (2) a RD$164.8 million reduction in net domestic assets from 1984 levels in the Central Bank, (3) a US$108.7 million increase in net foreign assets, (4) a US$89 million payment of external arrears, and (5) disbursements under non-concessional external public debt must be limited to US$19.3 million (for maturities less than one year), and US$198.5 million (for maturities of one to twelve years). The IMF agreement is predicated on the premise that the GODR will successfully reformulate debt payment schedules with international commercial banks and Paris Club members. Including the 1984 arrears, commercial bank and Paris Club debt payments due in 1985 amount to US$292 million and US$209 million respectively. Since February 1985, the GODR has been negotiating with commercial bank representatives for a long-term rescheduling of the arrears. They anticipate a resolution by early May. The GODR also has submitted a rescheduling request to the Paris Club, and negotiations are currently scheduled to begin on May 26.

3. Short-Term Implications of the Stand-By Agreement

The IMF agreement is only the first step toward economic stabilization. In order to stay in compliance with the agreement, the GODR must undertake a series of adjustments with regards to monetary and credit, fiscal and balance of payments policies:

a. Monetary and Credit Policies

As the first step in reversing inflation, reducing public sector deficits, and stabilizing the peso, the Central Bank will need to: (1) refrain from providing additional credits to the public sector; (2) increase interest rates to encourage private sector savings, which can then be used to must private sector credits needs; (3) correspondingly reduce Central Bank credits to commercial banks and other financial institutions as a means of reducing net domestic assets; (4) increase net foreign assets by purchasing foreign exchange in the free market; and (5) refrain from external non-concessional short-term borrowing. The Central Bank also must keep a close surveillance on Reserve Bank operations to limit its deficit in reserve requirements to no more than RD$125 million. Furthermore, the Central Bank

must market RD$100 million of stabilization bonds by offering more attractive yields. If the Central Bank follows this monetary adjustment program, it is expected that the money supply will increase by no more than 24% in 1985, down from 28% in 1984.

b. Fiscal Policy

Under its IMF Agreement, the GODR has agreed to reduce the public sector deficit to 4.9% of GDP in 1985 from an average of 6.4% during 1981-1984 (see Table B.1, Section V). To keep a lid on public expenditures, the GODR must not increase wages and year-end bonuses without a corresponding increase in public revenues. Unproductive, high cost social programs also must be reduced and unnecessary public consumption checked. Non-essential public sector investments will also have to be delayed to future years, and priority in the allocation of scarce resources must be given to productive private sector activities. To raise public sector revenues, the GODR must also maintain a realistic pricing policy to eliminate implicit and explicit subsidies. Finally, in order to stimulate investment in export industries, the GODR must announce publicly a schedule for eliminating the 36% surcharge on exports and replace it with alternative revenue schemes. Above all, the GODR must adhere to its economic adjustment program, and embark on an economic growth strategy that can be increasingly financed with foreign resources.

c. External Policies

While the exchange unification action of January 23, 1985, was probably the most significant policy decision the GODR has taken to date to reduce its balance of payment deficit, the overall deficit is still projected to be US$149 million by the end of 1985. Although this is an improvement over the US$353 million deficit in 1983 and US$155 million in 1984, the GODR must provide further solutions to its BOP short-term BOP problem. (The total financing gap could increase to US$335 million if the IMF-required net foreign assets increase of US$109 million and the arrearage payments of US$78 million are added to the overall 1985 deficit. See Table B.2, Section V.)

Thus, in addition to successfully negotiating a rescheduling of the country's public and private external debt, the GODR must reduce unnecessary imports, while aggressively promoting exports of non-traditional agricultural, agro-industrial, and light industrial products, while, at the same time, and encouraging additional foreign private investment in free zones and tourism.

B. Long-Term Development Constraints and Opportunities

Even if a short-term economic stabilization measures are successful in bringing inflation under control, in keeping the free market exchange rate stable, and in reducing fiscal and balance of payment deficits, the economy will be unable to maximize its productive capacity because of a series of structural constraints. The economy may stabilize as a result of the

government's economic program, but at a reduced level of economic activity and with unacceptably high levels of unemployment and underemployment.

For the Dominican Republic to maximize its long-term growth potential, given its human and natural resource endowments, it must reorient its productive base toward increasing exports of labor intensive, non-traditional agricultural, agro-industrial, and light industrial products. This constitutes a significant departure from a development strategy emanating from the 1960's, which placed major emphasis on the expansion of import substitution industries, financed largely by export revenues from sugar, coffee, and cacao.

Successful implementation of this new development strategy will provide increased employment opportunities for unskilled and semi-skilled workers and markets for small farmer producers, and will lessen the nation's dependence on sugar as an earner of foreign exchange. It will also, over the long-term increase the nation's income base, stimulate domestic demand for locally produced goods and services, and provide the GODR with the tax resources necessary to finance needed social services and physical infrastructure.

However, to create the conditions for successful implementation of an export-led growth strategy, a series of critical constraints must be addressed:

-- Unstable Business Climate. Foreign investor and local business confidence has been undermined by government mismanagement of the economy and by policies established without careful regard to their long-term impact. These policy constraints include, inter alia, controlled prices and export prohibitions on agricultural commodities. In addition, laws governing and providing tax incentives for new investments are outdated and still favor import substitution industries. Moreover, these laws are extremely complex and, at times, difficult to apply and interpret. Access to land owned or controlled by the State Sugar Council, the Agricultural Bank, and the Agrarian Reform Institute is difficult to obtain for investors and Dominican firms wishing to diversify production. Inefficient import substitution industries and public sector enterprises (CORDE companies) have at times limited competition and also acted as a drain on credit resources. Lastly, despite many positive public pronouncements, excessive bureaucratic delays in processing export licenses have discouraged many smaller firms from trying to export and have impeded new investments by larger enterprises.

-- Credit. Current tight credit policies, coupled with ceilings on lending rates, have not permitted free market access to funds. The result is that banks are unable to mobilize savings and adequately serve clients, in addition, current lending is often based on collateral rather than on an analysis of investment proposals. Thus, the older, established firms are able to receive credit more easily whereas export projects proposed by new groups have difficulty. This situation is compounded by the existance of a rigidly and conservatively controlled banking system which has limited the ability of

commercial and development banks to grow by offering new services to their clients. It is estimated that the non-regulated financial system is providing 30% of the resources to the private sector, yet at very high rates. Finally, there is no organized capital market system to mobilize funds for capital investments.

-- Marketing. The exporters of traditional products have long established outlets and buyer relationships for their commodities. Developing a non-traditional export base is time consuming and expensive because of the need to identify markets and produce goods to buyer specifications. In addition, information on market conditions and requirements (such as prices, styles, colors, acceptable agricultural commodities, quality and quantity standards) is difficult to obtain. Related to these problems is the cost and availability of transportation; shipments by either air or sea are costly and thus must be offset by savings elsewhere. Similarly, these constraints apply to the agricultural sector where national export marketing facilities and associations have yet to be developed.

-- Production. Excess production of goods destined for the domestic market cannot compete in overseas markets. New investments and improved technology will be required to lower production costs, improve standards, and increased volume.

-- Manpower Base. Clearly, many managers, supervisors, and technicians have business experience in traditional export goods or domestic industries. For Dominican firms to diversify and effectively compete in world markets, however, substantial personnel upgrading and retraining will be required. In-country skills training and managerial development programs are currently inadequate to meet this need for non-traditional and export-oriented agricultural and industrial production.

-- Ineffective Research/Technology Applications. Together with debilitating agricultural price controls and price policies, the lack of effective agricultural research and extension services forestalls the nation's ability to produce new agricultural products or even to increase yields of more traditional commodities. Institutional constraints currently inhibit further agricultural expansion.

-- Deficient Physical Infrastructure. The country's basic services and public utilities (roads, ports, electrical distribution, and irrigation systems) are inadequate to support expanded investments in diversified agricultural and industrial production. Also, shortages of cold storage facilities and space in free trade zones is currently restricting foreign investment.

-- Institutional Structure. Many public institutions are poorly organized and staffed. For some private organizations, such as banks, marketing companies, and business associations, their export orientation is a recent phenomenon. Thus, they may be excessively cautious in pursuing opportunities or in financing what they may perceive as risky ventures. These

institutions are unable, at this time, to service and respond quickly to exporters and agricultural/industrial producers who attempt to open new markets and reorient current production.

II. OVERVIEW OF USG AND AID DEVELOPMENTAL INTERESTS

A. Primary U.S. Interests

The United States national interest will be promoted and supported by:

1. A democratic Dominican Republic with an open, growing economy with continuing positive relations with the U.S.;

2. Successful management by the Dominican Republic of the nation's immediate and severe financial crisis;

3. The initiation and implementation of an economic adjustment program in the Dominican Republic that leads directly to economic recovery and self-sustaining growth, and;

4. The expansion of the Dominican Republic's private sector and the development of an improved climate for U.S. investment and trade.

B. AID Goal and Objective

AID's development goals of sustained and equitably distributed economic growth in the Dominican Republic is consistent with, and supportive of, U.S. Government interests and objectives.

The Mission's program strategy and policy dialogue with the GODR will be directed toward achieving the following objectives:

1. Economic Adjustment and Stabilization
2. Private Sector Investment and Export Promotion
3. Agricultural Diversification
4. Development of Supporting Institutional, Physical, and Social Infrastructure

III. THE AID STRATEGIES

A. The Short-Term Economic Strategy: Economic Adjustment and Stabilization

AID's short-term strategy will focus directly on helping overcome immediate problems related to the GODR's economic stabilization and adjustment program that it is currently addressing.

1. Initiation of Structural and Institutional Policy Reform

AID has already initiated a dialogue with the GODR aimed at redressing many of the issues and causes of the current economic crisis.

Within this context, USAID already has two ongoing projects:

-- The Agricultural Policy Analysis Project, which is carrying out a series of short-term studies which can provide the analytical framework for addressing policy and institutional constraints inhibiting growth in the agricultural sector; and

-- The Rural Savings Mobilization Project, which is seeking to increase the availability of domestic credit for productive agricultural and rural-based activities.

Two additional project interventions will begin this FY:

-- The Energy Revenue Collection Project, which will finance technical assistance and equipment to assist the Dominican Electricity Corporation (CDE) to recover a greater percentage of its costs of energy generation, distribution, and consumption, and thereby reduce its dependency on GODR subsidies; and

-- The Economic Policy Analysis Project, which will help establish an analytical unit directly responsible to the GODR's highest level economic leadership, with the capability to carry out short-term analysis and assess the potential impact of policy alternatives necessary for informed decision-making.

Over the next two years, the cabinet-level Policy Unit established by this project will address a series of key issues related to the need to adjust price controls, subsidies and interest rates, reduction of domestic assets, adjust salaries, mobilize domestic savings, and reduce public sector budget outlays, all aimed at meeting IMF targets and stabilizing the present economy (see Section V, New Project Narratives).

2. Balance of Payments and Local Currency Assistance

Although the GODR has taken significant steps to reduce its Balance of Payments deficits by unifying the exchange rates, by increasing effective import tariffs, and by reducing aggregate demand through restrictive monetary emissions and increasing interest rates, current BOP projections for CYs 1986-1987 show a shortfall of US$110 million and US$100 million respectively, even after debt rescheduling. 1/

1/ This shortfall excludes the proposed ESF and the net foreign exchange reserve increase required under the Stand-By Agreement.

Without additional external support, the GODR would have to reduce imports to a level that would delay the economic recovery process and create social and political pressures that may we[illegible]n the resolve of the GODR to meet the economic adjustment target established under the IMF Agreement.

The provision of ESF and Title I resources will help minimize this eventuality, and additionally, provide the U.S. with important leverage which will be used to encourage the GODR to establish the policy framework necessary for sustained growth to occur, based on private sector exports, free trade zone and small industry development, and agricultural diversification. Local currencies generated by the assistance will reinforce our policy initiatives and, in the short-term, will directly support the creation of employment opportunities in free trade zones and small and medium enterprises with the private sector, as well as to attract necessary foreign investment in export-oriented agro-business.

Local currency assistance derived from ESF and PL-480 Title I programs currently account for 90% of the D.R.'s national investment budget, and serve as counterpart funds for AID projects as well as projects funded by other multilateral donors. This has enabled the Mission to coordinate more effectively with the other donors and insure that their programs are consistant with our overall development objectives and do not overburden the D.R. with costly, inefficient, public sector investments.

The following represents the major funding resources which will be required to carry out the Mission's short-term strategy:

	FY-1985	FY-1986	FY-1987
ESF	$95.0 mil.	$60.0 mil.	$50.0 mil
PL-480 Title I	45.5 " *	5.0 "	30.0 "
Development Assistance	24.3 "	30.0 "	32.0 "

* Includes requested additional $10.0 million.

B. The Longer-Term Strategy: 1986-1990

While AID's short-term program will impact directly on redressing the causes of the Dominican Republic's current economic crisis, it was also establish the framework for implementing the Mission's longer-term strategy for sustained economic growth. The longer-term strategy will be developed concurrently, and will seek to establish the mechanisms and means to assure sustained growth with equity. In order to consolidate the gains initiated in the near-term, however, it is essential that appropriate policy and structural reforms be designed and applied. The Dominican Republic can no longer hope to

sustain growth based on import substitution and the exports of traditional crops. Therefore, in the longer-term, AID resources will be utilized to assist the GODR to stimulate new investments and diversify and expand its agricultural and industrial base. This strat y will require a reorientation in AID's programs which previously were directed towards the public sector. To continue this public sector emphasis under the current conditions would overburden the government with mounting recurring costs, while reducing resource availabilities for productive investments and preventing economic growth.

Many of our longer-term objectives are a natural extension and continuation of our short-term initiatives. Others are new in the 1986-1987 period, but are to be designed as part of the Mission's strategy through 1990. The longer-term focus is aimed at economic recovery by creating additional employment opportunities, increasing productivity and expanding foreign exchange earnings or savings.

1. Private Sector Investment/Export Development

a. Components

-- AID will expand the agribusiness sub-sector, to increase exports of fresh and processed commodities for foreign markets as well as establishing new industries to meet the needs of domestic consumers. Many of these enterprises will be fully integrated, thereby controlling all production, processing, and marketing aspects of the operation. Substantial direct and indirect employment will be created as these businesses grow and as new ones are established. To further spread the benefit of this sub-sector to small farmers AID will identify and assist those firms which attempt t work through outgrower or contract growing arrangements. Promotion of joint ventures will also be an essential part of this component in order to assist Dominican firms in accessing markets, attracting capital, and acquiring technologies and managerial expertise.

-- AID will continue to assist in the development and expansion of free trade zones, which provide increased employment opportunities, and by extension increased consumer demand for many domestically produced foods and industrial products. Four free trade zones are well established in the D.R. (La Romana, Santiago, San Pedro de Macorís, and Puerto Plata). These zones will be expanded to accommodate unmet demand for factory space. New zones will be created in secondary cities in which have the physical infrastructure and public utilities in place to support new industries. AID will promote and direct funding toward private zones, so as to reduce pressure on

the government for funding construction and infrastructure costs as has been the case in the past.

-- AID will assist the small and micro enterprises (SME) sub-sector in order to help create job opportunities particularly in urban areas. Many of these SMEs are currently surviving on extremely high rates of interest (5-7% per month), yet they are providing jobs and producing goods consumed in the local economy. To the extent that the economy begins to grow again and new jobs are created, consumer demand also will grow. In many cases, this demand can be met by goods produced by the SMEs. Our aim will be to channel technical advice and credit funds at market rates of interest by working through Dominican PVOs and small business associations as well as through commercial banking channels.

-- Light industry outside of free trade zones will be promoted, aimed at increasing exports as well as production of materials and semi-finished goods for use in the zones and agribusiness enterprises. Due to the devaluation and changes in the export incentive laws, firms located outside of the free trade zones often have cost advantages equal to firms in the zones. On a selective basis, AID will assist these firms to improve the quality of their products so that these goods can be sold in overseas markets or as components for use by free zone firms.

-- Although the tourism sector of the economy already contributes nearly 40% of the nation's export earnings and obviously has a major potential for accelerated future growth, AID plans no major direct investments in infrastructural development. On a highly selective basis, however, AID may support training activities for the tourist industry so as to upgrade the human resource base. AID may also use local currencies to finance improvements in water and sanitation systems for small towns experiencing a growing influx of tourists.

-- AID will not invest in the mining sector. This area is best left to other donors and to large private firms which have substantially more capital and experience.

b. AID Resource Application

AID resources will be used to stimulate and attract new foreign and domestic investment through targeted promotional campaigns, promote technology transfer, provide investment and working capital credits, finance construction of supporting physical infrastructure, strengthen public institutions and private associations which serve the business sector, and

fund training activities for technical and managerial upgrading related to the strategy. Both Development Assistance and Local Currency resources will be directed toward these activities.

A substantial amount of technical assistance will increasingly be required to carry out export promotion activities and to advise directly the business community. AID will work with U.S. groups, such as the Chicago Association of Commerce and Industry, the Newark Chamber of Commerce, the International Executive Service Corps, and the Joint Agricultural Consulting Corporation to deliver these services. In the Dominican Republic, local business associations and trading companies will be utilized.

In the credit area, Dominican private banks will be utilized increasingly to channel substantial dollar and local currency resources.

c. Policy and Institutional Constraints

AID's resources will be directed at the constraints identified previously. The magnitude of AID resources that will be directed at the constraints identified earlier will provide AID with significant policy leverage. We will concentrate on those policies needed to improve and stabilize the business climate and provide incentives for labor intensive industries and export-earning investments. Public and private institutions such as the Investment Promotion Commission, CEDOPEX, the Free Trade Zone Council, the Association of Non-Traditional Exporters (ADOEXPO), private trading and export marketing companies and business associations will be strengthened so that they can better serve the business community and, at the same time, become pressure points for policy changes.

We will focus also on streamlining rules, regulations, and procedures of public organizations, such as the Customs Office and the Central Bank, including its development loan window, FIDE. This is important because many small and medium-sized businesses are discouraged from entering export markets due to the time consuming effort required to comply with numerous banking and export regulations.

2. Agricultural Diversification

The successful establishment of an export-oriented, agro-industrial base should provide demand for more diversified agricultural production. However, a series of technical, informational, and institutional constraints must be resolved before small farmers can effectively exploit these new production opportunities. Further, with the drastic decline in sugar and other traditional export crop prices, it is essential that a much broader base of commercial farm production alternatives be developed. The Dominican Republic needs to take two basic steps in agriculture: (1) increase productivity of basic food crops on existing arable land, thereby reducing imports and lowering costs to consumers; and (2) take advantage of the new

opportunities to market non-traditional crops for export. As the vast majority of the farm holdings are small and medium-sized, programs must be geared to such units.

Approximately 80% of the country is mountainous, and ill-suited to commercial production. Yet, this land provides the water, hydro-energy, and forest resources needed to sustain higher production in the lower regions. As part of any long-term strategy, efforts made to date to protect the Dominican Republic's watersheds deserve continued attention.

a. Components

-- AID will assist in the development of a viable commercial farm sub-sector. This sub-sector now consists of the many small farm units currently producing low value subsistence crops. In recent years a number of these farmers have raised their incomes and standards of living by growing some commercial crops under contract with nearby agri-business firms. These firms, in turn, have provided credit for inputs or the inputs themselves, as well as technical advice directly to the small farmer. The potential for production increases and for significant improvements in farm income is enormous. Further, in collaboration with the Land Reform Institute and the State Sugar Council, large tracts of land could be made available under conditions favorable to both the farmers and agri-business ventures.

-- AID will increase significantly its assistance to private sector farm associations which can deliver services to members as well as organize bargaining forces vis-a-vis large agri-business companies. As needed, associations can press for pricing policy changes within the government to assure fair returns, particularly on domestically consumed staples.

-- AID will seek to reorient applied research to give greater attention to non-traditional crops. Expanding markets exist for many exotic fruits as well as fresh vegetables and some tree crops. However, localized research must be conducted to determine the best agronomic practices for particular varieties. AID will seek to increase private sector involvement in public sector research efforts, both in determining areas of concentration as well as in paying for services received.

-- AID will seek to expand training programs for farm supervisors and managers to expose them to improved farming practices and new technologies so as to establish the human resource base and expertise needed to exploit

non-traditional agricultural markets. Much of this training will be conducted through long- and short-term courses sp[illegible]ored by in-country institutions, such as ISA (Instituto Superior de Agricultura). Some off-shore training at the masters and Ph.D. levels also is anticipated.

b. AID Resource Application

AID Development Assistance and Local Currency resources will be used to provide production credit and technical assistance aimed at increasing yields of domestically consumed food crops and new export commodities through a variety of new activities and reoriented ongoing projects. Projects will finance adaptive research and the development of packages of improved farm technologies and management practices. Extension efforts will be carried out increasingly by private firms and, perhaps universities, as opposed to government extension agencies. AID also will attempt to expand farm credit distribution channels by financing small farm credit indirectly through input suppliers or agri-businesses, or directly by private sector development banks, thereby reducing small farmer reliance on the Agricultural Bank. Finally, ongoing natural resource programs are being modified toward the rational commercial harvesting of forests and watersheds, with increased focus on downstream effects, and through conservation and management methods that reduce recurrent costs to the public sector.

c. Policy and Institutional Focus

The broader policy issues of food price and farm credit, agrarian reform, taxation, and institutional and human resource effectiveness, that are essential to encouraging improved agricultural performance, will receive increased attention. This will take place through the agricultural, economic, and financial system policy studies sponsored by AID, the project-specific as well as broader technical and management training projects underway and proposed, and by continuing to sponsor intersectoral and interagency seminars on policy and management problems of concern to key decision-makers.

In the policy area, public institutions, such as the Secretariat of Agriculture and the Agricultural Bank, are important. AID will work with these organizations to conduct policy analyses or collect basic agricultural statistics needed to bring about change. On the other hand, for the implementation of projects and delivery of services, AID will look increasingly to private firms, universities, and farm associations. Thus, public institutions will be supported and strengthened more selectively than in the past, while private groups will be utilized for the production and marketing of an increased volume and variety of non-traditional agricultural crops.

3. Supporting Institutional, Physical, and Social Infrastructure

To increase the probability for success of the Investment and Export Development and Agricultural Diversification strategies outlined above,

the continued maintenance and expansion of the country's basic infrastructure is essential. For example, without adequate roads and port facilities, increasing amounts of non-traditional agricultural products, such as melons and pineapples, cannot be transported to domestic and/or foreign markets. Therefore, the USAID proposes to utilize both Development Assistance resources as well as ESF and PL-480 Title I related local currencies to support priority physical infrastructure.

In support of increased and diversified agricultural production, a rural roads maintenance and rehabilitation project has been initiated recently. It involves the development of unpaved, access roads which are expected to open-up large areas of the country with high non-traditional agriculture production potential to domestic and foreign markets. Local currency resources also will be used to rehabilitate the Duarte highway, the principal artery for transporting produce from the rich agricultural areas of the Cibao and Santiago to the capital and export markets. Development Assistance and local currency resources will continue to support a number of irrigation programs with the objective of rehabilitating existing water distribution systems and extending others into a number of productive agricultural areas. Finally, local currency resources are being programmed in support of free trade zone (FTZ) development.

The USAID also proposes to focus our resources on needed institutional infrastructure. Public and private institutions that are serving the business community will be strengthened through technical assistance, training and local currency financing of their local currency expenses as may be necessary. To address the need for training of commercial farmers, farmer leaders, agri-business managers, and small businessmen, local currencies also will be programmed in support of the Superior Agricultural Institute (ISA)--a principal agricultural college serving the Cibao region--the Association for the Development of Small Businesses (ADEMI)--a PVO providing credit and management training to small businessmen--and the Dominican Development Foundation (FDD)--a PVO which operates in the western part of the country and provides credit for agriculture production, agro-industries, and small business, as well as training in agricultural and business techniques. DA resources provided under the Graduate Management Training Project will focus on developing the institutional capacity of the Catholic University (UCMM) to enable it to train people in business administration.

In the sub-sector of social infrastructure, USAID will focus its efforts in three functional areas which include: basic health services, voluntary family planning, and vocational and managerial production-related training. The Dominican Republic no longer is able to sustain the current level of subsidies for social services, and AID will not seek to increase the recurrent cost burden to public sector institutions through new project activities. Instead, AID social sector investments will be restricted by initiatives to private businesses and voluntary organizations that have the capacity to reach our target population of rural families responsible for agricultural diversification and increased production as well as urban workers employed in private sector industries.

Social infrastructure programs to be implemented through the private sector include:

-- Basic health services to be offered on a fee-for-service basis to low income urban and rural families. The provider of these services will be Dominican physicians organized into group practices who will receive start-up capital and technical assistance on how to expand their current services.

-- Responding to the high demand for family planning services, the community-based distribution system and the general delivery of voluntary family planning services through private sector organizations, such as PROFAMILIA, will be expanded. AID also will support funding joint ventures between PROFAMILIA and employee/employer associations whereby operating costs will be covered by user fees and employer contributions.

-- Potable water projects will be implemented through private organizations, such as CARE, which will provide technical assistance and training to communities. The capital costs of each project will be funded by a combination of community cash and work contribution, and borrowing from a rotating fund also managed by the implementing organization.

-- To better prepare middle level managers and technical level workers to contribute to private sector growth, AID will support expanded vocational and managerial training available through private universities and industrial associations.

IV. POLICY DIALOGUE INITIATIVES

AID's strategy is based on an ongoing and intensif ed policy dialogue, that makes use of both Development Assistance and Local Currency resources generated from ESF and PL-480 funds. This AID-GODR dialogue is underway. It is focused on policy reforms and changes affecting short-term economic stabilization and on the institutional and structural reforms necessary for longer-term sustainable economic growth. The modalities of the dialogue include day-to-day contact, the programming of Development Assistance and local currency resources, the direct timing and conditionality attached to ESF and PL-480 resources, and direct policy action projects such as Agricultural Policy Analysis and Economic Policy Analysis and Training. Finally, our policy dialogue is focused on the four bases of AID's new strategy: (1) Economic Stabilization; (2) Private Sector Investment/Export Development; (3) Agricultural Diversification; and (4) Supporting Infrastructure.

The following matrix for policy dialogue initiation represents the focus and linkages to be applied by AID during the course of policy dialogue:

DIALOGUE ISSUE/CONSTRAINT	AID's APPROACH APPLICATION
1. Policies and "mindsets" within the Dominican Republic have failed to recognize or deal with the economic reality of foreign exchange problems, fiscal policies, subsidized and controlled prices, etc. These policies and mindsets have all resulted in overall low productivity in the output of goods, services, and agricultural produce, both for domestic and potential export consumption.	1. --Policy Analysis & Training Project. --Agricultural Policy Project. --Initial applications of AID's 1986-1990 strategy, utilizing DA, ESF, and PL-480 Title I resources applied to: **Economic Stabilization **Private Sector Investment/ Export Development **Agricult. Diversification **Supporting Infrastructure
2. Major balance of payment problems, extensive and growing debt burdens, increasing fiscal deficits, short-sighted fiscal management policies, unbalanced price controls, etc.	2. --Support of IMF stabilization measures. --AID Balance of Payment assistance: ESF and PL-480 I. --Overall Assistance Targets using Local Currency generations & DA funded projects and activities. --Policy Analysis and Training Project. --Short-Term Credit availabilities.
3. Low levels of agricultural production, in both traditional exports and self-sufficiency food production, principally due to inadequate access to capital, land, markets, agricultural inputs, and price controls.	3. --Major diversified agricult. activities in credit, research/technology transfer etc., in new sector. --Policy level changes through Agricultural Policy Projects --Sufficient credit resources flowing to private sector.
4. High levels of unemployment and underemployment	4. --Major job creation activts. through Private Investment/ Export Promotion sector. --Human resource vocational & appropriate skills training through private sector. --Family planning.

5. Poor physical and social infrastructure necessary to stimulate and accelerate sustained economic growth, together with poor maintenance and little or no upgrading/rehabilitation.	--Refocused DA and LC resources utilization. --Necessary policy changes through Policy Analysis Projects and Policy Dialogue Initiatives. --Major assistance through Supporting Physical Infrastructure & Human Resources Sectors. Focus on roads, energy, self-financed health and managerial/vocational training.
6. Overall review, assessment and policy reform proposals in the following areas: --General banking regulations, savings mobilization packages, credit policies, interest rates, export credit policies, and administrative impediments. --Tax reform policies relative to income, profit, value added, and property taxes. --GODR economic involvement and intervention relative to institutional improvements, revenue generations, and outputs/distribution of State entities and corporations: CDE (Dominican Electricity Corporation), INESPRE (Price Stabilization Board), and CORDE (State-owned corporations). --GODR public sector budget status and policies impacting general export incentives, agricultural pricing and marketing policies.	--The Economic Policy Analysis and Training Project and the Agricultural Policy Analysis Project will directly focus on these issues. --Application & utilization of AID DA & LC resources. --Continual assessments of policy status & accomplishments in relation to general state of economic stabilization and growth. --Continuing dialogue and review on issue/subject specific basis. --Special Tax Study.

V. USAID ASSISTANCE PROGRAM, PROJECT SUMMARIES, AND IMPLEMENTATION PLAN (FIS 1985/1987)

A. Summary Program Table/Funding Levels

Funding Levels (Sources: FY-1986 ABS, FY-1986 CP, and New Strategy Requirements)

	(In US$ Millions)		
	1985	1986	1987
DA	24.3	30	32
ESF	95 1/	60	50
PL-480 Title I	45.5 2/	35	30
PL-480 Title II	1.9	1.8	1.0
Section 416	(4.0)	-	-

1/ Includes FY-1984 Supplemental of $50 million.
2/ Includes new $10.0 million request.

A. 1. Table I -- Long Range Plan by Appropriation Account

FY-1987 ANNUAL BUDGET SUBMISSION
TABLE I -- LONG RANGE PLAN BY APPROPRIATION ACCOUNT ($000)
Country: DOMINICAN REPUBLIC

	FY-84	FY-85	----FY-86----		FY-87	---------PLANNING PERIOD--------			
	Actual	Est.	CP	Est.	AAPL	1988	1989	1990	1991
AGRICULTURE, RURAL DEVELOPMENT, AND NUTRITION									
TOTAL	16830	10860	15180	15540	19000	20000	21500	22000	22000
Grants	3030	4250	5500	4300	7500	7000	7000	6000	5000
Loans	13800	6610	9680	11240	11500	13000	14500	16000	17000
POPULATION PLANNING									
TOTAL	50	650	1350	2850	1950	2000	2000	2500	3000
Grants	50	650	1350	2850	1950	2000	2000	2500	3000
Loans	-	-	-	-	-	-	-	-	-
HEALTH									
TOTAL	4924	1451	2070	1450	2500	2000	2000	1500	1500
Grants	924	1451	2070	1450	2500	2000	2000	1500	1500
Loans	4000	-	-	-	-	-	-	-	-
EDUCATION									
TOTAL	7140	7419	4700	3100	1200	1200	1200	1000	1000
Grants	2176	6383	2700	3100	1200	1200	1200	1000	1000
Loans	4964	1036	2000	-	-	-	-	-	-
SELECTED DEVELOPMENT ACTIVITIES									
TOTAL	1402	3880	6700	7100	7350	8800	9300	11000	10500
Grants	1402	3880	2300	4600	1350	1800	2300	2000	1500
Loans	-	-	4400	2500	6000	7000	7000	9000	9000
TOTAL DA ACCOUNT									
TOTAL	30346	24260	30000	30040	32000	34000	36000	38000	38000
Grants	7582	16614	13920	16300	14500	14000	14500	13000	12000
Loans	22764	7646	16080	13740	17500	20000	21500	25000	26000
ECONOMIC SUPPORT FUND									
TOTAL	34000	95000	50000	60000	50000	50000	50000	50000	50000
Grants	-	95000	50000	60000	50000	50000	50000	50000	50000
Loans	34000	-	-	-	-	-	-	-	-
DA AND ESF TOTAL									
TOTAL	64346	119260	80000	90040	82000	84000	86000	88000	88000
Grants	7582	111614	63920	76300	64500	64000	64500	63000	62000
Loans	56764	7646	16080	13740	17500	20000	21500	25000	26000
PL-480									
Title I	26000	45500	30000	35000	30000	30000	-	-	-
Title II	2805	1907	1792	1800	1000	1000	-	-	-

A. 2. Table III -- Project Obligations by Appropriation Account, FYs 1985/1987

USAID/DOMINICAN REPUBLIC

TABLE III - FY 1986/1987 ACTION PLAN

Project No. & Title	LIFE OF PROJECT GRANT	LIFE OF PROJECT LOAN	FY-1985 GRANT	FY-1985 LOAN	FY-1986 GRANT	FY-1986 LOAN	FY-1987 GRANT	FY-1987 LOAN
AGRICULTURE								
0000 Project Development and Support	CONTINUING		500	0	300	0	500	0
0125 Rural Development Management	1600	0	0	0	500	0	0	0
0173 Forestry Management	2000	6000	1950	0	0	0	0	0
0177 Rural Roads Maintenance	0	15000	0	2150	0	2200	0	0
0180 Agriculture Research and Extension	15000	0	0	0	3500	0	5000	0
0186 Agribusiness Promotion	1800	18000	1800	4460	0	9040	0	4500
0214 Riverbasin Commercial Farming	2000	15000	0	0	0	0	2000	7000
Subtotal			4250	6610	4300	11240	7500	11500
TOTAL			10860		15540		19000	
POPULATION								
0000 Project Development & Support	CONTINUING		150	0	150	0	150	0
0229 F/P Services	4000		0	0	2500	0	1500	0
9999 Proposed OPGs	CONTINUING		500	0	200	0	300	0
Subtotal			650	0	2850	0	1950	0
TOTAL			650		2850		1950	
HEALTH								
00 Project Development & Support	CONTINUING		200	0	200	0	200	0
53 Health Systems Management	1500		821	0	0	0	0	0
30 Self-Financing Health Care (HMO)	3000		0	0	1000	0	2000	0
99 Proposed OPGs	CONTINUING		430	0	250	0	300	0
Subtotal			1451	0	1450	0	2500	0
TOTAL			1451		1450		2500	

DUCATION roject No. & Title	LIFE OF PROJECT GRANT	LOAN	FY-1985 GRANT	LOAN	FY-1986 GRANT	LOAN	FY-1987 GRANT	LOAN
000 Project Development & Support	CONTINUING		300	0	200	0	200	0
127 Human Resources Development (FCE)	1150	4250	400	0	0	0	0	0
157 Graduate Management Training	5000	0	2770	0	0	0	0	0
172 Rural Education	2000	6000	1813	1036	0	0	0	0
188 Policy Analysis	2500	0	1000	0	1500	0	0	0
189 Center for Dom. Leg. Affairs.	500	0	100	0	400	0	0	0
216 Development Training	5000	0	0	0	1000	0	1000	0
Subtotal			6383	1036	3100	0	1200	0
TOTAL			7419		3100		1200	
SPECIAL DEVELOPMENT ACTIVITIES								
000 Project Development & Support	CONTINUING		549	0	400	0	500	0
050 Special Development Activities Fund	CONTINUING		50	0	50	0	50	0
144 Energy Conservation & Resources Dev.	1600	6550	600	0	0	0	0	0
164 Housing/Appropriate Technology OPG	478		143	0	0	0	0	0
190 Export & Investment Promotion	6000		1850	0	4150	0	0	0
208 Microbusiness Dev. ADEMI OPG	498		188	0	0	0	0	0
218 Improving Revenue Collection	500	2500	500	0	0	2500	0	0
231 Light Industry Development	2000	15000	0	0	0	0	800	6000
Subtotal			3880	0	4600	2500	1350	6000
TOTAL			3880		7100		7350	
Gr-- Subtotal			16614	7646	16300	13740	14500	17500
GRAND TOTAL			24260		30040		32000	

A. 3. Table III.A. -- Project Obligations by New Strategy Categories, FYs 1985/1987

U S A I D / D O M I N I C A N R E P U B L I C

F Y 1 9 8 6 / 1 9 8 7 A C T I O N P L A N

PROGRAM BROKEN DOWN BY NEW STRATEGY CATEGORIES.

	FUNDING SOURCE	LIFE OF PROJECT GRANT	LIFE OF PROJECT LOAN	FY-1985 GRANT	FY-1985 LOAN	FY-1986 GRANT	FY-1986 LOAN	FY-1987 GRANT	FY-1987 LOAN
A. SHORT-TERM STABILIZATION									
0188 Policy Analysis	EDU	2500	0	1000	0	1500	0	0	0
0218 Improving Revenue Collection	SDA	500	2500	500	0	0	2500	0	0
onomic Support Fund (non-add)	ESF	-	-	(95000)	0	(60000)	0	(50000)	0
L. 480 (non-add)	-	-			(45500)		(35000)		(30000)
				1500	0	1500	2500	0	0
. EXPORT PROMOTION									
0186 Agribusiness Promotion	AGR	1800	18000	1800	4460	0	9040	0	4500
0190 Export & Investment Promotion	SDA	6000	0	1850	0	4150	0	0	0
0231 Light Industry Development	SDA	2000	15000	0	0	0	0	800	6000
Subtotal				3650	4460	4150	9040	800	10500
Total				8110		13190		11300	
C. AGRICULTURAL DIVERSIFICATION									
0180 Agriculture Research and Extension	AGR	15000	0	0	0	3500	0	5000	0
0214 Riverbasin Commercial Farming	AGR	2000	15000	0	0	0	0	2000	7000
Subtotal				0	0	3500	0	7000	7000
Total				000		3500		14000	
D. SUPPORTING INFRASTRUCTURE									
1. InstitutionalDevelopment									
0125 Rural Development Management	AGR	1600	0	0	0	500	0	0	0
0144 Energy Conservation & Resources Dev.	SDA	1600	6550	600	0	0	0	0	0
0189 Center for Dom. Leg. Affairs.	EDU	500	0	100	0	400	0	0	0
0208 Microbusiness Dev. ADEMI OPG	SDA	498		188	0	0	0	0	0
Subtotal				888	0	900	0	0	0
Total				888		900		000	

2. Physical Infrastructure

0173	Forestry Management	AGR		2000	6000	1950	0	0	0	0	0
0177	Rural Roads Maintenance	AGR		0	15000	0	2150	0	2200	0	0
Subtotal						1950	2150	0	2200	0	0
Total						4100		2200		000	

3. Social Infrastructure

0050	Special Development Activities Fund	SDA	CONTINUING		0	50	0	50	0	50	0
0127	Human Resources Development (FCE)	EDU		1150	4250	400	0	0	0	0	0
0153	Health Systems Management	HEA		1500	0	821	0	0	0	0	0
0157	Graduate Management Training	EDU		5000	0	2770	0	0	0	0	0
0164	Housing/Appropriate Technology OPG	SDA		478	0	143		0	0	0	0
0172	Rural Education	EDU		2000	6000	1813	1036	0	0	0	0
0216	Development Training	EDU		5000	0	0	0	1000	0	1000	0
0229	F/P Services	POP		4000	0	0	0	2500	0	1500	0
0230	Self-Financing Health Care (HMO)	HEA		3000	0	0	0	1000	0	2000	0
Subtotal						5997	1036	4550	0	4550	0
Total						7033		4550		4550	

4. General Support

0000	Project Development & Support	AGR	CONTINUING			500	0	300	0	500	0
0000	Project Development & Support	POP	CONTINUING			150	0	150	0	150	0
0000	Project Development & Support	HEA	CONTINUING			200	0	200	0	200	0
0000	Project Development & Support	EDU	CONTINUING			300	0	200	0	200	0
0000	Project Development & Support	SDA	CONTINUING			549	0	400	0	500	0
9999	Proposed OPGs	POP				500	0	200	0	300	0
9999	Proposed OPGs	HEA				430	0	250	0	300	0
Subtotal						2629	0	1700	0	2150	0
Total						2629		1700		2150	
Grand Subtotal						16614	7646	16300	13740	14500	17500
GRAND TOTAL						24260		30040		32000	

B. Economic Tables

1. GODR Public Sector Operations, 1983-1985

2. Balance of Payments Gap Projections, 1984-1987

TABLE B.1. PUBLIC SECTOR OPERATIONS, 1983-1985
(In RD$ Millions)

	1983	Est. 1984	Proj. 1985
Central Government (Net)	- 159	- 192	150
Revenues	923	1,089	2,153
Expenditures	1,082	1,281	2,003
Consolidated Public Enterprises*	- 236	- 68	- 744
Revenues, Net of Operating Expenses	1.6	145	3
Expenditures, Including Payments on Interest and Capital	238	213	747
Overall Deficit of Consolidated Public Sector	- 395	- 260	- 594
Overall Deficit of Non-Consolidated Public Sector	- 69	- 68	- 36
Overall Deficit	- 46	- 328	- 630
Financing	464	328	630
External	113	186	630
Internal	351	142	-

* Consolidated public sector enterprises are the CDE, INESPRE, CEA, and CORDE.

SOURCES: Central Bank and IMF estimates.

TABLE B.2. BALANCE OF PAYMENTS GAP PROJECTIONS, 1984-1987
(In US$ Millions)

	1984	1985	1986	1987
Current Account	-226.1	-29.3	-54.0	-44.0
Trade Balance	-391.1	-350.0	-389.0	-433.0
Exports	863.9	800.0	842.0	884.0
Sugar	320.3	235.2	246.6	239.5
Coffee	94.3	86.5	90.5	92.9
Cocoa	76.2	76.3	72.8	82.3
Tobacco	36.0	44.3	45.5	52.8
Ferronickel	101.9	115.0	126.5	134.2
Gold/Silver	131.8	112.7	110.0	107.8
Other	103.4	130.0	150.0	175.0
Imports	-1,255.0	-1,150.0	-1,231.0	-1,317.0
Petroleum/Coal	-507.0	-465.0	-438.0	-446.0
Other	-745.0	-685.0	-793.0	-871.0
Net Services	-102.3	5.7	49.0	97.0
Credits	534.2	609.0	648.0	690.0
of which Travel	402.9	477.7	512.0	547.0
Debits	-636.5	-603.3	-599.0	-593.0
of which Interest	-268.5	-236.2	-207.0	-174.0
of which Banks	-96.0	-92.0	-60.0	-38.0
of which Paris Club	-36.0	-35.3	-31.0	-31.4
Transfers (Net)	267.3	315.0	286.0	292.0
Private	210.0	215.0	226.0	242.0
Public (Including ESF)	57.3	100.0	60.0	50.0
Capital Account	-71.5	-120.0	-39.0	-27.0
Inflows	374.3	322.0	344.0	360.0
Direct Investment	68.5	42.0	60.0	65.0
Medium/Long Term Loans	305.8	280.0	284.0	295.0

Outflows	-302.8	-442.0	-383.0	-333.0
Medium/Long Term Amortizations*	-289.8	-423.0	-383.0	-333.0
Other	-13.0	-19.0	-	-
Overall Balance	-154.6	-149.3	-93.0	-17.0
Financing	155.0	-186.0	-116.0	-99.0
Net Foreign Assets of the Central Bank (-Increase)	-92.0	-109.0	-116.0	-99.0
Arrears (-Reduction)	247.0	-77.0	-	-
Financing Gap (Before External Cash Payments)	-	-335.3	-209.0	-116.0

* Before rescheduling of the commercial bank and Paris Club debt.

SOURCES: Central Bank and IMF estimates.

C. Preprogramming of LC-Generated Funds for CY-1985 and Beyond Into USAID Strategy Sectors Under the ESF and PL-480 Agreements

Areas of Focus	LC Funding Sources	
	ESF	PL-480 Title I
I. Short-Term Economic Stabilization		
A. Policy analysis efforts of GODR. For example:		
--Agriculture Policy Analysis Project		X
--Economic Policy Analysis and Training Project	X	
--Special Economic Studies	X	
B. Private Sector Working Capital For example:		
--Credit funds for FIDE and commercial banks	X	X
C. Agricultural Credit for Commercial Small Farmers. For example:		
--Credit to Banco Agrícola for rice production		X
D. Feasibility Studies. For example:		
--Project feasibility studies through FONDOPREI	X	
II. Strengthen Private Sector Enterprise/ Export Promotion		
A. Term Credit to Dominican Private Sector. For example:		
--Counterpart for Small Industry Development Project	X	
--Small business credits (ADEMI, ASPIRE, PROAPE)	X	
B. Provide Credit for Agribusiness and Related Crop Production. For example:		

--Proposed new USAID-supported Agribusiness Project	X	X
C. Improve Productivity, Diversify Production, Increase Value Added, More Labor Intensive Technology for Business. For example:		
--Support to International Executive Service Corps (IESC)	X	
D. Export Marketing Development and Promotion. For example:		
--Proposed new USAID-supported Export and Investment Project with the Export Promotion Commission	X	
--Assistance to CEDOPEX	X	
--Assistance to ADOEXPO	X	
--Assistance to Chicago Association for Commerce and Industry	X	
E. Support Crop Sanitation and Certification Efforts. For example:		
--Financing of APHIS inspectors		X
--African Swine Fever control		X
--Support Dominican seed certification activities		X
F. Development and Expansion of Free Trade Zones. For example:		
--Stage III of Puerto Plata Free Zone	X	
--La Romana Free Zone expansion	X	
--Baní Free Zone development	X	
--Santiago Free Zone expansion	X	
--Proposed new Haina Free Trade Zone	X	
G. Rehabilitation and Expansion of Industrial Zones. For example:		
--Rehabilitation of infrastructure of Herrera Industrial Park	X	
III. <u>Diversifying Agricultural Production Into Non-Traditional Crops</u>		
A. Support Research in Non-Traditional Crops for Private Sector Production. For example:		

--Proposed new USAID-supported project with the Instituto Dominicano de Investigaciones Agropecuarias		X
--Support for SEA Mariculture development activities		X
B. Support Extension and Technology Transfer Activities. For example:		
--Counterpart for MARENA Project		X
--Counterpart for On-Farm Management Project		X
--Counterpart for Forestry Project		X
IV. Improve Physical, Social, and Institutional Infrastructure in Focus Areas I, II, and III Above		
A. Expand Efforts to Strengthen Private Sector Participation in the Development Process. For example:		
--Strengthen Dominican business associations and private ties to U.S. counterparts (Newark Twin Chambers Program)	X	
B. Improve Rural Roads, Irrigation, Health and Primary School, Electrification, and Port Facilities. For example:		
--Counterpart for USAID-supported Caminos Vecinales Project		X
--Counterpart for USAID-supported PIDE II Project		X
--Clearance of Haina Port Channel	X	
--Financing of Nizao-Valdesia and Sabaneta irrigation activities by INDHRI		X
--Counterpart for COENER for USAID-supported Energy Conservation Project	X	X
--Support for BID-financed project to expand Haina Port facilities	X	
--Support for IBRD-financed improvement of Carretera Duarte	X	X
--Counterpart for USAID-supported Health Management Project		X
--Counterpart for USAID-supported Revenue Collection Project with CDE	X	

C. Strengthen Training for Commercial Farmers, Farmer Leaders, Agribusiness Managers, Small Businessmen, and Technical and Vocational Workers. For example:		
--Strengthen CADER program at ISA		X
--Broaden private sector orientation of lending of FCE	X	
--Counterpart for USAID-supported Agricult. Sector Trg. Project		X
D. Support Farmer Associations and Cooperatives. For example:		
--Counterpart for USAID-supported Rural Savings Mobilization Project		X
E. Strengthen Participation of Private and Voluntary Organizations in Employment-Intensive Self-Sustaining Development Activities. For example:		
--Support for Mujeres Aplicadas a la Industria	X	
--Provide construction of CARE warehouses in interior		X
--Support Dominican Development Foundation PLANARTE activities	X	X
F. Support PL-480/CBI Resources Coordinating and Regional Planning Development Units within STP/ONAPLAN.	X	X
V. Other		
A. Trust Fund for USAID/DR Administrative and Project Dev. Operations.	X	
B. CUP Payment		X

D. New Project Narratives

1. Economic Adjustment and Stabilization Strategy
FY-1985 New Start:

ECONOMIC POLICY ANALYSIS PROJECT (517-0188)

(Although an FY-1985 start, this project is included as a new project due to the critical nature and influence it will have throughout the 1986 and 1987 period.)

a. Objectives

The project has two basic objectives: (a) to respond expeditiously to the needs of key government decision-makers by providing analysis and alternative policy options of urgent macro-economic and sectoral policy issues; and (b) to create an institutional mechanism for responding to information and policy analysis requirements of decision-makers at the highest level. This should create in the medium-term a better macro-economic environment that would generate more jobs and earn more foreign exchange through increased investment in labor intensive agriculture, industry, and service facilities.

b. Implementation Process

A Policy Analysis Unit (PAU) will be created under the direction of the Technical Secretary to the Presidency, the Governor Central Bank, and the Secretary of Finance. This Unit, when fully staffed, will consist of a Director, professional economists and analysts, assistants, and secretaries. A long-term foreign resident advisor may be provided in the Unit. The Unit will have five general functions: (a) to undertake immediate policy option analyses that are requested by the Economic Cabinet; (b) to undertake in-house policy analyses that can lead to policy changes in a relatively short time period; (c) to contract with private sector experts to carry out certain analyses that are vital but take longer time; (d) to examine and confirm the validity of the analysis of completed studies, and make recommendations for policy adjustments; and (e) to hold periodic workshops for interested public and private sector officials and individuals to discuss pros and cons of suggested policy changes. Short-term technical assistance will be made available to assure high quality of the analysis.

To supervise and coordinate PAU activities, a Policy Analysis Council (PAC) representing the GODR Economic Policy Team will be formed. This Council could conceivably take two different forms. One would be an informal ad hoc association of the designated representatives from the STP, Central Bank, and Secretariat of Finance. The other form would be a formal establishment of the PAC. The final decision should be made by the joint project development committee consisting of STP, Central Bank, Ministry of Finance, and USAID.

c. Funding

Over its 3-year life, the project will require approximately US$2.5 million of AID grant resources and RD$3.0 million in GODR counterpart. In addition to the immediate policy analyses requested by the PAC, it is contemplated that during the 3-year period, the PAU will undertake separate analyses in trade and exchange, monetary and credit, fiscal and tax policies, and resource allocation. Recommendations for major policy changes, decrees, and statutory revisions directly affecting GODR policy and procedures will be included. This project, to be obligated in late FY-1985, will serve as the keystone for our dialogue with the GODR on short- and long-term policy adjustment and resource allocation issues.

2. Private Sector Expansion/Export Investment Strategy

FY-1985: Two new starts--Export Promotion and Agribusiness.
FY-1986: No new starts.
FY-1987:

a. Light Industry Development Project (517-0231)
(Small and Medium Entrepreneurs)

Objectives:
-- Generate employment,
-- Increase local value added, and
-- Diversify industrial sector toward export production.

Components:

(1) Industrial space expansion. New factory building and related infrastructure constructed. Locations would include secondary cities with adequate public utilities already in place.

(2) Existing industrial park rehabilitated. (Factory buildings and public utilities improved.)

(3) Credit funds to small/medium industrial producers for reorientation toward export production (i.e., to finance new plant and equipment). This fund would link to IDB project which provides working capital funds only for raw material importation.

(4) Technical assistance and training to promote technology transfer, productivity improvements, product reorientation, and improved marketing information. Development of sub-contracting linkages with Free Trade Zone Companies in order to increase their purchase of local products from small/medium domestic firms.

Project Inputs: (LOP: 3 Years) Loan: $15 million (for dollar costs); Grant: $2 million (technical assistance, training); LC: RD$20 million for local credits. Dollar and peso credits channeled through banking system--for working capital credits to existing industries. These funds could also be used for local costs of construction/expansion of industrial park space and rehabilitation of infrastructure.

b. Export Marketing Services (FY-1987 Shelf-Project)

Objectives: -- Stimulate exports of non-traditional products, and
-- Diversify and consolidate production of small/medium growers

Concept: Establish marketing organizations (private trading companies, farm associations, or cooperatives) which can export specific commodities or finished goods.

Components:

(1) Studies to identify markets for commodities and processed agricultural products.

(2) Identification of buyers and channels of distribution.

(3) Establishment of new, or strengthening of existing, export marketing groups and trading companies.

(4) Preparation of strategies and business plans for these marketing groups.

(5) Improve quality and increase quantity of products sold to export markets.

(6) Investments in plant, equipment, and working capital needed by producers or marketing groups to market and adapt products for overseas markets.

Inputs: Loan, US$10 million; Grant, US$3 million.

Technical assistance to identify and develop markets for products as well as to advise on changes needed in product lines in order to sell overseas. Also, assistance to marketing organizations themselves to implement their strategies and business plans.

Credit funds for capital investments, plants, and equipment.

3. Agricultural Diversification Strategy

FY-1986 Start: Agriculture Research/Technology Transfer (PID Conditional Approved December 14, 1984, as per 84 State 379200)

FY-1987 Start:

a. River Basin Commercial Farming Project (517-0214)

Two Regional Foci: 1. Azua Valley
2. Lower Yaque Valley

Objectives: This project will expand agricultural production in non-traditional crops for export and domestic production. It will improve the physical infrastructure in two of the country's most fertile and potentially highest yielding river basins, and assist farmers through farmer associations to produce, collect, and market non-traditional commercial crops.

Components:

(1) USAID assistance to INDHRI for local construction contracts to rehabilitate the irrigation system of the west-side of the Azua valley and extend the system to over 8,000 to 10,000 hectares. INDRHI will contract out locally to the private sector both for rehabilitation and maintenance.

(2) Other USAID assistance will be focused on providing credit to farmer associations in the Lower Yaque valley to rehabilitate the irrigation infrastructure in that area. Credit will also be provided to local farmer's associations for construction of collection and storage centers, and through these associations to members for financing of agricultural inputs and equipment that are unique to the new crops being grown.

(3) Limited technical assistance and training will be provided to help develop farmer's associations and to train their members in new production and marketing technologies.

(4) Facilities at the two ports in both areas (Puerto Viejo near Azua, and Puerto Manzanillo in the lower Yaque) will be upgraded to facilitate the export of non-traditional crops. This may include provision of cold storage and loading equipment, docks, and improving other export-related aspects of both ports.

Project Inputs: (LOP: 4 years) Total--$17 million: $15 million Loan, $2 million Grant, plus RD$16 million GODR counterpart on the form of credit funds. Of the loan funds, $6 million will be used for equipment and construction costs for the rehabilitation of the irrigation system in the Azua valley; $5 million will be used for credit to finance

imports for farmer's associations in the Azua valley; and $5 million will be used for credit to finance imports for farmer's associations in the lower Yaque valley. The $2 million grant will be used for technical assistance and training.

b. Other Potential Programs for Agricultural Diversification

Future discrete activities will be developed as part of the USAID Agricultural Sector Strategy that will be completed in the fall of 1985.

4. Supporting Infrastructure Strategy

a. Institutional Development
FY-1985 Policy Analysis -- (See narrative under Economic Stabilization above)
FY-1985 Center for Dominican Legislative Studies

b. Physical Infrastructure
No new FY-1986 or FY-1987 starts

c. Social Infrastructure

(1) FY-1986: Self-Financing Health Services (517-0230)

Objectives: To provide self-financed basic health services, including primary health interventions and voluntary family planning to 40,000 low income families in marginal neighborhoods of the major cities of the Dominican Republic and in selected rural areas.

Components: The project will be targeted to provide health services to individuals and families who work in micro-industry, commerce, and the self-employed. To preserve the funds invested under this grant and to assure continuity of services after the funding period, the project will experiment with several payment mechanisms based on different forms of user fees. The grantee and executor of the project will be a single, or a consortium, of private health providers that will establish service delivery centers in the target neighborhoods, with referral services to secondary and tertiary specialized health care institutions. The provider will be responsible for all manpower and logistical support to the delivery system. During the first year of operation, the services will use a variety of fee-for-services models. Once sufficient actuarial data have been collected, the project will also offer a pre-paid insurance program for those who care to subscribe. AID's support will provide start-up funds to cover the equiment for small clinics and the payment of operating expenses during the first two years of this three-year project. Funds will also be provided by AID to purchase technical assistance to increase the provider's management capability to expand services and to market this program to employers as an alternative form of health insurance to their employees.

Project Inputs: (LOP: 3 years) Grant: $3 million for technical assistance; equipment, limited operating costs, and training.

(2) FY-1986: Family Planning Services (517-0224)

Objectives: To enable the existing provider of MCH and family planning services in the private and public sectors to expand services to areas that are currently unserved.

Components: Recent surveys have shown that there is a high level of awareness among Dominican men and women of the value of child spacing and limiting family size to the number of children that the family can adequately care for. Moreover, as of 1985, the Dominican National Council on Population and the Family (CONAPOFA) announced its promotion of the two-child family. While the availability of a wide variety of voluntary family planning services in the public as well as private sectors has increased in recent years, the demand is still greater than the supply. Also, there are several fast growing urban marginal neighborhoods which have no readily available family planning services. (In the city of Santo Domingo, the marginal neighborhoods comprise over one million persons.)

The funds will be made available on a grant basis over a three-year period to local providers via an American International Private Voluntary Organization that will also provide technical assistance, training and logistical support to this service expansion effort. The project will introduce a cost recovery program via user fees which will be geared to the users capacity to pay. It is expected that 200,000 women will benefit from this project.

Project Inputs: (LOP: 3 years) Grant: $4 million for technical assistance, training, equipment, and commodities.

E. PVO Utilization

USAID intends to continue to work with and assist PVOs in activities that support our priorities and strategy in the areas of employment generation, export development, and related social infrastructure. USAID and the Dominican Republic have had a long and productive relationship with numerous PVOs, both U.S. and indigenous. In addition to a number of USAID and AID/W dollar funded PVO activities, over RD$6 million of ESF and PL-480 Title I local currency generations has been used for assistance to indigenous Dominican PVOs.

Given the strength of the Dominican PVOs, USAID and the GODR will continue to recognize their contributions and program significant amounts of local currency into activities that are oriented toward increasing productivity, can become self-sustaining, that are not associated with public sector programs, and that can have an immediate impact on increasing income levels of the poor. USAID will support those PVOs that have demonstrated the capacity to generate their own funds or obtain other non-governmental contributions. Continued USAID/Peace Corps joint activities are planned as well through the Selected Development Assistance Fund and the Small Project Assistance Activities.

The Dominican Republic is unique in that there is popular support for indigenous PVOs, manifested in local financial contributions to them. The PVOs have good management, a familiarity with local needs, opportunities and sensitivities, and they implement programs responsibly. USAID has provided the analyses and subsequent registration of over 20 Dominican PVOs since 1978, many of which are receiving and providing direct support in conjunction with our programs. These PVOs are an invaluable asset to the developmental environment, and have been particularly useful in identifying areas of concentration within USAID's new strategy.

USAID will continue its assistance to PVOs for the implementation of the PL-480 Title II program. USAID will maintain its support to indigenous PVOs that generate employment and that develop entrepreneurial skills, e.g., ADEMI, Dominican Development Foundation (DDF), PROAPE, and the Educational Credit Foundation (FCE). Efforts to develop small farmer associations will be assisted through such PVOs, as FUDECO, PROGRESSIO, and other regionally-focused rural development organizations. USAID may experiment with social-oriented community-based PVOs for the provision of self-financed health and family planning services and improved water facilities. This may include CARE, MAI, MUDE, and the DDF.

F. Mission Evaluation Plan

Evaluations are programmed as an integral part of each Development Assistance financed project, and the funds required to conduct evaluations are normally included in the project budget. The timing of evaluations is determined during Project Paper drafting, but is subject to change depending on progress during project implementation. Project officers are responsible for drafting the scope of work for an evaluation, in consultation with their host country counterparts and the evaluation officer. Following an evaluation, the Mission Project Committee and the GODR project counterparts review the evaluation and its recommendations, and agree on the actions required and responsible parties to take them to resolve any identified problems. The evaluation officer, with assistance from the project officer, prepares the project evaluation summary face sheet which is attached to the evaluation report that is sent to Washington. The PES face sheet lists the agreed upon recommendations and actions to be taken by the GODR, USAID, and AID/W.

The project evaluation list for FY-1986 differs from that presented in the 1986 ABS. These differences result from the desire of USAID/DR to emphasize those efforts that contribute and provide feedback to our recently revised strategy. Evaluations of ongoing social infrastructure and public sector oriented projects will occur as scheduled in their project papers, but we do not expect these evaluations to contribute to our strategy and, therefore, have not been included them here. During FYs 1986-1987, USAID/DR will evaluate seven projects. These are:

1. Private Sector Expansion/Export Promotion

a. 517-0150 -- Small Industry Development project has an end-of-project evaluation planned for late FY-1987. The evaluation will determine the impact of the credit and training components in stimulating the development of the Dominican small industry sector. The evaluation also will identify whether alternative credit mechanisms which are more market and private sector oriented should be incorporated in future initiatives directed at small industry.

b. 517-0208 -- Micro-Business Development project will have its end-of-project evaluation in mid FY-1986. This evaluation will measure the project's overall impact on the development and expansion of the capital's micro-business sector, and whether the project's goals were achieved. Lessons learned will be used in designing future micro-business oriented projects.

2. Agricultural Diversification

a. 517-0125 -- Rural Development Management project will have a final evaluation in mid-FY-1987 to: (a) determine if the infrastructure developed by the project can meet the country's agricultural management training needs; (b) determine whether the Center for the Administration of

Rural Development (CADER) has developed the private and public sector support needed to ensure its continued operation, and (c) measure the impact of CADER's work on stimulating agribusiness investment and GODR policy and/or legislative change

3. Supporting Infrastructure

a. 517-0126 -- Natural Resources Management project will be evaluated in early FY-1986. The evaluation will focus on the following questions: (1) Are downstream sedimentation and water supplies being affected as a result of working with small highland farmers?; (2) Is the project cost-effective as currently planned and implemented?; and (3) Are there alternative ways of accomplishing the objective and lowering recurring costs to the GODR?

b. 517-0159 -- On-Farm Water Management project has a mid-project evaluation planned for mid to late FY-1987. This evaluation will be used to: (a) identify weaknesses and strengths in the project design and recommend possible changes to the implementation strategy; and (b) measure improvements in irrigation management that result in increased yields of non-traditional agricultural export crops.

c. 517-0127 -- Human Resources Development project will have a final evaluation in late FY-1987 to determine: (a) whether the funding mechanism developed can continue supporting vocational and technical training programs; (b) the number of students who have graduated that are employed in the skill areas where they were trained; (c) overall status of the student sub-loan fund, the degree of recapitalization and the ability of FCE to meet costs, absorb default and repay the AID loan; and (d) the degree of improvement of vocational/technical training in participating institutions as a result of the faculty training, equipment procurement, and advisory council work. This information will be used to determine if future local currency support may be appropriate.

d. 517-0144 -- Energy Conservation and Resource Development project will have an end-of-project evaluation in mid FY-1987 to determine: (a) if the institutional framework established by the project is adequate for developing energy plans and policies; (b) if the levels of foreign exchange savings are being achieved; (c) if the pilot efforts in wood fuel development have stimulated private sector interest in developing this resource; and (d) if follow-on efforts in the area of energy conservation should be considered.

e. 517-0177 -- Rural Roads II will have a mid-project evaluation in late FY-1987. This evaluation will measure how well the project is serving the needs of the newly targeted rural zones that may have significant commercial potential, and will identify transportation constraints impeding the flow of products to and from the farming areas.

Evaluation Table (ID 0369G)

FY-1987 ABS -- TABLE VII
LIST OF PLANNED EVALUATIONS

Project List (Project Number and Title)	Last. Eval. Completed (Mo./Yr.)	FY-1986 Start (Qtr.)	FY-1986 To AID/W (Qtr.)	FY-1987 Start. (Qtr.)	FY-1987 To AID/W (Qtr.)	Reasons/Issues	Funding Source	$000	AID Person Days	Collateral Assistance
PRIVATE SECTOR EXPANSION/EXPORT PROMOTION										
Small Industry Development (517-0150)	06/84	--	--	4	4	PACD: 9/87. To evaluate project's impact on the industrial sector. Identify weaknesses of the loan program, and suggest alternatives for future efforts.	Project	20	36	Contract
Micro-Business Development (517-0208)	--	2	2	--	--	PACD: 3/86. To evaluate project's impact on the growth and expansion of capital's micro-business sector.	PD&S	10	18	Contract
AGRICULTURAL DIVERSIFICATION										
Rural Development Management (517-0125)	06/85	--	--	3	3	PACD: 6/87. To measure training institute's ability to provide the mid- and upper-level management training to the public and private agricultural sectors.	OE/PD&S	20	36	Contract/ TDY
INFRASTRUCTURE DEVELOPMENT										
Natural Resources Management (517-0126)	07/84	2	2	-	-	PACD: 7/87. Mid-project evaluation to determine whether project goals of slowing hillside erosion and reducing downstream damage are being met. Evaluation will also look at project's cost-effectiveness and alternatives for achieving project goals.	Project	50	80	Contract
Human Resources Development (517-0127)	05/85	--	--	4	4	PACD: 9/87. To determine whether the institutional framework developed will continue supporting vocational and technical opportunities.	Project	12	24	Contract
Energy Conservation and Resource Development (517-0144)	06/85	--	--	2	2	PACD: 4/87. Evaluate project's contribution to foreign exchange savings, and determine if further activities in energy conservation may be appropriate through the existing project's administrative structure.	Project	20	36	Contract
On-Farm Water Management (517-0159)	--	--	--	3	3	PACD: 7/88. To evaluate the strengths and weaknesses of the implementation strategy after 2 years experience, and suggest possible ways to strengthen project.	Project	20	36	Contract
Rural Roads II (517-0177)	--	1	1	4	4	PACD: 9/88. Mid-project review to determine project's impact in the targeted agri-business zones.	Project	40	78	Contract

G. Gray Amendment Application

USAID/DR currently has one contract valued at over $4 million with an 8-A firm, and a second contract for $900,000 with another 8-A firm is being negotiated. In addition, women-owned firms and other 8-A firms have been used extensively for project evaluations and project preparation under PD&S funding.

Future efforts to make greater use of HBCU's and 8-A firms will include the following specific steps:

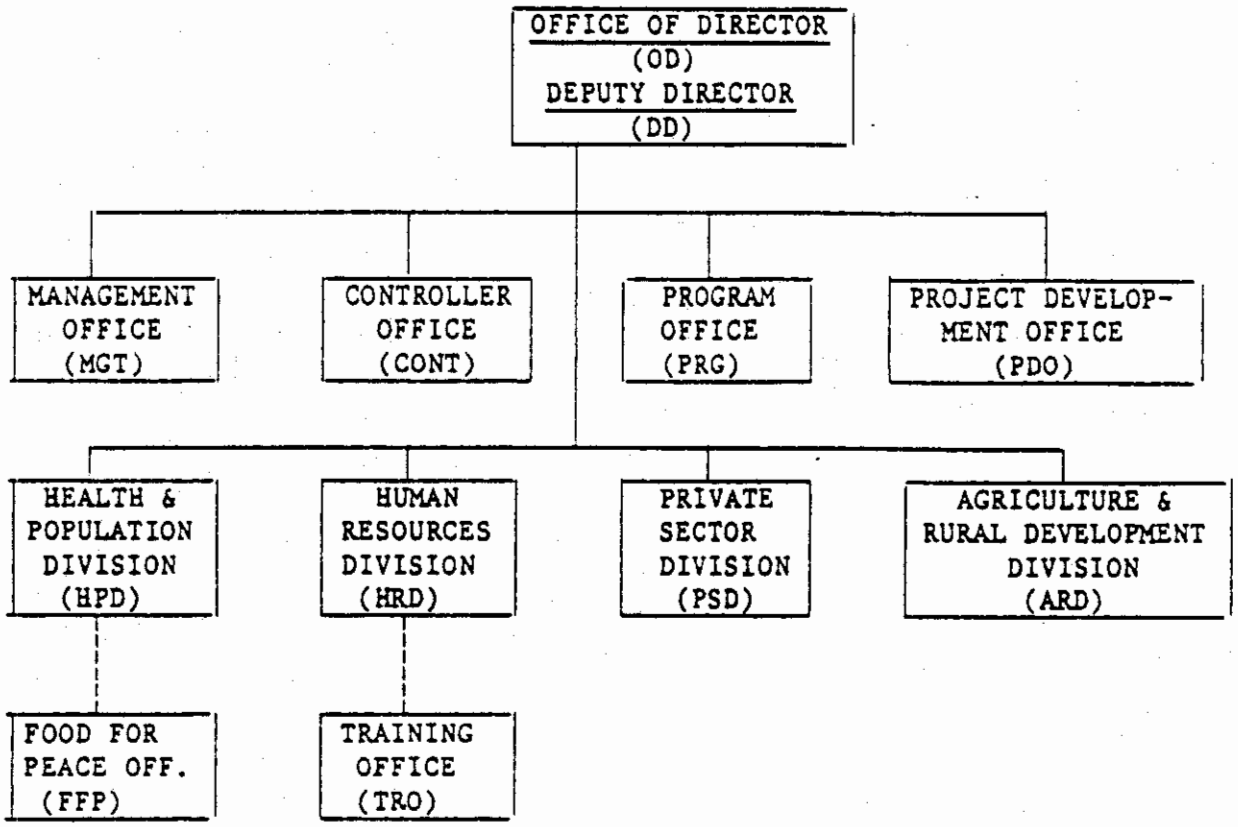
1. USAID is preparing a proposal to secure an IQC contract with an 8-A firm for project development and evaluation purposes. Given the unique strength of a number of 8-A firms in acquiring specialized project development skills we wish to capitalize on this by having an IQC relationship with one of these firms to provide services on an "as needed" basis. Success in the use of an 8-A firm under this proposal could lead to greater opportunities for minority enterprises and HBCU's in the implementation of individual projects.

2. Given the closeness and traditional ties between the Dominican Republic and Puerto Rico, we have used a number of Puerto Rican universities and private enterprises to train Dominican participants. We will give particular attention to greater use of these institutions as our participant training portfolio expands, not only for just the LAC Regional Training project, but also for project specific training.

3. USAID will pay greater attention to the potential role of HBCU's and 8-A firms during the drafting of scopes of work and requests for proposals for project design, implementation, and evaluation activities. We will attempt to separate out discrete activities for contracting that could best be performed by HBCU's and 8-A firms rather than including them in one large request for proposals. Further, we will encourage all offerors to consider proposals that contain sub-contracts with minority enterprises.

H. Mission Management

1. USAID/DR Organization Chart



B 2. Mission Management

USDH Positions by Office

	FY-1986	FY-1987
Office of the Director		
Mission Director	1	1
Deputy Mission Director	1	1
Secretary	1	1
Management Office		
Management Officer	1	1
Controller Office		
Controller	1	1
Deputy Controller	1	1
Program Office		
Program Officer	1	1
Deputy Program Officer	1	1
Program Economist	1	1
Project Development Office		
Project Development Officer	1	1
Deputy Project Development Officer	1	1
Assistant Project Development Officer	1	1
Civil Engineering Officer	1	1
Health & Population Division		
Health Officer	1	1
Human Resources Division		
Human Resources Officer	1	1
Private Sector Division		
Private Sector Officer	1	1
Agriculture & Rural Development Division		
Agriculture Development Officer	1	1
Deputy Agriculture Dvl Officer	1	1
Project Manager Agriculture	1	1
Project Manager Agriculture	1	1
Total USDH	20	20

H. 2. Mission Management

FNDH Positions by Office

	FY-1986	FY-1987
Office of the Director		
Secretary (Translator)	1	1
Management Office		
Management Assistant	1	1
Secretary	1	1
Correspondence & Records Clerk	1	1
Controller Office		
Secretary	1	1
Secretary	1	1
Voucher Examiner (Chief)	1	1
Project Accountant (OE)	1	1
Project Accountant	1	1
Financial Analyst (Chief)	1	1
Voucher Examiner (OE)	1	1
MACS Data Accountant	1	1
Voucher Examiner	1	1
Financial Analyst	1	1
Project Accountant (Chief)	1	1
Voucher Examiner	1	1
Project Voucher Examiner	1	1
Program Office		
Program Assistant	1	1
Economic Specialist	1	1
Project Development Office		
Legal Advisor	1	1
Program Assistant	1	1
Secretary	1	1
Engineer	1	1
Engineer	1	1
Health & Population Division		
Secretary	1	1
Human Resources Division		
Secretary	1	1
Participant Training Assistant	1	1

2 (H.3)

	FY-1986	FY-1987
Private Sector Division		
Secretary	1	1
Agriculture & Rural Development Division		
Program Specialist	1	1
Secretary	1	1
Secretary	1	1
Total FNDH	31	31

H. 4. Mission Management

US & FN PSC's

Summary by Office/Division

The number of US and Foreign National PSC's (both Program and OE funded) is 42 for FY's 86 and 41 for FY-87, broken down by office as follows:

	FY-1986	FY-1987
MGT	3	3
CON	6	6
PRG	2	2
PDO	7	7
HPO	4	4
HRD	6	6
PSO	5	5
ARDO	5	4
	38	37

	FY-1986	FY-1987
Office of Director		

-o-

	FY-1986	FY-1987
Management Office		
Computer Operations Manager/Programmer Supervises and manages the automated data processing program, i.e., hardware operation, software development. Advises Management relative to automation equipment and programs. Designs and develops appropriate programs.	1	1
Computer Systems Analyst/Operator Assists in the operation of automated data processing systems. Does system analysis and develops limited programs and modifies existing programs.	1	1
Management Assistant Provides management assistance and coordinates logistic support for contract employees. Assists Management Officer in full range of administrative activities.	1	1

	FY-1986	FY-1987
Controller Office		
Accountant for Program Assistance Maintains accounting records of local currency generations from PL-480 Title I and CBI programs.	1	1
Financial Analyst Performs financial reviews of project expenditures at the implementing agency level.	1	1
Clerk/Typist Supports Controller Office activities.	1	1
General Ledger Accountant Maintains ledgers of NXP, trust fund accounting and billing and collections, OE and projects related.	1	1
Project Accountant Maintains accounting records of project assistance.	1	1
Projec Voucher Examiner Prep res voucher related to projects.	1	1

	FY-1986	FY-1987
Program Office		
Policy Analysis Coordinator Serves as principal technical advisor to policy analysis project. Provides liaison with ONAPLAN. Responsible for coordinating activities under the project.	1	1
Secretary Provides secretarial support services to professional contract employees.	1	1

	FY-1986	FY-1987
Project Development Office		
Secretary Supports full range of Project Development Office activities and provides secretarial service to professional contract employees engaged in project development and project implementation.	1	1
Loan Implementation Specialist Assists and supports technical divisions in the implementation of projects, i.e., procurement, waivers, reprogramming, etc. Prepares quarterly loan reviews. Coordinates other donor relationship. Does project analysis.	1	1
Engineer (Mini-Hydro) As Mini-Hydro specialist, advises and recommends to Mission appropriate actions related to Mini-Hydro component of energy conservation project.	1	1
Engineer (Energy conservation) Implements and coordinates energy conservation and resources development project.	1	1
Program Development Advisor Assists USAID technical offices and ONAPLAN to identify, design, and review projects for financing with local currencies, generated from CBI and PL-480 Title I programs.	1	1
Program Development Coordinator Assists USAID technical offices in the implementation of projects financed with local currencies generated from CBI and PL-480 Title I programs.	1	1
Driver Provides support services to Project Development Office professional and technical contract employees.	1	1

	FY-1986	FY-1987
Health and Population Division		
Program Coordinator (416)	1	1
Monitors Section 416 food program. Develops, reviews, and evaluates programs. Does end-use checks and reviews records. Conducts recipients checks of PL-480 Title II programs, inspects storage facilities and provides the USAID with current field status reports on both programs.		
Program Coordinator (PL-480 Title II)	1	1
Assists the Health and Population Officer in the administration of the PL-480 Title II food program. Provides liaison and coordinates activities of implementing VolAgs. Reviews and analyzes program documentation submissions and does end-use reviews.		
Secretary	1	1
Provides secretarial support services to technical and professional contract employees involved in FFP programs.		
Program Specialist (Population)	1	1
Coordinates, monitors and assist with the evaluation of intermediaries working in the area of population. Manages implementation of USAID funded population activities and assists in the development of program strategies.		
Program Specialist (Health)	1	1
Responsible for managing series of Health projects including Health Sector II Project, Applied Nutrition OPG, International Eye Foundation OPG, etc. Assists in the development of program strategies.		
Secretary	1	1
Provides secretarial support services to USDH, and contract employees engaged in health and population activities.		

	FY-1986	FY-1987
Human Resources Division		
Program Analyst Prepares and processes program documents. Provides basic analysis of statistical data necessary to the development and implementation of Human Resources projects. Monitors and coordinates various project activities.	1	1
Participant Training Assistant Prepares PIO/Ps for designated training candidates. Assures compliance by candidates with technical requirements and professional qualifications. Arranges for medical examinations, passport, visa, etc. for candidates.	1	1
Secretary Provides secretarial support services to technical and professional personnel.	1	1
Education Advisor Advises USAID and GODR on current and proposed education and Human Resources projects. Provides liaison between AID, SEEBAC and the implementing agencies. Coordinates the development of studies, etc., essential to proposed projects.	1	1

	FY-1986	FY-1987
Private Sector Division		
Private Sector Advisor Advises on technical matters related to export and investment promotion programs, PVO's, and CBI activities.	1	1
Agro-Business Specialist Coordinates new project activities in field of Agro-business. Advises on technical feasibility of proposed Agro-business projects. Monitors availability of technical expertise available to Dominican Agro-business enterprises.	1	1
Banking Credit Advisor Monitors local currency and dollar investment programs which provide credit to Dominican industrial and agro-business firms. Conducts financial analyses of projects which contain credit components.	1	1
Investment/Export Promotion Advisor Monitors AID projects designed to stimulate foreign investments in the Dominican Republic and exports. Assists U.S. and Dominican businessmen on CBI activities. Advises public and private organizations on matters pertaining to trade investments.	1	1
Secretary Provides secretarial services to technical and professional contract employees enganged in Private Sector activities.	1	1

	FY-1986	FY-1987
Agriculture and Rural Development Division		
Water Engineering Advisor Provides technical guidance to ARDD and GODR on implementation requirements and progress of On-Farm Water Management project. Assists the institutional technical assistance group (U of Utah) and provides liaison with INDRHI.	1	1
Forestry Management Advisor Provides technical assistance to ARDD and GODR on forestry matters. Coordinates forestry project activities with the Dominican Forestry Service. Assists USAID and Dominican Forestry Service to develop project implementation plans.	1	-
Project Coordinator Assists in identifying and developing farmer associations as a means of channeling appropriate technology to commercial farmers. Also, identifies small scale rural industries and assists in securing technical assistance and credit. Coordinate SDAF.	1	1
Rural Credi Mobilization Advisor Coordinates and advise USAID and GODR relative to Rural Credit Mobilization project. Works with farmer associations and institutions to promote agro-business activities. Assists in the development of investment proposals and assists financial institutions to generate local funds for use in agro-business programs.	1	1
Secretary Provides secretarial support services to professional and technical contract personnel.	1	1

NOTE: This USAID/Dominican Republic FYs 1986-1987 ACTION PLAN precedes the Mission's CDSS, to be submitted o/a October 15, 1985. Likewise, it incorporates other information and narratives which would have been submitted to AID/W in an ABS. Two sets of ABS budgetary tables are missing from this document and are to be submitted separately: Table IV and the PL-480 tables (XI and XIII).

13 MAY 1985

MEMORANDUM

TO : AA/LAC, Victor Rivera
DAA/LAC, Marshall Brown

FROM : LAC/DP, John Oleson John Oleson

SUBJECT: Review of the Dominican Republic's FY 1986/87 Action Plan

You have been sent a copy of the subject Action Plan. Its review will be on May 14, at 2:00 p.m. in the LAC Conference Room, 2248 NS. A copy of the Plan's summary funding table is attached. The issues we suggest be discussed at the Review are listed below:

Summary

The Action Plan describes the short-term economic stabilization measures the GODR is taking and which may reduce economic activity and employment. The overall balance of payments deficit is projected to be $149 million by the end of 1985. Although this is an improvement over previous deficits of $353 million in 1983 and $155 million in 1984, the GODR must provide further solutions to its short-term balance of payments problem. The Plan states that the Dominican Republic's productive base must be reoriented toward labor intensive, non-traditional exports, and that it must lessen the country's dependence on sugar as a primary export. Thus, USAID/DR's strategy and policy dialogue will be directed toward the following objectives:

1) economic adjustment and stabilization
2) private sector investment and export promotion
3) agricultural diversification
4) development of supporting institutional, physical, and social infrastructure.

Basic revisions from the last approved CDSS strategy for FY 85 and FY 86 are: (1) to restrict AID's social sector investments to activities by the private sector, and (2) not to proceed with the minerals/mining program.

PART I: MAIN ISSUES

1. ESF

The Mission proposes that the ESF level for FY 86 be increased from the CP level of $50 million to $60 million, and that all ESF beginning in FY 86 be provided as grant assistance. However, the Action Plan does not make a case for the increase

in FY 86 or for the shift to grant financing either in terms of balance of payments needs or additional leverage for policy dialogue. Furthermore, the Action Plan does not provide the rationale in terms of macro-economic impact and negotiating agenda even for the $50 million ESF currently budgeted for FY 86. Yet, we understand the GODR and the IMF expect up to $35 million of the FY 86 ESF to be made available this calendar year.

- What does the Mission propose to achieve with the proposed FY 86 ESF? The FY 87 ESF?

- When does the Mission propose to submit a Concepts Paper and PAAD for the FY 86 ESF program?

- Why is a $10 million increase proposed for FY 86?

- The GODR was specifically advised that the $50 million ESF grant from the FY 84 supplemental was not precedent setting. Why is all ESF for FY 86 forward now proposed as grants?

2. Uses of Local Currency

The Action Plan states local currency assistance from ESF and PL 480 Title I currently accounts for 90% of the Dominican Republic's national investment budget, and serves as the main source for counterpart for AID and other donor projects. The Action Plan provides a list of possible uses for future counterpart generations, but does not indicate priorities among them or set objectives to be served through these allocations.

- What objectives are we trying to achieve through our programming of local currency? How are we attempting to influence GODR budget/allocation decisions? particular policy changes?

- To what extent are current local currency generations attributed to activities already included in the 1985 GODR budget? How much for new activities? What is our intent re the 1986 GODR budget for using counterpart on an attribution basis?

- Is the GODR allocating sufficient credit to the private sector, or should we be trying to increase these allocations?

- What will be the implications for management if the U.S. Congress requires us to account more closely for uses of local currency?

3. Goals, Benchmarks, and Policy Agenda

The Action Plan has selected priority areas of emphasis, but does not provide goals and benchmarks, nor does it provide specificity in policy dialogue objectives and timing.

- Cannot sector goals and benchmarks and a more specific policy agenda with target dates be supplied by Mission representatives for the proposed program before they return to the Dominican Republic?

- Since the state enterprises are substantial drains on the government's limited resources, shouldn't GODR divestiture plans be among our priority policy objectives?

4. Social Infrastructure

In a significant departure from previous CDSS strategy (and in contrast to the approach taken in the Action Plan presented by the Mission in Jamaica) the Action Plan states that AID's social sector investment will be restricted to activities with private businesses and voluntary agencies which have the capacity to reach targeted populations. The Plan maintains that the GODR is no longer able to sustain the current level of subsidies for social services, and that AID will not seek to increase the recurrent cost burden to public sector institutions through new project activities with the public sector.

- Is this strategy shift proposed just for the Action Plan period through FY 87, or for a longer duration?

- What role are other donors playing in support of the provision of social services? What is their attitude toward the recurrent cost problem?

- Will our private sector approach adequately meet our basic human needs objectives during a period when the Dominican Republic will be undergoing a difficult restructuring of its economy to regain sustained growth? Will it be acceptable to the political needs of the GODR?

5. Agriculture

Agricultural diversification is one of the major objectives of the Mission's strategy. However, the sugar industry is referred to only incidentally in the Action Plan. The State Sugar Council, the Agricultural Bank, and the Dominican Agrarian Institute own or control significant amounts of agricultural land, including some of the best land in the

country. Lack of access to this land by investors and firms interested in diversified production is mentioned as an important constraint to diversification efforts, but the Action Plan does not indicate what is needed to open up these lands. Furthermore, little attention is given in the Action Plan to the GODR's parastatals, extensive land holdings, and control of food commodity prices through the government price stabilization board, INESPRE.

- The Mission is proposing a project in FY 87 to develop river basin lands. Wouldn't the application of resources to divestiture and leasing of government lands be more effective than developing river basins?

- What are the Mission's plans for diversification of the sugar industry, i.e. alternative uses of cane for energy, divestiture of plantations and mills, etc?

- Price controls and export prohibitions on agricultural commodities are mentioned in the Action Plan as policy constraints on expansion of domestic and export agricultural production. How does the Mission propose to influence policy changes in these areas?

6. Management/Staff

USAID/DR entered FY 85 with an $81 million pipeline spread over more than 30 projects. Five new project starts are scheduled for the remainder of FY 85, three major new starts in FY 86, and for FY 87 there are two new starts and a shelf project. The Action Plan projects the USDH staff remaining at the current level of 20 through FY 87. Thus the ratio of projects (not including PD&S and OPG's) to project officers will be more than two major project for each project officer in FY 86.

- Can the Mission handle this project design and implementation load, given that no increase in USDH staff is likely to be possible?

- As was pointed out in the recent pipeline review, the Dominican Republic's pipeline liquidation rate in FY 84 was only 12%, the lowest rate in the LAC Bureau. Should the Mission re-examine its pipeline and determine if more can be deobligated?

PART II: SPECIAL CONCERNS

1. WID

The Action Plan does not discuss the role of women in the Mission's strategy.

- What is the Mission doing to include women in its programs?

- Is the Mission making an effort to gather sex-disaggregated data in developing its projects?

2. Evaluation

The Mission is planning eight evaluations over the next two fiscal years. It appears from Table VII that they are esentially project evaluations, and in most cases answering project issues. The evaluation plan suggests that several evaluations of projects which do not contribute to the Mission's current strategy have not been included in the plan.

- Is it feasible for the Mission to develop a plan for sector evaluations to which more than one project or components of projects might contribute? For instance, could the two private sector projects shown in the evaluation plan be combined into one evaluation?

- What evaluations have been dropped from the plan?

- Would it make sense to attempt to obtain base line data now so that it would be possible in five years or so to measure the extent to which the poorer segments of the population are benefitting from the AID strategy of supporting only private sector initiatives?

3. PVO's

The Action Plan states that the Mission will continue to work with and assist PVO's that support Mission priorities and strategy in the areas of employment generation, export development, and related social infrastructure. However, Table III includes PVO funding only in the population and health accounts.

- Without PVO funding set aside in appropriate accounts how does the Mission plan to use PVO's in support of its priorities and strategy? Will local currency be used?

- The Action Plan suggests that DR$6 million from local currency generations have been used to support local PVO's. Is a list available of these institutions, with a short description of the activities supported? Does the Mission have a budget for use of local currency for PVO's for FY 86?

- What level of Mission resources were channeled through PVO's in FY 84? What is the Mission's estimate of the level of resources which will be channeled in FY 85? FY 86?

4. Operating Expenses

The FY 86 and FY 87 OE budgets are $1,632,000 and $1,823,000 respectively. Of these amounts, only $527,000 and $851,000 respectively will come from the trust fund. These amounts appear to be low. They do not cover the total amount of local currency costs in the FY 86 and FY 87 budgets (the FY 86 ABS, for example, shows local currency requirements in FY 86 to be $1,175,000).

- If total local currency costs are more than the above amounts, what is the Mission's rationale for not funding all local currency costs from the trust fund?

- Has the Mission examined the feasibility of using the trust fund for real property procurement for residential housing and office space?

- Has the Mission given consideration to using the trust fund for procurement of non-expendable property such as residential and office furniture, and equipment?

5. Staffing

The FNDH staffing plan includes clerical staff as direct-hire personnel.

- To reserve valuable FNDH ceilings, does the Mission have any plans to convert those positions to contract?

FY-1987 ANNUAL BUDGET SUBMISSION
TABLE I -- LONG RANGE PLAN BY APPROPRIATION ACCOUNT ($000)
Country: DOMINICAN REPUBLIC

	FY-84	FY-85	----FY-86----		FY-87	---------PLANNING PERIOD--------			
	Actual	Est.	CP	Est.	AAPL	1988	1989	1990	1991
AGRICULTURE, RURAL DEVELOPMENT, AND NUTRITION									
TOTAL	16830	10860	15180	15540	19000	20000	21500	22000	22000
Grants	3030	4250	5500	4300	7500	7000	7000	6000	5000
Loans	13800	6610	9680	11240	11500	13000	14500	16000	17000
POPULATION PLANNING									
TOTAL	50	650	1350	2850	1950	2000	2000	2500	3000
Grants	50	650	1350	2850	1950	2000	2000	2500	3000
Loans	-	-	-	-	-	-	-	-	-
HEALTH									
TOTAL	4924	1451	2070	1450	2500	2000	2000	1500	1500
Grants	924	1451	2070	1450	2500	2000	2000	1500	1500
Loans	4000	-	-	-	-	-	-	-	-
EDUCATION									
TOTAL	7140	7419	4700	3100	1200	1200	1200	1000	1000
Grants	2176	6383	2700	3100	1200	1200	1200	1000	1000
Loans	4964	1036	2000	-	-	-	-	-	-
SELECTED DEVELOPMENT ACTIVITIES									
TOTAL	1402	3880	6700	7100	7350	8800	9300	11000	10500
Grants	1402	3880	2300	4600	1350	1800	2300	2000	1500
Loans	-	-	4400	2500	6000	7000	7000	9000	9000
TOTAL DA ACCOUNT									
TOTAL	30346	24260	30000	30040	32000	34000	36000	38000	38000
Grants	7582	16614	13920	16300	14500	14000	14500	13000	12000
Loans	22764	7646	16080	13740	17500	20000	21500	25000	26000
ECONOMIC SUPPORT FUND									
TOTAL	34000	95000	50000	60000	50000	50000	50000	50000	50000
Grants	-	95000	50000	60000	50000	50000	50000	50000	50000
Loans	34000	-	-	-	-	-	-	-	-
DA AND ESF TOTAL									
TOTAL	64346	119260	80000	90040	82000	84000	86000	88000	88000
Grants	7582	111614	63920	76300	64500	64000	64500	63000	62000
Loans	56764	7646	16080	13740	17500	20000	21500	25000	26000
PL-480									
Title I	26000	45500	30000	35000	30000	30000	-	-	-
Title II	2805	1907	1792	1800	1000	1000	-	-	-

Proposed Preprogramming of Generated Funds for CY 1985
Under the ESF and PL-480 Agreements
(RD$ 000)

AREAS OF FOCUS	PROGRAM LEVELS	CY 1985 ALLOCATIONS	SOURCE OF FUNDING
I. Short-term Economic Stabilization			
A. Policy analysis efforts of GODR	5,000	1,900	
1. Agriculture Policy Analysis Project - CNA (AID)		(700)	PL
2. Economic Policy Analysis and Training Project - STP (AID)		(1,000)	ESF
3. Rural Savings Mobilization Project - BAGRICOLA (AID)		(100)	PL
4. Revenue Collections Project - CDE (AID)		(100)	ESF
B. Private Sector Working Capital	50,000	25,000	
1. Working Capital Credit - FIDE		(10,000)	ESF
2. Working Capital Credit - Commercial Banks		(15,000)	ESF
C. Credit for commercial Small Farmers	100,000	32,850	
1. Small Food Producers Credit - BAGRICOLA (IBRD/FIDA)		(650)	PL
2. Agropecuario VI Credit - BAGRICO A (BID)		(2,200)	PL
3. Agropecuario Credit - BAGRICOLA		(15,000)	PL
4. Agropecuario Credit - Commercial Banks		(15,000)	PL
D. Feasibility studies.	1,750	1,250	
1. Private Sector Studies		(500)	ESF

AREAS OF FOCUS	PROGRAM LEVELS	CY 1985 ALLOCATIONS	SOURCE OF FUNDING
2. Ag Market Design Studies - Santo Domingo		(250)	PL
3. Potable Water - INAPA		(500)	ESF
II. Strengthen Private Sector Enterprises			
A. Small Business Credit	8,000	1,200	
1. Small Industry Development Project - FIDE (AID)		1/	ESF
2. ADEMI Credit (AID)		(1,200)	ESF
B. Provide credit for agribusiness and related crop production.	70,000	35,000	
1. Agribusiness Development Project (AID)		(30,000)	ESF
2. Café y Cacao Credit - BAGRICOLA (IBRD)		(5,000)	PL
C. Improve productivity, diversify production, increase value added, more labor intensive technology for business.	3,000	400	
1. International Executive Service Corp. - IESC		(400)	ESF
2. Twin Chambers Program		(-)	ESF
D. Export marketing development and promotion.	5,000	1,500	
1. Export and Investment Promotion Project (AID)		(200)	ESF
2. Institutional Support to CIPROIN, Chicago Association of Industry and Commerce, ADOEXPO, and CEDOPEX		(1,300)	ESF

1/ Counterpart is in Central Bank budget for this project.

AREAS OF FOCUS	PROGRAM LEVELS	CY 1985 ALLOCATIONS	SOURCE OF FUNDING
E. Support Animal and Crop Sanitation and certification efforts.	5,000	2,500	
1. Support to APHIS Lab		(500)	PL
2. Support to APHIS Inspector		(-)	PL
3. Support to African Swine Fever Surveillance Program		(500)	PL
4. Support Dominican Seed Certification Lab		(1,500)	PL
F. Development and expansion of Free Trade Zones.	30,000	20,000	
1. Puerto Plata FTZ III		(3,000)	ESF
2. Baní FTZ		(2,000)	ESF
3. La Romana FTZ		(4,000)	ESF
4. Santiago FTZ		(5,000)	ESF
5. Haina FTZ		(5,000)	ESF
6. San Pedro FTZ		(1,000)	ESF
G. Rehabilitation and Expansion of Industrial Zones and Light Manufacturing Facilities.	5,000	-	ESF
III. Diversifying Agricultural Production intoNon-traditional Crops			
A. Support research in non-traditional crops for private sector production.	5,000	550	
1. Agriculture Research and Tech Transfer Project - IDIA (AID)		(150)	PL
2. Mariculture Development Activities - SEA		(400)	PL

AREAS OF FOCUS	PROGRAM LEVELS	CY 1985 ALLOCATIONS	SOURCE OF FUNDING
B. Support extension and technology transfer activities.	23,000	4,800	
1. Natural Resource Management Project-SEA (AID)		(2,600)	PL
2. On-Farm Water Management Project - INDRHI (AID)		(700)	PL
3. Forestry Management Project - DGF (AID)		2/	PL
4. Superior Institute of Agriculture - ISA/CADR		(1,500)	PL
IV. Improve Physical, Social and Institutional Infrastructure in Focus Areas I, II, and III Above.			
A. Improve rural roads, irrigation, health & primary school, electrification and port facilities.			
1. SEOPC	40,000	24,200	
- Carretera La Vega- Jarabacoa		(1,000)	PL
- Carretera Duarte (IDB)		(7,900)	ESF
- Carretera II (IBRD)		(2,200)	ESF
- Caminos Vecinales (AID)		(6,200)	PL
- Caminos Vecinales (IDB)		(900)	PL
- Cruce de Azua-San Juan (FIV)		(4,000)	PL
- Puerto de Haina (IDB)		(2,000)	ESF
2. INDHRI	10,000	7,500	
- Nizao/Valdesia Irrig'n (IBRD)		4,500	PL
- Sabaneta Irrigation (IDB)		1,200	PL
- AGLIPO Irrigation (Japan)		1,800	PL

2/ RD$500,000 in reserve awaiting Congressional Approval

AREAS OF FOCUS	PROGRAM LEVELS	CY 1985 ALLOCATIONS	SOURCE OF FUNDING
3. SEEBAC	9,400		
- Rural Education/Expansion (AID)		3/	PL
4. CDE	22,100	22,100	
- Haina I		(3,000)	ESF
- Haina V		(9,500)	ESF
- San Pedro de Macorís		(7,600)	ESF
- PBI Installation		(2,000)	ESF
5. SESPAS	800	800	
- Health Systems Develop. (AID)		(800)	
6. INAPA	5,000	3,500	
- PLANAR III (IDB)		(600)	PL
- Sosua Water		(2,900)	ESF
7. FEDA	2,000	2,000	
- Valley of Neyba Project		(2,000)	PL
B. Strengthen training for commercial farmers, farmer leaders, agribusiness managers, small businessmen, and technical and vocational workers.	3,000	250	
1. Tourism Training - UCMM		(200)	ESF
2. Human Resources Development - FCE (AID)		-	ESF
3. Agriculture Sector Training - ONAPLAN (AID)		(50)	PL
C. Support farmer associations and cooperatives	5,000	2,200	
1. CODOCOOP Credit		(2,000)	PL

3/ 4,000,000 in reserve awaiting Congressional Approval

AREAS OF FOCUS	PROGRAM LEVELS	CY 1985 ALLOCATIONS	SOURCE OF FUNDING
2. Strengthen Small Farmer Associations		(200)	PL
D. Strengthen participation of private and voluntary organizations in employment-intensive self-sustaining development activities.	14,000	3,600	
1. All that meet criteria		(3,000)	ESF
2. CARE Warehouse		(600)	PL
F. Improve Selected Private and Public Sector Institutions Needed in Support of Private Sector Growth and Diversification.	9,000	5,600	
1. Energy Conservation and Resource Development Project - COENER (AID)		(4,000)	ESF
2. Health System Mgt. Improvement - SESPAS (AID)		(300)	PL
3. PIDAGRO III - SEA (IDB)		(1,200)	PL
4. Rehabilitation Center		(100)	ESF
F. Support PL-480/CBI Resource Coordinating and Regional Planning Development Units within STP/ONAPLAN	2,000	1,200	
1. PL-480/CBI Coordinating Unit - ONAPLAN		(900)	PL-85
2. Regional Planning Offices - ONAPLAN		(300)	PL-85
V. Other			
A. Trust Fund for USAID/DR Administrative and Project Development Operations	31,000	10,500	
1. ESF Trust Fund		(10,000)	ESF
2. PL-480 Trust Fund		(500)	PL-85

AREAS OF FOCUS	PROGRAM LEVELS	CY 1985 ALLOCATIONS	SOURCE OF FUNDING
B. CUP Payment	5,050	5,050	
		(2,150*)	PL-84
		(2,900*)	PL-85
TOTAL PROGRAMMED	469,100	215,450	
UNPROGRAMMED RESERVE	900	10,550	
	470,000	226,000	

*Calculated at RD$3.30 to US$1.00

May 8, 1985

MEMORANDUM

TO: LAC/DP, John Oleson

FROM: PPC/PB, Janice Weber

SUBJECT: PPC Issues on Dominican Republic FY 1986/87 Action Plan

Funding

1. PL 480 - If Title I is a key element in the policy dialogue, why has the Mission shown it as a declining resource in FY's 86/87? Is there going to be a continuing problem, or is the USAID's agriculture program going to obviate the need for Title I at the present levels? If the need is projected to be ongoing, the Mission should be realistic in its requested levels and submit a higher request.

2. ESF - The ESF figure for FY 86 is $60 million rather than the proposed AAPL level of $50 million. The Mission should not plan on the additional $10 million at this time.

On-Going Projects

1. The Action Plan states that the mining sector is best left to other donors and to large private sector firms. What has happened to the Minerals Export Promotion Project reviewed in AID/W in February? Does this mean the Mission is abandoning its policy dialogue with the GODR in the mining sector?

New Projects

1. Economic Policy Analysis - Has this project been reviewed as yet? Is this description provided in order that the Mission be delegated PID approval in the field?

2. Light Industry Development Projects - The project description mentions that the mechanism through which this

project will be channeled is the "banking system". Is this the private commercial banking system ? It is unclear whether the project is funding a lot of public sector infrastructure. Also, credit funds to producers should, of course, be at market rates.

3. Export Marketing Services - There are two FY 85 projects, the Agribusiness Promotion Project and the Export and Investment Promotion Project which could conceivably subsume elements of this project or be expanded to do so. Would it make sense to have a larger private sector project with sub-activities to achieve the Mission's goals in this sector, which would, perhaps, reduce project management requirements and assure coordination and reduce the possibility for duplication among these activities?

General Observations

1. The IMF reform package looks quite good, but we still do not see a credible recovery scenario that, in the absence of a sharp upturn in the export commodity crisis, will lead to viable growth. Can the Mission supply an estimate of what the appropriate AID role should be in meeting the DR's resource requirements over the next three years, utilizing the figures cited in the Action Plan on

2. There is no timetable in the Action Plan for new project development. With six new starts over the next two years, does the Mission have sufficient personnel to design and implement its proposed program?

3. Evaluation - The Action Plan states that there will be some evaluations that will take place that are not envisioned to contribute to the Mission's strategy and, therefore, have not been included in the Action Plan. It would be extremely useful to have a complete listing of the Mission's planned evaluations in order to determine if there is an opportunity for sector-wide evaluations within the Mission's portfolio.

4. WID - There is no mention in the Action Plan of the role of women in the Mission's strategy or in any of the new project descriptions. Could the Mission elaborate on its plans to further integrate women into the development process in the DR?

NOTE: This USAID/Dominican Republic FYs 1986-1987 ACTION PLAN precedes the Mission's CDSS, to be submitted o/a October 15, 1985. Likewise, it incorporates other information and narratives which would have been submitted to AID/W in an ABS. Two sets of ABS budgetary tables are missing from this document and are to be submitted separately: Table IV and the PL-480 tables (XI and XIII).