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DOMINICAN REPUBLIC

ACTION PLAN FY 1987-88

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USAID/DOMINICAN REPUBLIC

ACTION PLAN -- FYs 1987/1988

Santo Domingo, D.N.

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USAID/DOMINICAN REPUBLIC

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USAID/DR FYs 1986/1987 ACTION PLAN

I. STRATEGY SUMMARY

The CDSS for the Dominican Republic was reviewed and approved by AID/W in February 1986. Our development goal is to assist in developing sustained and equitably distributed economic growth in the Dominican Republic. Target beneficiaries of our program are the urban and rural poor. To achieve our goal, USAID/DR is following a strategy that supports the Dominican Republic's recovery and growth through a private sector led expansion and diversification of the country's economic base. Specific objectives of this strategy are as follows:

A. Continued progress in implementing the GODR's ongoing economic stabilization program;

B. Expanded private investment in the industrial and agricultural sectors, and the development of a broader base of non-traditional exports;

C. Rapid diversification of the agricultural sector into non-traditional crops with foreign exchange earning potential; and

D. The promotion of equitable economic growth as a means to improve living standards, and provide improved access to needed health care and family planning services by reinforcing the private sector's capacity to meet these needs.

This strategy focuses on the development of those productive sectors which can best contribute to broadly-based self-sustaining growth. Increased private sector investment in agroindustry and free zone development, along with a rapid diversification of the agricultural sector into non-traditional crops with export potential can maximize employment and income opportunities for Dominican workers. This will enable Dominican citizens to procure directly social services and other improvements in their standard of living they cannot now afford. Growth in the export-oriented industrial and agricultural sectors will have a direct impact on increasing foreign exchange earnings as well as domestic revenues, which will serve to maintain economic stability, broaden the country's economic base, and attract additional investment necessary for sustained long-term growth. This strategy makes the greatest possible use of domestic and foreign investments in the private sector. We are limiting our involvement in public sector programs because they will not have the rapid impact on self-sustaining employment and income we wish to promote. Furthermore, public sector programs will continue to be constrained by budgetary restrictions and at best most likely will continue at their current low level of efficiency and productivity.

The USAID strategy and 1987-1988 Action Plan are consistent with the Agency's Strategic Plan - Blueprint for Development. At the broadest macro-economic levels as well as within the sectors in which we are focusing, we are concerned that the appropriate policy framework be established that will ensure that our resources, as well as other investments, will accomplish their intended purpose. Ongoing discussions with government and private sector leaders as well as conditionality with DA, ESF, PL-480, and local currency resources help ensure that needed policy changes are carried out. While we are working with selected government institutions, particularly at the policy level, we are concentrating on the private sector to channel AID resources as well as to serve as the engine of growth within the economy. The third Agency-wide approach to development, technology research, development and transfer, is an integral part of our program. Our program implements this approach through the development on non-traditional agricultural crops adaptable to the Dominican Republic, through the provision of more efficient and competitive production technologies in the private industrial and energy sectors, and through more innovative means of providing low cost self-financing health care. Finally, our program is focused on the development of self-sustaining institutions that can carry out their development functions through user fees or other self-financing sources. For example, project activities will result in three private sector organizations in the area of family planning services, export and investment promotion, and agribusiness development that will be able to finance their services in the future through cost recovery schemes without having to depend on continued AID or governmental financing.

The USAID program is focused on those elements of poverty with which the Agency's Strategic Plan is most concerned. First, we are focused on creating productive and sustained employment within the private sector. This will result in greater individual income which will enable poor Dominicans to secure social and other services that the public sector cannot afford to provide. This should have an immediate impact on the hunger problem, because malnutrition in the Dominican Republic is a function of income level and not the availability of food. We will address health problems by attempting to make the large and poorly financed public health system more efficient and better able to provide services to those who cannot afford to secure them on their own. We will also use PVOs to expand the availability of potable water which is of critical importance in lowering the rate of infant and child mortality. For those who can afford to pay for minimum preventive and curative care, we will help broaden the coverage and lower the cost of private health service systems. We will also help the country reduce the demographic growth by increasing the availability of voluntary family planning services.

Because of continuing budgetary restrictions that affect the country's ability to meet recurring costs and absorptive capacity issues, we will not be involved with dollar funding of illiteracy and primary education programs. But, to the extent that other donors develop cost-effective education activities consistent with the government's ability to finance and which improve the efficiency of primary education, we will be supportive of those programs using local currency resources.

While there is no formal mechanism for coordinating the activities of donor organizations in the Dominican Republic, our program is consistent with and complementary to the activities of other donors. Because of the size of our program and our effective dialogue with the GODR, we exercise considerable influence over the direction of other donor programs. Furthermore, by financing the local costs of other activities through AID-generated local currency, we are able to ensure that other investments are made in activities that may be important, but in which AID is not involved. Thus, the World Bank, Inter-American Development Bank, and the Venezuelan Investment Fund are investing significant resources in the public sector health system, in primary education, and in housing and urban development. We will continue to support those activities that are cost-effective, that do not create recurring cost problems, that increase the efficiency of public sector programs, and that do not lead to significant additional public sector employment.

Proposed Development Assistance levels are $29.7 million in FY-1987 and $34.0 million in FY-1988. We propose an ESF level of $40.0 million for FY-1987 and $30 million for FY-1988, and an annual level of $30.0 million for PL-480 Title I. All local currency resources generated by PL-480 and ESF will finance activities supportive of the AID strategy, and the majority of these funds will go directly to the private sector. Over the 1987/1988 period, approximately 54% of the total projected AID resources are to be allocated to support private-sector industrial development, and 42% of the resources will be allocated to diversified agricultural development.

The 2-year Action Plan strategy balances two crucial policy level objectives: (a) the need to maintain monetary discipline under economic stabilization without being so contractionary as to restrict productive growth, and (b) the need for major policy reforms and economic program adjustments without provoking widespread dissatisfaction or major social disruption. The proposed ESF, PL-480, and DA budget levels are necessary in order to continue the economic stabilization program, and to ensure that the government adopt the policies and reforms necessary to achieve longer term growth. A reduced level of resources would constrict our ability to support the government's efforts at continued policy reform, would reduce our influence over other donor programs, and could conceivably curtail one or more 1987 or 1988 new-start projects.

In order to provide stronger internal program focus and management, improved support systems, and better implementation of our portfolio, we have deobligated three projects, refocused others, and restructured Mission operating procedures. We are now using a sector team approach to project development and implementation. We are decentralizing authority and decision-making within USAID for project and program implementation, and we are refocusing on implementation issues through the use of annual project implementation plans, bi-weekly action check lists, and the preparation of realistic project procurement plans. We are also making more effective use of automated systems. Finally, we will consolidate USAID operations in one facility during the Action Plan period, as discussed in Section III.A.

II. PROGRAM/SECTORAL IMPLEMENTATION

A. PROGRESS AND 1987/1988 PLANS

1. MACRO-ECONOMIC STABILIZATION

GOAL: To establish the foundation for self-sustaining economic growth that would generate employment and income opportunities for the Dominican workforce.

OBJECTIVE: To implement a series of policies that provide economic stability, promote investor confidence, reduce government manipulation of market forces, and stimulate economic growth.

ASSUMPTIONS:

a. That the new Dominican administration, which will be inaugurated in August 1986, will continue to pursue the economic recovery policies of the present administration.

b. That the international economic situation does not adversely affect the D.R. economy or interfere with the present adjustment program. We assume crude petroleum prices will stay within the range of $15-$20 per barrel, the prime interest rate at about 9%, and the U.S. inflation rate at about 4% during the Action Plan period.

c. That the GODR continues to pursue a private sector-oriented, export-led growth strategy.

PERFORMANCE INDICATORS/TARGETS:

The following table establishes performance indicators for each year of the Action Plan to measure our performance in achieving economic stabilization and growth.

Indicators	CY-1985	CY-1986	CY-1987	CY-1988
1. GDP Growth Rate (%)	0.0	3.5	4.0	4.5
2. Per Capita GDP Growth Rate (%)	-2.5	1.0	1.6	2.2
3. Inflation as Measured by CPI (%)	37	13	8-10	7-9
4. Money Supply (M1) (% growth)	11	15	12-14	12-14
5. Exchange Rate (RD$/US$)	3-3.3	2.8-3	2.8-3	2.8-3
6. Non-Traditional Exports Growth (%)	11	15	17	30
7. Unemployment Rate (%)	28	27	26	25
8. Non-Traditional Exports (In US$ Millions)	117	135	165	215
9. Formal Sector Interest Rate (%) (Real Interest rate should be +4% to +5% above inflation rate)	20-25	17-20	12-15	11-14
10. Central Government Deficit (as a % of Central Government Budget)	-5.0	-2.0	0	+5.0

PROGRESS TO DATE: The GODR has complied with all conditions under the FY-1985 ESF program which were developed to ensure that the economic stabilization program would be implemented and maintained. Actions taken by the GODR were as follows:

a. The exchange rate for all foreign exchange transactions was unified at a freely floating market determined rate.

b. Petroleum prices were raised to a level that reflected the real cost of petroleum and its derivatives at the unified exchange rate.

c. Electricity prices were raised initially on an average of 50% in January 1985, and have been increased since then by 2% per month.

d. The government implemented its 1985 budget calculated at the unified rate of exchange and did not require any monetary emission from the Central and Reserve Banks to cover any deficit.

e. 100 million pesos in stabilization bonds were floated to the commercial banking system in order to reduce liquidity.

f. The minimum value of financial certificates was reduced to 10,000 pesos, and the length of time was reduced to 6 months. Deposit interest rates were increased to a level between 9.5% and 18%.

g. All deposits by the public sector in the Reserve Bank were subject to the same legal reserve requirements as other depositors. Also, the GODR did not increase the reserve deficiency beyond the level of December 31, 1984, and developed a plan to eliminate these deficits entirely.

In addition to these measures, the GODR implemented a one-year Stand-By Program with the IMF, which will conclude in April 1986. The GODR has fulfilled or exceeded all performance requirements under this Program, having implemented the following measures:

a. Net credit to the public sector through the Central and Reserve Banks was reduced to 1,622 million pesos, thereby exceeding the target of not increasing public sector credit during 1985. This has helped stabilize the foreign exchange rate and forced public sector enterprises to increase efficiency and productivity.

b. Central Bank net domestic assets were reduced by 218 million pesos, again surpassing the IMF performance target. This has helped reduce the rate of inflation.

c. Net foreign assets of the Central Bank were increased by $90 million.

d. External arrears were reduced by $106 million. This, as well as item c. above, has helped improve the commercial credit worthiness of the Dominican Republic, as well as stabilizing the exchange rate.

e. The GODR complied with a ceiling on disbursements from short-term external loans. This has improved the nation's credit worthiness, and strengthened the peso in the foreign exchange market.

In the short run, these policy measures contributed to depressed economic growth and fueled inflation, though they have established a more stable economic base for future growth. There was no growth in GDP during 1985, and given the population increase, GDP per capita fell. Utilization of existing productive capacity declined, and unemployment remained at a very high level. Restrictions on the money supply resulted in severe liquidity problems for the private sector, in spite of the fact that AID had local currency resources available that might have been used to

address this problem. The annualized rate of inflation stood at 70% in mid-1985, although by the end of the year it had fallen to 37%, and is now down to 15%. Export taxes imposed on both traditional and non-traditional exports in order to comply with IMF restrictions on government expenditures actually resulted in much lower than expected export receipts and a lack of confidence in GODR compliance with the rules of the game by the domestic and foreign investor community.

In spite of the initial recessionary consequences of the economic adjustment program, it is now helping bring about an economic environment in which the Dominicans should be able to capitalize on the natural resource endowments and advantages that the country possesses. Nonetheless, additional changes in macro-economic policy are needed in order to ensure that the stability already achieved continues, and to foster a more favorable environment for investment and growth. In macro-economic terms, these changes relate to monetary and fiscal policies and the administration of the export trade regime, although at the sectoral level we are concerned with agricultural diversification, particularly sugar lands into non-traditional crops as well as privatization of state enterprises.

SPECIFIC INDICATORS:

a. Reducing and Eliminating Restrictions on Exports: The frequent and sudden imposition of export restrictions has created uncertainty in the business community, increased the risk in investing in export activities, and retarded the growth in foreign exchange earning activities. Until recently, these restrictions have been imposed somewhat arbitrarily, implemented without reference to existing contracts, and have not taken into account alternative means of ensuring adequate domestic supplies. The frequent use of export controls and restrictions reduces investor confidence in the GODR's willingness to adhere to established rules, which portends serious consequences for trade and investment beyond the economic significance of the restrictions themselves. As part of the FY-1986 ESF Program, the GODR has agreed to review the list of commodities whose export is restricted, to reduce the number of commodities to the greatest extent possible, to establish regulations for placing additional commodities on the list, and to announce a policy on limiting export restrictions.

Targets:

(1) Actual Achievements: 1985/1986

(a) GODR agreement on the importance of eliminating export restrictions.
(a) GODR preparation of systematic procedures for placing new commodities on the restricted export list which permit public consideration of any proposed restriction.
(c) GODR agreement that new restrictions will not apply to contracts already in effect.

(2) Projected Achievements: 1987/1988

(a) Implementation of procedures for placing new commodities on export restriction list.
(b) Reduction in the number of commodities on the restricted list.
(c) Announcement of government policy of not restricting exports to the greatest extent possible.

b. Reducing the Role of INESPRE: INESPRE has a dominant role in the distribution and marketing of many crops, and a monopoly over rice and corn trading. INESPRE's intervention in crop marketing and distribution is inefficient, and results in late payment to farmers and millers and increased post harvest losses. Planting decisions by farmers are often distorted because of their expectations regarding INESPRE purchases and because of INESPRE's price control policies. Because of INESPRE's power and market influence, it has tended to drive the private sector out of the marketing of essential commodities. Thus, further inefficiencies result along with decreased productivity. INESPRE administers a very costly consumer subsidy program that encourages consumption of imported food, discourages domestic production, and leads to periodic shortages and windfall profits for hoarders. Furthermore, INESPRE is financially autonomous and able to carry out its operations without having to open its accounts to public scrutiny.

A legitimate price stabilization board can play an important role in the Dominican Republic with respect to consumer staples, by attempting to balance supply and demand, and mediate large price fluctuations. Further, if the government determines that consumer subsidies are required, an organization such as INESPRE is best equipped to administer them, though they should be targeted on low income earners. But, the cost of these operations should be open to public debate so that alternative means of providing them may be considered. AID's objective over the Action Plan period is to restrict INESPRE to a price stabilization function providing limited and targeted consumer subsidies whose cost is openly acknowledged.

Targets:

(1) Actual Achievements: 1985/1986

(a) INESPRE's monopoly over the import and distribution of selected PL-480 Title I commodities eliminated and marketing opened to the private sector.
(b) INESPRE compelled to provide accounting for all Title I operations and to justify its administrative costs.

(2) Projected Achievements: 1987/1988

(a) INESPRE's monopoly of rice transport and distribution eliminated.
(b) Private sector permitted to participate in rice distribution and commercial sales.
(c) All general consumer subsidies on rice eliminated; limited subsidy program continues, targeted at the poor.
(d) INESPRE's financial operations to be included in the GODR budget.

c. Resolving the Problem with OPIC: OPIC suspended issuing new insurance coverage in the Dominican Republic in November 1984 as a result of a dispute with the GODR regarding the rate of exchange to be applied to profit repatriation. This has retarded the growth of U.S. investment in the country, as most serious investors require OPIC coverage before establishing a foreign operation. Initially, the GODR did not give high level attention to this problem, and for almost two years did not attempt to negotiate seriously with OPIC.

Continued unavailability of OPIC coverage would seriously impair our investment promotion strategy. Consequently, AID proposed a solution to the dispute that could combine the OPIC peso resources in dispute with local currency generated from the ESF program. This would establish a fund that OPIC would manage for lending to foreign exchange earning tourism facilities. Loan repayments would settle the OPIC claim. Recently OPIC officials visited the Dominican Republic to negotiate this option with the Central Bank, and reached agreement in principal for a settlement which will enable OPIC to resume operations in the Dominican Republic.

Targets:

(1) Actual Achievements: 1985/1986

(a) GODR convinced that OPIC dispute must be settled in early 1986 and negotiations started.
(b) GODR and OPIC sign agreement to settle the dispute and thereby enabling OPIC to resume operations in the Dominican Republic.
(c) OPIC disburses credit funds to tourism facilities, thus increasing the Dominican Republic's foreign exchange earning capacity.

(2) Projected Achievements: 1987/1988

(a) OPIC acts on the $80 million in new insurance coverage requests currently held up because of the suspension.

(b) New enterprises identified under the Agribusiness and Export and Investment Promotion projects make use of OPIC insurance.

2. INDUSTRY

GOAL: Promote economic growth with equity.

OBJECTIVE: Expand private investment in the industrial and agricultural sectors in order to develop a broader base of non-traditional exports.

The activities to be undertaken to reach this goal and objective are directed at improving the productivity and competitiveness of Dominican industry, with concentration on agribusiness and light manufacturing. Assistance will be provided to small, medium and large businesses producing for the domestic and export markets.

In 1987 and 1988, as a result of the activities to be undertaken, we expect to stimulate nearly RD$340 million in new investments in agribusiness and industry; to attract 45 new companies in the free trade zones; to establish 24,650 new jobs; and to increase non-traditional exports in agribusiness by 25% and 35% per year, respectively, in 1987 and 1988. Details follow:

New Investments:	1987	1988
-- Agribusiness	RD$105 mil.	RD$140 mil.
-- Free Trade Zone Companies	25	20
-- Small Business	RD$10 mil.	RD$14 mil.
-- Light Industry	RD$35 mil.	RD$35 mil.

Employment:	1987	1988
-- Agribusiness	1,750	2,250
-- Free Trade Zone Companies	5,000	5,000
-- Small Business	2,050	2,600
-- Light Industry	2,500	2,500

Non-Traditional Exports:

-- Agribusiness: Base for non-traditional agricultural exports in 1984 (current prices): $37 million.

Growth rate: 15% per year in 1985 and 1986, 25% per year in 1987, and 35% per year in 1988.

-- Free Trade Zone Companies: Base for exports from free trade zone companies in 1984 (current prices): $30 million. Projected earnings of free trade companies in 1987 is US$37 million, and in 1988 US$42 million.

ASSUMPTIONS:

a. Country continues economic stabilization program.
b. Social/labor peace continues.
c. U.S. Caribbean Basin Initiative (CBI) duty-free import regime remains essentially unchanged.
d. Current investment and export incentives maintained (i.e. rules of the game remain constant or improve).
e. OPIC resumes operations in the Dominican Republic.
f. Investment Promotion Council becomes fully operational and effective in improving implementing existing incentive laws/regulations.
g. Improvements made in administration of customs authority.
h. Central Bank provides increased liquidity to banking system for private investments.

PERFORMANCE INDICATORS

a. Credit: The sub-objective is to improve access and availability of credit. We plan to provide working capital and long-term credits to agribusiness projects earning or saving foreign exchange, to domestic industries attempting to reorient their production to new export markets, and to thousands of micro and small scale enterprises (SME) currently serving the domestic market. Credits will also be provided to free trade zones for construction of infrastructure and factory space needed to attract new industries.

Targets:

- Number of new jobs created
- Number of loans made
- Amount of credits approved

(1) Actual Achievements: 1985/1986

(a) Agribusiness: 25 loans made, RD$54 million in credits approved, and 1,250 new jobs created.
(b) Export Credits for Industry: 60 loans made, RD$35 million in credits approved, and 3,200 new jobs created.
(c) SMEs: 6,000 loans made, RD$13 million in credits approved, and 2,400 new jobs created.

(d) Free Trade Zones: 6 loans made for expansion and new building construction, RD$17 million in credits approved, 20 new companies operating in free trade zones, and 4,000 new jobs created.

(e) Energy Conservation: 26 loans made for industrial energy conservation improvements; annual saving of 6.6 million KWHS-hrs. of electricity for industries involved; RD$7.25 million in credits provided.

(3) Projected Achievements: 1987/1988

(a) Agribusiness: 85 loans made, RD$160 million in credits approved, and 4,000 new jobs created in the processing plants.

(b) Export Credits for Industry: 80 loans made, RD$50 million in credits approved, and 5,000 new jobs created.

(c) SMEs: 8,000 loans made, RD$24 million in credits approved, and 4,650 new jobs created.

(d) Free Trade Zone Companies: 6 loans made for new construction and expansion, RD$24 million in credits approved, 46 new companies operating in free trade zones, and 11,000 new jobs created.

(e) Energy Conservation: 112 loans made for industrial energy conservation improvements; 313 million KWHS of electricity saved for industries involved; RD$34 million in credits provided.

b. Market Access: The sub-objective is to increase exports of non-traditional products. New markets will be identified and accessed through programs which assist Dominican businesses in promoting overseas sales of their products and in attracting new investors willing to establish production/processing facilities in the D.R. or to form joint ventures with Dominican businesses. Policy and regulatory issues will also be addressed in order to improve the overall business climate.

Targets:

- Number of new agribusiness and free trade zone investments
- Amount of investment
- Numbers of new joint ventures formed

(1) Actual Achievements: 1985/1986

(a) Two new organizations established, JACC and IPC, to provide services to exporters and investors.
(b) Chicago Association of Commerce and Industry responsible for stimulating US$15 million in export sales and in attracting investments totaling a potential US$17 million.

(2) Projected Achievements: 1987/1988

(a) Chicago Association stimulates US$20 million in new exports and attracts US$20 million in potential investments.
(b) JACC assists 50 foreign and Dominican businesses in finding markets and for investment partners.
(c) IPC attracts 25 new foreign investors.

c. Human Resource Development: The sub-objective is to improve the skills of managerial and technical personnel working in the agribusiness and light industry sectors. This will be accomplished by training programs and institution building efforts with groups, such as UCMM, the American Chamber of Commerce, and the Educational Credit Foundation (FUNDAPEC).

Targets:

- Number of persons trained
- Institutions strengthened

(1) Actual Achievements: 1985/1986

(a) 2,700 persons trained in business and technical skills through program with American Chamber and FUNDAPEC.
(b) 40 MBA and MPA students graduate from UCMM.
(c) 11 UCMM professors receive advanced degrees in business administration.
(d) UCMM curriculum improved at business and public administration school.

(2) Projected Achievements: 1987/1988

(a) 2,700 persons trained through American Chamber and FUNDAPEC program.
(b) 50 MBA and MPA students graduate from UCMM
(c) 1,060 persons trained at UCMM tourism school.

(d) 5 UCMM professors receive advanced degrees in tourism development.
(e) New Development Training Project initiated; 200 persons receive training.
(f) 2,000 students trained at vocational technical schools.

d. Physical Infrastructure: The sub-objective is to improve the physical infrastructure needed to support increased private investment in agribusiness and industry. Activities in this area will include counterpart funding for IDB and World Bank projects as well as for GODR efforts to improve the energy system.

Targets:

- Improved electrical service
- Improved principal and secondary highways
- New factory space constructed in free trade zones
- Improved port facilities

(1) Actual Achievements: 1985/1986

(a) 20 new factory buildings constructed in free trade zones.
(b) 246 kms. of principal and secondary highways reconstructed (counterpart to IDB and World Bank projects).
(c) Haina port cleared and deepened and improvement and expansion of port facilities initiated, thereby facilitating increased shipping in the country's major port (counterpart to IDB project).
(d) CDE Revenue Collection project signed and technical assistance contract initiated.

(2) Projected Achievements: 1987/1988

(a) 48 new factory buildings constructed in free trade zones.
(b) 200 kms. of principal and secondary highways upgraded.
(c) Additional resources to Haina port and channel improvements, including 4 warehouses and 300,000 square meters of paving completed at Haina port, thereby more than doubling the capacity of the port.

(d) CDE collects additional RD$25.6 million of revenue annually from fraudulent/irregular connectors to electric power system, thereby cutting CDE deficit by RD$25.6 million (equivalent to US$8.5 million in 1985) annually.

e. Research and Technology Development: The sub-objective is to upgrade production technologies, and to improve access to information on new industrial processes. These technologies are required in order that domestic industries can improve their technical expertise, thereby allowing them to increase the quality and quantity of processed agricultural and industrial goods destined for export markets. The improvements and upgrading will be required for many industrial companies on a sustained basis over a relatively long period. In the short run, our activities will focus on improving access, information, and product testing facilities through existing institutions, such as the American Chamber. In the medium-term, we may also extend activities to include Dominican universities and technical institutes.

Targets:

- Technical services and access to information expanded and improved

(1) Actual Achievements: 1985/1986

(a) Services of International Executive Service Corps (IESC) expanded into Santiago area through local currency grant of RD$650,000; 20 Dominican businesses receive assistance.
(b) Under the Energy project, complete 50 energy audits and initiate 5 energy conservation demonstration projects.
(c) Plant sanitation services improved through assistance from USDA/APHIS inspector.

(2) Projected Achievements: 1987/1988

(a) IESC services continued; 30 Dominican businesses receive assistance.
(b) As a result of the Energy project, complete 120 energy audits and complete 6 energy conservation demonstration projects.
(c) Industrial Production Technology project initiated, and linkages established with U.S. institutions.
(d) Technology information center established with private business associations.
(e) Research and product-testing facilities upgraded at public or private institutions.

POLICY DIALOGUE: While the GODR has enacted a number of good investment and export incentive laws, it has not always implemented the laws and regulations governing these incentives nor has it always been consistant in its interpretations. The result has been an ever changing policy environment in which the local or foreign businessmen have no certainty that existing rules will not be changed quickly and arbitrarily in the future. We will try, through our policy dialogue, to bring about improvements as well as consistency in the business climate.

a. Steps Taken to Date:

(1) OPIC dispute resolved. GODR/OPIC agreement due to be signed in April.

(2) Export surcharge of 5% on non-traditional exports eliminated, and the surcharge on traditional exports reduced from 36% to 18%.

(3) GODR/AID local currency flows to private sector increased from about 40% to 60% of generations from ESF programs.

(4) IPC Established. Its public and private sector board has the responsibility for bringing about changes in laws and regulations as well as in identifying administrative bottlenecks and in recommending changes.

(5) Through the Agribusiness Loan negotiations, interest rates on Central Bank funds increased from 17% to 20% to more closely approximate prime rates. Also, Dominican ownership requirements, for access to Central Bank funds, decreased from 51% to 40%, thereby facilitating additional foreign investments. Finally, administrative procedures to obtain Central Bank funds were greatly simplified.

(6) Public sector, local currency support provided to a private agribusiness association (JACC) to identify and promote new investment opportunities.

(7) GODR, with AID encouragement, approved the establishment of a new private free trade zone in Haina.

b. Steps Planned

(1) Develop and implement program to reduce and eliminate protective measures enjoyed by import substitution industries established under the Industrial Incentives Law 299.

(2) Modify laws governing establishment of industries in free trade zones and the location of new free trade zones.

(3) Clarify regulations governing amount of profit remittances permitted by enterprises established under the Foreign Investment Law 861.

(4) Broaden incentives under the Agroindustrial Law 409 to permit foreign companies, holding majority ownership of local firm, to receive benefits.

(5) Establish policy of privatizing/divesting or closing selective CORDE enterprises and formulate longer term program to implement the policy.

PROJECT ACTIVITIES:

a. Development Assistance

USAID has seven DA projects underway to support the areas of agribusiness, industry, free trade zone, and small business development. These include:

Project Title	LOP Funding (In US$ Mil.)
ONGOING	
Small Industry Development	5.85
Agribusiness Promotion	19.8
Export/Investment Promotion	6.0
Micro Business Development	0.5
UCMM Graduate Mgt. Trg.	6.5
Energy Conservation and Resource Dev.	18.0
CDE Revenue Collection	3.0
PLANNED	
Privatization of State Enterprises	18.0
Industrial Production Tech.	6.0
TOTAL	$83.65

b. Local currencies generated from both PL-480 and ESF programs are being used to further support the objective of the industry sector. In FYs 1985 and 1986, local currencies were programmed as counterpart in support of these projects:

Local Currency Counterpart	In RD$ Mil.
Small Industry	2.0
Agribusiness Promotion	91.0
Export/Investment Promotion	7.0
ADEMI Micro-Business Dev.	1.2
UCMM Graduate Mgt. Trg.	1.0
Energy Conservation	10.0
TOTAL	$111.2

c. In addition to the use of local currency as counterpart, considerable other local currency resources have been programmed in support of the Mission's industry sector objective:

Other LC Programmed in Sector	In RD$ Millions 1985	1986
Industrial Export Credits	10.0	25.0
Free Trade Zone Construction	14.0	18.5
International Executive Service Corps (IESC)	0.45	0.25
Feasibility Studies	2.8	1.4
CDE Mainten./Rehabil.	33.9	31.0
PVOs	1.95	2.5
TOTAL	$61.05	$78.65

3. AGRICULTURE

GOAL: To assist in developing a sustained and equitably distributed economic growth in the Dominican Republic.

OBJECTIVE: To rapidly diversify the agricultural sector into non-traditional crops with the potential to increase small farmer incomes, rural employment, and earn/save foreign exchange.

ASSUMPTIONS:

a. Market opportunities for agricultural exports continue to be effectively exploited.

b. The sector can produce non-traditional commodities at competitive prices.

c. Increased total agricultural production, rural employment and incomes will result in increased effective rural demand for food and non-food products.

PERFORMANCE INDICATORS:

Sector Wide Indicators (Sectoral Benchmarks):

a. Increased Agricultural Production
Base-Agricultural GDP 1984 (1970 prices): $190 million.
Agricultural GDP growth rate: 0.5% per annum in 1985, 3% per annum in 1986, 4% per annum in 1987, and 4.5% per annum in 1988.

b. Promote Exports
Base non-traditional agricultural exports * 1984 (current prices): $37 million.
Growth rate: 15% per annum in 1985, 15% per annum in 1986, 25% per annum in 1987, and 35% per annum in 1988.

c. Increase Employment **

LABOR BY AGRIBUSINESS AND OUTGROWERS

	1986	1987	1988
Day Laborers	3,100	4,400	5,600
Outgrowers	2,200	3,000	4,000
TOTAL	5,300	7,400	9,600

d. Increase Incomes ***
Net farm incomes for 6,100 outgrowers increased by 90% in 1987.
Net farm incomes for 7,900 outgrowers increased by 90% in 1988.

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* Non-Traditional Agricultural Exports includes all exports except sugar, coffee, cocoa, and tobacco.

** Employment figures are estimated as full time equivalent hired labor only. Due to data availability, it does not include increased employment of farmers who are currently under employed.

*** Average net farm income from traditional crops $1,200 expected to increase to $2,300 by producing non-traditional and rotation crops.

SPECIFIC INDICATORS:

a. Rural Financial Markets: The sub-objective is to improve farm production credit and credit delivery systems are required for expanded production by small/medium size farmers of non-traditional export and traditional/rotation crops. Effective rural financial institutions capable of mobilizing savings and delivering financial services to smaller rural clients are needed if the full income effects of agribusiness led diversification activities are to be equitably distributed within the rural economy. The Mission will direct efforts toward supporting expanded access to private commercial bank credit by those agribusinesses utilizing outgrower production arrangements for non-traditional crops as well as developing and strengthening credit union/cooperative banks serving small farmer traditional/rotation crop production activities and other rural credit needs. The Mission will direct efforts toward expanding access to private commercial banking credit in rural areas, and to developing and strengthening credit union/cooperative banks serving smaller rural clients. The Mission will build on the success of the Rural Savings Mobilization Project by expanding this model into those areas where significant agribusiness investment involving small/medium producers is occuring.

Targets:

(1) Actual Achievements: 1985/1986

(a) $2.4 million of rural savings on deposit at the end of FY-1985. Four private sector and one public sector financial institutions mobilizing savings.
(b) $3.6 millions of rural savings on deposit at the end of 1986.

(2) Projected Achievements: 1987/1988

(a) 10 credit unions and 5 private sector branch banking institutions mobilizing rural savings and developing diversified loan portfolios by the end of 1988.
(b) $6 million of rural savings on deposit by the end of 1987.
(c) $10 million of rural savings on deposit by the end of 1988.
(d) 5,000 rural clients having access to financial services by the end of 1988.

b. Technology Development and Transfer: The sub-objective of this activity is to assist agribusinesses and farmers overcome agricultural technology constraints, such as information on available technological packages, development of crop adaptation information, and research directed at overcoming export restricting pest and disease problems that hinder new and

expanded outgrower production operations. The Mission will support cost-effective private sector-led applied and adaptive research activities, which will result in technical interventions which can be disseminated by the agribusinesses to their outgrowers. We will also continue to support public sector plant and animal health inspection activities with the assistance of USDA/APHIS to assist agribusinesses meet U.S. agricultural import standards.

Targets:

(1) Projected Achievements: 1987/1988

(a) 15 new technical interventions developed and being utilized in 1987.
(b) 30 new technical interventions developed and being utilized in 1988.
(c) Plant sanitation services being provided to all exporters of non-traditional crops by the end of 1988.

c. Human Resources: The sub-objective is to help meet the demand for skilled managerial and technical personnel in agriculture and agribusiness through both long- and short-term training programs. Participants will receive off-shore long-term training in the agricultural sciences emphasizing production, such as agronomy, horticulture, irrigation, as well as agribusiness management/agricultural economics to provide the trained manpower required for agricultural diversification. Short-term in-country training will be provided in irrigation system operations, water-use, forestry production, as well as agribusiness management using the facilities and/or staff of the Superior Agricultural Institute's Rural Development Management Center (ISA/CADER), the Pedro Henríquez Ureña National University (UNPHU), and other private agricultural institutions. We will also help upgrade several local training institutions to enable them to meet some of the demand.

Targets:

(1) Actual Achievements: 1985/1986

(a) 800 participants trained in-country in 1985.
(b) 19 participants trained off-shore in 1985.
(c) 783 participants trained in-country in 1986.
(d) 160 participants trained off-shore in 1986.

(2) Projected Achievements: 1987/1988

(a) 2 agricultural education institutions strengthened in 1987.
(b) 775 participants trained in-country in 1987.
(c) 135 participants trained off-shore in 1987.
(d) 790 participants trained in-country in 1988.
(e) 110 participants trained off-shore in 1988.

d. Physical Infrastructure: The sub-objective is to improve critical rural infrastructure, particularly rural roads and irrigation canals, essential to the implementation of the agriculture strategy. The Mission will continue to provide funding for road and irrigation canal rehabilitation and maintenance.

Targets:

(1) Actual Achievements: 1985/1986

(a) 2,877 kms. of rural access roads rehabilitated and being maintained in 1985.
(b) 150 kms. of canals rehabilitated and maintained in 1985.
(c) 1,000 kms. of additional rural access roads rehabilitated and/or maintained in 1986.
(d) 150 kms. of additional canals rehabilitated and maintained in 1986.

(2) Projected Achievements: 1987/1988

(a) 1,000 kms. of additional rural roads rehabilitated and/or maintained in 1987.
(b) 200 kms. of additional canals rehabilitated and/or maintained in 1987.
(c) 1,000 kms. of additional rural roads rehabilitated and/or maintained in 1988.
(d) 250 kms. of additional canals rehabilitated and/or maintained in 1988.

e. Land Access and Natural Resources: The sub-objective of this activity is to allow sustainable production and rational utilization of the country's natural resource base. The Mission will work with CEA and IAD to establish procedures to permit improved access for both Dominican farmers and foreign investors to land for the production of non-traditional crops. Private sugar growers will be assisted through a two-pronged approach to sugar diversification involving technical assistance and credit directed at market-oriented alternative crops and livestock operations. The Mission will also assist in the creation of district and local water users associations involving producers, agribusinesses, and public sector entities, and in the establishment of water users fees in those irrigated areas producing non-traditional and rotation crops. These mechanisms are required in order to ensure the maintenance of irrigation systems and effective use of the water resources. The existing portfolio of Natural Resources projects are being evaluated and modified to improve the management and efficiency of natural resources by the private sector. The Mission will continue to assist in watershed management, rational sustainable production forestry activities, and the expansion of viable energy "fuelwood" farm investments.

Targets:

(1) Actual Achievements: 1985/1986

(a) One local water-user association established in 1985.
(b) 400 hectares under soil conservation in 1985.
(c) 425 hectares of public land reforested in 1985.
(d) 10,000 hectares of sugar cane land under diversification in 1985.
(e) 3 loans made financing the planting of 1,000 hectares of fast growing trees on energy farms in 1985.
(f) 500 additional hectares under soil conservation in 1986.
(g) 980 additional hectares of public land reforested in 1986.
(h) 15,000 hectares of sugar cane land under diversification in 1986.
(i) 3 loans made financing the planting of 1,000 hectares of fast growing trees in 1986.

(3) Projected Achievements: 1987/1988

(a) One district level and 10 local water-user associations established, serving 1,000 farmers in Azua by 1987.
(b) One district level and 15 local water user associations established serving 1,500 farmers in the Lower Yaque area by 1988.
(c) Integrated Natural Resource conservation plans developed for two watersheds in 1987.
(d) 10,000 hectares of public and 1,000 hectares of private forest land under management plans by 1988.
(e) 4,000 hectares of public land reforested by 1988.
(f) 20,000 hectares of sugar land under diversification by 1987.
(g) 30,000 hectares of sugar land under diversification by 1988.
(h) 20 loans made financing the planting of 6,600 hectares of fast growing trees on energy farms by 1988.

RELATED POLICY DIALOGUE: The Mission's effort in agricultural policy will focus on reducing price and marketing controls, export restrictions, consumer subsidies, and diversification of sugar lands. These policies are currently a disincentive to the further expansion of non-traditional crop production and export. These issues will form an

important part of the ESF conditionality and will be addressed in our continuing policy dialogue and by specific project interventions.

Steps Taken to Date:

Under the FY-1986 ESF program, the GODR has committed itself to:

a. Reduce export tax on traditional products from 36% to 18%.

b. Provide increased access to State Sugar Company (CEA) lands, and establish and promote procedures for facilitating productive private sector access to those lands.

c. Develop and publish objective regulations for designating export products for restriction, and for providing the justification for determining the quantity and duration of the export restriction.

d. Undertake a comprehensive study which will recommend a national sugar policy and plan for diversification.

Steps to be Taken (1987-1988):

a. Compliance and effective implementation by the government of the conditionality under current ESF and PL-480 Title I agreements.

b. Removal of the 18% export tax on traditional products.

c. Remove all price controls and subsidies on commodities and their derivatives of the grade and quality imported through the PL-480 program.

d. Elimination of INESPRE's direct involvement in processing, marketing, and storage of agricultural products which impedes the operation of free market forces, and reorient its role as a price stabilization board for a few specific basic food items.

PROJECT ACTIVITIES:

a. Development Assistance

The Mission has already refocused some of its on-going projects during the Action Plan period to support the agricultural diversification objective and private sector productive activities. For example, in the human resources development area, the Rural Development Management Project was extended for two years emphasizing in-country management training for agribusinesses and policy seminars on themes which

affect private sector agricultural diversification efforts. In the Agricultural Sector Training Project, which was intended to provide long-term training for public sector institutions, the Mission has financed training for private university professors and IAD and CEA field personnel in agricultural sciences and agribusiness subjects. In the natural resources area, concern about public sector recurrent costs resulted in the deobligation of the Forestry Management Loan. The Forestry Management Grant is being reprogrammed with the participation of the private sector to incorporate non-public sector institutions in actual implementation of reforestation or forest management activities. Similar concerns about recurrent costs are guiding revisions in the Natural Resources Management Project. The Mission also plans to redesign the On-Farm Water Management Project to provide increased support to sustainable agricultural diversification activities through greater emphasis on development of water user associations, establishment of water-user fee structures, and greater participation of agribusinesses in irrigation system management. In the policy area, the Agricultural Policy Analysis Project is involving the private sector in identifying policy issues and recommending short-term analytical studies to bring about changes in policies that inhibit agricultural production.

Project Title	LOP Funding (In US$ Mil.)
ONGOING	
Rural Development Management	1.1
Natural Resources Management	11.0
Agricultural Policy Analysis	0.5
On-Farm Water Management	12.0
Agriculture Sector Training	5.0
Forestry Management	2.0
Rural Roads Maintenance II	15.0
Energy Conservation & Resource Dev.	18.0
PLANNED	
Commercial Farming Systems	14.0
Sugar Diversification	17.0
TOTAL	$95.6

b. Local currencies generated from both PL-480 and ESF programs are being used to further support the objective of agricultural diversification. In FYs 1985 and 1986, local currencies were programmed as counterpart in support of these projects:

Local Currency Counterpart	In RD$ Millions
Rural Development Management	3.0
Natural Resource Management	4.1
Agricultural Policy Analysis	2.6
On-Farm Water Management	2.2
Agriculture Sector Training	0.1
Forestry Management	1.0
Rural Roads Maintenance II	7.5
Energy Conservation & Resource Dev.	4.0
TOTAL	$24.5

c. In addition to the use of local currency as counterpart, considerable other local currency resources have been programmed in support of the Mission's agricultural diversification objective:

Other LC Programmed in Sector	(In RD$ Mil.)
Agricultural Credit	66.6
Rural Infrastructure (e.g., rural roads and irrigation systems)	38.3
Rural Institutions (cooperatives and producer associations)	8.9
TOTAL	$113.8

4. SOCIAL SERVICES (HEALTH AND POPULATION)

GOAL: To promote economic growth with equity as a means of improving the standard of living and quality of life of the poor.

OBJECTIVE: Improved access to needed health care and family planning services by reinforcing the private sector's capacity to meet these needs.

The activities to be carried out to achieve this goal and objective are the improvement and expansion of family planning and private sector health care services, the development of the nation's capacity to monitor vector borne diseases, the introduction of improved techniques of vector control, and selected child survival interventions.

ASSUMPTIONS:

a. Economic gains are distributed to the working population to permit increased purchasing power.

b. Large and increasing portions of the Dominican working population are willing to pay for basic health and family planning services.

c. GODR does not reduce its financial support for health and family planning programs below 1985 levels, unless alternative forms of financing are instituted.

d. Current favorable attitude towards voluntary family planning continues.

PERFORMANCE INDICATORS:

a. Family Planning: The sub-objective is to increase the number of active users of voluntary family planning methods provided through private and public sector programs by improving the quality of family planning information and services and increasing access to them by expanding the number of delivery locations.

(1) Actual Achievement: 1985/1986

(a) 480,000 family planning users of which 318,000 are served by the National Family Planning Program.
(b) Total fertility rate 3.97.
(c) 8% of operating budget of the National Family Planning Program financed through cost recovery mechanisms.

(2) Projected Achievements: 1987/1988

(a) 580,000 family planning users, of which 400,000 are served by the National Family Planning Program.
(b) Total fertility rate of 3.48.
(c) 15% of operating costs of the National Family Planning Program financed through cost recovery mechanisms.
(d) Increase from 988 in 1985 to 1,655 (65%) in number of private sector family planning delivery points (through CBD, clinics, private physicians, and private pharmacies).

(NOTE: In the 1987/1988 reporting period, the Mission will also report the number of couple/years of protection provided through Mission-funded interventions.)

b. Health Care: The sub-objective is to increase health status of the low-income Dominican population by increasing accessability to health services (including child survival activities), clean water, and control of vectors related to dengue, yellow fever, and malaria. Increased private sector health care coverage to blue collar workers, farmers and their families will be initiated using several forms of cost recovery, including pre-payment and fee for service, in order to provide an alternative source of health care that will not increase the public sector's recurring cost burden. At the same time, the Secretariat of Health (SESPAS) will be assisted to improve the efficiency of its operation so that it may improve the delivery of services to mainly an indigent population. Because USAID has not been invited to participate in the immunization programs sponsored by SESPAS and since the change of government is scheduled for August 1986, USAID will not formulate its plan for support to a public sector immunization program until later in the FY, when the GODR program is developed. USAID will, nevertheless, continue with its support of immunization and other child survival interventions under its private sector health programs. Improved access to clean water will be supported through PVOs, such as CARE, who have targeted their assistance to some of the most populated and poorest regions of the country. Efforts to provide clean water are coupled with child survival interventions and nutrition improvement using PL-480 Title II foods.

(1) Actual Achievements: 1985/1986

(a) 240,000 persons, 35% of whom are minimum wage workers, served by 14 private HMO-type organizations.
(b) 2,250 water systems installed, serving 450,000 beneficiaries.
(c) 4,700 people trained in hand pump and water system installation and maintenance.
(d) Two local firms producing the "Santo Domingo" hand pump for sale in the D.R.
(e) Infant mortality estimated at 70 per 1,000 live births.

(2) Projected Achievements: 1987/1988

(a) 350,000 persons, 45% of whom are minimum wage earners, served by 16 improved HMO-type organizations.
(b) One U.S. for profit HMO firm will be operating in the D.R., and five local private health providers will have improved and more efficiently operating programs because of technical assistance and credit made available to them.
(c) Three local firms manufacturing 300-400 "Santo Domingo" pumps for sale locally and for export.

(d) Disease control surveillance system in place examining 100 samples per week.
(e) SESPAS will have improved administrative systems in financial management, information, and personnel, and a cost recovery program will be operating.
(f) Infant mortality drops to 65 per 1,000 live births.

c. Nutrition: In the context of the D.R., nutritional status is directly linked to disposable income available to purchase food. Therefore, the creation of new jobs and the increase in standards of living are seen as the principal vehicles to improve nutrition. For that portion of the population who are currently classified as malnourished, USAID will continue specific health interventions targeted at providing short-term nutritional and health assistance. These interventions include the PL-480 Title II Food for Peace program, the upcoming Self-Financing Health Services project, and the Family Planning Expanded Services project. More specifically, the PL-480 Title II program will be strengthened by including child survival interventions, including ORT, immunizations, growth monitoring, and education to promote breast feeding. Likewise, the self-financing private sector health project, to be implemented in FY-1987, will stress child survival interventions to promote better health and nutrition. Through the promotion of birth spacing in the Family Planning Expanded Services project, improvement in nutritional status will also be achieved.

(1) Actual Achievements: 1985/1986

(a) 148,000 beneficiaries participating in the Title II program.

(2) Projected Achievements: 1987/1988

(a) 177,000 beneficiaries participating in a restructured Title II program with child survival interventions.

(b) Reduction in the population nutritionally at risk, from 77% to 45%.

POLICY DIALOGUE: The GODR health delivery infrastructure is over-extended, poorly equipped and maintained. This is mainly because it serves a large and rapidly increasing population at no cost to users; the costs are borne by the government which cannot afford them. The Mission will address this issue by: (1) encouraging SESPAS to implement more streamlined management systems; (2) conducting studies of health care financing in the D.R. through a centrally-funded project; and (3) adopting cost recovery programs in the public sector.

PROJECT AND PROGRAM ACTIVITIES:

a. Development Assistance

Project Title	LOP Funding (In US$ Mil.)
ONGOING	
Health Sector II	8.0
Health Systems Management	1.5
CARE Rural Water OPG	0.43
Applied Nutrition Education	0.49
PL-480 Title II	1.2
Family Planning Expansion	5.0
Vector Control	1.5
PLANNED	
Self-Financing Health Care	8.0
TOTAL	$26.12

b.

Local Currency Counterpart	(In RD$ Mil.)
Health Sector II (Rural Water Systems)	1.8
Health Systems Management	0.3
CARE Warehouse	0.6
Family Planning Expansion	1.5
Vector Control	0.6
TOTAL	$4.3

c.

Other LC Programmed in Sector	(In RD$ Mil.)
Rural Water Supply	3.7
PVO (Urban Sanitation)	0.5
TOTAL	$4.2

B. New Project Descriptions and Implementation Schedule

Under the management actions undertaken in the past year, we will have reduced our pipeline from $85,713,000 at the end of FY-1985 to $73,189,000 at the end of FY-1986, and to $64,482,000 at the end of FY-1987. This represents about a two-year level of DA assistance. At the same time, we are reducing our funded portfolio from 13 projects in FY-1986 to 8 in FY-1987, and will carry a negligible mortgage so that we can fully fund most new projects over a 2-year span. At the end of FY-1988, our mortgage will be $1.5 million in EHR for the Training Project, and $8.5 million for the Privatization of State Enterprises Project, or 28% of the anticipated FY-1989 OYB.

In FY-1987, we are proposing 3 new starts and 2 for FY-1988. All are fully consonant with the Mission strategy and are directly responsive to it. These new undertakings are the very means by which the strategy objectives will be met. The description of these new activities are on the following pages. Current plans are to develop the PIDs and PPs for FY-1987 according to the following schedule:

New Project (FY-1987 Starts)	PID	PP	AUTH.
Commercial Farming	05/86	11/86	12/86
Self-Financing Health Care	09/86	03/87	04/87
Sugar Diversification	12/86	06/87	07/87

In all cases, the Mission requests redelegated approval authority to approve PIDs and PPs in the field.

FY-1987:

1. PROJECT TITLE: Commercial Farming Systems.

PROJECT NUMBER: 517-0214.

LIFE OF PROJECT: 5 years, FYs 1987/1992.

LOP FUNDING: $4 million grant, $10 million loan.

FY-1987 FUNDING: $2 million grant, $10 million loan.

PURPOSE: To increase production of non-traditional and rotation crops through improved linkages with the agribusinesses and direct access to credit and improved technology.

PROJECT DESCRIPTION: The Dominican Republic has the potential to increase the production of non-traditional and rotation crops, particularly in several irrigated areas of the country. Agribusinesses have targeted these areas for the production of high value fruits and vegetables for the export market. Likewise, opportunities exist for foreign exchange savings through the production of rotation crops. However, imperfections in the financial markets serving agriculture and lack of technology to support private sector agricultural diversification efforts limit the realization of the full potential to link smaller producers with agribusinesses having market outlets.

The expansion of financial services by the private banking industry into the rural areas of the D.R. has been limited to the relatively large commercial farming clients. Financial services for smaller clients have been restricted by high operating costs, higher risk associated with financing agricultural production, and banking practices and regulations. In addition, illiquidity plagues the system. Agribusinesses that are facing the above conditions have turned to financing contract outgrowers directly. Thus far, this approach has been effective in spurring the participation of smaller producers in agricultural diversification. It is now limited by lack of credit to the agribusinesses due to restrictive collateral requirements by the private banks, which only consider agribusiness-owned land and capital assets as collateral for working capital loans, penalizing less heavily capitalized agribusinesses who intend to rely on outgrowers to supply their export operations. In addition, for those farmers who have outgrower arrangements but receive no credit from the agribusiness, their only alternatives are the Agricultural Bank or private banks which do not generally lend to small farmers. Farmers producing export crops also need credit for the rotation crop. These constraints to the continued expansion of outgrower/agribusiness linkages can reduce the broader economic impact on the rural population which can result from the development of non-traditional export agriculture.

The significant increase in the production of non-traditional crops over the past four years has highlighted the lack of technology development and support services to adequately service this sub-sector. This

has resulted in crop losses from the inability to control diseases and has limited participation of smaller, less highly capitalized agribusinesses which do not possess the technical resources at hand to deal with these problems.

The Commercial Farming Systems Project will be designed to effectively address both the financing and the technology problems associated with increased production by small/medium scale farmers of non-traditional crops. The project will create a fund channeled through the private banks which will be available to agribusinesses for onlending to outgrowers. This fund will recognize assets, such as crops in the field, inventory, accounts receivable, etc., as collateral. This will enable the agribusinesses to expand their operations significantly, incorporating many more small/medium scale producers, take advantage of their installed capacity in packing/cooling/transport, and thereby increase exports. Building on the Mission's pilot effort in rural savings mobilization, the project will also expand rural financial services to smaller clients, concentrating in those areas of highest agribusiness activity. This activity will involve both technical assistance and financial strengthening for base level rural banking institutions, such as credit unions, that can provide financial services to rural farmer and non-farmer clients. These institutions will be able to channel savings from the income generated through export crop production to borrowers for traditional/rotation crops credit, as well as non-farm credit needs in the local area. Finally, the project will strengthen private sector capacity to effectively deal with the research and development requirements of an expanding non-traditional export sub-sector. The project designers will examine the universities, private consulting, and agrochemical firms, and the larger agribusinesses to determine the existing capacity and potential for strengthening. This component will focus on improved capacity to analyze production problems, test varieties, and establish quality control related to U.S. import sanitation requirements.

The credit fund, which will finance outgrower credit through the agribusinesses as well as capital requirements of the rural banks, will be funded with the $10 million loan and supplemented with local currencies. The $4 million grant will be used for the technical assistance and training requirements of both the financial component of the project and the technology development and transfer component.

RELATIONSHIP TO STRATEGY: The Commercial Farming Systems Project will be the cornerstone of the Mission's agricultural strategy. This project will impact directly on the sectoral goal of agricultural diversification and increased exports. It is also an integral part of the Mission strategy for expanding the role of the private sector, in effect, producing the raw material for agribusinesses.

ANTICIPATED BENEFICIARIES: The primary beneficiaries will be the small/medium scale producers located in those areas with irrigated land. These small/medium scale producers will benefit from increased incomes generated through the production of higher value crops and they will be gaining valuable experience in production technology and the financial/business aspects of commercial agriculture.

2. PROJECT TITLE: Self-Financing Health Services.

PROJECT NUMBER: 517-0230.

LIFE OF PROJECT: 5 years, FYs 1987/1991.

LOP FUNDING: $3 million grant, $5 million loan.

FY-1987 FUNDING: $2 million grant, $2 million loan.

PURPOSE: To create a self-financed HMO-type delivery system in the private sector that provides basic health services, including child survival interventions, to low income workers and their families employed in small- and medium-sized enterprises, and/or residents of marginal neighborhoods in the city of Santo Domingo.

PROJECT DESCRIPTION: While public health services have been the main source of health care for most Dominicans, these services have deteriorated considerably in the last five years as a consequence of the country's general economic crisis. The public health sector is presently over-extended and under-capitalized, and past investments have not led to improved services nor higher utilization rates. In order to provide an alternative source of health services that will not increase the public sector's recurring cost burden, this project will seek to develop a private sector solution to the problem.

There are currently 14 Igualas Médicas (IMs) operating in Santo Domingo and other major urban centers. These are "HMO-type" organizations, but the quality of services is uneven, and most are poorly equipped and not organized to provide efficient care. This project will help the IMs expand their current coverage, by providing grant-funded technical assistance to aid in streamlining operations and reducing costs. Also, a loan fund will be created to finance the procurement of equipment and the improvement of facilities. With modern equipment and efficient operations, the IMs will be able to tailor preventive and curative health care programs to the needs of low income groups. In some cases, services will be paid for by individuals and their employers; in others, individuals will pay for services through their cooperatives or community organizations.

In addition, the project will provide incentives for an American joint-venture investor to establish a U.S.-style HMO in the D.R. Specifically, USAID will finance a feasibility study, which is expected to highlight the advantages of entering into a joint venture with a Dominican IM, to provide HMO services in the D.R.

RELATIONSHIP TO AID COUNTRY STRATEGY: The country development strategy calls for the social sectors, including health, to support AID's principal development objective of promoting new sources of employment through agroindustries, agriculture diversification, the promotion of exports and investment in small- and medium-sized industries.

Specifically, the health sector strategy is to provide improved access to needed health care and family planning services by reinforcing the private sector's capacity to meet these needs. Increasing the private sector's role in health care will free scarce public sector resources to be devoted to the care of the poor. This project implements the strategy by providing health services to workers and their families who work in AID's principal areas of concentration. Moreover, the private sector nature of the project will not add to the recurring cost burden of public sector health institutions.

CHILD SURVIVAL INTERVENTIONS: In addition to delivering routine health services to an adult working population, the project will finance child survival interventions for the families of the program's enrollees. Services to be provided include ORT, immunizations, growth monitoring and health education on such topics as breast feeding and nutrition.

HOST COUNTRY AND OTHER DONORS: While no other donors are expected to participate, the full operating costs of this project will be borne by the IMs and beneficiaries at the end of AID's contribution. The institutions who will implement the project will pay the bulk of operating costs incurred during the life of the project.

BENEFICIARIES: The direct beneficiaries of the project will be the approximately 215,000-230,000 persons who are currently enrolled in IMs. Moreover, by encouraging the IMs to provide pre-paid services to employees in new jobs created by USAID's development strategy, enrollments should grow at about 15% per year, and reach a total of 450,000 beneficiaries by the 1991 PACD. Furthermore, the newly established U.S.-style HMO is expected to reach an additional 35,000 to 45,000 beneficiaries by the PACD. In sum, by 1991, this project will serve a total of approximately 495,000 beneficiaries. The program will accept subscribers from all economic levels to ensure profitability and, therefore, continuity after the project ends. About 55% of its beneficiaries will be minimum wage earners, representing an increase from the current estimated level of 35%.

BUDGET: Grant technical assistance - $3 million. Loan to U.S. investor and IMs - $5 million.

3. PROJECT TITLE: Sugar Diversification.

PROJECT NUMBER: 517-0236.

LIFE OF PROJECT: 5 years, FYs 1987/1992.

LOP FUNDING: $5 million grant, $12 million loan.

FY-1987 FUNDING: $2.825 million grant, $6 million loan.

PURPOSE: To diversify lands currently producing sugar into the production of other crops; to develop new industrial products from sugar cane on those lands which are not suitable for alternative crops; and to identify, analyze and finance specific investment opportunities for small to medium scale private land holders as well as on lands held by the State Sugar Council (CEA).

PROJECT DESCRIPTION:

a. Background/Problem: Sugar still plays a dominant role in the D.R. economy. It accounts for 35% of total export earnings and directly employs over 50,000 people. An additional 14,000 Haitians are contracted each year for the harvest. However, because of reduced U.S. import quotas and continued low international prices much land now devoted to sugar production should be used to produce crops with a more viable long-term financial future. Current selling prices for unrefined sugar average US$.08 per pound, while the current cost of production is more than double this amount.

CEA, the State-owned Sugar Council, owns 12 sugar mills and about 170,000 hectares of land; of this, about 110,000 hectares are currently used for sugar production. Further, CEA buys cane from about 8,000 small/medium-sized sugar growers who own 75,000 hectares. About 80% of these growers are located in the eastern part of the country on land which is not readily adaptable to alternative uses. CEA has taken some measures to diversify out of sugar; it has leased large tracts of land to private investors for pineapple and African palm production. Altogether about 10,000 hectares have been taken out of sugar or are being considered for alternative crops at this time.

USAID already has taken several measures to assist in the processes of sugar diversification, including a covenant in the 1986 ESF program which requires the GODR to modify the policies under which CEA sugar lands are available to private investors for alternative crops. The GODR has also agreed to prepare a long-term plan for diversification. A study leading to recommendations and a strategy for this diversification plan is currently underway. This study will focus on CEA land and mills, as well as the lands owned by the small/medium sized sugar growers. It will analyze the lands currently used for sugar, make recommendations on which lands should be taken out of sugar production, as well as suggest alternative uses of sugar cane.

This study will also analyze the economic and social costs and benefits of a diversification program, including the impact on employment.

b. Components:

This project will focus on the 8,000 small/medium sized farmers who are members of the Association of Sugar Growers (FEDOCA). The project will assist these growers in their needs to diversify and to identify alternative uses for cane.

(1) Project Identification. Establish project unit within FEDOCA to identify, analyze, and promote alternative investments as well as alternative uses of sugar cane.

(2) Technical Assistance. Provide technical assistance and training to FEDOCA and possibly to selected departments within CEA to upgrade technical skills, to assist in analyzing specific agronomic requirements of new crops, and to strengthen FEDOCA in order that it can deliver a package of technical and managerial services to its members.

(3) Research and Extension. Conduct research on alternative crops which might be grown on sugar lands, and assist growers in applications of trial products in specific situations.

(4) Credit. Provide long-term credits to FEDOCA members and other foreign or Dominican businesses so that alternative investments can be financed.

RELATIONSHIP TO STRATEGY: This project is closely linked to USAID's overall goals of increasing non-traditional exports and agriculture productivity. It is a natural follow-on to the Agribusiness Promotion Project due to the fact that many good lands, currently in sugar, could be better utilized and are needed by private investors for alternative export crops. FEDOCA is a member of JACC and has anxiously sought JACC's help in locating U.S. investors that might be willing to provide capital, management/marketing assistance, and new technology to sugar growers.

BENEFICIARIES: Primary beneficiaries will be FEDOCA's membership--8,000 sugar growers. These growers will obtain increased incomes and economically viable options through a program of land and crop diversification. Other benefits to accrue from this project will include increased export earnings and increased agriculture productivity.

FY-1988:

1. PROJECT TITLE: Privatization of State Enterprises.

PROJECT NUMBER: 517-0237.

LIFE OF PROJECT: 4 years, FYs 1988/1992.

LOP FUNDING: $3 million grant, $15 million loan.

FY-1988 FUNDING: $3 million grant, $6.5 million loan.

PURPOSE: To establish GODR policy on privatization of CORDE enterprises and to assist CORDE in the implementation of that policy, including options, such as sale/divestature, management contracts with private firms, employee ownership plans, and outright close downs.

PROJECT DESCRIPTION:

a. The Problem/Background

The GODR owns a majority share of 32 industrial, agricultural and commercial enterprises, and a minority portion of an additional 19 enterprises through a holding company (CORDE). These enterprises are producing products, such as cigars and cigarettes, liquor, milk, cement, cardboard boxes, shoes, leather, flour, and paint, as well as selling tires and auto parts. CORDE also owns the national airline. Employment in these enterprises is estimated at 8,500 persons.

Revenue and expenditure data for CORDE companies is difficult to obtain. However, we know that only a few of the 51 enterprises owned by CORDE consistently report profits. We also know that CORDE's revenues are largely derived from the cigarette company, which in 1984 earned almost RD$60 million. CORDE's net income for 1985 is projected at RD$6 million.

Compared to state enterprise in other LAC countries, CORDE companies have not required continuous, large infusions of cash on a yearly basis from the GODR. However, many of CORDE's problems and governmental subsidies are disguised. For example, in many cases CORDE enterprises do not pay their electric bills to CDE, which is government owned. Further, many enterprises have loans from the government owned Reserve Bank or Industrial Development Corporation. A number of these loans are in arrears and have been made at subsidized rates of interest. Also, some companies (e.g. the shoe company) only exist because they are able to buy raw materials at low prices from other CORDE companies (e.g., the tannery). Finally, in some cases, monopoly privileges for the rights to produce certain products have been granted to CORDE firms; these privileges have limited competition from local or foreign firms.

The net effect has been that some governmental services/enterprises have been subsidying others; that CORDE firms are not operating efficiently (because their material costs are artificially low); and that many CORDE firms compete unfairly with private businesses. For the most part, CORDE managers are not rewarded for efficiency and profits. Thus, there have been no incentives to reduce costs (particularly labor costs), improve productivity, or increase sales.

Prior to embarking on a privatization program, USAID plans to finance a study of CORDE enterprises. This study will (a) investigate the legal, financial, organizational, and operational structures of the enterprises owned and services provided by the GODR to obtain information regarding their economic impact on the country; (b) analyze the institutional and financial structure of the organizations, and determine their current status as operating enterprises with particular regard to their efficiency and productivity; and (c) develop a strategy for the GODR, which provides detailed recommendations on methods through which these enterprises or services might be more efficiently or productively managed, or operated through private participation.

b. Components

(1) Policy. Assist the GODR to formulate a policy for privatization of CORDE enterprises that could include divestiture, management contracts with private firms, closedown and employee ownership plans.

(2) Technical Assistance. Provide technical assistance to CORDE in order to analyze specific opportunities for sale to private investors, to identify investors that might be interested in purchasing individual companies, and to assist the new management in the initial stages of the acquisition.

(3) Credit. Working capital and investment credits will be provided to private borrowers to finance the costs of purchasing the individual companies.

RELATIONSHIP TO STRATEGY: This project will further reinforce many policy initiatives already undertaken with the GODR in terms of reducing its role in the economy, decreasing/eliminating revenue transfers, and eliminating subsidies.

BENEFICIARIES: This project will directly benefit the country by reducing the amount of governmental subsidies provided to the inefficient state enterprises, resources which the GODR could employ in needed public sector social programs. It will also help eliminate unfair competition to private firms by curtailing monopoly privileges currently proved to CORDE companies. As enterprises are privatized, we would also expect to see gains in industrial productivity of the firms, as well as improvements in quality of the products sold. Employment in some enterprises will be reduced, while in others it may increase as demand for better quality products grows. The project will result in overall increased government revenue from more efficient private firms.

2. PROJECT TITLE: Industrial Production Technology.

PROJECT NUMBER: 517-0238.

LIFE OF PROJECT: 5 years, FYs 1988/1993.

LOP FUNDING: $6.0 million grant.

PURPOSE: Increase access to new technological information and processes, and improve availability and delivery of services, such as quality control testing, industrial design, and product standards.

PROJECT DESCRIPTION:

a. The Problem

Sustained industrial growth in the Dominican Republic will largely depend on the continued demand for Dominican products in foreign markets; access to raw materials and other inputs, such as labor, at reasonable prices; government policies favorable to investment in the productive sector; and the adoption of more efficient production technologies. Building in-country technological capabilities is key to improved production output and to making appropriate decisions for continued economic development. Thus far, the Dominican Republic has primarily imported technology; however, technological proficiency will allow the country on a continuous basis to upgrade its industrial capacity to meet changing competitive and market requirements.

Existing Dominican universities and technical schools are not closely linked with industry, as they are in the U.S. Therefore, it is not possible to obtain assistance from these institutions in new product development or in industrial design modifications to existing product lines. Further, one government institution, INDOTEC, which was established to provide product testing and research for the business community, is not well-funded and, at this time, is not oriented toward the end-users of its services; thus, its activities have become out of touch with the needs of a changing industrial sector.

Many of the investments in plant and equipment and, therefore, in the industrial technologies of the country were made in the late 1960's and early 1970's. These investments were aimed at the domestic market, for the most part, in response to the import substitution laws established to provide incentives to local and foreign investors. The market for these investments has remained in the local economy, in part, because the products manufactured by these industries have not had to meet high quality standards nor lower prices generally offered by international firms. Those Dominican companies which have learned to compete internationally have done so often in conjunction with a foreign partner able to provide markets as well as newer technologies.

This project will address several key needs of the Dominican industrial sector, including access to information on new industrial processes, upgraded technologies, advice on industrial design and standards, and quality control testing.

COMPONENTS:

a. Access to Information: Through an existing private business association, such as the American Chamber or the Manufacturing Association, the project will provide access to information on new technologies and industrial processes. This will be accomplished by establishing linkages with U.S. institutions and research institutes (e.g., the American Productivity Center, National Technical Information Service, etc.).

b. Technical Assistance: Technical assistance will be provided to set up a system so that technical and informational services can be extended to the industrial community. Additional assistance will be extended in order to upgrade the capacity of local institutions to offer testing and quality control services.

c. Applied Research: A limited amount of laboratory equipment will be provided so that local technical institutions can test and implement product quality control techniques and can install new production technologies in Dominican businesses. This will enable the institutions to serve immediate production needs of the private sector.

d. Training: A limited amount of short- and long-term training will be provided to personnel in the local institutions in order to improve their capabilities to advise local businesses.

RELATIONSHIP TO STRATEGY: This project will support the objective of expanding private investment in the industrial and agriculture sectors and developing a broader-base of non-traditional exports by working directly with industries and private associations in order to upgrade the technologies available to local firms, and improve access to information concerning new industrial processes.

ANTICIPATED BENEFICIARIES: The primary beneficiaries will be the private sector firms, which will be able to operate more efficiently and to produce higher quality products. It is expected that about one thousand Dominican businesses will be assisted during the life of the project. Other beneficiaries will include the business associations and institutions through which this project is implemented; these groups will be upgraded and strengthened.

C. Balance of Payments Update

The recent precipitous drop of petroleum prices and interest rates, together with the rapid increase in the world coffee price have changed significantly the balance of payments picture of the Dominican Republic for 1986 and following years. The Dominican Republic is expected to save an estimated $162 million in 1986 from the oil price plunge from $27 to $17 per barrel. Although it would be difficult to project future oil prices, the world crude price will likely fluctuate within the average range of $15-$20 per barrel during the Action Plan period given the current surplus and disarray among OPEC members. However, because of lower prices and higher economic activities, we project oil imports to rise by 15% a year for 1987 and 1988. The Dominican Republic will also save on interest payments due to the recent reduction in the prime rate from an average of 11% to 9%. We estimate that interest payment will decline by $10 million for every 1 percentage point reduction in the prime rate. In addition, due to the Brazilian drought, the world coffee price jumped to $2.50 per lb. during January and February 1986 from a 1985 average price of $1.30. A similar event, the Brazilian frost of 1975, caused a series of coffee prices to triple during the three succeeding years. If this experience is duplicated during 1986-1988, the world coffee price could conceivably rise above $4.50 per pound in 1987. To be realistic, however, we project conservatively the average Dominican coffee price to increase to $2.30 per pound in 1986, and to $3.00 in 1987 and 1988. Assuming the same export volume as in 1985 (666,400 CWT), export earnings from coffee will reach $160 million in 1986, and $200 for 1987 and 1988. Coffee will become the largest foreign-exchange earning commodity export during this period.

In contrast, sugar exports are expected to decline due to expected cuts in the U.S. sugar quota. Sugar exports are expected to decline to $130 million in 1986 from $207 million in 1985 and to continue their slide to $110 million in 1988. In our projections we assumed the U.S. sugar quota to decline from 270,000 short tons in 1986 to 230,000 in 1987 and to 200,000 in 1988. The actual quota could be lower.

Non-traditional exports are projected to accelerate from a rate of 15% in 1986 and 17% in 1987 to 30% per year in 1988, due to successful sugar diversification efforts and other activities to promote non-traditional exports. A significant portion of diversified sugar lands is expected to be devoted to planting of non-traditional agricultural export products. By the end of 1988, non-traditional exports will reach $215 million. Non-traditional exports will thus become the largest commodity export and the leading symbol of a diversified-open and self-sustaining economy.

A net result of the combination of higher coffee prices, lower oil import costs, lower interest payments, reduced sugar earnings, and expected rise in imports, will be a rising current account deficits for 1987 and 1988. The current account deficit is estimated at only $100 million for 1986, but is projected to increase to $178 million in 1987 and increase further to $285 million in 1988. On the capital side, however, we expect more positive

developments during 1986-1988 as a result of a more favorable business investment environment. The recent resolution of the OPIC insurance problem will provide a boost for foreign investment. Direct investment is, therefore, projected to increase from $27 million in 1985 to $100 million in 1986, to $150 million and $250 million, respectively, in 1987 and 1988 which approximates traditional levels of foreign investment. Furthermore, foreign investment will be mainly concentrated in the production of exportable goods and services that are labor intensive, thus providing employment and income growth as well as foreign exchange. As for the external debt situation, in the absence of debt payment renegotiations with the Paris Club in April 1986, amortization payments are expected to increase in 1986 and following years, and reach $295 million in 1988.

The overall balance is projected to be positive by $109 million in 1986, $116 million in 1987, and $50 million in 1988. The overall positive balance during 1986-1988 will provide an opportunity to reduce the Central Bank's negative net international reserves from minus $250 million at the end of 1985 to a positive $25 million by the end of 1988.

Because of recent favorable developments in oil prices, interest rates, and coffee prices, we are revising downward requested ESF levels to $40 million per year for the 1986-1987 period. Although the projection shows, with the requested level of ESF, a sufficient surplus in the overall balance during the Action Plan period to enable the Central Bank to reduce negative net international reserves, these projections are only preliminary and subject to revision. They are based on volatile world oil and coffee prices, and assume a higher sugar quota than the country may, in fact, receive. Further, they assume continued stability in the U.S. and world economic system with low rates of inflation and interest and growing demand for Dominican products. Thus, a minimum level of $40 million in ESF in FY-1987 and $30 million in FY-1988 will be needed to cushion the potentially wide fluctuation of foreign exchange earnings and to establish stability and a favorable environment that are necessary to implement our strategy. Further, these funds will help provide the policy leverage we need to ensure that continued progress on economic stabilization and structural change is achieved.

TABLE 1

DOMINICAN REPUBLIC: Exports by Principal Products: 1985-1988
(In US$ Millions)

	Estimated 1985	PROJECTED 1986	1987	1988
Traditional Agric. Exports	386.5	397	452	445
Sugar	207.4	130 1/	130 1/	110 1/
Coffee	91.2	160 2/	200 2/	200 2/
Cocoa	65.0	70	80	85
Tobacco	22.9	37	42	50
Mineral Exports	234.3	243	245	245
Ferronickel	120.7	125	125	125
Doré	113.6	118	120	120
Other Exports	117.0	135	165 3/	215 3/
TOTAL	737.8	775	862	905

1/ Sugar export earnings have declined precipitously in recent years from the high of $560 million in 1981, to an average $300 million during 1982-1984, and to an estimated $207 million in 1985. This downward trend is projected to continue during 1986-1988 due to reduced production in 1986 and to diversification efforts in 1987 and 1988. The following table shows production and consumption projections and export earnings.

IN 000 SHORT TONS

	1985/ 1986	1986/ 1987	1987/ 1988
Production	800	880	800
Domestic Consumption	300	315	330
Available for Exports	500	565	470
Under U.S. Quota	270	230	200
Other	230	335	270
Export Earnings ($ millions)	130	130	119
Under U.S. Quota ($.18/lb.)	97	83	72
Other ($0.07/lb.)	33	47	38

During 1986-1988, coffee will replace sugar as the major foreign exchange earner.

2/ Because of the Brazilian summer drought, the world coffee price began to rise rapidly in January 1986 and maintained at about $230-$250 per CWT for January-February 1986. For this projection we assume the average coffee price to remain at $230 per CWT in 1986, rise to $300 per CWT in 1987 and 1988, and the export volume to remain the same as in 1985 at 666,400 CWT. Coffee will become the most important foreign exchange earner during 1986-1988.

3/ In the FY-1987 CDSS, we projected non-traditional exports to increase at an average annual rate of 17% during 1985-1990. For this Action Plan, however, we project that non-traditional exports will increase at a 17% annual rate during 1986-1987, but increase to 30% in 1988 due to accelerated sugar diversification and export promotion efforts.

SOURCE: Central Bank of the Dominican Republic, IMF, and USAID/DR.

TABLE 2

DOMINICAN REPUBLIC: Balance of Payments Projections:
CY-1986/CY-1988
(In US$ Millions)

	Estimated CY-1985	PROJECTED CY-1986	CY-1987	CY-1988
Current Account	-149.9	-100	-178	-285
Trade Balance (Goods)	-548.1	-525	-633	-785
Exports, FOB	737.8	775	862	905
Imports, FOB 1/	-1285.9	-1300	-1495	-1690
Of which Petroleum 2/	(-426.8)	(-265)	(-305)	(-350)
Services (Net)	41.9	60	80	100
Of which Tourism 3/	(439.3)	(475)	(520)	(570)
Of which Interest	(-184.4)	(-165)	(-165)	(-165)
Of which others	(-213.0)	(-240)	(-285)	(-325)
Transfers (Net)	356.3	365	375	400
Of Which ESF	(85.0)	(40)	(40)	(30)
Capital Account	260.2	209	294	335
Direct Investment 4/	26.6	100	150	250
Disbursements (Medium/Long-Term)	263.6	250	310	325
Amortizations 5/	-84.0	-196	-221	-295
Errors, Omissions, and Others	54.0	55	55	55
Overall Balance	110.3	109	116	50
Arrears (- = Reduction)	-22.5			
Net Change Central Bank International Assets (- = Increase)	-87.8	-109	-116	-50
Assets	-87.3			
Liabilities	-0.5			
Net International Reserves 6/	-250.0	-141	-25	+25

SOURCE: Central Bank of the Dominican Republic, IMF, and AID.

1/ Imports other than petroleum are estimated to increase by 20% in 1986 mainly due to increased food imports, capital goods and intermediate inputs and consumer goods. All imports, including petroleum, are projected to increase by 15% in 1987 and by 13% in 1988.

2/ The petroleum projection assumes crude and oil derivative prices at $17 and $15 per barrel, respectively.

3/ Tourism earnings are projected to increase at 8%, 9%, and 10% per year for 1986, 1987, and 1988 respectively.

4/ Foreign direct investment is projected to increase rapidly due to the favorable investment climate, in part, as a result of the resolution of the OPIC problem.

5/ Amortization is expected to rise in 1986, 1987, and 1988 due to increased payments to Paris Club countries beginning April 1986.

6/ Based on IMF estimates. Net International Reserves estimates differ slightly from that of Central Bank sources due to different methods of calculating current liabilities. Net International Reserves for 1987 and 1988 are subject to whatever changes in arrears that might occur during these years.

TABLE 3

DOMINICAN REPUBLIC: Amortizations of Medium- and Long-Term Debt
1985-1988 1/
(In US$ Millions)

	1985	1986	1987	1988
Bilateral	36.2	109	98	130
Commercial Banks	-	32	61	91
Multilateral	23	28	29	37
Other	25	14	10	10
Amortization New Borrowings	-	13	23	27
TOTAL	84.2	196	221	295

SOURCE: IMF (preliminary figures), and USAID.

1/ After debt relief in 1985.

D. Integration of Local Currency

Since FY-1984, over RD$750.0 million (the equivalent of $235.5 million) has been generated under the ESF and PL-480 Title I programs. In view of the magnitude of this local currency resource, it has been viewed as a critical and integral part of USAID's overall program of assistance. (In dollar terms, the local currency program has been 2.7 times larger than our DA program over the last 3 years.) As with USAID's DA resources, all local currency is programmed for projects and activities that support USAID's strategy objectives of economic stabilization, private sector expansion, agricultural diversification, and supporting physical, social, and institutional infrastructure.

During 1985, the USAID programed a total of RD$343.8 million. Some RD$61.0 million went to economic stabilization activities, including RD$25.0 million for short-term working capital credit and RD$30.0 million for small commercial farmer production credit. In the area of private sector expansion, RD$60.0 million was programed, including RD$35.0 million for credits for agribusiness development, RD$14.0 million for free trade zone expansion credits, and RD$6 million for institutions involved in export and investment promotion activities. RD$6 million was programmed for agricultural diversification activities, including RD$1 million for research into non-traditional crop production and RD$5 million for extension and technology transfer activities. In the supporting infrastructure area, a total of RD$96 million was programmed. Of this amount, RD$90 million was channeled through the public sector for physical infrastructure needs including RD$28.2 million for highway construction, rural roads rehabilitation, and port channel clearance and construction; RD$12.3 million for irrigation system repair and maintenance; and RD$33.9 million for electric power generation plant repair and maintenance. In addition, RD$3.2 million went to support private sector training institutions and cooperatives involved in productive areas while another RD$3.1 went to private voluntary organizations to support in productive, self-financing projects. Of the total amount programmed, 44% was allocated directly to the private sector, and 60% has been disbursed.

During FY-1986, the USAID programmed another RD$263.5 million from ESF resources provided in late FY-1985 and FY-1986. Of this amount, 60% is programed directly to the private sector while the remaining 40% is programmed through the public sector for infrastructure needed in support of private sector and agricultural production expansion. Of the total amount, RD$25.4 is for short-term economic stabilization activities, RD$116.4 million is for strengthening private sector enterprises, RD$5.5 million is for agricultural diversification, and RD$99.1 is for improving supporting physical, social, and institutional infrastructure. The remaining RD$17.1 million is programmed for the USAID Trust Fund, the GODR Coordinating Unit which manages the LC Program, and an unprogrammed reserve.

During the FY-1987/1988 period, the USAID has requested a combined ESF/PL-480 Title I program of $130.0 million which should generate a local currency program of approximately RD$377.0 million (using an average exchange

rate over the period of RD$2.90:US$1.00). Consistent with past practices, these resources will be programmed into projects which support the four principal strategy thrusts of the USAID. However, within those areas, the amounts programmed to short-term economic stabilization activities will be reduced to reflect success achieved in the GODR's stabilization efforts, and agricultural diversification will be considerably expanded. The following table illustrates the program allocations over the FY-1987/1988 period:

1987/1988 Local Currency Program Allocations
(RD$ Millions)

	PL-480 I		ESF		
	1987	1988	1987	1988	Total
1. Short Term Economic Stabilization	2.0	2.0	6.0	2.0	12.0
2. Industrial Expansion	-	-	70.0	60.0	130.0
3. Agricultural Diversification	40.0	40.0	-	-	80.0
4. Supporting Infrastructure	45.0	45.0	40.0	25.0	155.0
TOTAL	87.0	87.0	116.0	87.0	377.0

The USAID will attempt to reach agreement with the GODR to increase the amount programmed for the private sector (60% in FY-1986) to 65% and 70% of total resource availabilities in FY-1987 and FY-1988. Much of this increase will be used to augment the amount of credit which is being channeled through the domestic banking community for working capital, term loans, non-traditional crop production, and agribusiness ventures. Increased levels of local currency programmed for agricultural diversification are expected to be needed to provide credit to small scale, private sugar producers, who desire to produce alternative crops, and support the agriculture research activities of local private universities and institutions.

PL-480-Title I

Growth in agriculture production has lagged slightly behind the 2.7% population growth rate for the past few years. Production of staple food crops such as rice, red beans, plantains, yucca, sweet potatoes, and other root crops has not increased significantly, principally because of the lack of credit, drought, government price controls, the uncertaintly surrounding possible export bans on certain crops, and increased cost of imported inputs. As a result, prices have been on the increase and occasionally shortages have occurred in the local market place. In view of these circumstances, there will be a continuing import requirement for basic food crops, such as wheat, rice, and vegetable oil, over the foreseable future in the country and, in

view of the country's large foreign debt, a continuing need for concessionary sales. Commodities imported under the Title I Program will pass through local suppliers who will market these commodities through existing commercial channels. Storage and distribution facilities are judged adequate within the country to handle the amounts and kinds of commodities expected to be imported under the program.

As with ESF resources, the PL-480 Title I program is fully integrated into the USAID's efforts to leverage policy change; further its strategy of economic stabilization, industrial expansion, and agricultural diversification; and support projects of both the USAID and other donors. In the policy arena, the USAID will continue its efforts to limit the role of INESPRE, the GODR's price stabilization board, in the agriculture sector to that of a buyer of last resort. Using the FY-1986 PL-480 Title I Agreement as the vehicle for policy dialogue, the USAID will endeavor to further limit the role of INESPRE by reaching agreement with the GODR to remove all price controls and subsidies on commodities and their derivatives of the grade and quality imported through the PL-480 program. The USAID will also seek agreement on a number of other self-help measures, including the continuation of the GODR's African Swine Fever Surveillance efforts and the initiation of a med fly trapping program in the country.

PL-480 Title II Narrative

The PL-480 Title II Program is undergoing a major restructuring in the Dominican Republic. There are two Voluntary Agencies currently implementing programs nationwide: Catholic Relief Services (CRS) and CARE. CRS will be phasing out of the program by the end of FY-1987, while CARE will be restructuring their program into a developmental program that includes child survival interventions.

CARE has received centrally-funded Outreach and Enhancement Grant monies for the revamping of their program. They will be decentralizing their activities in the poorest areas of the country with the construction of three warehouses, while at the same time introducing major child survival interventions (i.e., growth monitoring, ORT, and health education) into their Maternal Child Health Program, which makes up over 80% of their program. CARE will be increasing program levels by 25% (from 116,000 to 145,000 beneficiaries) for FY-1987 in answer to the protein/caloric deficiencies that exist in the country. CARE's nutrition activities are coordinated with the CRS Applied Nutrition Education Program OPG, the GODR and other institutions.

CRS has reduced its program by 43% (from 62,000 to 35,300 beneficiaries) for FY-1986 and its beneficiary level will be slightly reduced for FY-1987. They are currently working with their counterpart, CARITAS Dominicana, on the decentralization of CARITAS, making the 8 individual Dioceses responsible for their own programming of activities, including non-food development programs as part of their phase-out efforts.

E. Budget Table Summaries

1. Budget Overview Summary

	(In US$ Millions)			
	1985	1986	1987	1988
DA	30.0	24.5	29.7	34
ESF	95 1/	40	40	30
PL-480 Title I	35.5	30	30	30
PL-480 Title II	1.9	1.8	1.0	1.0
Section 416	(5.2)	8.1	-	-

1/ Includes FY-1984 Supplemental of $50 million.

FY-1988 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	Actual	CP	Est.	AAPL	1988	1989	1990	1991
AGRICULTURE, RURAL DEVELOPMENT, AND NUTRITION									
TOTAL	16830	17010	15180	9100	21175	10425	22925	23000	23500
Grants	3030	4640	5500	1560	5175	4425	7925	6000	5500
Loans	13800	12370	9680	7540	16000	6000	15000	17000	18000
POPULATION PLANNING									
TOTAL	50	263	1350	2450	1300	1600	500	1000	500
Grants	50	263	1350	2450	1300	1600	500	1000	500
Loans	-	-	-	-	-	-	-	-	-
HEALTH									
TOTAL	4924	1448	2070	1300	4650	4500	1500	1500	1500
Grants	924	1448	2070	1300	2650	1500	1500	1500	1500
Loans	4000	-	-	-	2000	3000	-	-	-
EDUCATION									
TOTAL	7140	7438	4700	4531	2100	1600	1200	1200	1200
Grants	2176	6402	2700	4531	2100	1600	1200	1200	1200
Loans	4964	1036	2000	-	-	-	-	-	-
SELECTED DEVELOPMENT ACTIVITIES									
TOTAL	1402	3919	6700	7119	475	15875	9875	11300	11300
Grants	1402	3379	2300	3419	475	9375	1375	2300	2300
Loans	-	540	4400	3700	-	6500	8500	9000	9000
TOTAL DA ACCOUNT									
TOTAL	30346	30078	30000	24500	29700	34000	36000	38000	38000
Grants	7582	16132	13920	13260	11700	18500	12500	12000	11000
Loans	22764	13946	16080	11240	18000	15500	23500	26000	27000
ECONOMIC SUPPORT FUND									
TOTAL	34000	95000	50000	40000	40000	30000	30000	30000	20000
Grants	-	95000	50000	40000	40000	30000	30000	30000	20000
Loans	34000	-	-	-	-	-	-	-	-
DA AND ESF TOTAL									
TOTAL	64346	125078	80000	64500	69700	64000	66000	68000	58000
Grants	7582	111132	63920	53260	51700	48500	42500	42000	31000
Loans	56764	13946	16080	11240	18000	15500	23500	26000	27000
PL-480									
Title I	26000	45500	30000	30000	30000	30000	-	-	-
Title II	2805	1907	1792	1800	1000	1000	-	-	-

AGRICULTURE Project No. & Title	LIFE OF PROJECT GRANT	LIFE OF PROJECT LOAN	FY-1986 GRANT	FY-1986 LOAN	FY-1987 GRANT	FY-1987 LOAN	FY-1988 GRANT	FY-1988 LOAN
0000 Project Development and Support	CONTINUING		300	0	350	0	250	0
0125 Rural Development Management	1600	0	500	0	0	0	0	0
0177 Rural Roads Maintenance	0	15000	0	2200	0	0	0	0
0186 Agribusiness Promotion	2500	13560	760	5340	0	0	0	0
0214 Commercial Farming Systems	4000	10000	0	0	2000	10000	2000	0
0236 Sugar Diversification	5000	12000	0	0	2825	6000	2175	6000
Subtotal			1560	7540	5175	16000	4425	6000
TOTAL			9100		21175		10425	
POPULATION								
0000 Project Development & Support	CONTINUING		150	0	100	0	100	0
0229 F/P Services	5000		2300	0	1200	0	1500	0
Subtotal			2450	0	1300	0	1600	0
TOTAL			2450		1300		1600	
HEALTH								
0000 Project Development & Support	CONTINUING		300	0	150	0	100	0
0230 Self-Financing Health Care (HMO)	3000	5000		0	2000	2000	1000	3000
0235 Vector Control	1500		1000	0	500	0	0	0
9999 Proposed OPGs	CONTINUING		0	0	0	0	400	0
Subtotal			1300	0	2650	2000	1500	3000
TOTAL			1300		4650		4500	

EDUCATION Project No. & Title	LIFE OF PROJECT GRANT	LIFE OF PROJECT LOAN	FY-1986 GRANT	FY-1986 LOAN	FY-1987 GRANT	FY-1987 LOAN	FY-1988 GRANT	FY-1988 LOAN
0000 Project Development & Support	CONTINUING	0	150	0	100	0	100	0
0157 Graduate Management Training	6500	0	381	0	0	0	0	0
0188 Policy Analysis	1500	0	1500	0	0	0	0	0
0190 Export & Investment Promotion	2500	0	1500	0	1000	0	0	0
0216 Development Training	7000	0	1000	0	1000	0	1500	0
Subtotal			4531	0	2100	0	1600	0
TOTAL			4531		2100		1600	
SPECIAL DEVELOPMENT ACTIVITIES								
0000 Project Development & Support	CONTINUING	0	400	0	400	0	300	0
0050 Special Development Activities Fund	CONTINUING	0	69	0	75	0	75	0
0144 Energy Conservation & Resources Dev.	2600	6550	1000	0	0	0	0	0
0186 Agribusiness Promotion	0	3740	0	1200	0	0	0	0
0190 Export & Investment Promotion	3500	0	1450	0	0	0	0	0
0218 Improving Revenue Collection	500	2500	500	2500	0	0	0	0
0237 Privatization of State Enterp.	3000	15000	0	0	0	0	3000	6500
0238 Industrial Prod. Technology	6000	0	0	0	0	0	6000	0
Subtotal			3419	3700	475	0	9375	6500
TOTAL			7119		475		15875	
Grand Subtotal			13260	11240	11700	18000	18500	15500
GRAND TOTAL			24500		29700		34000	

III. MANAGEMENT

A. Introduction and Overview

During the 1985-1986 period, USAID/DR has been continually reviewing and adjusting its management approach, policies, and procedures to fit them to the changing program. This process will continue through FY-1987. This effort is intended to result in the following:

- Better agreement on program focus and management goals for projects;
- Clearer plans and procedures for reaching the goals; and
- Improved support systems (including working environment, general services, office services and automation).

We are working toward these objectives in a step-by-step way, recognizing that as we adjust our systems and ways of doing business, at the same time we have to attend to ongoing program planning, project development and implementation, and policy dialogue. As we involve project managers and staff units in the work of developing improved systems, we seek to balance our time between the two efforts, managing what we have, and finding ways to manage it better.

Our program focus has been sharpened since the reexamination of priorities that led to our 1985 Action Plan, and the reprogramming of ongoing and new projects which followed. Our work on adjusting many of our management systems began with a USAID-wide retreat in October 1985, and is a continuing process. The business of improving our support systems has received special attention since early 1986. The first phase will be completed in 1987 when we have consolidated our offices and changed the manner of providing general and office services, and the second phase will terminate in 1988-1989 when we have moved into our own office and support facilities. The discussion below highlights the principal management improvement steps that have been completed or will be under way during the Action Plan period.

1. Program Focus and Management Improvements

Beginning in the summer of 1985, and continuing through early 1986, we have taken a series of steps, reported in Semester Reports and elsewhere, to adjust the program to a strategy that focuses on economic stabilization, and improved employment and income. This has involved a series of reprogrammings or redirection of ongoing projects, deobligation of projects that were not in line with the revised emphasis, and development of new projects and program activities more in keeping with our focus. It has also involved significant adjustments in non-project assistance.

In order to improve the quality and accountability of our management of programs and projects, we have strengthened the sector team

concept. This is intended to bring the talents of our staff to bear in a more constructive way to solve design and implementation problems; to permit discussion of key issues before they are committed to paper so as to speed up clearances; and to assure increased attention to setting management objectives and realistic implementation and procurement plans for each management unit. A related team effort has been put in place to improve our planning and oversight of the local currency program.

By these measures, we expect to achieve the following realignment of authority, responsibility, and accountability:

a. The Director's Office involvement in clearing or approving specific implementation actions will be greatly reduced, while continuing to be informed.

b. The Program Office will be less involved in specific implementation actions (except evaluations) in order to concentrate more on overall program analysis and strategy and participation on project design teams.

c. Chiefs of Sectoral Divisions and Staff Offices will have increased authority, responsibility, and accountability for the quality of our documents, compliance with agency policy and regulations, and for the effective functioning of sector teams and the local currency programming team.

d. Project implementation will be facilitated by following annual implementation plans that are being prepared for all activities. Immediate action items will be expedited through attention to work identified in bi-weekly project action check lists. Further, procurement will be speeded up by the employment of a Procurement Specialist and the preparation and use of annual project procurement plans.

Several tactical steps have been taken in order to achieve the above, and to improve the overall quality of the management of our program. We have developed an operations manual to guide offices in the preparation, clearance, and issuance of key planning and implementation documents. Direct hire staff will be increased by one officer in the Private Sector Division, and we will strengthen our staff to oversee both development assistance and the growing local currency portfolio with personal services contractors financed by project or trust fund resources. During the FYs 1985-1986 period, the total number of PSCs rose from 31 to 39, and in FY-1987 will increase to 43 before leveling off at 41 in FY-1988, including clerical and professional staff. New project starts are being reduced in number, while projects are being designed to focus on a few key constraints, thereby reducing their complexity.

2. Automation

Although our efforts in this area are presently hampered by our office building problem (discussed below in C.1), we have achieved a number of work-saving improvements. We have installed the MACS system for operating expense and project accounting. We have automated our payroll for personal services contractors. We are automating our tracking of local currency programs. We have installed a network of personal computers that will permit applications of more sophisticated software for project design, planning, monitoring, and reporting. IRM recently favorably assessed the speed and relatively minor disruption associated with our implementation of office automation so far. Once we have consolidated our facilities later this year, we expect to move more rapidly to apply our computer system to document preparation and clearance, analytical work, and record-keeping.

3. Support Services

Our key areas of concern for the Action Plan period are (1) improved, consolidated office facilities; (2) continued high quality office and logistic support; and (3) effective use and control of local currency trust funds to carry out the program.

a. Office Facilities

USAID/DR's offices are currently dispersed among four buildings within a three-block area. All of these facilities are overcrowded for present staff, leaving little space for contract and TDY personnel who are nearly always at hand, often as many as ten at a time. Two of the buildings are in deterioriated condition. Communication and coordination among offices are hampered. Computer/word processing systems cannot be conveniently linked to take full advantage of our hardware and software. Building security and employee safety are well below AID standards, and public access is not controlled at three of the sites.

For the past year, we have surveyed the market of available office space within reasonable distances to the U.S. Embassy and Dominican agencies, and found no existing buildings that fully meet security and space requirements. In order to meet the pressing need for improvement, USAID has proposed to solve the problem in two phases. While we construct permanent offices and support facilities that meet all anticipated management and security criteria, we will occupy leased space (already identified) that will offer many improvements (including security) over the present arrangement. Concurrently, a site has been found, and tentative plans for permanent facilities are being developed. Once we have resolved a few pending items, a proposal will be submitted to AID/W for approval. Once approval is given, we will move as quickly as possible to a new facility, with corresponding expected improvements in morale and productivity. We currently target the completion of the first phase for the Fall/Winter of 1986, and of the second by the end of 1989.

b. Support Services

We are working with the Embassy to achieve the Congressionally mandated reduction in FAAS participation. While discussions are continuing, certain functions, primarily general services, have been tentatively identified that could be provided directly by AID rather than by the JAO. A decision with respect to USAID providing support services directly rather than relying on the JAO has been postponed and will be reexamined in connection with USAID's proposed move to a new building in late 1986. While the establishment of this function would require one-time startup costs, these could be covered with trust funds. Additional dollar cost savings could be achieved through the use of trust funds in order to reduce the overall AID dollar Operating Expense cost of the Mission by moving certain support services out of the JAO and providing them directly by USAID. We anticipate that no additional U.S. personnel would be needed to manage these services.

c. Local Currency Trust Fund

USAID currently has available to it, under existing ESF and PL-480 Title I agreements, approximately RD$35,000,000 (US$12.5 million). Of this, approximately one half will be used to carry out the office improvement program summarized above, including all costs (improvement and equipping of the interim facility, purchase and construction of the building, furnishings, etc.).

USAID is utilizing the trust funds to cover not only all of our local currency operating expenses, but a significant portion of general program development and support local currency costs which would otherwise have to be charged to appropriated dollar PD&S funds. We are drawing on trust funds to the fullest extent, and treating them with the same considerations as we do our appropriated program and operating expense funds, to assure that they are closely tied to priority program needs. At the present spending rate, and considering the cost of new office space, currently available trust funds are sufficient to carry us through 1988. We anticipate adding additional trust funds from local currency funds generated from future ESF programs.

NOTE: For specific Staffing and OE Procurement Tables, see Annex I:

a. USDH Positions by Office
b. FNDH Positions by Office
c. PSC's and Positions by Office
d. Procurement Plans for 1987
e. Procurement Plans for 1988

B. OE Dollar and Trust Fund Budget Summaries - ABS Table VIII

636(c) Requirements and Impact of Move

The cost attributed to the Mission's proposed move to a new office building represents a significant OE cost that cannot, at this time, be budgeted accurately by function code. At this time, most of these moving and move-related costs are projected to be funded by the Trust Fund. For budget purposes, these costs are reflected in function codes U501 (Office Rent), U524 (All Other Code 25), and U600 (636-c) requirements although both renovation and NXP procurement costs are planned. These costs are subject to change (both in amounts and source of funding) until agreements are reached with regard to location, architectural plans, construction contracts, etc. The amounts in these function codes specifically attributed to the move are illustrated below:

PROJECTED COSTS RELATED TO NEW OFFICE SPACE

Description	FY-1987			FY-1988		
	Dol Appn	TF	Total	Dol Appn	TF	Total
	(In 000's of U.S. Dollars)					
U501 (Office Rent)						
Rent-Interim Office	-	350.0	350.0	-	320.0	320.0
U524 (All Other 25)						
Moving Costs	-	25.0	25.0	-	-	-
Misc. Costs	50.0	115.0	165.0	75.0	58.3	133.3
U600 (636c)						
Land	-	1134.0	1134.0	-	-	-
Preparation	-	202.0	202.0	-	-	-
Construction	-	-	-	-	2466.6	2466.6
Capital Improvements	-	250.0	250.0	-	-	
TOTALS	50.0	2076.0	2126.0	75.0	2844.9	2919.9

FAAS

As called for by Congress' mandate that AID reduce its FAAS charges by 25%, USAID has discussed with the Embassy possible means of reducing the Mission's FAAS participation, and we have submitted a proposal to AID/W to accomplish this. The impact of USAID assuming certain support function upon the FY-1987 and 1988 OE budgets cannot be determined until we receive guidance from AID/W. For Action Plan budget purposes, FAAS levels reflect the current estimates assuming no reduction in the Mission's participation. There would be an overall decrease in dollar OE requirements if USAID directly provides selected general support services because of our ability to finance these services from trust fund resources.

USAID/DOMINICAN REPUBLIC
OPERATING EXPENSES BUDGET FY'87

CODE	O.C.		DOLLAR FUNDED	TRUST FUNDED	TOTAL BUDGET	UNIT DATA
U100		U.S. DIRECT HIRE	1752.0	132.7	1884.7	
U101	110	U.S. CITIZENS BASIC PAY	1195.6	.0	1195.6	20 FTE + 2 IDI
U103	116	POST DIFFERENTIAL PAY U.S.	87.0	.0	87.0	
U106	126	EDUCATION ALLOWANCE	7.8	121.7	129.5	33 DEPENDENTS
U107	120	USDH RETIREMENT	83.7	.0	83.7	
U109	129	ALL OTHER CODE 12 - AID/W	51.1	.0	51.1	
U110	129	OTHER MISSION FUND CODE 12	6.5	.0	6.5	
U111	212	POST ASSIGNMENT-TRAVEL	19.2	.0	19.2	8 ASSIGNMENTS
U112	22	POST ASSIGNMENT-FREIGHT	128.8	7.3	136.1	8 ASSIGNMENTS
U113	212	HOME LEAVE-TRAVEL	44.4	.0	44.4	19 MOVEMENTS
U114	220	HOME LEAVE-FREIGHT	66.1	3.7	69.8	19 MOVEMENTS
U115	215	EDUCATION TRAVEL	11.4	.0	11.4	16 MOVEMENTS
U116	215	R AND R TRAVEL	21.6	.0	21.6	12 MOVEMENTS
U117	215	OTHER CODE 215 TRAVEL	28.8	.0	28.8	15 MOVEMENTS
U200		FOREIGN NATIONAL DH	20.0	399.6	419.6	
U201	114	BASIC PAY	10.0	323.8	333.8	31 FTE WORKYEARS
U202	115	OVERTIME/HOLIDAY PAY	.0	2.6	2.6	5 FTE WORKYEARS
U203	11	ALL OTHER CODE 11 - F.N.	.0	47.5	47.5	
U204	12	ALL OTHER CODE 12 - F.N.	10.0	25.7	35.7	
U300		CONTRACT PERSONNEL	0	226.4	226.4	
U304	113	F.N. PSC SALARY/BENEFITS	.0	226.4	226.4	23 FTE WORKYEARS
U400		HOUSING	419.4	29.3	448.7	
U402	235	RESIDENTIAL UTILITIES	.0	11.2	11.2	
U403	259	RENOVATION & MAINTENANCE	1.6	14.5	16.1	
U404	127	QUARTERS ALLOWANCE	255.9	.0	255.9	21 RESIDENTIAL WORKYEAR
U405	311	RES. FURNISHING & EQUIP.	117.0	.0	117.0	
U406	22	TRANS-FREIGHT CODE 311	30.3	.0	30.3	
U407	259	SECURITY GUARD SERVICES	10.5	3.6	14.1	
U408	254	OFFICIAL RESIDENCE ALLOWANCE	2.4	.0	2.4	
U409	252	REPRESENTATION ALLOWANCE	1.7	.0	1.7	
U500		OFFICE OPERATIONS	622.9	843.3	1466.2	
U501	234	OFFICE RENT	1.8	419.7	421.5	
U503	259	BLDG. MAINT. & RENOVATION	.0	3.3	3.3	
U504	310	OFFICE FURN./EQUIPT.	22.9	.0	22.9	
U505	312	VEHICLES	61.0	.0	61.0	
U506	319	OTHER EQUIPMENT	4.4	.0	4.4	
U507	22	TRANSPORTATION/FREIGHT	9.2	.0	9.2	
U508	259	FURN/EQUIP/VEH/REPAIR/MAINT.	80.0	3.1	83.1	
U509	230	COMMUNICATIONS	.0	76.6	76.6	
U511	240	PRINTING	.0	1.1	1.1	
U513	210	SITE VISITS-MISSION PERSONNEL	20.4	13.0	33.4	21 INT'L, 276 IN-COUNTRY
U514	210	SITE VISITS-AID/W PERSONNEL	8.4	.0	8.4	7 TRIPS
U515	210	INFO. MEETINGS	11.6	.0	11.6	10 TRIPS
U516	210	TRAINING ATTENDANCE	7.6	.0	7.6	7 TRIPS
U517	210	CONFERENCE ATTENDANCE	15.8	.0	15.8	13 TRIPS
U518	210	OTHER OPERATIONAL TRAVEL	3.5	.0	3.5	3 TRIPS
U519	260	SUPPLIES & MATERIALS	40.8	25.2	66.0	
U520	257	FAAS	270.0	100.0	370.0	
U524	259	ALL OTHER CODE 25	65.5	201.3	266.8	
U600	32	636(C) REQUIREMENTS (SEE NOTE)	.0	1586.0	1586.0	
		TOTALS	2814.3	3217.3	6031.6	

RECONCILIATION:	2814.3
LESS O.C.11	1282.6
LESS O.C.12	134.8
LESS O.C.257 FAAS	270.0
TOTAL USAID REQ.	1126.9

USAID DOMINICAN REPUBLIC
OPERATING EXPENSES BUDGET FY'88

CODE	O.C.		DOLLAR FUNDED	TRUST FUNDED	TOTAL BUDGET	UNIT DATA
U100		U.S. DIRECT HIRE	1615.8	139.4	1755.2	
U101	110	U.S. CITIZENS BASIC PAY	1195.6	.0	1195.6	20 FTE + 2 IDI
U103	116	POST DIFFERENTIAL PAY U.S.	87.0	.0	87.0	
U106	126	EDUCATION ALLOWANCE	8.2	127.8	136.0	33 DEPENDENTS
U107	120	USDH RETIREMENT	83.7	.0	83.7	
U109	129	ALL OTHER CODE 12 - AID/W	51.1	.0	51.1	
U110	129	OTHER MISSION FUND CODE 12	2.2	.0	2.2	
U111	212	POST ASSIGNMENT-TRAVEL	6.5	.0	6.5	3 ASSIGNMENTS
U112	22	POST ASSIGNMENT-FREIGHT	51.0	7.7	58.7	3 ASSIGNMENTS
U113	212	HOME LEAVE-TRAVEL	15.7	.0	15.7	9 MOVEMENTS
U114	220	HOME LEAVE-FREIGHT	31.8	3.9	35.7	9 MOVEMENTS
U115	215	EDUCATION TRAVEL	14.4	.0	14.4	18 MOVEMENTS
U116	215	R AND R TRAVEL	38.4	.0	38.4	18 MOVEMENTS
U117	215	OTHER CODE 215 TRAVEL	30.2	.0	30.2	17 MOVEMENTS
U200		FOREIGN NATIONAL DH	21.0	479.6	500.6	
U201	114	BASIC PAY	10.5	400.0	410.5	31 FTE WORKYEARS
U202	115	OVERTIME/HOLIDAY PAY	.0	2.7	2.7	6 FTE WORKYEARS
U203	11	ALL OTHER CODE 11 - F.N.	.0	49.9	49.9	
U204	12	ALL OTHER CODE 12 - F.N.	10.5	27.0	37.5	
U300		CONTRACT PERSONNEL	0	271.7	271.7	
U304	113	F.N. PSC SALARY/BENEFITS	.0	271.7	271.7	28 FTE WORKYEARS
U400		HOUSING	428.2	30.8	459.0	
U402	235	RESIDENTIAL UTILITIES	.0	11.8	11.8	
U403	259	RENOVATION & MAINTENANCE	1.7	15.2	16.9	
U404	127	QUARTERS ALLOWANCE	268.7	.0	268.7	21 RESIDENTIAL YEAR
U405	311	RES. FURNISHING & EQUIP.	117.4	.0	117.4	
U406	22	TRANS-FREIGHT CODE 311	25.3	.0	25.3	
U407	259	SECURITY GUARD SERVICES	11.0	3.8	14.8	
U408	254	OFFICIAL RESIDENCE ALLOWANCE	2.4	.0	2.4	
U409	252	REPRESENTATION ALLOWANCE	1.7	.0	1.7	
U500		OFFICE OPERATIONS	663.1	741.2	1404.3	
U501	234	OFFICE RENT	2.4	393.2	395.6	
U503	259	BLDG. MAINT. & RENOVATION	.0	3.5	3.5	
U504	310	OFFICE FURN./EQUIPT.	22.9	.0	22.9	
U505	312	VEHICLES	51.5	.0	51.5	
U506	319	OTHER EQUIPMENT	.0	.0	0.0	
U507	22	TRANSPORTATION/FREIGHT	7.6	.0	7.6	
U508	259	FURN/EQUIP/VEH/REPAIR/MAINT.	84.0	3.2	87.2	
U509	230	COMMUNICATIONS	.0	80.5	80.5	
U511	240	PRINTING	.0	1.1	1.1	
U513	210	SITE VISITS-MISSION PERSONNEL	21.7	13.7	35.4	22 INT'L, 300 IN-COUN
U514	210	SITE VISITS-AID/W PERSONNEL	8.9	.0	8.9	7 TRIPS
U515	210	INFO. MEETINGS	13.3	.0	13.3	11 TRIPS
U516	210	TRAINING ATTENDANCE	6.4	.0	6.4	6 TRIPS
U517	210	CONFERENCE ATTENDANCE	16.3	.0	16.3	13 TRIPS
U518	210	OTHER OPERATIONAL TRAVEL	4.0	.0	4.0	3 TRIPS
U519	260	SUPPLIES & MATERIALS	42.8	23.0	65.8	
U520	257	FAAS	290.0	100.0	390.0	
U524	259	ALL OTHER CODE 25	91.3	123.0	214.3	
U600	32	636(C) REQUIREMENTS (SEE NOTE)	.0	2466.6	2466.6	
		TOTAL	2728.1	4129.3	6857.4	

RECONCILIATION:	2728.1
LESS O.C.11	1282.6
LESS O.C.12	134.8
LESS O.C.257 FAAS	290.0
TOTAL USAID REQ.	1020.7

C. Special Concerns

1. Democratic Institutional Development

A key U.S. interest in the D.R. is to ensure the viability of a free and democratic development process. A democratic framework will provide the foundation for the development of the private sector and sustained and equitable economic growth. The Mission currently is participating in the Administration of Justice Project being administered by ILANUD in Costa Rica to improve the technical and administrative capabilities of local institutions and to promote a judicial system that is efficient, just, accesible, and independent.

In addition, we anticipate financing with local currency resources a project developed by a non-partisan Dominican research institution, which will provide information on and analyses of critical issues facing Dominican legislators. This will enable them to understand better the complexity of topics for legislation, and make more informed decisions regarding national economic and social policies.

2. Women in Development

In FY-1985, USAID formed a WID Committee which is made up of representatives of the Capital Resources Development Office, the Program Office, the Human Resources Division, and the Agriculture/Rural Development Division. As an initial task, the Committee commissioned a review of the USAID project portofolio to determine where and in what form WID concerns could be incorporated into our portfolio.

One of the USAID's major concerns is the dearth of relevant sex disaggregated data to determine the impact, either positive or negative, a project is having on women as a group. The initial study conducted in the summer of 1985 determined that several opportunities existed for sex disaggregated data collection. Work has begun in this area; for example, the baseline surveys for the On-Farm Water Management Project, which will be completed soon, have gender disaggregated data and will be followed up with a specific study on the participation and status of women in the project areas. The Rural Savings Mobilization Project is planning a financial services study of the cooperatives participating in the project and will examine women's participation and their expressed needs for financial services. Sex dissagregated data is presently collected for participant training. In 1985, the USAID sent 175 participants for training of which 37 or 21% were women. Women were sent for training in the areas of international law, economics, food technology, export marketing, and agriculture.

The USAID will seek to increase the number of women and other economically and socially disadvantaged individuals selected for participant training programs to 40% by 1988. The main vehicles to reach this target will be the Agriculture Sector Training Project, LAC II Training Initiatives, and the new Development Training Project. These projects will provide an

opportunity to select qualified women for participant training in the U.S. and third countries at both the undergraduate and graduate levels. We will also continue to emphasize improved leadership and technical skills especially in non-traditional areas such as computers, small business management, food technology, public administration, hotel management, international financial management, and other key areas of the Mission strategy. Other projects that will impact on meeting this target are Export and Investment Promotion, Graduate Management Training (especially the Tourism Training Component), and Human Resources Development (in particular the Small and Medium Enterprise Training Component).

In the Industrial sector, a start has been made to actively incorporate women, especially in regard to the availability of credit at the small and micro level. The ADEMI project has proven to be very successful in reaching women, particularly through the Solidarios Group Component where 43% of the groups involved had been composed of women. Recent studies have revealed that women are handling their credit as well, if not better than men, and that women creditors have had a slightly better than average impact on employment generation. Under the ADEMI expansion program currently underway in the western and eastern portions of the country, the Solidarios Group Component will eventually be incorporated and women will actively be recruited as promoters. Similar efforts are also underway through other small business groups in the D.R., such as PROAPE.

During the upcoming year, the USAID will conduct a study of the socio-economic position of women employed in the free trade zones in the D.R. This will allow the USAID to better target private sector health, family planning, and vocational/technical training activities to take into account the largely female workforce at free trade zones.

In the Agriculture sector, the USAID provided funds to the Secretariat of Agriculture (SEA) under a Limited Scope Grant Agreement to conduct three of six studies which would form the basis of a national workshop on the participation of rural women in the agriculture sector. The studies currently being conducted are an assessment of the effect of SEA's policies, projects and programs on rural women, and a general study and one case study of the role of women in the agrarian reform movement. The workshop, sponsored by other donors such as the OAS, will be held in the near future. Under the proposed Commercial Farming Systems project, women's labor and participation will be encouraged at both the farm level and through access to financial services.

In the areas of Health and Population, planned projects will make substantive progress in meeting the unmet demand for family planning and health services. The new Family Planning Services Project will expand the number of contraceptive acceptors by 35%. The Self-Financing Health Services project will improve family access to private sector health services through employees' participation in HMO-type health care facilities.

During the Action Plan time period, the USAID will ensure that all projects are collecting data on sex disaggregated basis. Other targets are a 40% female participation rate in training programs; 40% of all new jobs created in agribusinesses and free trade zones will be filled by women; and 38% of the beneficiaries receiving credit will be women-owned small and micro businesses.

3. Peace Corps Coordination

In the Dominican Republic, USAID and Peace Corps continue to be engaged in an effective, and a growing, cooperative development effort. Although the paths of the two agencies are not parallel, they are supportive and collaborative. Over the past year, USAID development strategies have evolved into a focus on economic stabilization, expanded private investment in industrial and agricultural sectors, agricultural diversification into non-traditional export-oriented crops, improved private sector access to health, and family planning services. The Peace Corps program focus remains somewhat more traditional with four separate Program Areas: Appropriate Technology/Natural Resources, Small Businesses/ Cooperatives, Rural Development/Fisheries, and Health/Nutrition. Each of the Peace Corps Program Areas have between 30 and 40 volunteers assigned and actively engaged in applied hands-on developmental assistance. In each program focus, a large proportion of PCVs are either working on specific AID projects (dollar and/or local currency funded) or are developing and implementing projects to which USAID resources are applied, as in the Special Development Activities Fund (SDAF) or through Small Project Assistance (SPA).

Joint USAID/Peace Corps Overview Coordination meetings are held semi-annually. USAID/PC Program Sector Reviews and planning sessions are held quarterly. SDAF project review and allocation meetings continue to be held on a monthly basis. Informal USAID and Peace Corps communication linkages are frequent. All of these contacts have served, and will continue to serve, as key institutional bridge-mechanisms to assure ongoing inter-agency cooperation and coordination. The interaction of the two Agencies in pursuit of developmental objectives in the Dominican Republic remains an important tool and resource for both Peace Corps and USAID.

Specific 1985/1986 Achievements:

AID Projects:

a. 3 PCVs working full-time on AID's Natural Resources Management Project.

b. 3 PCVs assigned to AID's Health Sector Loan in rural water projects.

c. 4 PCVs working on AID-funded small scale and micro business development projects.

d. 5 PCVs assisting in AID local currency-assisted PVOs in income-generating small-industrial development.

e. 7 PCVs directly assigned to the implementation of AID's mariculture activities.

f. 15 PCVs regularly utilizing AID's PL-480 Title II Food for Work and Food for Peace resources in their work, both with GODR and U.S. PVOs.

g. Another 35-50 PCVs annually receive SDAF or SPA resources relative to and in concert with their community or regionally-based activities.

4. PVO Utilization

USAID intends to continue to work with and assist PVOs in activities that support our priorities and strategy in the areas of agricultural diversification, export development, and health and family planning activities. 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$7.5 million of FY-1983/1985 ESF and PL-480 Title I local currency generations have been allocated for assistance to indigenous Dominican PVOs. In addition, a RD$5 million allocation is planned from the FY-1986 program.

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, 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.

The Dominican Republic is unique in that there is popular support for indigenous PVOs, manifested in local financial contributions to them. The PVOs, for the most part, 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 is also planning to assist social- oriented community-based PVOs for the provision of self-financed health and family planning services. PROFAMILIA will be the major private voluntary organization to benefit from the $5 million Family Planning Project to be initiated in FY-1986. CARE currently has a $450,000 Rural Water OPG, which it is implementing in the southwest of the country, and which will benefit some 50 communities.

5. Gray Amendment Compliance

USAID/DR currently has one contract valued at over $4 million with an 8-A firm, and will contract with an 8-A or minority-owned firm to implement the new FY-1986 $5 million Family Planning project. AN HBCU is currently working under a research contract valued at $100,000. In addition, women-owned firms and other 8-A firms have been used extensively for project evaluations and project preparation under PD&S funding. For instance, an 8-A firm performed the NARMA project evaluation for $97,000.

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

a. 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 have paid 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. To illustrate, in FY-1983 we sent five participants to Puerto Rico, in FY-1984 seven participants went, and in FY-1985, nine participants went to Puerto Rico. For FY-1986, thirty participants are scheduled for training in Puerto Rico, and twenty have already been sent. The total PIO/P value for FY-1986 is $272,926.

b. 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.

D. Mission Evaluation Plan

In line with the latest LAC guidance to the field on Program Evaluation, USAID/DR has revised its planned FY-1987 Evaluation Plan as originally submitted in the FY-1986/1987 Action Plan. In FY-1987, the Agricultural Policy Analysis Project (517-0156) will be evaluated to assess its effectiveness in influencing changes in agricultural policy. This evaluation is particularly relevant within the framework of the Mission's policy dialogue with the GODR. The evaluation will analyze the methods or approaches used to effect policy changes, and perform a recurrent cost analysis to assure that the GODR will continue this activity once AID funding ceases.

The second evaluation planned for FY-1987 is a "broader in scope" evaluation dealing with the private sector, and how the various projects undertaken by USAID have impacted on employment and income. The evaluation will examine more specifically the impact of the Agribusiness Promotion Project (517-0186), and the Investment and Export Promotion Project (517-0190) on the Mission Strategy of expanding private investment in the industrial and agricultural sectors. The evaluation will also cover the Small Industry Project (517-0150), and the effect of the Rural Development Management Project (517-0125 ISA/CADER), and the Rural Savings Mobilization Project (517-0179) on credit availability to small enterprises in rural areas. It will also assess at the grassroots level the impact of the local currency program on credit availability to the small commercial farmers and small scale enterprises, particularly credit operations through FIDE and cooperative banking mechanisms, and on the policy level, the impact on interest rates and other policy decisions obtained through our policy dialogue.

In FY-1988, we plan to undertake a second sector evaluation, focussing on all the training programs carried out by the USAID. The evaluation would encompass activities under the Agriculture Sector Training Project (517-0160), the Human Resources Development Project (517-0127), and the Development Training Project (517-0216), other training programs, and assess their accomplishments in terms of progress toward achieving our strategic objectives to train and improve the skills and knowledge of professional, managerial, and technical personnel in the export-oriented sectors of industry and agribusiness.

The second evaluation to be carried out in FY-1988 is of the Family Planning Services Expansion Project (517-0229), to measure the effectiveness of the participating institutions in expanding family planning services throughout the country, to verify the availability of contraceptives, and assess the utilization rate of contraceptives. Family planning services and improved access to health care have been designated as key objectives in our strategy, and it will be important to assess the degree of success the project will have achieved by 1988, to ascertain that the interim goal of reducing fertility to 3.04 by 1991 can be achieved.

USAID/DR is confident that by adhering to the new guidelines from LAC, we will have a manageable evaluation schedule, and still obtain the critical information required to make sound management and policy decisions pertaining to the overall program.

To further improve Mission management of the evaluation activity, we have designed a follow-up form, listing the key recommendations made in PES', showing what actions have been taken.

FY-1988 ABS -- TABLE VII
LIST OF PLANNED EVALUATIONS

Project List (Project Number and Title)	Last. Eval. Completed (Mo./Yr.)	FY-1987 Start (Qtr.)	FY-1987 To AID/W (Qtr.)	FY-1988 Start (Qtr.)	FY-1988 To AID/W (Qtr.)	Reasons/Issues	Funding Source	$000	AID Person Days	Collateral Assistance
Agricultural Policy Analysis (517-0156)		4	4			PACD: 10/87. To evaluate project's effectiveness in influencing changes in agricultural policy. Analyze the methods or approaches used to effect such changes, and perform a recurrent cost analysis to assure that GODR will continue project from own ressources.	Project	20	36	Contract
Private Sector		4	--	--	1	To evaluate the impact on the private sector of several USAID activities, including the Agribusiness Promotion project, the Investment and Export Promotion Project, the Small Industry Project, ISA/CADER and Rural Savings Mobilization as well as the impact due to Local Currency activities, particularly credit operations through FIDE and BADEPRO.	PD&S	100	140	Contract
Training Program		--	--	2	2	To evaluate effectiveness of various training efforts undertaken by USAID. This program evaluation would encompass activities under the Agriculture Training Project, the Human Resources Development Project, Development Training and other training programs, and assess their accomplishments in relation to the stated goals and objectives, as well as the overall impact in terms ofimproved efficiency due to the newly acquired knowledge.	PD&S	75	120	Contract
Family Planning Services Expansion (517-0229)		--	--	3	3	PACD: 9/91. To measure effectiveness of institutions in expanding F.P. services, verify availability of contraceptives, assess utilization rates of contraceptives.	Project	20	36	Contract

ANNEX I

STAFFING AND OE PROCUREMENT TABLES

ANNEX I

a. USDH Positions by Office

	FY-1987	FY-1988
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	2
Agriculture & Rural Development Division		
Agriculture Development Officer	1	1
Deputy Agriculture Dev. Officer	1	1
Project Manager Agriculture	1	1
Project Manager Agriculture	1	1
TOTAL USDH	20	21

	FY-1987	FY-1988
Agriculture & Rural Development Division		
Agriculture Economist (PASA)	1	1
IDI	1 1/	1 1/
Project Development Office		
IDI	1 2/	1 2/

1/ Present IDI assumes Development Officer position during FY-1986. Replacement IDI will be requested if program resumes.

2/ Present IDI will graduate from program during FY-1987 and will be transferred to permanent USAID position. Replacement will be requested when IDI program is reactivated.

b. FNDH Positions by Office

	FY-1987	FY-1988
Office of the Director		
Secretary (Translator)	1	1
Management Office		
Procurement Agent	1	1
Secretary	1	1
Correspondence & Records Clerk	1	1
Property Mgt. Specialist	1	1
Controller Office		
Secretary	1	1
Secretary	1	1
Voucher Examiner (Chief)	1	1
Voucher Examiner	1	1
Voucher Examiner	1	1
Voucher Examiner/Pay Liason Assist.	1	1
Accountant (Chief)	1	1
Accounting Technician	1	1
Accounting Technician	1	1
Dev. Loan Assistant (Fiscal)	1	1
Dev. Loan Assistant (Fiscal)	1	1
MACS Data Accountant	1	1
Financial Analyst	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
Human Resources Division		
Secretary	1	1
Participant Training Assistant	1	1

	FY-1987	FY-1988
Private Sector Division		
Secretary	1	1
Agriculture & Rural Development Division		
Program Specialist	1	1
Secretary	1	1
Secretary	1	1
TOTAL FNDH	31	31

c. PSC's by Office

Summary by Office/Division

The number of U.S. and Foreign National PSC's (both Program and OE funded) is 42 for FY- 1987 and 40 for FY-1988*, broken down by office as follows:

	FY-1985		FY-1986		FY-1987		FY-1988	
	US	FN	US	FN	US	FN	US	FN
MGT	1	2	1	4	1	3	1	3
CON	1	6	0	6	0	8	0	8
PRG	0	1	0	1	0	1	0	1
PDO	1	4	2	6	2	7	1	7
HPD	2	3	3	3	3	3	3	3
HRD	1	2	1	5	1	5	1	5
PSD	0	3	0	3	0	3	0	3
ARD	1	3	1	3	2	3	1	3
MISSION TOTALS	7	24	8	31	9	33	7	33

* NOTE: From last year's Action Plan, the FY-1987 figure represents a decrease of 3 positions and for FY-1988 a decrease of 4 positions.

	FY-1987	FY-1988
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
Contract/Management Specialist Assists Executive Officer in full range of administrative activities.	1	1
Secretary Provides secretarial support services to technical and professional personnel.	1	1

	FY-1987	FY-1988
CONTROLLER OFFICE		
Financial Analyst Performs financial reviews of project expenditures at the implementing agency level.	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.	2	2
Project Voucher Examiner Prepares voucher related to projects.	1	1
Voucher Examiner Examines travel and other related vouchers.	1	1
Voucher Examiner Examines administrative type vouchers.	1	1
Voucher Examiner Will assume voucher examining functions when present FNDH voucher examiner is assigned as Cashier.	1	1

	FY-1987	FY-1988
PROGRAM OFFICE		
Secretary	1	1

Provides secretarial support services to professional contract employees. Maintains Mission Information Center (MIC).

	FY-1987	FY-1988
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.	3	3
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	0
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
Procurement Specialist Provides assistance to Mission personnel by reviewing and helping in the development of commodity specifications.	1	1

	FY-1987	FY-1988
HEALTH AND POPULATION DIVISION		
Program Coordinator (416) 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.	1	1
Program Coordinator (PL-480 Title II) 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.	1	1
Secretary Provides secretarial support services to technical and professional contract employees involved in FFP programs.	1	1
Program Specialist (Population) Coordinates, monitors and assists 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.	1	1
Program Specialist (Health) 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.	1	1
Secretary Provides secretarial support services to USDH, and contract employees engaged in health and population activities.	1	1

	FY-1987	FY-1988
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.	2	2
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
Administration of Justice Coordinator Resident coordinator for Administration of Justice Project geared towards improving and strengthening the Dominican Justice System. Acts as liaison between ILANUD, IIHR, and provides technical assistance and training.	1	1

	FY-1987	FY-1988
PRIVATE SECTOR DIVISION		
Small Business Advisor Advises in technical matters related to development and management of micro and small business activities.	1	1
Trade Advisor Advises on matters relating to promotion of exports and investments, including development of data base. Provides assistance to visiting U.S. businessmen.	1	1
Secretary Provides secretarial services to technical and professional contract employees engaged in Private Sector activities.	1	1

NOTE: PSD is also supported by an Agribusiness Advisor and an Export/Investment Promotion Advisor who are employed with project funds through institutional contracts.

	FY-1987	FY-1988
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 (Utah State U.) and provides liaison with INDRHI.	1	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
Agriculture Policy Advisor Provide technical expertise to the operation of the Unit of Agricultural Studies as it relates to the Agricultural National Council/Agricultural Policy Advisory Council and to the USAID Mission.	1	0
Secretary Provides secretarial support services to professional and technical contract personnel.	1	1
Rural Financial Specialist Advises in technical matters related to the development and management of rural financial market activities with particular emphasis on savings mobilization and credit delivery systems serving smaller rural clients. Monitors local currency agricultural production credit lines.	1	1
Non-Traditional Export Crop Specialist Provides technical guidance to the Mission on the development and management of activities in the area of export crop production, applied research, non-traditional crop, and general field organization and packing operations. Evaluate feasibility of investment proposals from a technical agronomic production/organizational perspective.	0	1

d. Procurement Plans for 1987

PROCUREMENT PLAN

FY-1987

FY-87 PROCUREMENT PLAN O.C. 310 (U-504)

I.- Replacement Property Requirements

Quantity/Item	Unit Cost	Extended Cost	Pkg/Shpg	Total
10 elect. typewriters	$ 945.00	$ 9,450.00	$1,550.00	$11,000.00
5 printing calculators	475.00	2,375.00	325.00	2,700.00
5 cabinets storage	220.00	1,100.00	200.00	1,300.00
1 misc. office	10,000.00	10,000.00	1,500.00	11,500.00
		$22,925.00	$3,575.00	$26,500.00

A.- Extended Cost - $22,925.00

B.- Est. Pkg/Shpg - $ 3,575.00

C.- CIF/Destination - $26,500.00

II.- New Property Requirements: None.

III.- Total 310 Requirements this FY: $26,500.00

PROCUREMENT PLAN

FY-1987

FY-87 PROCUREMENT PLAN O.C. 311 (U-405)

I.- Replacement Property Requirements

Quantity/Item	Unit Cost	Extended Cost	Pkg/Shpg	Total
4 sets HHF	$12,500.00	$ 50,000.00	$25,000.00	$ 75,000.00
5 refrigerators	525.00	2,625.00	275.00	2,900.00
5 stoves	420.00	2,100.00	175.00	2,275.00
10 cardtables w/4 chairs	140.00	1,800.00	175.00	1,975.00
5 washing machines	420.00	2,100.00	175.00	2,275.00
5 dryers	420.00	2,100.00	175.00	2,275.00
12 freezers	475.00	3,700.00	450.00	6,150.00
20 AC's units	440.00	8,800.00	700.00	9,500.00
5 Generator sets	5,250.00	26,250.00	1,850.00	28,100.00
5 Dinette sets	840.00	4,200.00	350.00	4,550.00
5 Patio sets	265.00	1,325.00	150.00	1,475.00
1 accesories	10,000.00	10,000.00	800.00	10,800.00
		$117,000.00	$30,275.00	$147,275.00

A.- Extended Cost - $117,000.00

B.- Est. Pkg/Shpg - $ 30,275.00

C.- CIF/Destination - $147,275.00

II.- New Property Requirements: None

III.- Total 311 Requirements this FY: $147,275.00

PROCUREMENT PLAN

FY-1987

FY-87 PROCUREMENT PLAN O.C. 312 (U-505)

I.- Replacement Vehicles

Quantity/Item	Unit Cost	Pkg/Shpg	Total
1 4-door Sedan	$ 9,500.00	$ 1,000.00	$ 10,500.00
1 Van 4x2	14,000.00	1,000.00	15,000.00
1 Jeep	14,000.00	1,000.00	15,000.00
1 4-door Sedan	9,500.00	1,000.00	10,500.00
1 Jeep	14,000.00	1,000.00	15,000.00
	$61,000.00	$ 5,000.00	$ 66,000.00

A.- Extended Cost - $61,000.00

B.- Est. Pkg/Shpg - $ 5,000.00

C.- CIF/Destination - $66,000.00

II.- New Vehicles Procurement: None.

III.- Total 312 Requirements this FY: $66,000.00

PROCUREMENT PLAN

FY-1987

FY-87 PROCUREMENT PLAN O.C. 319 (U-506)

I.- Replacement Property Requirements

None

II.- New Property Requirements

Quantity/Item	Unit Cost	Extended Cost	Pkg/Shipping	Total
7 Computers hardware	636.00	4,450.00	650.00	5,100.00
		$ 4,450.00	$ 650.00	$ 5,100.00

A.- Extended Cost - $ 4,450.00

B.- Est. Pkg/Shpg - $ 650.00

C.- CIF/Destination - $ 5,100.00

III.- Total 319 Requirements this FY: $ 5,100.00

e. Procurement Plans for 1988

PROCUREMENT PLAN

FY-1988

FY-88 PROCUREMENT PLAN O.C. 310 (U-504)

I.- Replacement Property Requirements

Quantity/Item	Unit Cost	Extended Cost	Pkg/Shpg	Total
10 elect. typewriters	$ 945.00	$ 9,450.00	$1,550.00	$11,000.00
5 printing calculators	475.00	2,375.00	325.00	2,700.00
5 cabinets storage	220.00	1,100.00	200.00	1,300.00
1 misc. office	10,000.00	10,000.00	1,500.00	11,500.00
		$22,925.00	$3,575.00	$26,500.00

A.- Extended Cost - $22,925.00

B.- Est. Pkg/Shpg - $ 3,575.00

C.- CIF/Destination - $26,500.00

II.- New Property Requirements: None.

III.- Total 310 Requirements this FY: $26,500.00

PROCUREMENT PLAN

FY-1988

FY-88 PROCUREMENT PLAN O.C. 311 (U-405)

I.- Replacement Property Requirements

Quantity/Item	Unit Cost	Extended Cost	Pkg/Shpg	Total
4 sets HHF	$13,125.00	$ 52,500.00	$20,000.00	$ 72,500.00
5 refrigerators	550.00	2,725.00	225.00	2,975.00
5 stoves	440.00	2,200.00	175.00	2,375.00
5 washing machines	440.00	2,200.00	175.00	2,375.00
5 dryers	440.00	2,200.00	175.00	2,375.00
5 freezers	495.00	2,475.00	200.00	2,675.00
20 AC's units	463.00	9,260.00	740.00	10,000.00
5 Generator sets	5,512.00	27,560.00	2,240.00	29,800.00
5 Dinette sets	882.00	4,410.00	360.00	4,770.00
5 Patio sets	275.00	1,375.00	110.00	1,485.00
1 accesories	10,500.00	10,500.00	850.00	11,350.00
		$117,430.00	$25,250.00	$142,680.00

A.- Extended Cost - $117,430.00

B.- Est. Pkg/Shpg - $ 25,250.00

C.- CIF/Destination - $142,680.00

II.- New Property Requirements: None

III.- Total 311 Requirements this FY: $142,680.00

PROCUREMENT PLAN

FY-1988

FY-88 PROCUREMENT PLAN O.C. 312 (U-505)

I.- Replacement Vehicles

Quantity/Item	Unit Cost	Pkg/Shpg	Total
1 Van 4x2	14,000.00	1,000.00	15,000.00
1 Jeep	14,000.00	1,000.00	15,000.00
1 4-door Sedan	9,500.00	1,000.00	10,500.00
1 Jeep	14,000.00	1,000.00	15,000.00
	$51,500.00	$ 4,000.00	$ 55,500.00

A.- Extended Cost - $51,500.00

B.- Est. Pkg/Shpg - $ 4,000.00

C.- CIF/Destination - $55,500.00

II.- New Vehicles Procurement: None

III.- Total 312 Requirements this FY: $55,500.00

PROCUREMENT PLAN

FY-1988

FY-88 PROCUREMENT PLAN O.C. 319 (U-506)

I.- Replacement Property Requirements

None

II.- New Property Requirements

None

III.- Total 319 Requirements this FY: None

SUPPLEMENT TO FY-1987/1988 ACTION PLAN

OTHER DONOR ACTIVITIES

I. Introduction and Summary

This analysis discusses the activities of multilateral and bilateral donors in the Dominican Republic, with a special focus on major donors' programs in the areas of education, health and population, and housing/urban/regional development. This report covers the period from the time of preparation of the USAID's CDSS/Action Plan through the Action Plan period of 1987-1988. While surveying the field, we are focusing on the major projects that are operational or planned to begin during the period.

Our assessment shows that there is an extensive multidonor program of loans and grants, which in areas of employment creation are complementary to USAID's, and in the social sectors are attending to needs in areas where AID is not directly involved with dollar funds.

II. Overview of Major Donor Portfolios

The principal providers of long-term, large-scale project assistance to the Dominican Republic are the Inter-American Development Bank (IDB), the World Bank (IBRD), and the Venezuelan Investment Fund, the last being part of the Pact of San José that was set up to offset the oil price increase of the early 1970s. During the Action Plan period, these donors have committed assistance (in US$ millions) to the Dominican Republic in the major economic and social areas as follows:

	Economic	Social	Total
IDB	1,218.2	77.6	1,295.8
World Bank	125.6	26.8	152.9
Venezuelan Investment Fund	103.8		103.8

In addition, assistance is provided by UN agencies, the OAS, and bilateral donors. An overview of each major donor's portfolio is provided below.

Inter-American Development Bank

As summarized in Table I, the IDB is carrying out or planning major projects in each of the economic sectors, and as shown in Table III, in two of the social services sectors. The IDB's projects in the agriculture sector cover agricultural production credit, integrated rural development, riverbasin development, and irrigation. The Bank is also developing projects in agroindustry. In other industrial areas, IDB assistance is intended to make more efficient and competitive the formerly protected import substitution industries, and to support gold extraction from sulfur deposits, credit for microenterprises, and mineral exploration. A major tourism construction loan is planned for the latter stages of the Action Plan period.

In supporting infrastructure, the IDB is involved in developing hydroelectric plants in three locations, and in programs supporting the reconstruction of trunk highways and bridges and the expansion of the rural road network.

World Bank

The World Bank has a less diversified portfolio than the IDB, focused on agriculture (irrigation expansion, rehabilitation of sugar refineries, and cocoa and coffee development) and one project each in energy (a coal terminal), road construction and tourism (hotel construction). The World Bank is also assisting in education and housing.

Venezuelan Investment Fund

The Fund's activities are focused in two economic sectors, hydroelectric energy (six projects), and highway improvements (four projects). The VIF is not involved in the social sectors.

III. Social Services Project Data and Descriptions

Table II provides a detailed list of projects in the three social services sectors that have been in implementation through 1985 and will continue through 1988 and beyond. It also shows those projects that will begin implementation during the period 1987/1988. Table III is a summary by social services sector and donor for the 1985-1988 period.

Three major Inter-American Development Bank projects that have been in execution since the 1970s and beginning of the 1980s are not included because they are concluding during this year.

These projects are:

- 654/SF	Rural Aqueducts	$ 7.3 million
- 378/SF	Health Services Expansion	$18.6 million
- 647/SF	Voc./Tech. Education	$ 7.2 million

Following is a brief description of the IDB and IBRD projects that are included in Table I.

A. Health and Population

In the health and population sector, the IDB is carrying out or planning three major efforts that will improve health services for the poor in the urban and rural areas of the country. These are:

Health Services Expansion $20.0 million (SESPAS)

The objective of the project is to reduce, by preventive health care, the national level of mortality of pregnant women and children up to 5 years of age. The beneficiaries are expected to be some 930,000 persons. The project includes the construction or rehabilitation and necessary equipment of 125 rural clinics, 5 sub-centers with 20 beds and 3 sub-centers with 40 beds.

The activities of this project are expected to be completed by the end of this year, and $12.5 million are expected to be disbursed during the year.

Maintenance and Rehabilitation of Physical Infrastructure for Health Services $25.0 million (SESPAS)

This project was originally programmed for 1986 but it has been reprogrammed for 1987. This is a program of reconstruction of rural clinics on a national scale.

Planurbe/Planar IV $15.1 million (INAPA)

This project is programmed for 1987, and it consists of construction and rehabilitation of urban potable water systems.

B. Education

In the education sector there are two major projects, one for primary education funded by the IDB, and one in technical/vocational education to be funded by the World Bank.

Strengthening Primary Education $25.0 million (SEEBAC)

This IDB project, programmed for 1987, consists of the extension and consolidation of the Reform Plan of Primary Education up to 8th grade. The

project will increase the number of primary education facilities, create the National Center for Training, Research, and Educational Materials, and strengthen teacher training. Specific activities or outputs are:

-- To benefit 1,200,000 children of 7-14 years of age, from 1st to 8th grades;

-- Issue 3 million books and notebooks;

-- Upgrade the skills of 12,000 teachers;

-- Construct 1,456 classrooms;

-- Rehabilitate 690 classrooms; and

-- Construct 40 houses for teachers in isolated areas.

The project will cover 11 provinces included in the Northeast, Southwest, and Puerto Plata.

Tech./Voc. Education $5.8 million (INFOTEP)

This World Bank project is still pending ratification by the Senate of the D.R. In the meantime, the Institute for Technical and Professional Education (INFOTEP) has been using its budgeted funds to proceed with the activities, and has already constructed some classrooms.

The project consists of the following:

1. Technical Assistance

-- To improve planning of voc./tech. activities;

-- To develop a system of testing workers' skills;

-- To identify training requirements in the labor market;

-- To establish a system of technical supervision of other training institutions;

-- To develop training methodologies; and

-- To study and evaluate employment and salary levels of INFOTEP graduates.

2. Infrastructure

-- A new regional training center in Santo Domingo;

-- Completion of a training center in Santiago; and

— Equipping and furnishing both centers.

In addition, the project includes the establishment of mobile training programs, instructor training, and INFOTEP advisory services to 560 small amd medium enterprises.

C. Housing/Urban Development

In this sector, only one major project is currently active or planned for the period. It is financed by the World Bank.

Sites and Services $22.4 million (INVI)

This project is expected to be completed in 1987. Its objective is the construction of sites for houses with basic infrastructure and community services for low income families in Sabana Perdida, the National District, and in Nigua, San Cristóbal. It will benefit about 8,000 families. Implementation in San Cristóbal has not been initiated.

The remaining social projects included in Table II are those of the UNDP and other UN agencies, the OAS, and bilateral grants. UNDP and OAS programs are channelled principally through PVOs and other private sector entities as well as public agencies, while most of the bilateral grants are channelled through the public sector. Many of the projects have been operational since 1985 and will continue through 1987.

IV. Assessment and Relationship to USAID Strategy

The economic development activities of the other donors are complementary to USAID's focus on agricultural diversification and export-oriented industry. Other donor investments in electrical power generation will help meet an important need in both sectors in which the AID program is focused. Their financing of major trunk roads will provide infrastructure needed for exports and private sector expansion. Credit for tourism, which other donors have provided, will enhance economic stabilization and expand employment opportunities. Their support for micro-enterprises as well as agribusiness complements ongoing AID projects in the same areas. In the agricultural sector, the IDB's projects either expand on activities that AID projects have initiated, or cover areas (such as basic crop-based agribusiness) that AID activities do not include.

The relationship of other donor programs to our own should be viewed within the context that USAID is the largest bilateral donor in the country and, with the exception of the IDB, is the largest overall donor in the Dominican Republic. In the absence of a structured and systematic donor coordination mechanism that is accepted by the GODR, by virtue of our size and influence, the U.S. Mission has played an important role in ensuring that other donor activities are compatible and complementary with our program strategy and broader country needs.

USAID enjoys a productive working relationship with all international and bilateral donors, and Mission staff and technical personnel meet frequently with representatives of other donor groups to share technical and program information. We also participate in coordination activities to reinforce mutual policy objectives. For example, USAID staff have consulted frequently over the past year with IDB project development teams so that separate agribusiness projects both were developing at the same time were complementary and achieved mutual objectives of increasing interest rates to market clearing levels. In the absence of an overall IDB country program strategy, and given the IDB's reluctance to confront policy issues, we have been able to use our provision of local currency resources to ensure that Bank activities are consistent with the policy changes we believe are important. Furthermore, we have worked closely with the IMF Resident Representative in formulating our macro-economic policy dialogue and conditionality for ESF and PL-480 programs, and to ensure that we share a common data base regarding GODR economic performance.

Given current severe budgetary austerity, the GODR lacks counterpart funds required for other donor activities. USAID has approved the use of local currency generated from ESF and PL-480 to finance counterpart fund requirements for selected other donor programs. This has reinforced our influence on other donors and enhanced our ability to influence their programs inasmuch as we have limited our financing to those activities which are compatible with and complementary to our own program emphases.

The GODR has had strained relations with the World Bank since 1983, when preliminary discussions on a Structural Adjustment Loan (SAL) and Energy Sector Loan broke down over the issue of conditionality. The GODR resisted the IBRD's insistence on conditions which the GODR would have to satisfy and which the GODR considered to be too stringent given the other conditions it was attempting to comply with under the IMF extended fund facility. Furthermore, the GODR was disappointed with the slow pace of project development by the World Bank and the fact that few projects resulted from the visits by large numbers of project teams. The Bank, on the other hand, has been dissatisfied with GODR lack of cooperation in providing local currency support and policy level attention to two severely delayed World Bank housing and sugar projects.

The World Bank recently suspended disbursements for ongoing projects because the GODR allegedly was in arrears on loan repayments. Relations have deteriorated to such an extent that Dominican authorities and Bank officials were unable to agree to meet to discuss a draft Country Economics Memorandum. Bank officials have decided that they will wait until the new government is inaugurated in August before resuming discussions directed toward reactivating the Bank's program in the Dominican Republic.

Other donor activities and the USAID program are complementary in their impact on helping reduce poverty in the Dominican Republic. With the exception of a small health management activity, USAID is not providing new funding for public sector social programs. The IDB and the World Bank,

however, as outlined above, are investing significantly in public sector health care, housing, and primary education. Their activities in health and education fill an important need where AID is not providing dollar financing, thus leaving room for AID to work toward private sector solutions to poverty issues. Our activities are, therefore, complementary and in combination should have a greater impact on reducing malnutrition, the lack of employment opportunities, lack of health care, and illiteracy.

The pipeline of planned and ongoing projects in the social sectors supported by other donors for the Action Plan period totals nearly $117 million, of which 52% is in health and population, 28% in education, and 20% in housing/urban development. The benefits of these projects will flow to the poor in both urban and rural areas, and nearly all are national or multi-province in coverage. USAID will be supporting portions of the counterpart costs of these projects through our local currency program, while remaining cautious about the implications of these projects in terms of recurrent costs and other factors of absorptive capacity to the GODR associated with additional schools, health centers, and the expansion of central public agencies.

TABLE I

SUMMARY OF OTHER DONOR ASSISTANCE
TO THE DOMINICAN REPUBLIC IN ECONOMIC DEVELOPMENT
1986 - 1988 and beyond
(Millions of Dollars)

DONOR	Agriculture	Industry (including Agroindustry)	Tourism	Energy	Transportation & Communications	DONOR TOTAL
IDB	291.0	481.1	37.0	334.9	74.2	1,218.2
World Bank	86.0	-	-	3.8	35.8	125.6
Venezuelan Investment Fund	-	-	-	62.0	41.8	103.8
SECTOR TOTAL	377.0	481.1	37.0	400.7	151.8	1,447.6

TABLE II

OTHER DONOR ASSISTANCE TO DOMINICAN REPUBLIC
SOCIAL SERVICES BY DONOR AND YEAR
(U.S. Dollars)

Sector/Projects	Donor	Donor Contribution	Available for Disbursement 1986-1988 and beyond	Implementation Period (CY) Start	End
HEALTH & POPULATION					
Project Types:					
1. Construction, Equipment & Supplies of Health Facilities	IDB	20,000,000	12,500,000	1982	1986
	IDB	25,000,000	25,000,000	1987	1990
	WHO	757,420	757,420	1985	1986
	UNICEF	100,000	100,000	1985	1986
	Spain	100,000	100,000	1985	1986
	Italy	2,800,000	2,800,000	1985	1986
	Japan	300,000	300,000	1985	1986
2. Preventive Health/Health Education	WHO	870,579	870,579	1985	1986
3. Water & Sanitation	IDB	15,100,000	15,100,000	1987	1990
	UNICEF	324,000	324,000	1985	1986
4. Integrated/General Health & Population	UNFPA	2,076,017	2,076,017	1985	1987
5. Population	UNICEF	90,000	90,000	1985	1986
	UNFPA	286,496	286,496	1985	1986
		67,804,512	60,304,512		

Cont. TABLE II

Sector/Projects	Donor	Donor Contribution	Available for Disbursement 1986-1988 and beyond	Implementation Period (CY) Start	End
EDUCATION					
Project Types:					
1. Construction, Equipment & Supplies for Primary Education	IDB	25,000,000	25,000,000 *	1987	1991
	UNICEF	351,000	351,000	1985	1986
2. Higher Education (High School & University)		-	-		
3. Voc. Tech. Education	World Bank	5,800,000	5,800,000 *	1986	1990
	UNFWD	262,000	262,000	1985	1986
	OAS	838,000	838,000	1985	1986
4. Adult/Non-Formal Educ.	OAS	132,900	132,900	1985	1986
	Germany	132,000	132,000	1985	1986
		32,515,900	32,515,900		
HOUSING/URBAN DEVELOPMENT					
Project Types:					
1. Regional/Urban Development	World Bank	25,400,000	21,000,000	1982	1987
	UNDP	474,000	474,000	1985	1986
	OAS	298,000	298,000	1985	1986
	Germany	1,117,000	1,117,000	1985	1986
2. Community Upgrading	Germany	850,000	850,000	1985	1986
3. Housing Technology	OAS	20,000	20,000	1985	1986
		28,159,000	23,759,000		

* = Pending Congressional Ratification

TABLE III

SUMMARY OF OTHER DONOR ASSISTANCE TO
THE DOMINICAN REPUBLIC IN SOCIAL SERVICES
1985-1988 and beyond
(Millions of Dollars)

DONOR	Type of Financing	Health & Pop.	Education	Housing	DONOR TOTAL
IDB	Loan	52.6	25.0	-	77.6
World Bank	Loan	-	5.8	21.0	26.8
UNDP	Grant	4.5	.6	.5	5.6
OAS	Grant	-	.9	.3	1.2
Bilateral	Grant	3.2	.1	1.9	5.2
SECTOR TOTAL		60.3	32.4	23.7	116.4

SUPPLEMENT TO FY-1987/1988 ACTION PLAN

IMPACT OF THE USAID STRATEGY ON THE POOR

1. Description of the Poor

The best information that is available on the quality of life of citizens of the Dominican Republic is contained in the study "The First National Survey of Income and Expenditures of Families in the Dominican Republic", which was carried out by the Central Bank in 1976/1977 and revised in 1984. While somewhat dated, the general characteristics of the country's poor which were analyzed in this study are still valid, as there has been little per capita economic growth since that time. Under an AID grant, Tufts University currently is carrying out a household survey of food consumption and income which will enable us to confirm the findings of the earlier study, as well as to analyze any changes which have occurred.

The Central Bank study defined five separate income and consumption levels which included all Dominicans. At the bottom end of the income scale was 10.5% of the population, earning RD$25 or less per month per family. This would be a salary of approximately RD$72 in 1985 prices. People in this lowest income group were characterized by constant hunger, significant instances of first and second degree malnutrition, almost no history of permanent work and income, an inability to gain access to public health facilities, almost no preventive health care, a very high level of illiteracy, and high levels of infant mortality. The second lowest income group comprised an additional 21.0% of the country's population, and had a monthly income of RD$75 or less per family, which is equivalent to RD$217 in current prices. Social characteristics of this second group were quite similar to the poorest group, though they did have marginally greater access to public health and education facilities. The third lowest income group comprised an additional 34.4% of the population, and earned RD$150 or less per month per family, which is equivalent to RD$435 in current prices. The greatest distinction of this third group was their sharply improved quality of life and the fact that most of them were employed in stable working positions. The most important conclusion of this study was that providing permanent productive employment and higher incomes was the most important factor in improving the standard of living and quality of life of the poor.

The number of Dominicans who fall in the two lowest income groups most likely has increased since the study was performed. This is due to the large number of new workers entering the labor market each year, the lack of new job opportunities, an overall reduction in per capita income since the study was conducted, a reduction in the quality and coverage of public social services, and recent high inflation rates. Although the GODR increased the

minimum wage by 43% to RD$250 per month in July 1985, the real minimum wage as measured by the ratio of the minimum wage to the consumer price index has declined by 23% since 1977.

As in other developing countries, most Dominican poor are either unemployed or underemployed in menial jobs, receive no more than four years of primary school education, and live in crowded and unsanitary urban barrios as well as in squalid shacks in rural areas. Potable water and sanitation facilities usually are not available to them. In rural areas the poor are daily farm workers, subsistence farmers, jobless young people, women and unskilled workers, and members of female-headed households. In urban areas, the underemployed and underpaid poor are street vendors, lottery ticket peddlers, daily laborers, street cleaners, occasional gardeners, facilitators of processing government documents, live-in-maids, and unskilled workers in sweat shops. Probably the worst of all are the 65,000 inexperienced and largely unskilled new labor market entrants each year, who find few employment opportunities.

2. The USAID Strategy

The Mission strategy is directed toward the generation of productive employment and income opportunities for urban and rural poor in non-traditional agriculture and industry by expanding the number, size, fields of activity, and productivity of the private sector. Our primary target, therefore, is the 425,000 urban and rural families whose income falls below the minimum wage. We believe that with increased incomes in a growing free market economy, the poor would purchase more nutritious foods and the social services they deem necessary to improve the quality of their lives.

Expanding employment and income opportunities created by increased private sector investment in agroindustry, small/medium manufacturing industry, and free zone development, along with a rapid diversification of the agricultural sector into non-traditional crops with export potential, could enable the poor to procure directly social services and other improvements in their standard of living. Also, growth in these sectors will have a direct impact on increasing foreign exchange earnings as well as domestic revenues, which will serve to maintain economic stability, broaden the country's economic base, and attract additional investment necessary for sustained long-term growth. This growth model in which an efficient private sector plays the leading role would permit the GODR to focus its attention on maintaining a macro-economic policy environment necessary to stimulate and sustain that growth, and on allocating its public resources toward ensuring both an equitable distribution of the benefits of that growth, and providing the supporting social services and physical infrastructure which the private sector cannot provide effectively.

The Agency's Blueprint for Development commits AID to work towards overcoming the problems of (a) employment and income, (b) hunger and malnutrition, (c) health deficiencies, especially infant and child mortality, (d) illiteracy, and (e) unmanageable population pressures. Our program is

concentrated on employment and income, overcoming hunger and health and family planning problems. The only Agency priority which we are not providing direct dollar funding for is that of illiteracy. Nonetheless, our inputs will have a significant impact on all of AID's major interests. If there is any concern regarding our program's relationship to AID's concerns, the issue should be on how we address these priorities, rather than whether we address them.

The USAID/DR strategy does not include significant dollar funding for expanding the coverage of public sector social services. Serious fiscal problems will preclude any significant increase in public sector investments in the social sectors in the short- and medium-term even though the amount of public funds invested in social services has increased substantially over the past few years. Currently 90% of the central budget is used for general operating expenses, and the marginal amount available for capital investment must be used only for the highest priority investment activities that will provide broader and longer term growth throughout the economy in the future. Even though public expenditures have increased over the past decade, the provision of many social services by the public sector has declined in quality. Facilities are over-staffed with political appointees, maintenance and rehabilitation is not carried out, productivity is low, and the government is unable even to provide those health, education, and housing services to which it is committed.

In addition to the fiscal reasons for not focusing on expanding public sector provision of social services, other donors, particularly the World Bank and IDB, are working with the GODR in the health, education, and housing sectors. Second, in order to focus the USAID program we are concentrating on a limited number of sectors. We have determined that our involvement in a specific sector must be comprehensive and deal with all factors that affect the efficiency and performance of the sector. Further, we must give high priority to assuring that the appropriate policy framework is in place so that our assistance is most effective. However, because of such fundamental policy problems in sectors, such as housing, we believe we would divert our focus from more important macro-economic issues that have much broader implications for the status of the country's poor by becoming involved in the sector, with little impact on that sector even if we were able to resolve long standing, intractable policy problems. A third reason for our concern with a public sector approach to providing social services is the increasing politization of public services that has occurred throughout the government over the past decade. Thus, we have seen well-intentioned structures established, such as the Servicios Básicos de Salud in the Health Secretariat, only to see them diverted from their intended purpose for political reasons. When equal quality or better services may be available from the private sector in a growing economy, we do not believe it would be productive to take on such contentious and sensitive issues. Finally, our approach recognizes that many social services are available from the Dominican private sector. While government social programs will continue to be needed for most Dominicans at the lower of the income earning scale, over the medium-term we will work toward expanding employment and incomes so that most

employed Dominicans can procure most social services either from private sector providers or from the public sector.

Our strategy recognizes the importance of attempting to improve the efficiency, administration, and productivity of government agencies that provide social services to the country's poor. However, the use of public sector approaches to overcome poverty in the Dominican Republic must do so at current real budget levels. Any expansion in coverage must be financed from increased efficiency in the use of existing real resources. The Health Management project, for example, will seek to develop a series of revised operating procedures that will increase the productivity of current public health activities. Beyond this, however, because of the substantial investments being made by the IDB and World Bank, we will limit our participation in public sector social service delivery programs unless we can be assured that increases in efficiency will offset recurring government costs. When increased efficiencies are demonstrated, we would be prepared to use the local currency resources available to us to support other donor foreign exchange funded efforts, a position that is understood both by the GODR and other donors.

3. Impact of USAID Strategy on Poverty Indicators

A. Employment and Per Capita GDP Growth

As noted earlier, our strategy is directed toward the generation of productive employment and income opportunities for urban and rural poor in non-traditional agriculture and industry through the private sector. This strategy recognizes that the unemployment rate in the Dominican Republic currently stands at an estimated 28% and an additional 25% of the labor force is underemployed, has left the job market for subsistence activities, or is in positions that could be characterized as disguised unemployment. Furthermore, some 65,000 new people attempt to enter the labor market each year.

Since the end of the Trujillo regime, the development policies implemented by the Dominican Republic have failed to result in significant new employment opportunities. Throughout the 1960's and until the late 1970's, the country pursued an import substitution development strategy that provided subsidies and incentives for protected infant industries which were financed largely through high sugar earnings. Most of the new industries established were capital intensive and did not make use of the large, disciplined, and low cost Dominican labor force. Sugar employed only a portion of the poor and relied, to a large extent, on imported Haitian cane cutters.

The GODR's development strategy now focuses on promoting the development of four sectors to provide the jobs needed to overcome the country's severe employment problem. These sectors are mining, tourism, agribusiness, and free trade zones. The first two sectors are capital intensive for each new job created, although they have other benefits for the economy beyond their employment significance. We estimate that it requires $30,000 to create each job in the tourism sector, and the ongoing foreign

exchange requirements to maintain that job total $7,700 per year. Capital requirements for employment creation in the mining sector are even higher than in tourism.

The GODR's concentration on developing employment intensive projects should result in growing improvements in the quality of life of the country's poor over the course of the Action Plan. Table 1 shows projected GDP growth and employment over the 1986-1990 period. At the time the FY-1987 CDSS was submitted, we anticipated that the GDP growth rate would be between 2% and 3.5% during 1986-1990. Since then, a precipitous oil price drop and commensurate reduction in interest rates have provided an unexpected boost to the Dominican economy. Assuming that this favorable situation persists during the remainder of this decade, we now project that the GDP growth rate will be 3.5% in 1986 and will increase by 0.5 percentage points in each of the subsequent years until 1991, at which point we believe real GDP will grow in excess of 6% per year. Similarly, per capita GDP will increase gradually from 1% in 1986 to 2.2% in 1988, surpassing the Agency goal of 2.0%. This compares favorably to the -2.5% decline in 1985, and the lack of growth for most of the past decade. The 1990 per capita GDP is projected to grow at a 3.4% annual rate, thus resulting in a commensurate increase in the standard of living for all Dominicans.

Growth in the country's GDP will have a significant impact on the unemployment problem. AID activities are specifically focused on labor intensive investments in agriculture, industry, and free trade zone development. We estimate that one job will be created for every $1,900 in investment by AID, and will create 11,350 jobs in 1986, 18,700 in 1987, and reach a peak of 21,950 in 1988 which should extend through the end of the decade. Over the 1986-1990 period, approximately 10,950 jobs will be generated by AID in agribusiness and related activities. Some 24,250 jobs will be created in industrial parks and free trade zone expansion, and 43,000 jobs will be opened in micro/small/medium business and in agriculture. Key projects which USAID will implement to achieve this are Agribusiness Development, Export/Investment Promotion, Free Zone/Industrial Park Expansion, Commercial Farming Systems, Sugar Diversification, Privatization of Public Enterprises, Industrial Production Technology, and Micro/Small/Medium Businesses. These include both dollar and local currency funded activities, and over the two-year Action Plan period we plan to disburse over $70 million and the equivalent of $102 million in local currency resources for these activities. During the remaining CDSS period, we are requesting $74 million DA funds and $60 million ESF to successfully complete our assistance strategy. We estimate that multilateral, other bilateral, foreign and domestic private sector investment will create an additional 17,050 jobs in 1985, 28,000 in 1987, and increase to 52,400 jobs in 1990. Private investment will account for the bulk of all new jobs created. When combined with employment created by AID projects, the total number of direct jobs created each year is projected to increase from 28,400 in 1986 to a high of 78,200 jobs in 1989, a level which should continue in the future. Assuming conservatively a 50% multiplier for secondary job creation, total job generation will increase from 42,600 in 1986 to 117,300 in 1989. Thus, by

1988 the Dominican economy will be generating more jobs than new labor entrants, thereby reducing the overall level of unemployment in the country.

Table 2 shows the estimated unemployment rate during 1986-1990. The unemployment rate should peak at 27.2% in 1986 and begin to decline to 24.8% in 1988, and drop to 20.6% in 1990. Reduction in unemployment will be a gradual process because of new labor force entrants who were born a decade and half ago. As the decade of 1990s unfolds, however, the combination of high GDP growth and lower population increases will have a significant impact in reducing the unemployment rate.

To estimate the impact of this employment on income, we assume that the average wage for the new job holders will be the minimum wage. The reason for this assumption is that most new jobs will be labor intensive, semi-skilled or unskilled jobs for the unemployed or underemployed, and should be within the formal economy. Total minimum wage payments are projected to increase from RD$127.8 million in 1986 to RD$304.5 million and RD$351.9 million, respectively, in 1989 and 1990. Some 36% of the GDP increase in 1989 will be paid out to the new workers who were previously unemployed or underemployed. The increased employment and income will lead to a higher standard of living for the poor.

TABLE 1

PER CAPITA GDP GROWTH, JOB CREATION, AND INCOME ESTIMATES

	1986	1987	1988	1989	1990	Total
GDP						
Projected Growth (%)	3.5	4.0	4.5	5.0	5.5	
Per Capita Growth (%)	1.0	1.6	2.2	2.8	3.4	
Job Creation						
Agribusiness	1,250	1,750	2,250	2,700	3,000	10,950
Free Zones	2,000	5,000	5,000	6,000	6,000	24,000
Micro/Small/ Medium Industry	2,800	4,550	5,100	5,600	6,200	24,250
Agriculture	5,300	7,400	9,600	10,100	10,600	43,000
Jobs Created by AID Projects	11,350	18,700	21,950	24,400	25,800	102,200
Jobs Created by Others 1/	17,050	28,000	37,350	43,300	52,400	173,900
Total Direct Jobs	28,400	46,700	59,300	67,700	78,200	276,100
Secondary Jobs (Assumed 50% of Direct Jobs)	14,200	23,300	29,600	33,800	39,100	138,000
Total Jobs	42,600	70,000	88,900	101,500	117,300	414,100
Income						
Minimum Wage (in RD$ mil.)	127.8	210.0	266.7	304.5	351.9	1,242.3
As % of 1985 Real GDP	0.8	1.3	1.6	1.7	1.9	
As % of GDP Change	24.3	33.8	36.7	36.1	36.1	

1/ During 1980-1985, statistics show that the Dominican economy created approximately an average of 18,000 primary jobs each year, even in the midst of economic adjustment problems. For 1986, we assume that it will create 28,400 jobs, comprised of 11,350 jobs from AID projects and 17,050 jobs from multilateral, other bilateral, and Dominican and foreign private sector activities. AID job creation corresponds to roughly 40% of total direct jobs in 1986 and 1987. We assume that this ratio will decline gradually to 37% in 1988, 36% in 1989, and to 33% in 1990.

TABLE 2

ESTIMATED REDUCTION IN UNEMPLOYMENT
(In 000)

	1986	1987	1988	1989	1990
Beginning Employment	1,633.0	1,675.6	1,745.6	1,834.5	1,936.0
Total New Jobs	42.6	70.0	88.9	101.5	117.3
Year End Employment	1,675.6	1,745.6	1,834.5	1,936.0	2,053.3
Labor Force (Projected to Increase at 3% a Year)	2,302.0	2,370.0	2,440.0	2,512.0	2,587.0
Unemployment Rate (%)	27.2	26.3	24.8	23.9	20.6

B. Hunger/Malnutrition

Data on expenditures, caloric intake, and malnutrition indicate that as real per capita income fell between 1977 and 1985, the poor have spent increasingly larger portions of their income on food. Dietary intake has fallen significantly and malnutrition has increased in the poorest regions of the country. The 1976-1977 consumption survey showed that the urban poor of Santo Domingo allocated 61% of their expenditures to food, 2% to beverages, 18% to housing, 9% to cooking and cleaning products, and 10% to health care, education, and entertainment. Because of the estimated 23% reduction in real income and the 4% increase in unemployment since the survey was completed, we estimate that in 1985 the urban poor allocated about 75% of their expenditures to food.

Data obtained from three studies indicate that since 1977, dietary intake in the D.R. has fallen substantially. Specifically, a Central Bank survey estimated that in 1977, about 21% of Dominicans were unable to afford an adequate diet; in 1980, an IBRD survey showed that this figure had risen to 44%. In 1985 a USDA nutrition model estimated that as many as 75% of Dominican households were at some degree of nutritional risk because caloric intake was below the recommended level of 2,200 calories per day. In particular, the USDA study estimated that food price increases of 1984 caused caloric and protein intake of all income groups in rural and urban areas in the D.R. to drop by at least 123 calories and 3.64 grams of protein per capita per day. For some income groups, the drop was as high as 442 calories and 10.15 grams of protein. As a result, about 31% of Dominican families had daily caloric intake equivalent to 68% and daily protein consumption equivalent to 83% of the recommended levels. We have serious problems with the assumptions, data, and methodological approach of the USDA study and do not agree with the alarming conclusions which it reached. Nonetheless, we believe that its finding that malnutrition has increased as the purchasing power of the poor has dropped is generally correct.

Although having some degree of nutritional risk does not imply malnutrition, a recent study conducted under the Mission's Applied Nutrition Education Program in the D.R. indicated an increase in the number of malnourished children below the age of 5 in different parts of the country. Malnutrition increased from 22% to 31% among children between the ages of 1 and 5 in the Southwest, traditionally the poorest region of the country; from 11% to 13% in the South Central; and from 10.9% to 11.1% in the East. In other parts of the country, however, the degree of malnutrition does not appear to have increased significantly. A reason for this is that as real income declined, low income consumers responded by substituting high priced foods, such as chicken, eggs, oil, rice, meat, fish, and milk with foods that provided cheaper sources of calories, such as roots, tubers, and corn products.

There are a number of interventions that AID could undertake to address the hunger/malnutrition problem. We could expand the Title II program so that it is better targeted on those at risk. This, however, would be extremely difficult to achieve administratively given the vast dispersion of

those at risk and the lack of an adequate mechanism to deliver supplementary food to them on a regular basis. Furthermore, CARE, the only Title II distributor after FY-1987, has been concerned with the dependency that the Title II program may have created, and is trying to reorient its program toward food for work activities. Another option would be to expand the Section 416 Dairy Donation program. However, this too would entail significant administrative costs, and without a major grant of food commodities adaptable to the Dominican diet, we doubt that INESPRE would be interested unless it could secure funds to finance the distribution. Furthermore, some commodities available under the Section 416 program are produced in the Dominican Republic and provision of them under a Section 416 program could provide a disincentive to local production.

The Applied Nutrition Education Program (ANEP) has had a positive impact on teaching poor Dominicans how to improve their diets at the same level of expenditure by consuming more nutritious locally available food and by preserving food for longer periods of time. But, this is a personnel intensive program and it may not be possible to expand it rapidly. Further, the benefit/cost ratio of an expansion in this program would need to be further explored. We are in the process of securing outside assistance to help us determine the feasibility and costs of replicating this program over a larger geographic area.

Most of the options for addressing the hunger/malnutrition problem entail costly programs that would rely on large bureaucracies to implement. For the most part, they are only stop gap measures, and do not address the more fundamental problem of inadequate income to procure available food. Also, those programs could further the problem of dependency. Under these circumstances, we believe that the most effective means of overcoming malnutrition in the Dominican Republic in the medium-term is to expand the number of job opportunities and increase disposable income so that the poor can purchase the amount of food they need. This approach will be supplemented by Title II resources and the ANEP program, but the greatest impact will come from an expanding economy with equitably distributed benefits for all Dominicans.

C. Infant and Child Morbidity/Mortality

The fundamental cause of infant morbidity and mortality is a preventable cycle of malnutrition and disease stemming from such poverty-related conditions as inadequate diets, poor sanitation, high fertility, and lack of access to preventive health care services, such as immunizations and ORT. In the Dominican Republic, the infant mortality rate has declined substantially during the past 25 years, from 125 per 1,000 births in 1960 to 70 in 1985, which is better than the Agency goal of 75. The 1980 mortality indicators show that the major causes of infant (i.e., below one year of age) deaths are poverty-related. Specifically, the most frequently registered cause of infant mortality was "enteritis and other diarrheal diseases" (15.3%); the second major cause was "respiratory diseases" (11.9%); and the third most frequently cited cause was "retarded fetal growth and

malnutrition" (8.0%). According to UNICEF, all these diseases could have been prevented by better economic conditions and health care services.

No adequate data on child (i.e., from one to five years) mortality is available in the D.R. A 1983 UNICEF report presented the official 1980 GODR figure of 3.2 deaths per 1,000 children between the ages of 1 and 5; the report concluded, however, that the actual figure is probably 45% to 50% higher. The lack of adequate data illustrates the virtual non-existence of a national capacity to gather basic primary health information on a regular basis, a function that a health system as large and costly as the Dominican Secretariat of State for Public Health and Social Assistance (SESPAS) should be able to perform.

The GODR has tried to address morbidity/mortality problems by allocating larger shares of its budget to health and social assistance. Average health expenditures of the GODR increased to 7.8% of the budget during 1978-1984 from 6.4% during 1972-1977. Similarly, average social assistance expenditures rose from 4.0% of the budget during 1972-1977 to 8% in 1984. However, most of the increased budget has been used to pay salaries of public sector doctors, nurses, paramedics, and other government workers, at the expense of medical supplies, equipment, and investment needed to deliver health services. The existing public health delivery system is hampered by a redundant labor force that provides low quality and inefficient services at a high cost to the government. An alternative method of delivering needed health care services should be found.

USAID is working with SESPAS, through the Health Management Project, to increase the efficiency and productivity of public health services through improved management, administration, and financial controls. This is a high risk and limited activity because SESPAS will need to make fundamental changes in the administration of public services in order to improve the health status of the Dominican poor who cannot afford private care. We are not involved in broadening the coverage of public sector health services since other donors are investing heavily in this. The IDB is carrying out or planning three major efforts to improve health services for the poor in urban and rural areas. The IDB's $20 million Health Services Expansion Project is designed to provide preventive health care to some 930,000 pregnant women and children. In 1987 the IDB plans to invest US$25 million in the maintenance and rehabilitation of health facilities, and US$15.1 million in the construction and rehabilitation of urban water systems. Any further USAID involvement in the public health system we believe would exceed SESPAS' absorptive capacity.

Income and expenditure data indicate that those Dominicans earning the minimum wage or higher can afford private health care. Therefore, our strategy is to increase health care coverage of blue collar workers, farmers, and their families, through private sector health care institutions, similar to HMOs, which will serve 350,000 people by 1988. Also, we will help improve the efficiency of those HMO-like institutions so that they can provide care to even lower income earners. Those earning less than the minimum wage

will still need to rely on public health services, which hopefully we can make more efficient within existing resource limitations.

The morbidity/mortality problem also will be addressed through the Mission's activities with CARE and SESPAS, by jointly establishing new norms to introduce child survival activities to the Title II program. In addition, CARE will expand its activities to provide potable water in the southwest region of the country, which has the highest incidence of malnutrition. Furthermore, AID will continue its support with local currency resources to PVOs, such as FUDECO and FUNDASUR, which are helping construct and install rural potable water systems with a high level of community participation for construction and maintenance. Finally, our assistance in improving family planning services has an impact on child survival through improved maternal health and care and better child spacing.

D. Education/Literacy

The Mission recognizes the importance of basic education/literacy and skills training as a means to increase and diversify options for employment and income. Without basic education, a workforce tends to be inefficient, requires increased supervision, and generally raises training costs. The GODR has provided an increasing share of its budget for educating its citizenry. The GODR budget for education increased from an average of 12.0% during 1972-1977 to 16.4% in 1984. More than 40% of the Education Secretariat budget was provided for basic education. As a consequence, the percentage of school enrollment among school age children increased from 62% in 1970 to 83% in 1981. It has since increased to 89%, or almost achieving the Agency target of 90%. During the 1970-1980 period the Dominican Republic was able to reduce the illiteracy rate from 37% to 31%, and we estimate the rate in 1985 was 25%.

While primary education coverage has expanded, serious problems remain. Currently the public school system takes an average of 7 years to complete a 4-year education, and 9 years to complete the full 6-year primary school curriculum. Given the serious fiscal problems of the government, such an inefficiency in primary education puts an intolerable burden on the public sector budget.

It will be difficult for the GODR to invest a larger percentage of its budget in education over the medium-term. Any expansion in the coverage of primary education will have to be achieved by improving the efficiency and productivity of resources currently invested in the sector. The IDB plans to finance a US$25 million primary education strengthening activity during 1986, and we will examine this activity to determine if we should support its local currency costs. We will condition our support for this program on the demonstration that the project will improve the efficiency of the system and will not result in a long-term recurring cost problem. Any assistance to the primary education system beyond this, however, we believe would exceed the Secretariat's ability to implement and finance in the longer term.

The Mission is actively involved in vocational skills, professional and managerial training needed for the development of production technology, non-traditional exports, and more diversified agricultural production. We will be expanding our program of student lending to larger numbers of technical and vocational students and to the university level. AID assistance for education and training is focused on cost recovery and will assign priority to payment by the recipient to private training institutions.

E. Population/Family Planning

Increasing the availability of population and family planning services is a high priority for AID in the Dominican Republic. Although the reported natural population increase rate declined from more than 3.4% a year in 1960 to 2.5% in 1985, the Mission believes that the country can and should reduce its natural population increase rate further to 2% by 1990. Continued high population growth rates coincided with sluggish economic growth during 1980-1985, resulted in a reduction of per capita GDP, further unemployment, and increased natural resource degradation.

The basic goal of the Dominican family planning strategy is to reduce the natural population growth rate to 1.3% per annum by 2000. The Family Planning Project, which USAID is preparing, is designed to increase the number of active users of voluntary family planning methods provided by private and public sector programs by improving the quality of family planning information and services, and by increasing access by expanding the number of delivery locations throughout the country. We expect that by 1988, 580,000 Dominicans will practice contraception compared to 480,000 in 1986. By the year 2000 we expect the number to increase to 1,030,000 family planning users, which would ensure the attainment of the 1.3% goal. This reduction in the natural population increase rate will increase per capita income which would, in turn, further enable the poor to procure health, education, and social services that they are not now able to afford.