

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT DATA SHEET

1. TRANSACTION CODE **C** A = Add, C = Change, D = Delete
 Amendment Number 1
 DOCUMENT CODE 3

COUNTRY/ENTITY
DOMINICAN REPUBLIC
 4. BUREAU/OFFICE
Latin American and the Caribbean **LAC**

3. PROJECT NUMBER
517-0190
 5. PROJECT TITLE (maximum 40 characters)
Export and Investment Promotion

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)
 MM DD YY
11 2 31 19 92

7. ESTIMATED DATE OF OBLIGATION
 (Under "B." below, enter 1, 2, 3, or 4)
 A. Initial FY **85** B. Quarter **4** C. Final FY **92**

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY <u>85</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total (Grant)	1495	355	1850	8600	2000	10600
(Loan)	(1495)	(355)	(1850)	(8600)	(2000)	(10600)
Other 1. U.S.						
Host Country GODR		695	695			
Other Donor(s) IPC					3855	3855
TOTALS	1495	1050	2545	8600	764	764
					6619	15,219

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) SDA	730-B	840		4100		4000		8100	
(2) EH	660-B	840		2500				2500	
(3)									
(4)									
TOTALS				6600				10600	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)
 840 720
 11. SECONDARY PURPOSE CODE
 12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)
 A. Code BR BL TNG
 B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

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

14. SCHEDULED EVALUATIONS
 Interim MM YY Final MM YY
 11 1 88 0 9 9 1
 15. SOURCE/ORIGIN OF GOODS AND SERVICES
 000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP. Amendment)
 With this amendment, LOP Funding is being increased from \$6,600,000 to \$10,600,000 (AID appropriated funds). The PACD is being extended from Jan. 31, 1990 to Dec. 31, 1992.

Approval of Method of Implementation and Financing: Richard A. Lawrence
 FOR Kathleen LeBlanc, Controller

17. APPROVED BY
 Signature: Raymond F. Rifenburg
 Title: Acting Mission Director
 Date Signed: MM DD YY
 10 1 31 19 92
 18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
 MM DD YY

Project No. 517-0190

PP SUPPLEMENT
EXPORT AND INVESTMENT PROMOTION PROJECT

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PP SUPPLEMENT
EXPORT AND INVESTMENT PROMOTION PROJECT

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I. SUMMARY AND RECOMMENDATIONS FOR THE PROJECT AMENDMENT

A. Summary Problem

The fundamental problem addressed by the project to date, and which will continue to be addressed during the period of the project extension, is that the pace of economic growth and the growth of employment opportunities in the Dominican Republic. The country's proximity to major markets in the U.S., its relatively well-developed physical infrastructure, the competitive advantages conferred by the Caribbean Basin Initiative, the sizeable pool of trainable labor, and the export and investment incentives offered under existing legislation, all suggest that sizeable opportunities exist to expand investment in and exports from the country.

Nevertheless, for a number of reasons, levels of investment and exports has not been growing as anticipated given the advantages enjoyed by the country. The principal problems were: the absence of sustained and effective efforts to make potential investors/exporters aware of opportunities; less than optimal GODR policies in areas important to export and investment; and the absence of the institutional base needed to coordinate and/or carry out the many tasks associated with an effective export and investment promotion effort.

The Export and Investment Promotion Project was undertaken as a means of addressing and ameliorating the problems hindering more rapid growth of investment in and export from the Dominican Republic. The project was implemented through a grant to the Investment Promotion Council (IPC). The purpose of the project was to establish the IPC as an effective mechanism for promoting investment in and export from the Dominican Republic, and for coordinating efforts of other public and private sector organizations with related objectives. Under the project, significant levels of resources have been provided directly to the IPC to take the actions needed to address and ameliorate the constraints to investment and export promotion within the country. With the resources, the IPC was to: a) significantly improve and expand its own capabilities to carry out efficacious investment and export promotion programs; b) design and mount a continuing series of investment and export promotional efforts; and c) take various actions aimed at bringing about an improved "climate" for investment in and export from the Dominican Republic.

A major evaluation of the project, and of IPC's performance in implementing it, was carried out in November 1988. Conclusions of the evaluation team were that notable progress had been achieved under the project, but that a good deal more had to be done if the project's purpose was to be completely attained. The evaluation concluded that: the IPC had been much strengthened in its capacity to plan and implement the array of functions

with which it is charged; that significant successes had been achieved under its investment and export promotion programs; and that lesser, though still appreciable accomplishments had been obtained from its business climate improvement efforts. The principal weakness identified in the evaluation was the limited progress the IPC had made in "institutionalizing" itself - i.e. in establishing itself as a respected and accepted export/investment promotion organization with the capability of attracting and/or generating all the resources it needed to function effectively.

While the evaluation team noted that several factors outside of IPC's control had contributed to the less than complete success it had achieved in obtaining all its established objectives, it also concluded that several factors associated with IPC's organizational make-up and administrative structure were significantly contributory to IPC's lack of complete success. The team recommended that immediate attention be given to addressing and correcting IPC's organizational make-up and administrative structure.

Specifically, the evaluation team recommended that: a) IPC's membership base be modified and expanded to make it more reflective of the private sector in the Dominican Republic; b) IPC's Board of Directors be restructured so as to provide a greater voice for private sector interests; c) the respective roles of the President and Executive Director of the IPC be more clearly delineated and that the Executive Director's authority to manage the IPC be made more explicit; and d) the IPC plan and implement a continuing program to generate funds needed to meet its core operating costs at a minimum.

For the most part, the evaluation confirmed the Mission's own assessment as to the successes being achieved under the project and problems that needed to be addressed if the project purpose is to be fully attained. Since the evaluation, with USAID support, the IPC has taken several significant actions to correct the problems identified in the evaluation. The IPC Board of Directors is being restructured and membership in the IPC is being substantially expanded. Although not yet formalized, respective authorities and responsibilities of the President and Executive Director of IPC are being better delineated and clarified. A plan for a sizable and continuing program to generate funds needed to meet increasing shares of IPC's "Core Costs" has been developed.

Also, since the evaluation, an assessment of the activities of fifteen export/investment promotion organizations in the Latin American and Caribbean region (which was carried out by Louis Berger and Associates under a contract with A.I.D.'s PPC Bureau) concluded that, in several significant respects, IPC's performance and effectiveness was superior to that of the other organizations. While acknowledging the risks in carrying out cross-project comparisons, the report included IPC among the three organizations with the highest impact per program dollar expended. IPC's cost per job generated "compared very favorably with the range for the other projects". The results of the assessment are consistent with the Mission's own observations.

B. Summary Rationale and Justification

- Although appreciable progress has been made, the IPC has not yet fully attained the purpose stated in the Project Paper and Grant;
- Attaining the Project Purpose still is important to the Dominican Republic's continued success in attracting investment and expanding exports. The program of activities to be carried out by the IPC with the additional resources provided under this amendment will permit the IPC to consolidate and build upon its achievement to date and, it is expected, this will result in full attainment of the Project's objectives. To this end, the IPC already has begun a series of actions to correct the organizational and administrative problems which, previously, were hindering its more effective performance.

C. Summary Description

The purpose of the project as indicated in the original project paper will remain basically the same.

Funds made available through the Project Authorization Amendment will be used to continue providing support for the IPC. The funds will be used by the IPC to continue its efforts to promote investment in and exports from the Dominican Republic.

The three main areas of project focus will be:

- improving the IPC's internal capacity to provide useful and effective services;
- planning and implementing promotional and marketing campaigns aimed at attracting increasing levels of investment in selected sectors, and at identifying and assisting Dominican manufacturers to take advantage of increasingly greater levels of export opportunities; and
- improving the "climate" for doing business in and with the Dominican Republic.

A.I.D. resources will be used to finance technical assistance and training, as well as operational support for the IPC and other organizations which have substantial responsibility for, and/or substantial interest in the promotion of investment in and export from the Dominican Republic. These include, among others, the Association of Industries of Herrera, the American Chamber of Commerce, the Association of Exporters (ADOEXPO) and the Chamber of Commerce, Agriculture and Industry of the National District. The resources will allow the IPC and these other organizations to conduct investment and export promotion programs in foreign markets, to obtain specialized assistance in locating and accessing business opportunities, to carry out studies, policy dialogue, and other activities which are to improve the business climate of the Dominican Republic, and to provide other services to the Dominican business sector.

This Project Paper Supplement provides detailed information on activities to be carried out during the three year extension of the Export and Investment Promotion Project, using the additional resources provided.

D. Implementation Arrangements

The activities called for in the Project Supplement will be implemented over a three year period. A total of \$4,000,000 in appropriated funds, the equivalent of \$1,630,000 in GODR counterpart funds, and \$764,000 in funds to be generated by the IPC itself will be required to implement the activities. The implementation period will be January 1, 1990 to December 31, 1992.

The implementing agency for the project will continue to be the Investment Promotion Council. USAID's Private Enterprise Division will monitor project activities. A Personal Services Contractor in PED will function as Project Officer and will serve as liaison to the IPC's Executive Director and its Board of Directors. IPC will administer expenditures and maintain accounts in essentially the same manner as under the current project. IPC will manage several contracts for technical assistance or other services, and make several sub-grants to other organizations within the Dominican Republic which are carrying out activities supportive of its efforts to increase investment in and export from the Dominican Republic.

E. Summary Fundings

The Project Review Committee has reviewed all aspects of the proposed project supplement and finds that it is financially, economically, technically, and socially sound and consistent with both the development objectives of the GODR and of USAID/DR, as set forth in the most recent CDSS. The Project Review Committee has further determined that the IPC is administratively capable of implementing the project.

F. Recommendations

The Project Review Committee recommends that the Authorization for the Export and Investment Project be amended to increase life of project funding from the present \$6,600,000 to a new total of \$10,600,000 (an increase of \$4,000,000), that the PACD be changed from December 31, 1989 to December 31, 1992, and that project activities as described in this project paper supplement be carried out.

II. BACKGROUND AND RATIONALE FOR PROJECT AMENDMENT

A. Project Status

1. Original Project Design

The goal of the Export/Investment Promotion Project is to generate employment, increase incomes, and earn foreign exchange through attracting increasing amounts of foreign investment and promoting and facilitating increasing amounts of export sales. The Purpose of the Project is to establish the IPC as an effective mechanism for promoting investment in, and exports from the Dominican Republic, and for coordinating and facilitating efforts of other public and private sector organizations with related objectives. The Grant through which the project has been implemented focused project resources on a single private sector-oriented institution, the Investment Promotion Council, which was expected to play the lead role in the execution of the program. The concept that guided the evolution of the IPC, and the implementation of the Project, was that the IPC would provide the leadership required to improve and expand the effectiveness of a network of Dominican institutions which already existed and whose goals complemented those of the IPC. Rather than creating a large new organization which would compete or overlap with established institutions, the task of the IPC was to identify the comparative advantages of those other institutions, reach agreement on the most appropriate role for each within an integrated promotion and service system, provide the technical and financial resources needed to strengthen their ability to perform their functions, and coordinate those investment promotion and export development activities which were to receive support.

2. Project Accomplishments to Date

a. Organizational Development of the IPC

The Grant was signed in August 1985. However, the IPC needed two years before it achieved full operational status. The reasons for the slow rate of implementation were:

- The legal requirements for incorporation of the IPC as a private sector institution were not met until January 1986.

- IPC's need to establish an acceptable system of accounting and internal controls as a condition precedent to disbursement of A.I.D. Grant funds was not satisfied until more than a year after the signing of the Grant.

During the period from the signing of the Grant in August, 1985, for approximately one year, IPC's only source of funds were those provided directly by the Secretary of Industry and Commerce, who was serving as IPC Board President as a private individual. These resources paid the salaries of a small staff and meet basic operating expenses. However, during this period, the IPC was unable to secure additional needed space, expand its staff, incur program expenses, or initiate its subgrant program until A.I.D. grant funds became available.

Uncertainties associated with the May 1986 elections caused additional delays. These uncertainties provoked a "wait-and-see" attitude on the part of individuals and organizations associated with the IPC, particularly upon the IPC's Board of Directors and all major decisions were postponed. After the Board's initial organizational meeting in January 1986, it did not meet again until after formation of the new government (September 1986). All major decisions were postponed during this period.

The Project Paper and Grant recognized that the services of a technical assistance contractor, under a host country contract, would be crucial to the development of the IPC program. A.I.D. and IPC management cooperated in the preparation and publication of an RFTP in May 1986 and in the technical evaluation of proposals received in early August. However, before final evaluation of short listed firms, a new IPC Board and IPC President took office. While the new Board eventually ratified the procedures which had been followed to that point, and established a committee to make the final selection, this did not occur until November 1986. Not until April 1987, were oral presentations held, negotiations completed, and the contract executed.

The project design envisioned the IPC as the lead organization within an integrated investment and export promotion system. However, the IPC found it difficult to fulfill the requirements imposed by the subgrant program at the same time that it was faced with the need to develop its own internal organizational capacity. The IPC had to define its own mission, while simultaneously attempting to implement a program.

By the first quarter of 1987, the IPC had succeeded in putting into place the basic infrastructure required for its own development and for the implementation of its program. It had established internal administrative procedures and financial controls, obtained new office facilities, hired administrative staff, and arranged the procurement of the prime technical assistance contractor. With no more than three professional staff members, the IPC managed to provide basic services to potential investors visiting the Dominican Republic and to firms at various stages of the investment decision process. The activities of the IPC in the Investment Promotion area included:

- the development of general written information on investing in the Dominican Republic;
- responding to specific questions raised by individual companies by mail or telephone;
- meeting with companies referred to it by Industrial Free Trade Zones (IFTZs);
- assisting firms to resolve bottlenecks encountered in the process of obtaining necessary GODR registration, classification, etc.;
- helping resolve problems of companies already operating in the IFTZs.

With the engagement of its prime technical assistance contractor (SRI International) in February 1987, the rate of implementation of the program and the organizational development of the IPC accelerated significantly.

b. IPC Promotional Program

i. Strategy

By the end of its first year of operation under the A.I.D. grant, the IPC was ready to begin its marketing activities. It was understood that it could be self-defeating to generate interest on the part of a large volume of American companies before the IPC staff had been adequately trained to handle them. However, the IPC recognized that for it to achieve credibility it needed to be seen as active and successful. Accordingly, it began its proactive promotional program in the first quarter of 1988.

The IPC selected its promotional activities carefully. It was decided that a few product areas and sub-sectors would be targeted through a basic program of trade show attendance and advertising in industry publications. A special program of direct mail and telemarketing was targeted toward a small number of U.S. companies with Puerto Rican subsidiaries to try to take advantage of the Dominican Republic's favorable geographic position relative to Puerto Rico.

The IPC focused on follow-up of leads generated through this relatively modest initial promotional effort and on providing adequate service to "walk-ins"--company executives who had come to the Dominican Republic on their own to review opportunities for establishing production facilities or other types of investments. The original project called for establishment of a branch office in the United States. However, it was decided that the IPC would postpone opening this office. As the matter was looked at more thoroughly it became apparent that opening an office in the U.S. was not economically efficient and the idea was eventually dropped.

The next major issue addressed, concerned the industries and product areas to be targeted by the IPC. The Project Paper assumed that the IPC would direct its investment promotion efforts to three major sectors of opportunity within the Dominican Republic: manufacturing, agribusiness, and tourism. However, the IPC decided to concentrate its initial marketing efforts on: a) attracting foreign manufacturing companies to establish production facilities within the free zones and, b) on arranging "production-sharing contracts" for Dominican manufacturing companies operating under Law 69. The reasons for this were:

1) The climate for agri-business investments seemed to be worsening. The posture of the GODR towards foreign investment which would require substantial land holdings controlled by the government was unclear. Also, uncertainty about exchange rate policy was particularly damaging to projects whose purpose was to produce agricultural products for export.

2) Investment in tourism did not seem to require special promotional efforts. Most investment in tourism came from domestic sources and investment levels appeared to be adequate.

Production-sharing in the industrial free trade zones and in

the local manufacturing sector appeared to be more promising targets for the IPC. The Dominican Republic's free zones, which are among the most well developed in the Caribbean Basin, had been experiencing rapid growth following the devaluation of the Dominican peso in 1985 (and consequent reductions in operating costs for foreign manufacturing operations). Moreover, during the three years or so that the IPC had been in existence as a public sector Presidential Commission, its staff had acquired substantial experience in working with American and Asian manufacturing companies exploring production-sharing opportunities in the Dominican Republic. As a result, when the A.I.D. Project started, there was already some capacity to proceed quickly with the implementation of a marketing program directed toward the U.S. manufacturing sector.

ii. Promotion Activities

The IPC began its promotional program, in the first quarter of 1988. It included the following activities.

-- Trade Shows. The most significant allocation of staff and contractor support time was directed toward attendance at key trade shows of the electronics, footwear, apparel and information industries.

-- Advertising. A limited advertising campaign in journals and publications which were geared directly toward decision-makers within specific industries was undertaken.

-- Direct Mail. A limited, highly targeted direct mail campaign was undertaken to promote twin plants with companies located in Puerto Rico.

-- Special Events. The IPC attended events (such as the Miami Conference on the Caribbean and Central America) and also provided logistical and financial support for a conference organized in the Dominican Republic on Production Sharing.

iii. Results of Promotion Program

The results of the IPC's activities have been impressive. During 1988, the IPC identified and established contact with 811 prospective investors, arranged 35 contracts for Dominican manufacturers to produce goods for U.S. production companies, and substantially assisted 22 investors to make RD\$151 million of new investments. These investments resulted in the creation of some 8000 new jobs.

c. Business Climate Improvement Program

The IPC carried out a number of activities directed toward the improvement of the climate for investment and export-oriented business activities. Its most significant impact in this area was in relation to the IFTZ's. Despite a declining overall investment environment, the climate for investments in the IFTZs has remained attractive.

Principal activities undertaken as part of the Business Climate Improvement Program included:

-- Policy Reform Activities

The IPC took the lead in the preparation of legislation to provide an improved framework for the development and operations of industrial free zones. It developed draft legislation, coordinated inputs from various private sector groups, and arranged for the presentation of the draft legislation to the National Palace. The new legislation: a) combines into one law the principal regulations and incentive programs relating to IFTZs; b) expands benefits for free trade zone companies; and c) encourages (through the removal of certain custom barriers) backward linkages of IFTZ firms with the domestic economy.

-- IFTZ Development Activities

The IPC has been a source of continuing technical advice and marketing assistance for developers of IFTZs. Particularly notable have been the two three-day training seminars the IPC organized and implemented in connection with establishment and operation of IFTZs. The first was geared toward providing a basic introduction for actual and potential free zone developers in the planning, marketing and operation of free zones. The second was directed toward facilitating contacts between free zone developers and potential sources of external financing.

d. Program to Enhance the Capabilities of Dominican Manufacturers to Compete for Export Contracts

The IPC has become increasingly involved in encouraging Dominican manufacturers to compete for production contracts let by foreign manufacturers and producers. In product areas such as footwear and electronics, the IPC became directly involved with Dominican companies to help them position themselves to compete for contracts with U.S. producers. The IPC successfully arranged 35 "production linkages" between US companies and local Dominican firms.

e. Subgrant Program

The IPC has made significant inroads into the creation of the promotional network envisioned by the project design. As the IPC began to achieve results in the development of its staff and its internal systems and procedures, it was able to give higher priority to the design and implementation of the subgrant program. As a result, the IPC has now executed eleven subgrant agreements with various organizations.

The subgrants were made for developing informational brochures on conditions in the Dominican Republic, carrying out promotional activities, providing technical assistance, and training as well as to improve the operational capacity of some of the participating organizations.

3. Recent Project Evaluations

At A.I.D.'s request, an evaluation of the Project was carried out in November 1988 by CARANA Corporation. The principal findings and recommendations of the evaluation team confirmed the Mission's own assessments of progress made and problems being encountered in the Project. In addition, two financial assessments were carried out on the Project. The principal findings of these assessments are discussed in Section V, Cost Estimates and New Financial Plan.

a. Principal Findings

The evaluation team found that the project had realized "significant progress" in many areas.

i. Institution-building

The team found that, "...with few exceptions, staffing and staff development, systems and procedures design and implementation, and IPC programming capability have all progressed as expected during recent months". Current staffing appeared to be adequate for most of the IPC's daily functions and the training strategy was found to be basically effective. The current organizational structure of the IPC was found to be appropriate. The team found "...substantial evidence of efficient paper flow, logical distribution of responsibilities, satisfaction by clients and other contacts, and positive feedback from IPC staff at all levels". Although there had been concern on the part of IPC management and A.I.D. project managers that personnel compensation was inadequate to recruit motivated and competent staff, the evaluators noted that "...the obviously high levels of staff competence and enthusiasm leave the impression that personnel compensation is acceptable".

The team found further that the "...rapid maturity of the organization and its overall management capabilities have been the product of strong working relationships among IPC managers, the Resident Advisor from SRI, and other contractors. These relationships appear to have included clear definition of, and respect for, internal lines of authority and assignment of responsibilities". However, the team found that "difficulties with lines of authority" had been experienced between the current President of the Board and the management staff, particularly with the Executive Director.

In the area of internal systems and procedures, the evaluators concluded that the IPC's management systems and operating procedures are well developed. They include a "highly sophisticated" Management Information System which includes systems for tracking investment leads, accounting, personnel administration, office automation, and desk-top publishing. Operational policies and procedures were also considered to have been "thoroughly developed". Position descriptions, administrative and accounting regulations, and operating procedures are "clearly documented". Specific policies existed for virtually all aspects of IPC operations. However, since virtually all systems were designed by contractors, "full and independent" use of the systems by the IPC remains a goal.

With respect to the creation of the subgrant network envisioned by the project design, the evaluation study concluded that "while limited in its 'networking' achievements to date, the IPC has begun to provide the private sector with an organizational nucleus which, if given time and professional guidance, appears to have potential for contributing significantly to the long-term goals of the EIP Project."

ii. Investment Promotion

The evaluation study generally endorsed the IPC's strategy of focusing its promotional efforts on attracting foreign investment into free trade zones, and on arranging for production sharing contracts between U.S. and Dominican manufacturers. They noted that investor servicing by the staff of the IPC was "widely recognized as effective. Investors and free trade zone operators generally found these services to be important factors in the investment decision-making process". Surveys conducted by the IPC of subcontracting possibilities in various product areas were found to be useful.

iii. Export Development Services

The study found that only "limited progress" had been achieved against the expectation of the original project design that there would be an extensive program of subgrants, technical assistance to local trading companies and exporter groups, assistance in the formation of new groups of exporters and so on. The fact that the management of the IPC and its contractors "have given low priority to this area of activity in order to concentrate resources elsewhere" was considered to be reasonable given the circumstances.

iv. Business Climate Improvement

In reviewing the achievements of the program in this area, the study noted that the IPC had provided subgrants to improve the operating systems of agencies such as Customs; had served as the central forum for preparation of new legislation to govern free zone development and operations, and had conducted various studies of foreign investment legislation and trade issues. The principal conclusion of the study was that, with the exception of the free trade zone legislation, "most of the progress to date relative to policy and investment climate reform has been preparatory". However, as it was recognized that "...virtually everyone interviewed, public and private sector, agrees that policy reform in the Dominican Republic is extremely difficult at this time", the IPC was not faulted for being less aggressive or for having less impact in this area than project planners had hoped.

v. Technical Assistance

The evaluation study gave generally favorable marks to the services provided to the IPC by its contractor, SRI International. It found the quality of promotional materials and internal manuals produced by

the contractor to be "generally good". Some were found to be of "notably high quality". The training provided by the contractor was "well received and apparently effective". The MIS, implemented with extensive contractor assistance, has resulted in "increasingly agile IPC management."

b. Evaluation Team's Principal Conclusions and Recommendations

The study concluded that the IPC had achieved "notable success" in the accomplishment of its mission to give assistance to investors, with emphasis on investors interested in production-sharing activities. In the team's view, there had also been an important achievement in the internal development of the IPC - its staff, systems and procedures, and, most importantly, its "sense of mission". And it noted and applauded "...the recognition by the business community of the seriousness and technical quality of its professionals". It concluded that the IPC's strategy of focusing its promotional efforts on free trade zone investment during this initial stage of its development was "correct".

At the same time, the IPC was found to be facing several serious weaknesses that would have to be addressed if the organization was to achieve the capabilities and the impact envisioned for it by project planners.

Specific recommendations for corrective actions were as follows:

i. Structure

The membership of the IPC was found to be neither broadly representative of the private sector of the Dominican Republic nor reflective of economic interests, groupings, or geographic regions. The team recommended that if the IPC was to "grow in influence and resources and better ensure its useful continuity, it should deepen its roots in the community." Further, it was recommended that IPC actively attempt to attract new institutional members from among important business groups and that its Board be restructured to represent this new and expanded membership.

ii. Internal Management

It was recommended that the roles of the Board President and Executive Director be more clearly defined and differentiated, with the Executive Director receiving a clear mandate to be the day-to-day manager of the organization and the President being made responsible for leading membership and fund-raising drives and spearheading policy reform activities.

iii. Program Focus

The study recommended that the current program focus be maintained, but that "as part of a strategic planning process the Board should agree on a new statement of objectives from which targets and benchmarks could be derived." The evaluation team also recommended that the IPC strengthen its policy research capabilities and " 'raise its profile' as an advocate of reforms to improve the business climate". Finally, the study recommended that the IPC continue to depend upon specialized contractors to identify and

promote new areas, rather than attempting to develop internally multiple areas of specialization.

iv. Financing

The evaluation study highlighted the need of the institution to "generate an increasing share of the financial resources" needed in coming years. It recommended that the Board take specific steps to address this issue and develop an action program and financial plan.

4. Recent Audits

At AID's request, audits of IPC activities were undertaken in 1989 by two firms - Fernandez, Pellerano and Associates, and Price Waterhouse. As a result of these audits, recommendations were made to help strengthen the IPC and its ability to administer its programs and reach the objectives of the project. These recommendations were: 1) IPC should prepare its financial statements on a timely basis; 2) IPC should require travel expense reports for all funds advanced from the US dollar petty cash fund; 3) cash on hand in the U.S. dollar petty cash fund should be kept to a minimum; 4) detailed records should be maintained for fixed assets; 5) IPC should institute the use of purchase orders in the procurement process; and 6) the Board of Directors should assign check signing responsibility to the Executive Director and to other members of the management team. These recommendations have either been already carried out by the IPC or they are included as conditions precedent and covenants in the proposed grant amendment.

B. Project Amendment Rationale

1. General

USAID is in general agreement with the findings of the evaluation team regarding success attained thus far by the IPC and steps that should be taken to enhance its effectiveness, and assure attainment of the Project's objectives. We note that over the past year, the IPC has taken a number of steps to increase prospects for successful attainment of its objectives. It has changed its statutes regarding the composition of its Board of Directors. The new rules make the Board more reflective of its private sector orientation. They allow for nine private sector seats and only five public sector seats. (Of the nine private sector seats, five are reserved for associations of business people or industry groups). The IPC has also undertaken a fund raising and membership drive that has generated over RD\$400,000 (approximately \$64,000) and more than doubled its membership base over the last eight months. It has also developed a reasonable and workable plan for raising increasing shares of its core operational expenses over the next three years. It is expected that implementation of this plan will enable IPC to cover all of its core operational expenses by 1993. In addition, disbursement of funds during the life of the extension will be conditioned upon IPC meeting established annual fund raising targets. A more rational division of responsibilities and authority between the President and Executive Director of the IPC has emerged. Processes are underway to "institutionalize" desirable activities in funds generation, and more appropriate organizational leadership arrangements.

As full attainment of the Project's objectives remains important for the Dominican Republic's continued success in attracting investment and increasing export sales, and as full attainment of the objectives appears possible if additional resources and additional time are made available to the IPC, amendments to this Project, and to the Grant with the IPC are being proposed to provide the additional resources and additional time. The program of activities to be carried out by the IPC during the period of the extension, with the additional resources made available, are described in the following sections of this document.

2. Related USAID and Other Donor Activity

Activities to be carried out during the extension will be closely related to activities under several other USAID/DR Projects.

Under its business climate modification component, IPC will be carrying out several activities which are important for the success of USAID's Industrial Linkages Project (517-0252). The objectives of the Industrial Linkages Project and the Export and Investment Promotion Project are closely connected in that both aim at increasing the productivity and profitability of exporters in the Dominican Republic. Much of the policy analysis work called for under the Industrial Linkages Project will be carried out by IPC.

In accordance with plans included in the Debt Conversion Project (517-0237), the IPC will undertake a promotional program aimed at creating widespread awareness of the investment opportunities made possible in the Dominican Republic by virtue of GODR action in the area of debt conversion.

Other donors have indicated plans to support IPC in its efforts to expand and improve its services. The Japanese International Cooperation Agency (JICA) will be providing support to enable IPC to seek investment in the Dominican Republic from Japan. The European Economic Community intends to do the same on behalf of EEC members. The World Bank will be utilizing the IPC to conduct several studies of GODR policies as they impact upon backward linkages from overseas investment in the Dominican Republic. The UNDP will be supporting IPC as it looks into feasibility of establishing a stock market in the Dominican Republic.

3. Relationship to A.I.D. Strategy

The US assistance program in the Dominican Republic has three specific objectives:

- to promote key sectoral policy reforms which encourage private sector growth;
- to promote expanded and diversified private sector investment and employment; and
- to undertake selected interventions to address critical needs of the poor.

The activities to be carried out during the extension period, as was the case with the initial project period, will address the first and second objectives. Substantial levels of resources will be applied to bringing about a "business climate" more conducive to private sector growth. Success in bringing about increased investment will result in increased employment opportunities.

4. Alternatives Considered

The IPC has had great success in attracting significant levels of investment to the Dominican Republic. This investment has resulted in the creation of almost 16,000 new jobs in the Dominican Republic. As the IPC continues to operate, it appears probable that its effectiveness and success in attracting investment, and thereby creating employment opportunities, will improve.

Virtually no other organization or program in the Dominican Republic of which we are aware can claim being able to make such a significant contribution at such a minimal cost. Accordingly, consideration of other organizations as possible implementors of the project—principally CEDOPEX and ADOEXPO — led to the conclusion that the most cost effective manner to achieve the project's higher level of objectives was through a program of assistance to the IPC.

III. PROJECT AMENDMENT DESCRIPTION

A. Project Goal, Purpose, and Indicators of Attainment

The Project Goal and the Project Purpose remain substantially unchanged.

The Goal of the Project is to increase employment, income, and foreign exchange earnings.

The Purpose of the Project is to establish the IPC as an effective mechanism for promoting investment in, and exports from the Dominican Republic, and for coordinating and facilitating efforts of other public and private sector organizations with related objectives.

Conditions which will indicate that the Purpose has been achieved and that the IPC has in fact developed the capabilities desired are:

- the IPC will be fully staffed with 25-35 fully trained and qualified (professional-level) individuals who are fully capable of carrying out the functions for which they are responsible. The organization's internal structure, division of responsibility and authority, and established administrative and operational procedures will be such as to optimize effective performance of the organization's functions.

- the Board of Directors of the IPC will reflect and represent the significant public and private sector interests and constituencies being served by the IPC. Board members will be being selected/elected to their seats through an appropriate process. Board members will be actively participating in the decision making process as regards overall IPC direction.

- IPC will have a dues-paying membership of at least 150 associations/firms/individuals. Its membership will adequately reflect the various constituencies being served by the IPC. Membership dues will be such as to: a) reflect a significant commitment of members to the IPC; and b) offset a significant percentage of the costs of services being provided to IPC's members.

- IPC will be generating sufficient funds from membership dues, sale of IPC-produced documents, sale of services, commissions and other sources to meet its "core operational expenses" (i.e. costs of salaries and benefits of the minimum number of staff required to operate the IPC program, plus the recurring costs of running the IPC office such as rent, utilities, supplies and equipment.)

- IPC will be providing services for and receiving financial and other support from 2-5 international donor agencies each year. Services provided to these organizations will be consistent with and in support of the objectives of the IPC as indicated in the EIP project. Whenever possible, IPC will be obtaining contributions from those organizations which offset its costs, including "overhead costs", in providing the services. Contributions to defray "overhead costs" will be used for meeting IPC's "Core Operational Costs" (as these are indicated above).

- the IPC will be serving as a principal forum for the discussion, debate, and analysis of national policy and other factors as they affect prospects for investment and exports. Actual and/or proposed legislation that will affect these will regularly be being reviewed and commented upon by the IPC. On occasion IPC will be proposing new and/or modified legislation in certain areas.

- IPC will be taking the lead in holding regular meetings (several times each year) and in holding discussions with the 8-12 other public and private sector organizations which have substantial responsibility for, and/or substantial interest in the promotion of investment in and export from the Dominican Republic, so as to be better enable all the organizations to plan and coordinate their individual and joint programs. (Discussions will be in relation to activities proposed and/or being implemented with IPC subgrants, as well as other more general matters).

- through: a) participation at selected trade fairs, trade shows, and trade association meetings; b) placement of advertising in selected trade journals; and c) targeted mailings to particular audiences - the IPC will be identifying and establishing contact with at least 500 firms each year which could credibly be considered as potential investors in the Dominican Republic. From these 500 contacts, the IPC will be inducing at least 150 firms to make initial investment exploration visits to the Dominican Republic each year, and 50 of those firms to make a follow-up visit each year. (Of the 50 firms making follow-up visits, approximately 1/3 -or 17- should decide to establish a plant in the Dominican Republic. With an average of 300 new jobs created with each new plant, approximately 5000 new jobs should be created each year).

- from contacts with the 500 firms indicated above, the IPC will be facilitating/arranging at least 50-70 "export production contracts" per year, under which Dominican manufacturers will manufacture goods under contract to foreign producers. Total value of these contracts will be in excess of \$2,000,000 per year. Through these contracts, at least 600 "employment-years" of work will be generated in the Dominican Republic each year.

B. Revised Project Activities (Project Outputs)

. Strategy

Project activity during the extension period will be similar to that which occurred during the initial project period. Emphases will be shifted somewhat to allow for additional concentration of effort in areas where greater return from the effort appears likely (i.e. investment promotion) and/or where significant weaknesses still exist (i.e. investment climate modification). Particular attention and efforts will be addressed to carrying out activities which will lead to increased prospects for long-term sustainability of the IPC, particularly in terms of its ability to generate the funds it requires to operate.

2. Components

As was the case during the initial phase of the project, activity will be broken down into the following three components:

- IPC Institutional Development

- IPC Promotional and Marketing Program
- Improvement of the Investment Climate

a. Institutional Development

Under this component, various activities will be undertaken that are aimed at strengthening the IPC as an institution, so that, at the end of the period of the extension, the organization will be in position both to plan and implement increasingly effective programs, and to seek and obtain the resources needed to carry out the programs.

Significant institutional strengthening activities to be undertaken include:

i. IPC Fund Raising Campaign. A sizeable and continuing effort aimed at broadening and diversifying IPC's funding base will be developed and implemented. In fact the IPC is already actively involved in raising additional funds. (Recently the IPC raised RD\$400,000 or US\$64,000 from membership dues). The IPC has secured UNDP funding to carry out investment promotion campaigns in Europe and the Far East. It is also using part of this funding to aggressively pursue additional donor agency support, particularly from Japan and the EEC due to the DR's recent admission into the Lome Convention. Plans are also being developed to allow the IPC to charge commissions in connection with the services it provides to investors and, more importantly, to free trade zones. IPC will also be raising funds through the development of a Corporate/Service Registry which would contain information about local businesses interested in providing goods and services to new investors. The IPC will charge for "placements" in the registry and then provide copies of same to current and new investors.

It is anticipated that, with this range of activities plus the on-going expansion of the dues-paying membership base and the sale of the other IPC services such as desk-top publishing, IPC will be able to cover all of its core operational expenses by 1993. ("Core operational expenses" are defined as the costs of salaries and benefits of the minimum number of staff members required to operate the IPC program, plus the recurring costs of running the IPC office). Annex E - Parts I and II contain information on the plans and objectives for the IPC's fund raising efforts. Early in the project redesign process the Mission with the assistance of SRI Incorporated examined the potential for IPC's sustainability in terms of meeting the Council's core operational costs. A description of the strategy developed along with initial core cost estimates and revenue projections are contained in Part II of Annex E. As the design process continued additional refinements were made to the cost estimates. For example, certain recurring costs such as rent and utilities were added. Also, the revenue projections were revised upward to reflect the fact that the IPC was able to collect RD\$400,000 in membership dues over the last eight months. These revisions were then negotiated with the IPC to produce the targets described in Part I of Annex E and elsewhere in the Project Paper.

For the most part, the campaign will be planned and conducted using IPC internal resources. Specialized assistance may be procured on a consulting basis to assist in developing and implementing plans to charge commissions.

ii. IPC Membership Campaign. A campaign aimed at increasing the dues-paying membership base of the IPC will continue being implemented. This campaign continues to bring in additional members and has already surpassed the fourth year target as established in the IPC Core Funding Strategy originally prepared by SRI Incorporated (Annex E, Part II). It has the dual objectives of increasing financial resources available to the IPC, and assuring that all firms, associations, organizations, and individuals with strong interests related to IPC's goals and objectives have an opportunity to influence the IPC program. The campaign will be conducted using IPC's internal staff resources and facilities.

iii. IPC Management Information System Improvement. IPC's MIS will be upgraded to enable it to handle an expected increased volume of transactions, and quickly and reliably turn out information needed by IPC staff and IPC management for more effective analyses of opportunities, and more effective planning and control of resources. On-line and/or published databases containing information about international industrial production and trading trends, and capabilities, strengths, and prospects of industrial firms in targetted sectors will be procured. (IPC will subscribe to one or more of the following databases - Compuserve, The Source, Dow Jones, Dun and Bradstreet).

An additional 6-10 personal computers will be procured. Guidelines, reports formats, schedules, etc. for a series of standardized regular reports will be developed.

iv. Establishment of Internal Procurement Capability. As it is apparent that, to function effectively in the future, the IPC will have to contract for, or otherwise procure specialized services from a number of sources, it is very important that it develops adequate internal capabilities in the area of contract negotiation, and procurement in general. To date, IPC has relied substantially upon assistance of outsiders to accomplish its contracting and procurement actions. During the period of the extension, specific attention will be paid to IPC's developing strong internal capabilities in this area. Standard contract/procurement forms will be developed, specific individuals will be trained, prescribed procedures will be documented, etc.

v. IPC Staff Training. Additional and follow-up training for IPC staff, including observational training tours to successful industrial development organizations in the U.S. and in third countries (such as the Irish Development Authority) will be implemented. A standardized staff training "package" consisting of the following courses will be developed:

Investment Advisory Training

- Orientation to IPC (3 days)
- IPC Information Systems (2 weeks)
- Fundamentals of Investment Promotion (3 days)

- Dominican Republic- Product and Market (2 weeks)
- Marketing Techniques (3 days)
- Investment Financing (1 day)
- Legal and Regulatory (2 days)
- Specialized Sectoral Training (2-3 weeks)

Other Training

- Effective Communication (one week)
- Desktop Publishing (2-3 weeks)
- Computer Maintenance (4 weeks)

All existing and new investment/export advisory staff will take each Investment Advisory training course at least once. "Other Training" will be provided to all IPC staff as appropriate. In most cases, courses will be conducted by IPC using internal resources. In other cases (i.e. Fundamentals of Investment Promotion, Effective Communications), specialized training assistance will be procured. Standardized course outlines, manuals, training materials, etc. will be developed for each course.

b. Investment and Export Promotion and Marketing

The IPC program will continue to implement a focused promotional and marketing strategy. Geographically, it will concentrate its efforts upon the U.S. manufacturing sector, but will also address other areas as market conditions warrant. A modest amount of funds will be allocated to subgrantees responsible for carrying our marketing programs in European and other non-U.S. markets. Specific activities to be undertaken under this component will include:

i. Development and Adoption of Annual Strategic Marketing and Promotion Plans. Based upon: a) ongoing assessments of international trade and investment patterns, b) periodic detailed studies of prospects in particular industrial sectors, and c) its own experience and relative success in various promotional activities, the IPC will prepare Annual Strategic Marketing Plans (ASMP) which will lay out and describe the organization's anticipated program of promotional/marketing activity for the following calendar year. These ASMPs will explain and describe: a) how and why particular sectors, geographical as well as industrial, are being targeted (both for investment and export promotion); b) principal activities that will be carried out to promote attainment of targets (overall and by sector); c) the organizational entities (i.e., IPC department, or subgrantee organization) that will have principal responsibility for the activity; and d) an estimated budget for the activity. A major input into the ASMP will come from annual reviews, by sector, of each of the industrial sectors targetted by the IPC. It is anticipated that these annual sectoral reviews will be accomplished by contracted consultants.

These ASMPs will be prepared and approved by October 15 of each year by IPC's Board of Directors. While the ASMPs will provide well-thought-out guidance, and lay out ambitious yet achievable targets for the IPC, the plans will also allow for flexibility so that IPC can adjust its efforts to take advantage of targets of opportunity, etc.

ii. Enhancement/Updating of Promotional Materials.

During the first phase of the program the IPC created a full range of promotional materials. These included: a) brochures on general investment opportunities and business conditions within the Dominican Republic, b) information related to specific targeted sectors such as the electronics and information industries; and c) both long and short versions of a promotional video which reviewed the range of business opportunities within the Dominican Republic and highlighted the advantages offered by the country in the area of offshore manufacturing. During the period of the extension, virtually all promotional materials will be updated and/or improved. New materials will also be developed. Japanese language versions of some material will be produced (to supplement English and Spanish versions). To the extent possible, and feasible, local firms will be awarded contracts for production of the materials.

iii. General Image Enhancement and Promotion

Activities. The IPC will carry out continuing campaigns aimed at overall enhancement of the competitive position of the country. Three-five advertising supplements in general business publications will be developed each year. Three to five seminars and other special events promoting the Dominican Republic in targeted overseas markets will be sponsored annually. Approximately 20-25 receptions or other events to welcome missions and investor groups within the Dominican Republic will be organized each year. A continuing campaign to obtain favorable publicity for the Dominican Republic in overseas media will be designed and implemented, with the objective of having at least 25 articles favorable to investment in the Dominican Republic appear annually in 100-200 major newspapers and journals in the U.S.

iv. Specific Promotional and Marketing Campaigns.

(1) Campaigns by Industrial Sector.

The IPC will plan and mount promotional and marketing campaigns aimed at attracting investment in and/or export from the industrial sectors as indicated below during the period of the extension:

	1990	1991	1992
Shoes	x	x	x
Electronics	x	x	x
Apparel	x	x	x
Sporting Goods	x	x	x
Toys			x

Each of these campaigns will consist of: a) participation in 2 to 5 trade shows, b) the design and placement of advertising in selected industry publications, c) directed mailings to several hundred targeted firms in each sector, d) visits to 10-30 firms in each sector, and e) obtaining and distributing to all appropriate firms within the Dominican Republic 10-20 "sample" production pieces. Collectively, through these campaigns, IPC expects to identify and establish contact with about 500 firms each year with realistic prospects of investing in, or purchasing exports from the Dominican Republic. Conduct of the campaigns will usually be directly by the IPC, although support will sometimes be provided to IPC subgrantees to finance their participation in the campaigns.

(2) "936" Investment Campaigns.

In addition to the annual industrial campaigns to promote investment in and export from particular industrial sectors, IPC will also plan and implement a three year campaign aimed at attracting substantial investment in the Dominican Republic on the part of Puerto Rico-based firms with access to "936" funds - regardless of industrial sectors. This campaign will include 20-40 company visits each year, direct mailings to virtually all firms in Puerto Rico with access to "936" funds, and the organization and conduct of 2 to 3 seminars each year - in Puerto Rico - where the advantages of investment in the Dominican Republic can be explained and promoted.

(3) Campaign to promote "Debt Conversion" Opportunity

If requested, the IPC will undertake targeted activities to promote activities under the A.I.D.-financed Debt Conversion Project (517-0237) in the U.S. and in the Dominican Republic in order to identify potential investors through creditor banks. The program will explain the terms and promote the benefits of debt conversion and will provide information on the procedures required to access the mechanism. This approach will be designed to reach those organizations and institutions, both public and private, domestic and foreign, which deal with investment services, investment promotion and financing within the country. The institutions to be targeted, inter alia, in the campaign include the National Council of Businessmen, JAGC, AMCHAM, ADOEXPO and ASIEX.

In addition to the campaign targeted at the organizations indicated above, the program will encourage the involvement of public sector institutions which share responsibility in either attracting or servicing foreign and domestic investors by soliciting their participation in workshops and seminars on debt conversion and by providing them with promotional and informational material for their sectors. The IPC's contact with those organizations will be channeled and coordinated through a liaison staff member at the Central Bank, and will be assisted by the specialized technical assistance contractors provided by the Central Bank. This segment is designed to react to the information requirements of public agencies and will be structured in a way that permits the Central Bank to control the linkages with other government agencies. Agencies involved in this effort will include the Ministry for Tourism, Secretariat of Agriculture, Ministry of Industry and Commerce and Technical Secretariat of the Presidency.

v. Enhancement of Export Capabilities of Selected Dominican Firms. Recognizing that promotional and marketing campaigns, in and of themselves, will not be sufficient to prompt a truly sizeable increase in exports from Dominican manufacturers, but that improvements in firms' production and marketing capabilities are also required, the IPC will also arrange for and/or facilitate the provision of assistance to selected firms in specific sectors to enable those firms to upgrade their production/marketing capabilities to the level required. Because several analyses suggest that excellent prospects exist, initial efforts will focus on the footwear and sporting goods industries. Assistance to firms within the sectors will be through: a) seminars and workshops providing information and assistance on problems/topics common to a sizeable number of firms within the sector; and b) specific consulting assistance to particular firms to help them address and resolve particular problems. It is anticipated that some 20 firms will

benefit from the 2-4 seminars that will be held each year, and that some 3-4 firms from each sector will receive direct technical assistance each year. In most cases, firms will be expected to bear an appropriate share of the costs of provision of the assistance (whether through seminars or consultants). It is anticipated that much of the assistance to firms described herein will be provided through the International Executive Service Corps (IESC), or an IESG-like organization, which shall be contracted by IPC to provide the services.

As needed and appropriate, IPC will also arrange for/facilitate the provision of other commercially available services (i.e., packaging, transport, expediting, financing, etc.) needed by firms to enhance their ability to export successfully. The IPC will not pay for the provision of these services, but, rather, IPC will make potential exporters aware of the possible value of these services, and how and where they can be procured.

c. Improvement in the Climate for Investment and Export Development

The IPC program will continue to emphasize efforts to improve the investment and export development environment. Grant funding will be used to support a number of activities. These include:

i. Special Studies. The IPC will carry out (or arrange to have carried out) studies of 15-20 issues/topics that appear to have significant impact on the nature and the pace of growth of investment in or export from the Dominican Republic. Issues/topics may be related to GODR policy and practice and/or macro/microeconomic factors affecting investment and export. In order to assist IPC in identifying those topics and issues of greatest importance to investors and exporters, the IPC will establish procedures by which views of its members (and other concerned parties) on problems and opportunities facing them will be systematically and regularly solicited.

Some of the topics/issues which IPC currently plans to study are as follows:

- possible modification of the basic Foreign Investment Law (Law 861 of the Dominican Republic, so as to allow greater repatriation of profits than the currently allowed 25%, and also to allow for better and clearer definitions of various terms used in the legislation.

- implementation of Law 69 as it applies to operations of the Customs Office, with an eye to reducing problems and delays many non-IFTZ exporters are experiencing in getting goods through customs even though they have posted required bonds and obtained required permits.

- implementation of the Free Zone Rationalization Law which would allow sales from firms outside the IFTZs to firms inside the IFTZs without payment of export taxes.

- National Technical Training capabilities as these are impacting on growth of investment and export, and possibilities of change/improvement.

- Air-sea transportation costs, and trends, how these are affecting growth of investment and export, and possibilities of change/improvement.

- "Consular Invoices" practice and its impact on growth of investment and export - and possibilities for modification of the practice.

- Trade between IFTZ firms and non-IFTZ firms, its impact on growth of investment and export - and possibilities for modification of existing patterns.

- The Garment Quota Distribution system, and how this may/should be modified so as to maximize benefit to the Dominican Republic.

- Appropriate GODR practice in receiving and handling investment exploration groups.

- Impact of possible modification of current tax incentives for firms to IFTZs to allow for greater revenue for the GODR.

- Possibilities, prospects for, and optimal design of a "stock market" for the Dominican Republic.

- Means and procedures for obtaining and utilizing maximum amounts of "936" funds for investment.

Additional issues/topics to be addressed will be identified during the period of the extension. In some case IPC will conduct the studies using internal resources, in other instances, consultants will be utilized, or the studies will be conducted by IPC sub-grantees.

Following completion of the studies, IPC will plan and mount campaigns designed to raise awareness of identified problems and support for possible solutions. These campaigns could include holding conferences to discuss results of studies, preparing and placing news articles discussing desirability for changes identified in studies, etc.

ii. Seminars and Workshops. In some cases to provide forums for discussion of problems and possible solutions for problems as identified in the studies indicated above, and in other case to discuss other issues, the IPC (or its subgrantees) will organize periodic seminars/workshops bringing together all parties with significant stakes in the situation under discussion. Some 10-20 such seminars/workshops are anticipated over the period of the extension.

iii. Operational Improvement of Public Institutions Affecting the Business Climate. During the first phase of the project, funds were subgranted to institutions such as the Customs Department and the

Industry and Commerce Ministry to allow those agencies to introduce improvements in their operations which could have a positive impact upon the efficiency of export-oriented business. The Customs Office, for example, received funds to purchase photocopying machines and telefaxes needed to speed the of documents between major ports of entry and its headquarters in Santo Domingo. AID will pursue appropriate ways of granting funds to carry out similar activities with public sector institutions under a cooperative agreement.

C. Project Resources (Inputs)

All activities and efforts indicated above are to be carried out by the IPC itself (using its own staff), by firms, organizations, and individuals contracted by IPC to carry out the activities, or by organizations receiving sub-grants from IPC to enable them to carry out the activities. Indications as to which resources shall be used, by component, are as follows:

1. IPC Institutional Development

IPC Staff Training - will be carried out on an "on-the-job" training (OJT) basis by the resident advisor from the prime technical assistance contractor, or by a specialized promotion training consultant contracted on a periodic basis by IPC to carry out the training. Estimated cost for other than on-the-job staff training is \$260,000.

MIS Improvement - will be effected through procurement of 6-10 additional PCs (\$90,000), through subscribing to on-line databases containing needed information on firms (\$30,000), and by obtaining the services (through a subcontract with the prime TA contractor) of a firm specializing in database development.

IPC Membership Campaign - will be carried out by IPC staff members and Board members.

IPC Fund Raising Campaign - will be carried out by IPC staff members and Board members. Contracted expertise may be used to help design guidelines for charging commissions on IPC services.

Establishment of Procurement Capability - will be effected through training and format development carried out by the resident advisor of the prime TA contractor, who will also provide OJT to IPC staff in these matters. Consultants will be contracted to carry out most of the studies at an estimated cost of \$5,000.00 per study. Cost of carrying out studies done by other than the prime TA contractor is estimated at \$100,000.

2. IPC Investment and Export Promotion and Marketing Campaigns

Development of Annual Strategic Marketing and Promotion Plans. While IPC staff will have responsibility for overall development of these plans, it is anticipated that contracted expertise will be used to produce some of the components of the plans. The prime TA contractor will provide analyses of international trade and investment trends as these may impact on Dominican Republic prospects. Various specialized consultants will conduct industrial sector assessment and surveys in both the U.S. and the Dominican Republic. Costs of these analyses and assessments done by other than the prime TA contractor is estimated at \$150,000.

Enhancement/Updating of Promotional Materials. For the most part, specialized firms and consultants will be utilized by IPC to produce these materials. As and if supply conditions make this possible, some of the printing of these documents will be done in the Dominican Republic. Total estimated costs for design and production of the material is \$400,000. IPC will also provide subgrants of approximately \$60,000 to allow other organizations in the Dominican Republic to upgrade their promotional material. Mailing costs are estimated at \$115,000.

General Image Enhancement and Promotion. Advertisements used for this effort will be prepared and placed by IPC's prime TA contractor. Placement costs are estimated to be \$110,000. The continuing public relations effort will be carried out by a specialized consultant at a cost of approximately \$100,000. The 65-75 receptions and other events to welcome visitors will be arranged by IPC staff. Specific costs would be only for auto rentals, rent of meetings facilities, etc. - estimated at \$200.00 per event, for a total of \$12,000. Costs of promotional events abroad are estimated at \$60,000.

Specific Promotion and Marketing Campaigns - Participation at trade shows, and company visits will be carried out by IPC staff members. Costs will be predominantly for travel (trade shows - \$300,000, company visits \$130,000.). Advertisements placed in industry-specific journals will cost about \$170,000. Directed mailings will cost about \$130,000. Communications (telephones, telex, fax, etc.) will cost about \$245,000.

Enhancement of Export Capabilities of Selected Dominican firms - A U.S. organization will be contracted to provide the anticipated in-firm assistance at a cost of about \$300,000. It is also anticipated that local trade/export service firms will be used at a cost of about \$50,000.

3. Improvement in Business Climate

Special Studies - will be carried out by individuals or organizations contracted by IPC to conduct the studies. The prime TA contractor will contribute to 3-4 of the studies (using U.S. bases personnel visiting the Dominican Republic on a short-term basis). Locally available consultants will be contracted to carry out most of the studies at an estimated cost of \$5,000.00 per study. Cost of carrying out studies done by other than the prime TA contractor is estimated at \$100,000.

Seminars and Workshops - for the most part will be organized and conducted by IPC using internal resources. It is estimated that each of the 10-20 seminars/workshops to be conducted will involve a cost of \$2,000-6,000 for rent of meeting facilities, production of documents, honoraria for speakers, organizational costs, etc. - for a total cost of \$95,000.

Operational Improvements of Public Institutions. It is anticipated that five institutions will receive between \$30,000 and \$60,000 each to be used for upgrading their capabilities to service investors/exporters. Total estimated cost is \$260,000.

IV. IMPLEMENTATION AND MONITORING ARRANGEMENTS

A. Project Initiation

Since this is an on-going project, start-up will involve a relatively simple transition from the current implementation arrangements. Reflecting the change in more stringent monitoring activities by A.I.D., (See Section VII, Conditions, Provisions, and Other Requirements) the current grant with the IPC will be amended to make it a Cooperative Agreement. The current contract with IPC's prime TA provider will be extended for a period of 8 months (as permitted under the terms of the contract). Simultaneously, IPC, with A.I.D. assistance, will begin the process of preparing the documentation needed to competitively procure TA after August 1990. IPC will also begin preparing the documentation required to satisfy various conditions to disbursement under the grant they will receive to implement activities during the period of the extension. (This is discussed further below).

USAID will initiate procedures to contract a PSC project manager/project advisor for a 30 month period.

B. Project Administration and Management

1. USAID Project Monitoring

USAID's Private Enterprise Division will monitor Project activities. An individual will be contracted on a PSC basis to serve as the Project Officer and as the liaison to the IPC Executive Director and the Board. A draft "scope of work" describing the functions and responsibilities of this individual is contained in Annex H.

2. IPC Project Administration

IPC will administer expenditures and maintain accounts in essentially the same manner as under the current project. Most procurement will be managed by the IPC. The Executive Director, will work closely with the USAID Project Officer on the expenditure of project funds.

IPC will maintain two operational funds, one in U.S. dollars and one in pesos. The U.S. dollar operational fund will be used to make payments for technical assistance contractors, commodity procurement and U.S. subscriptions and databanks. The peso operational fund will be used to make payments of other program costs. USAID will approve a ninety day rolling advance of funds to these revolving funds. IPC will liquidate one month's expenditures every 30 days and request an advance of funds to cover projected expenditures for the next 90 days.

a. Technical Assistance

IPC will manage several technical assistance contracts under the project. Major technical assistance contracts anticipated at this point are the "prime technical assistance" contract with an organization which will provide advice and assistance on all project matters, and a contract with an

industrial assistance firm calling upon that firm to provide on site assistance to Dominican firms attempting to increase exports. Other smaller value contracts may be executed to procure public relations and advertising services, and industrial sector analyses.

b. Commodity Procurement

The IPC will procure some 6-10 additional personal computers during the period of the extension. Most of the commodity procurement will be done directly by IPC. Assistance will be provided by the prime TA contractor for preparation of the specifications for computers and computer software.

c. Training

The short-term training programs envisioned for IPC personnel will be developed by the prime TA contractors and consultants. In most cases, contracted consultants will conduct training at IPC offices.

C. Procurement Plans

Principal procurement actions to occur during the period of the extension are as follows:

- the IPC will exercise its option under its existing contract with SRI to extend the contract from January 1, 1990 to October 31, 1990. Contract value will be about \$450,000.
- IPC will contract services of a technical assistance contractor for a 20 month period starting in November 1990. The contractor will provide IPC with advice and assistance in all areas of its operations. The RFTP is to be issued in early April 1990. Contract value will be about \$700,000.
- A direct A.I.D. contract will be issued to procure services (on a PSC basis) of a project advisor/A.I.D. Project Manager for a period of 30 months. Contract will be executed o/a March 30, 1990. Contract value will be about \$350,000.
- IPC will contract services (for 30 months) of a U.S. firm or organization which will provide assistance to selected/firms in particular industrial sectors aimed at allowing those firms to expand their exports. Contract will be issued o/a March 30, 1990. Contract value will be about \$300,000.
- IPC will directly procure 6-10 personal computers and related software and hardware. Procurement will be executed in mid-1990. Procurement value will be about \$90,000.
- IPC will contract a U.S. firm calling for the firm to provide public relations services for a 30 month period. The contract will be executed o/a May 30, 1990. Contract value will be about \$100,000.
- direct A.I.D. contracts will be issued to a Dominican accounting firm for audits of project activities. Contract value will be about \$25,000

each. An audit is scheduled for early 1990 covering project activities to date with a second, and final project audit scheduled for the final quarter of 1992.

- a direct A.I.D. contract will be executed with a firm for an evaluation of the project. The contract will call for approximately 8 person-weeks of services. The services will be arranged through an existing IQC, or with an "8A" firm. The contract will be executed o/a August 1991 and will cost about \$70,000. In addition, IPC is audited annually by a certified public accounting firm from its own resources. These reports will be used by AID as a means of following up on IPC's financial and management capability.

D. Key Implementation Events by Date

- | | | |
|-------------------|---|---|
| January 31, 1990 | - | Project Authorization Amendment and Grant Amendment Signed. |
| January 31, 1990 | - | PIO/T for A.I.D. Advisor to IPC issued. |
| February 28, 1990 | - | Documentation describing (and establishing) revised organizational structures, responsibilities, and authorities submitted for A.I.D. review and concurrence. |
| February 28, 1990 | - | Plan for "Integration of Subgrantee Network" submitted for A.I.D. review and concurrence. |
| February 28, 1990 | - | Document describing and prescribing IPC "Travel Policy" submitted for A.I.D. review and concurrence. |
| March 15, 1990 | - | RFTP for Prime TA Contract (for period following end of present SRI contract) issued. |
| March 30, 1990 | - | Contract/Grant for firm-level export assistance program executed. |
| April 30, 1990 | - | Documentation describing revised internal control procedures submitted for A.I.D. review and concurrence. |

- July 30, 1990 - Prime TA contract executed.
- October 30, 1990 - IPC Aimerd Financial and Implementation Plan submitted for A.I.D. review and concurrence (Annex to Plan will describe success or lack thereof in IPC fundraising effort).
- October 30, 1990 - IPC Annual Strategic Marketing Plan submitted for A.I.D. review and concurrence.
- December 1, 1990 - PIL issued advising of A.I.D. decisions regarding continued funding of IPC programs.
- September 1, 1991 - Evaluation of IPC Program Effectiveness initiated.
- October 30, 1991 - IPC Annual Financial and Implementation Plan Submitted for A.I.D. review and concurrence.
- November 30, 1991 - PIL issued advising of A.I.D. decision regarding continued funding of IPC.

V. COST ESTIMATES AND NEW FINANCIAL PLAN

A. Financial Analysis/Methods of Implementation and Financing

The nature of the project is such that a financial justification in terms of the traditional financial internal rate of return (FIRR) is not possible or necessary. Rather, it should be noted that: 1) the project will achieve the stated objectives at the least cost possible; and 2) sufficient resources are available to cover project costs. Handbook 3, Chapter 3, Appendix D.4.0 authorizes this approach for "non-commercially operated projects", where a non-commercially operated project is defined as one in which sufficient revenues are not produced for the project to be financially self-sustaining. The "worth" of the project lies in the expected continued economic benefits of increased investment and employment opportunities in the Dominican Republic. Section II.B.4 discusses the project implementation alternatives considered and analyzed in extending the project.

Methods of Implementation and Financing

<u>Project Elements</u>	<u>Method of Implementation</u>	<u>Method of Financing</u>	<u>Amount (US\$000)</u>
I. IPC Operations	IPC Contract	Direct L/Com	240
II. IPC Program	Direct Prog. Costs	Quarterly advance/ Liquidation	1660
	IPC Contract	Direct L/Com	505
III. Prime Tech. Assist.	IPC Contract	Direct L/Com	1115
IV. A.I.D. Advisor	A.I.D. Direct Contract	Direct Pay	350
V. Evaluation/Audits	A.I.D. Direct Contracts	Direct Pay	130
<u>TOTAL</u>			<u>4000</u>

All of the financing methods shown in the above table are preferred methods under the Payment Verification Policy Guidance. In determining the ability of the IPC to handle funds under this project and, specifically, to do most of the contracting for project implementation, the results of several assessments of their management capability were reviewed. A local accounting firm, Fernandez, Pellerano, and Associates (FPA) was contracted during the original project period to perform a review of the IPC's financial performance during 1987 and 1988. To date, only the draft reports have been received by the Mission. The reviews identified numerous weaknesses in internal procedures but no specific incident of inappropriate use of project funds was cited. The Mission has asked FPA for additional information to clarify these matters. In addition, a Condition Precedent requiring the correction of all weaknesses found by the reviews will be included in the proposed grant amendment.

The Mission later requested a management control assessment. This was performed by staff from Price Waterhouse's Washington, D.C. Office of Government Services during late October and early November 1989 in response to the draft findings presented in the above reports. In contrast to the claims made by Fernandez, Pellerano and Associates, Price Waterhouse felt that, while some strengthening of controls would be useful, the institutional and management control capabilities of the IPC appeared adequate to control, safeguard and identify receipts and uses of project funds.

On the basis of the Price Waterhouse assessment, the Mission believes existing internal controls are appropriately strong to assure the proper use of project funds provided under the grant. In light of the fact that both assessments indicated areas where improvements would strengthen the overall control environment of the IPC, such as, improving travel policy and procedures, check signing authority, documentation of purchases and subsidiary records for fixed assets, specific provisions to direct greater IPC attention to these areas will be included as part of the Grant Amendment to be executed. Section VII provides information on this.

B. Description of Use of Funds

The total budget for the 3-year period of the extension is US\$6,394,000. Of this, A.I.D. will provide \$4,000,000 through a grant to the IPC. The GODR counterpart contribution will be the equivalent of US\$1,630,000. It is expected that the IPC itself will generate the equivalent of US\$764,000 for use in meeting some costs of the project (based upon current exchange rates which are US\$1.00 = RD\$6.28).

A.I.D. Grant funds will be used predominantly for meeting IPC's program costs, with lesser amounts being used for meeting IPC operational costs. GODR contribution funds will be used predominantly for operational costs, with lesser amounts for program costs. All IPC-generated funds will be used for meeting operational (personnel) costs.

If the IPC is successful in generating more funds than the \$764,000 targetted for the period of the extension, the additional funds will be used to offset additional IPC "non-core" staff costs and other "operational" costs. GODR Counterpart funds thereby liberated will then be available to meet IPC Program costs. The IPC "Program" will be expanded commensurately with the increased availability of funds.

C. Financial Plan

The following chart summarizes anticipated sources and uses of all funds to be expended during the period of the extension.

<u>Uses</u>	<u>Sources of Funds</u>			
	A.I.D. Grant	GODR Cont.	IPC	Total
A. IPC Administration				
1. IPC Personnel				
a) IPC Personnel (Core)	-	31	514	545
b) IPC Personnel (Non-core)	-	332	250	582
Sub-total				<u>1127</u>
2. IPC Operations				
a) Core	-	475	-	475
b) Other	240	130	-	370
Sub-total				<u>845</u>
B. IPC Program				
1. Promotion/Mktg.	1935	426	-	2361
2. Bus. Climate Mod.	230	225	-	455
Sub-total				<u>2816</u>
C. Prime TA Contract	1115	-	-	<u>1115</u>
D. A.I.D. Advisor	350	-	-	<u>350</u>
E. Evaluation/Audits	130	11	-	<u>141</u>
TOTAL	4000	1630	764	6394 =====

Detailed information on IPC Program and Operational Costs is provided in the Annex A and their supporting tables.

VI. PROJECT ANALYSIS SUMMARY

A. Institutional

As indicated in the Section II A.3 of this paper reporting on same, the evaluation of IPC conducted in November 1988 concluded that a good deal of progress had been made in the effort to make the IPC an effectively functioning organization, and that systems and procedures in place were appropriate for the organization and were functioning effectively.

USAID basically concurs with this analysis, and, on this basis, is confident of IPC's capability effectively to implement the activities to be carried out during the period of the extension. Areas where organizational weaknesses still exist and/or where existing arrangements were inappropriate were identified during the evaluation and in subsequent analyses. These situations have either already been addressed (i.e. make-up of IPC Board of Directors) or will be addressed during the period of the extension (i.e. strengthening procurement capability, enhancing fund-raising capability, etc.).

B. Social Soundness

The social soundness analysis included in the original project paper remains valid. That analysis predicted that the impacts of this project on the population of the Dominican Republic would be substantial, and would be beneficial. The project's impact would be felt principally in the jobs created as a result of investment attracted to and/or exports generated the project. It was anticipated that the jobs created would, for the most part, be higher paying than are most jobs for unskilled/semi-skilled laborers, that working conditions would be better, that most jobs would go to women, and that the jobs would result in significant transfers of technology and skills to workers in the Dominican Republic.

As has been stated, project activity has contributed to the creation of thousands of new jobs - most in factories in the country's industrial free trade zones (IFTZs). Several studies of workers and employment conditions in the IFTZs (including a 1988 study by the International Science and Technology Institute, and a 1989 study by the Foundation for Economic Development) have demonstrated that benefits and impacts have emerged as predicted. There is no reason to believe that the situation will change during the period of the extension.

C. Impact on Women

From the studies and analyses mentioned above, it can be argued that the Export and Investment Promotion Project is the USAID/DR project that is having the greatest beneficial impact on status of women in the Dominican Republic. A full 70-75% of the jobs being created through new investment in the IFTZs are being filled by women. The jobs provide good wages by Dominican Republic standards, and adequate working conditions. For most of the women taking the jobs, the jobs constitute their first employment outside their households.

D. Economic Analysis

The economic analysis included in the original project paper concluded that the project would be a sound economic undertaking which would yield a favorable benefit to cost ratio. In attempting to determine costs and benefits of the project, the analysis calculated costs as being the direct project costs and the forecasted investment costs of firms making investments. Benefits were measured from prospective value added of new jobs created (value added from the jobs was measured by salaries and other benefits paid to employees).

Although studies and analysis needed to confirm the anticipated favorable economic results have not been undertaken, original assumptions as to amounts of investment, numbers of jobs created, and salaries being earned appear to have been accurate. Accordingly, the economic analysis included in the original project paper remains valid.

VII. CONDITIONS, PROVISIONS, AND OTHER REQUIREMENTS

In order to improve prospects for successful attainment of project objectives, the amended grant will include a number of provisions aimed at bringing about enhanced IPC effectiveness in several critical areas. In most cases, these areas were highlighted in the 1988 project evaluation or in audits of the project as places where more management attention would be useful. In other cases, assessments conducted by A.I.D. and/or IPC staff members resulted in conclusions that additional attention would be useful.

Special provisions in the Grant Amendment will address the following areas:

- IPC Organizational and Administrative Structures
- IPC Internal Control Procedures
- IPC Annual Financial and Implementation Plans
- IPC Sub-grants
- IPC Travel Policies
- IPC Staffing
- IPC Programs and activities funded by other organizations
- IPC Generated Funds
- IPC Evaluation and Audits

In some cases, the Grant Amendment provisions will be in the form of "conditions precedent to disbursement". In other cases, the provisions will provide for joint AID/IPC concurrence with various actions. The provisions of the grant are anticipated to be stated as follows:

"SPECIAL PROVISIONS"

"During the period of this Agreement, IPC will retain ultimate responsibility for the management and support of project activities. In consideration of A.I.D.'s long range interest in increasing the levels of export from and investment in the Dominican Republic, it is agreed that there will be substantial involvement by A.I.D. in certain aspects of IPC's operations during the period of this Agreement. The following "Conditions Precedent to Disbursement" and "Special Provisions" are intended to facilitate useful and effective A.I.D. collaboration in project matters.

"A. Conditions Precedent"

"1. Prior to the disbursement under the Agreement to finance any activities or procurements after January 31, 1990, or to issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Recipient will, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

-documentation describing the roles and

- responsibilities of the Board of Director, the President of the Board of Directors, and the Executive Director;
- evidence that necessary changes have been made to the statutes, by-laws, or other regulations of the IPC to allow candidates who are members of IPC to run for election in 1990 to the Board of Directors and for the position of President of the Board of Directors without regard for the length of time they have been members of the IPC;
- documentation describing and codifying policies with respect to international travel funded by IPC, including staff travel and travel of subgrantees;
- an Annual Financial and Implementation Plan with detailed information on planned commitments and expenditures during the year 1990.

"2. Prior to the disbursement under the Agreement to finance any activities or procurements after May 30, 1990, or to issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Recipient will, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D., evidence that internal accounting and administrative control weaknesses identified in the 1987 and 1988 Financial Reviews carried out by FPA and the 1989 Management Control Assessment undertaken by Price Waterhouse have been corrected.

"3. Prior to disbursement under the Agreement to finance any activities or procurements after December 31, 1990, or after the end of each following calendar year, or to issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Recipient will, except as A.I.D. may otherwise agree in writing, submit in form and substance satisfactory to A.I.D. an Annual Financial and Implementation Plan with detailed information on planned commitments and expenditures for the period January through December.

"4. Prior to the disbursement under the Agreement to finance subgrants, or to issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Recipient will, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D., a plan to improve the coordination and integration of the activities of the major organizations involved in the effort to promote investment in and export from the Dominican Republic, with particular attention to those organizations which have received or are seeking subgrants from the IPC to support their activities.

"B. Special Provisions

"1. The IPC agrees that it will obtain written concurrence from A.I.D. prior to the signing of any contract or other agreement

with other organizations which call on IPC to carry out specific programs or activities if the IPC is to receive financial support or payment from the organization in excess of 100,000 U.S. dollars.

"2. The IPC agrees that it will obtain prior written concurrence from A.I.D. for any proposed modification to the list of staff positions eligible to receive salaries and other benefits from IPC.

"3. The IPC agrees that it will obtain prior written concurrence from A.I.D. before removing or naming an Executive Director.

"4. The IPC agrees to: (a) assume an increasing share of its operational costs in accordance with the schedule contained in Table 2 of the Modified Financial Plan; (b) apply any excess funds earned by the IPC over and above the targets contained in Table 2 to operational costs for which CODR counterpart funds are currently budgeted; and (c) utilize the GODR funds for additional program activities mutually agreed to by IPC and A.I.D.

"C. Other Requirements

"IPC Generated Funds. Amounts indicated as IPC Generated Funds refer to all funds obtained by IPC other than those funds provided through this Agreement from A.I.D., or funds obtained from STP (indicated as GODR Counterpart Funds). It is agreed that the IPC will conduct an active and continuing program to generate funds needed for its operations and that it will assume an increasing share of its operational costs. The program will include efforts to obtain resources from: a) dues paid for membership in the IPC from the Dominican Republic Business Community; b) receipts from sale of an IPC Investment Opportunity Registry; c) grants or budget allocations from the GODR (other than and in addition to those funds indicated as GODR Counterpart Funds); d) commissions and other fees levied in connection with provision of IPC services; e) other donor agency grants and projects; and f) other sources as may be identified. With the exception of funds obtained from other donor agencies (which are to be used in accordance with agreements concluded between the IPC and those agencies), all funds generated by IPC are to be used to meet "core operational costs". "Core operational costs" are the costs of salaries and benefits of "core IPC staff" (as indicated below) and other operational costs described below.

"IPC-generated funds are to be used to meet IPC costs in the following order of priority:

"1. salaries and benefits of the following seventeen "core IPC staff": Executive Director, Director of Administration, Director of Marketing, Director of Information Systems, Director of Research, (most senior) Desktop Publishing Assistant, (most

senior) Accountant, (most senior) Investment Counselor, four secretaries (i.e. secretaries of the Executive Director, Director of Marketing, Director of Administration, and Director of Research), Receptionist, Messenger and three drivers.

"2. salaries and benefits of the balance of the IPC staff.

"3. IPC office rent and utilities, and office maintenance.

"4. IPC communications (including telephone, telex, telefax, and postage).

"5. IPC Office Supplies and Equipment.

"6. IPC Capital Costs (including office renovations, office furniture, and vehicles).

"7. IPC In-country travel (including travel and per diem costs, vehicle operations cost, vehicle maintenance, vehicle insurance, etc.).

"8. other IPC operational costs.

"As and when IPC generates funds in excess of the targets specified the additional funds will be used to offset operational costs for which GODR counterpart funds are currently budgeted according to the priorities established above. When this occurs, the GODR counterpart funds thereby released will become available for use in implementing IPC program activities.

"If the IPC is unable to generate sufficient funds to meet the annual targets contained, downward adjustments will be made in the "core IPC staff" defined above to accommodate the funds shortfall. IPC management may either separate "core" staff members or place them in leave without pay status.

"IPC's success in attaining the annual funding targets in Table 2 will be a key factor used in determining continued availability of A.I.D. support during the period of the Agreement."

VIII COMPLIANCE WITH LAUTENBERG AMENDMENT

Section 549 of the FY 1989 Foreign Assistance Appropriation Act (the "Lautenberg Amendment") prohibits the use of foreign assistance funds to procure feasibility studies or support the establishment of facilities for the manufacture for export of certain articles defined as "import-sensitive" under Section 503 (c) (1) (A) and (E) of the Trade Act of 1974. These articles are textile and apparel articles comprised of wool, silk, man-made fibers, and leather articles such as footwear, handbags, luggage, work gloves, leather wearing apparel, and wallets and coin purses.

The Project will categorically exclude assistance for the feasibility studies or for the establishment of facilities for the manufacture for export of those items of the "Lautenberg Amendment" listed in Section 503 (c) (1) (A) and (E) in the trade Act of 1979. The restriction imposed by the Lautenberg Amendment will be incorporated into the Grant Agreement and all subsequent subgrants contracts which are generated by the Project.

IX. EVALUATION AND AUDIT PLANS

A formal evaluation of the project will take place in the last quarter of CY 1991. Objectives of the evaluation will be: 1) to measure whether and the extent to which the project's goal and purpose are being attained, 2) to identify any corrective actions or modifications of project activity that would increase prospects for full attainment of project objectives, and 3) to recommend and prescribe the need for and nature of any future A.I.D. support for IPC following the completion of the present project. IPC and A.I.D. will collaborate in preparing the scope of work for the evaluation, and in selection of the team. A.I.D. will directly contract for the services of an evaluation team

A.I.D.-sponsored audits of project activities will be conducted shortly after execution of the extension, and annually thereafter. A local firm will be contracted by A.I.D. to conduct the audits.

Funds shown in the evaluation/audit line of the Summary Financial Plan will be used to finance the evaluation and audits.

RPMathia:md:1/30/90:0793F

BUDGET BREAKDOWN
(US\$000)

ANNEX A

ITEM	YEAR I				YEAR II				YEAR III				PROJECT TOTAL							
	AID	GODR	IPC	TOTAL	AID	GODR	IPC	TOTAL	AID	GODR	IPC	TOTAL	AID	GODR	IPC	TOTAL				
A. IPC ADMINISTRATION COSTS	:			:				:				:				:				
1. IPC Personnel (Salaries & Incentives):	:			:				:				:				:				
a. Core Personnel	:	31	112	143	:		184	184	:		218	218	:	0	31	514	545			
b. Other Personnel	:	169	0	169	:	133	57	190	:	30	193	223	:	0	332	250	582			
2. IPC Operations	:			:				:				:								
a. Operational Costs (Core)	:			:				:				:								
-Office Rent	:	40		40	:	44		44	:	49		49	:	0	133	0	133			
-Office Maintenance	:	18		18	:	21		21	:	26		26	:	0	65	0	65			
-Utilities	:	13		13	:	16		16	:	19		19	:	0	48	0	48			
-Vehicle Maintenance (gas, oil, repair)	:	15		15	:	18		18	:	22		22	:	0	55	0	55			
-Vehicle Insurance	:	6		6	:	8		8	:	9		9	:	0	23	0	23			
-General Insurance	:	8		8	:	10		10	:	11		11	:	0	29	0	29			
-Telephone (local)	:	3		3	:	4		4	:	5		5	:	0	12	0	12			
-Office Supplies	:	10		10	:	12		12	:	15		15	:	0	37	0	37			
-In-Country Travel	:	5		5	:	6		6	:	8		8	:	0	19	0	19			
-Office Equipment Rental	:	6		6	:	8		8	:	9		9	:	0	23	0	23			
-Office Equip. Maintenance	:	1		1	:	1		1	:	1		1	:	0	3	0	3			
-Legal Costs	:	2		2	:	2		2	:	1		1	:	0	5	0	5			
-Other Costs	:	6		6	:	8		8	:	9		9	:	0	23	0	23			
b. Operational Costs (Non-Core)	:			:				:				:								
-Equipment Purchase	:	90	10	100	:	5		5	:	5		5	:	90	20	0	110			
-Staff Training	:	50	40	90	:	50	40	90	:	50	30	80	:	150	110	0	260			
SUBTOTAL	:	140	383	112	635	:	50	336	241	622	:	50	249	411	705	:	240	968	764	1,972

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ITEM	YEAR I				YEAR II				YEAR III				PROJECT TOTAL			
	AID	GODR	IPC	TOTAL	AID	GODR	IPC	TOTAL	AID	GODR	IPC	TOTAL	AID	GODR	IPC	TOTAL
B. IPC PROGRAM COSTS	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
1. Promotion/Marketing Programs	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
a. Purchase of Studies/Analyses/ Database/Journals, etc.	60			60	60			60	60			60	180	0	0	180
b. Production/Mailing Promotional Materials	125	50		175	125	75		200	125	75		200	375	200	0	575
c. Specific Promotional/Marketing Campaign	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
-Communications	30	50		80	30	50		80	35	50		85	95	150	0	245
-Trade Shows	100			100	100			100	100			100	300	0	0	300
-Advertising	50			50	60			60	60			60	170	0	0	170
-Directed Mailings	35	5		40	40	5		45	40	5		45	115	15	0	130
-Company Calls	40			40	40			40	50			50	130	0	0	130
d. Enhancing Export	100	20		120	100	20		120	100	10		110	300	50	0	350
e. General Image Enhancement	90	4		94	90	4		94	90	3		93	270	11	0	281
2. Business Climate Modification	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
a. Studies	40			40	30			30	30			30	100	0	0	100
b. Seminars	5	25		30	5	25		30	10	25		35	20	75	0	95
c. Support for Public Institutions	40	50		90	40	50		90	30	50		80	110	150	0	260
SUBTOTAL	715	204	0	919	720	229	0	949	730	218	0	948	2,165	651	0	2,816
C. PRIME TECHNICAL ASSISTANCE	500			500	500			500	115			115	1,115	0	0	1,115
D. AID ADVISOR	80			80	130			130	140			140	350	0	0	350
E. EVALUATION/AUDITS	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
1. Evaluation	:	:	:	:	80			80				0	80	0	0	80
2. Audits	30	3		33		4		4	20	4		24	50	11	0	61
SUBTOTAL	30	3	0	33	80	4	0	84	20	4	0	24	130	11	0	141
TOTAL	1,465	590	112	2,167	1,480	569	241	2,285	1,055	471	411	1,932	4,000	1,630	764	6,394

11.

U. S. AID MISSION TO DOMINICAN REPUBLIC

AMERICAN EMBASSY, P. O. Box 867
SANTO DOMINGO, DOMINICAN REPUBLIC

FOR U. S. CORRESPONDENTS:
U. S. AID MISSION
APO MIAMI 34041

MEMORANDUM OF CONVERSATION

ANNEX B

DATE OF MEETING: February 1, 1989

SUBJECT: Investment Promotion Council Follow-on Project Terms and
Conditions (517-0190) February 2, 1989

PARTICIPANTS: Mr. Thomas W. Stukel, Director, USAID/DR
Mr. Raymond Rifenburg, Deputy Director, USAID/DR
Mr. Kenneth A. Lanza, Acting Chief, PED, USAID/DR
Mr. Antonio Caceres Troncoso, President, Board of Directors,
IPC
Mr. Alfredo Bergés, Member, Board of Directors, IPC
Mr. José Manuel Trullols, Secretary of Industry and Commerce,
Member Board of Directors, IPC
Mr. Luis Manuel Pellerano, Member Board of Directors, IPC
Mr. Phil Karp, Representing SRI, Inter'l Contractors to IPC

COPIES TO: PARTICIPANTS NAMED ABOVE

The individuals referenced above met on February 1, 1989 in the Director's Office of USAID/DR to discuss the terms and condition for a follow-on Agreement for AID financing of the Investment Promotion Council of the Dominican Republic (IPC) to be initiated on July 1, 1989.

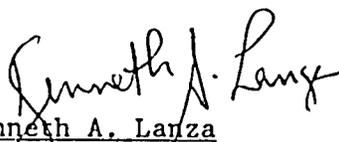
The attached document reflects the basic agreements of the above parties with respect to the proposed follow-on project for AID financing of the IPC during the period July 1, 1989 through June 30, 1992. The members of the IPC board in attendance noted that the provisions reflected in the attached document will be submitted to the full board of the IPC for ratification.

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It was agreed that any changes required in the statutes of the IPC to implement the agreements related to follow-on financing from AID will be prepared by the IPC and submitted to the Asemblea for approval in the next meeting of the Asemblea scheduled for March 14, 1989.

The IPC, with the help of SRI, will prepare a financial plan including financial projections for revenue generation and a three-year strategic plan for inclusion in the project document.

AID agreed to draft the project agreement document incorporating the information prepared by IPC and SRI and describing the proposed project, a three year budget, and terms and conditions. AID will present this document to the IPC by February 24, 1989.



DRAFTING OFFICER: AID/PED, Kenneth A. Lanza
DATE OF PREPARATION: 02/03/89

IPC REQUIREMENTS

Asamblea Membership:

- o All members of the Asamblea except for government institutions will pay dues.
- o Memberships will be issued in 3 categories:
 - GODR Institutional Members.
 - Private Sector Institutional Members.
 - Individual Private Sector Members.
- o Dues structures are to be determined by the IPC and will constitute a contribution for supporting IPC Core Administrative Expenses.

The Board of Directors:(A) Composition

- o No individual may represent more than one membership position at one time, or occupy more than one position on the Board.
- o The Board of Directors will consist of the following three categories of Directors:
 - Ex-officio GODR Institutional Representatives:
 1. Secretary of Industry and Commerce or designated representative
 2. Secretary of Foreign Relations or designated representative
 3. Governor of the Central Bank or designated representative
 4. Secretary of Finance or designated representative
 5. Executive Director of CEDOPEX or designated representative
 - Ex-officio Private Sector Institutional representative:

A minimum of five Board positions will be allocated to the duly elected current presidents or their designated representative of private sector

organizations. It is expected that the identity of these groups will vary as the program of the IPC evolves, but, in principle, they should reflect those parts of the business community and economy which have a direct interest in the success of the IPC. The Asamblea will elect the five private sector institutions to be represented on the Board every two years. At present, the following are recommended for consideration by the Asamblea:

1. ADOZONA (representing FTZs)
2. ADOEXPO (representing Exporters)
3. ASIEX (representing Foreign Investors)
4. AMCHAM (representing general private sector)
5. Association of Industries (representing industrial manufacturers)
6. ASONAHORE (representing Hotels and Tourism)
7. ABCRD (representing the Commercial Bankers)
8. JACC (representing Agribusinesses)

- Individual or Corporate Private Sector Representatives:

The Asamblea will elect four individual or corporate private sector representatives to the Board of Directors every two years.

1. Individual Representation
2. Individual Representation
3. Individual Representation
4. Individual Representation

- Board of Directors:

(B) Elections

- o Elections will be held every two years. Each institution or individual member who is current in the payment of dues has one vote.
- o Individual Private Sector Representatives will be elected by the Asamblea every two years. Two terms of two years is the maximum allowed any individual.

- o Institutional Private Sector Representatives will be elected by the Asamblea every two years.
- o If any of the positions within the two Private Sector membership categories (i.e. institutional or individual) becomes vacant, the position will be filled by a representative member institution or individual members eligible within that category. When such vacancies occur the Board of Directors will nominate a temporary replacement until the next scheduled election, at which time the position will be subject to a vote by the general Asamblea to elect replacements within each category.
- o All candidates for the Board of Directors, whether Institutional or Individual, must be members in good standing and have been members of the Asamblea for a minimum of one year, except for the first elections to be held after this provision becomes effective.

Board of Directors:

(C) President

- o Candidates for President of the Board of Directors will be members in good standing from the Private Sector.
- o The President is limited to a maximum of two, two-year terms.
- o Per Diem and Travel Expense reimbursements for activities undertaken in conjunction with the duties as President may be provided to the President if approval is provided by the Board in the annual operational plans of the IPC which include the travel plans and rationale for travel by the President and other members of the Board.

The Role of the President of the Board

- o The President will convene and chair regular meetings of the Board, principally for the purposes:
 - Reviewing long-term operational and strategic plans submitted to the Board by the Executive Director.

- Formulating policy guidelines for the institution.
- Planning activities associated with revenue generation.
- Reporting to the Board on the progress and status of fundraising activities.

- The Role of the Board:

- o The Board of Directors will convene regularly to:

review strategic plans for the institution, plan policy dialogue activities and determine institutional policy; and

assist in revenue generation activities and public relation activities which complement the operational and technical plans of the institution.
- o The Board will meet quarterly with A.I.D. representatives to discuss the program's status. A.I.D. and the Board will construct the agenda.

- The Role of the Executive Director:

- o The Executive Director will be the Chief Executive Officer (CEO) of the institution and will be empowered by statute with all the authority to act as such.
- o The Executive Director will report directly to the Board on the state of the institution regarding financial and technical matters.
- o The Executive Director will manage and direct all operational and technical activities of the institution.
- o The Executive Director will carry out policy guidelines as determined and approved by the Board.
- o The Executive Director will be A.I.D.'s Management liaison and will be responsible for managing A.I.D.'s Project funds to the organization. A.I.D. will continue to have the right to approve the Executive Director.

- o The Executive Director will also provide all technical and managerial direction to the staff of the IPC. All staff report to and are directly responsible to the Executive Director.
- o The Executive Director will provide recommendations to the Board for policy revisions as deemed necessary to assure the technical and managerial direction and integrity of the institution and its program.
- o The Executive Director will submit yearly to the Board for review and approval, strategic plans and operational plans for the institution. Once approved by the Board, the Executive Director has full authority to implement those plans under the policy direction of the Board.

Financial Contribution by the IPC

- o The IPC will generate and contribute 25% of the costs to maintain basic IPC services (Core Costs) during the first year of the Project, 50% during the second year, 75% during the third year and 100% in the fourth year.
- o These Core Costs are defined as including salary and overhead costs related to the following staff:
 - o Executive Director
 - o Secretary
 - o Driver
 - o Director of Administration
 - o Accountant
 - o Secretary
 - o Receptionist
 - o Drivers (2)
 - o Messenger
 - o Director of Marketing
 - o Investment Counsellor
 - o Secretary
 - o Director of Information Systems
 - o Desktop Publishing Assistant
 - o Director of Research
 - o Secretary

- o On the basis of IPC budgetary projections it is estimated that these costs will be as follows:

	TOTAL	
	CORE STAFF	IPC
<u>YEAR</u>	<u>COSTS (US\$)</u>	<u>SHARE (US\$)</u>
1	248,000	62,000
2	288,000	144,000
3	<u>344,000</u>	<u>258,000</u>
4	350,000	350,000
	=====	=====

- o Revenue generation by the IPC will come from membership dues, sales of services and other fundraising activities undertaken by the Board.

Strategic Plan

- o The IPC will continue to develop its role in policy dialogue with the GODR on behalf of its constituents.
- o Dialogue emphasis will be on policy issues affecting export development and the attraction of foreign and domestic investment.
- o The strategic focus of policy dialogue will depend on the demands of the marketplace, changes to GODR policy, and the priority of the IPC constituents. The strategic plan should be sufficiently flexible to accommodate the changing environment.

LIST OF BOARD MEMBERS OF IIC

Public Sector

Minister of Industry & Commerce
Minister of Finances
Minister of Foreign Relations
Governor of Central Bank
Executive Director of CEDOPEX

Mr. José Manuel Trullols
Dr. Rodolfo Rincón
Mr. Joaquin Ricardo
Mr. Guillermo Caram
Mrs. Katuska Bobea de Brennes

Private Sector - Associations

Association of Industries of Haina
Association of Foreign Investment
Companies (ASIEX)
Association of Exporters (ADOEXPO)
Association of Industrial Free Zones
(ADOZONA)
American Chamber of Commerce

Mr. Jorge Abbot
Mr. Michael Contreras
Mr. Silvestre Aybar
Mr. Luis Manuel Pellerano
Mr. Guillermo Amore

Private Sector - Individuals

Mr. Alfredo Berges (CODETEL)
Mr. Antonio Cáceres Troncoso
Mr. Bernardo Pichardo
Mr. Juan Guilliani Cury

AUTHORIZED SALARIED POSITIONS
INVESTMENT PROMOTION COUNCIL
1990

EXECUTIVE OFFICE

Executive Director (1)
Executive Director Assistant (1)
Executive Secretary (1)
Driver (1)

ADMINISTRATIVE OFFICE

Administration & Financial Director
Administrative Director (1)
IPC Accountant (1)
Subgrants Accountant (1)
Administrative Assistant (1)
Auxiliary Secretary (1)
Receptionist (1)
Filing & Correspondence Clerk (1)
Internal Messenger/Supply (1)
Driver (1)
Driver (1)
Driver (1)
Driver (1)
Messenger (1)
Messenger (1)
Janitor (1)

COMMUNICATIONS DEPARTMENT

Communications Officer (1)

MARKETING OFFICE

Marketing Director (1)
Marketing Assistant (1)
Sr. Investment Advisor (1)
Guide (1)
Guide (1)
Guide (1)
Executive Secretary (1)
Executive Secretary (1)
Executive Secretary (1)

COMPUTER DEPARTMENT

Director (1)
Assistant (1)
Programmer (1)
Special Services (Desktop Publ.) (1)

RESEARCH DEPARTMENT

Director (1)
Assistant (1)

MEMBERSHIP SERVICE DEPARTMENT

Director (1)

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memorandum

ANNEX E

PART I

DATE: December 5, 1989

REPLY TO
ATTN OF: Robert F. Barnes, *RF Barnes* Chief, Private Enterprise Division

SUBJECT: IPC Generated Funds

TO: Project Committee

As was indicated in the evaluation of IPC conducted in 1988, one of the key steps IPC could take to advance its prospects for full "institutionalization" would be its undertaking a continuing series of efforts to raise increasing shares of the funds it require to function. Based upon that observation, AID and IPC have undertaken a series of analyses as to possible means of raising funds, and actual prospects regarding amounts that could be raised. The attached document entitled "IPC Core Funding Strategy" reflects a good deal of the analysis that was done in this connection.

Based upon review and consideration of that document, and following further discussions and analyses jointly conducted with IPC staff, it has been determined that realistic prospects exist that, through various efforts, IPC will be able to generate approximately RD\$700,000 in 1990, RD\$1,500,000 in 1991 and RD\$2,600,000 in 1992 for use in meeting its costs. It has been further concluded that most appropriate use of these funds will be for meeting, to as great an extent as possible, the organization's core operational costs - that is the basic costs of keeping IPC functional. These costs would include costs of maintaining a basic staff for the organization and the costs of maintaining basic office facilities.

In order to help assure clear understanding on the part of all concerned as to the importance of raising needed funds, and using them optimally, it is proposed that the following provision be included in the Grant Amendment with IPC:

IPC Generated Funds. Amounts indicated as IPC Generated Funds refer to all funds obtained by IPC other than those funds provided through this grant from AID, or funds obtained from STP (indicated as GODR Counterpart Funds). It is agreed that IPC will conduct an active and a continuing program to generate funds needed for its operations. The program will include efforts to obtain resources from: a) dues paid for membership in the IPC from the Dominican Republic Business Community; b) receipts from sale of an IPC

RF

Investment Opportunity Registry; c) grants or budget allocations from the GODR (other than and in addition to those funds indicated as GODR Counterpart Funds); d) commissions and other fees levied in connection with provision of IPC services; e) donor agency* grants and projects; and f) other sources as may be identified. With the exception of funds obtained from donor agencies (which are to be used in accordance with agreements concluded between IPC and those agencies), all funds generated by IPC are to be used to meet costs of operating the IPC program.

It is anticipated that, with design and implementation of a well-planned fund-raising effort, IPC will be able to generate at least RD\$700,000 during 1990, RD\$1,500,00 during 1991, and RD\$2,600,000 during 1992. According to present projections, at present exchange rates, these amounts would cover, respectively, approximately 40%; 70%, and 100% of IPC's "core operational

costs" for 1990, 1991, and 1992. "Core operational costs" are costs of salaries and benefits of "Core IPC staff" (as indicated below) and all other "core operational costs" as shown on the budget summary.

IPC-generated funds are to be used to meet IPC costs in the following order of priority:

- 1.- salaries and benefits of the following 17 "core" IPC staff members: Executive Director, Director of Administration, Director of Marketing, Director of Information Systems, Director of Research, (most senior) Desktop Publishing Assistant, (most senior) Accountant, (most senior) Investment Counselor, 4 secretaries (i.e. secretaries of the Executive Director, Director of Marketing, Director of Administration, and Director of Research), Receptionist, Messenger and 3 drivers.
- 2.- salaries and benefits of the balance of the IPC staff.
- 3.- IPC office rent and utilities, and office maintenance.
- 4.- IPC communications (including telephone, telex, telefax, and postage).
- 5.- IPC Office Supplies and Equipment.
- 6.- IPC Capital Costs (including office renovations, office furniture, and vehicles).

* "Donor Agencies" in the context refers to organizations whose principal purpose is to develop and/or support programs aimed at accelerating or enhancing national economic and social development. It does not include organizations principally involved in business and commerce.

7.- IPC In-country travel (including travel and per diem costs, vehicle operations cost, vehicle maintenance, vehicle insurance, etc.).

8.- other IPC operational costs.

As indicated, as and when IPC generates funds in excess of targets specified, the additional funds will be used to offset operational costs for which GODR counterpart funds are currently budgeted. When this occurs, the GODR counterpart funds thereby released will be available for use in meeting IPC program costs.

If IPC is unable to generate sufficient funds to meet annual targets as indicated above, downward adjustments will be made in "core staffing" levels to accommodate the funds shortfall. IPC management may either separate "core" staff members or place them in leave without pay status.

IPC's success in attaining fund targets indicated above will be a key factor used in determining continued availability of AID support during the period of the Grant.

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IPC CORE FUNDING STRATEGY

I. INTRODUCTION

The IPC's Structure, Role, and Objectives

The Investment Promotion Council is a non-profit, independently chartered organization created to promote economic growth through private investment. While the IPC is a private entity with its own by-laws and management structure, it represents a relatively unique form of public/private cooperation. The Board of Directors consists of both private business executives and Government officials. In addition, the IPC operates cooperatively with both individual private entrepreneurs and leading private sector organizations in the Dominican Republic.

The fundamental goal of the IPC is to promote productive new private investment in the Dominican Republic. To meet this goal, the IPC staff carries out a series of promotional activities, including implementing campaigns to "market" the Dominican Republic as an investment site, attending trade and investment conferences, providing information to prospective investors, assisting investors on reconnaissance visits, and working with investors to bring new ventures to fruition.

In addition, the IPC carries out complementary functions of training and investment policy analysis and dialogue. These activities are comparable to the programs of other successful promotion agencies, and are universally viewed as necessary in a world and regional business climate characterized by strong competition for a limited pool of investment capital. The Government, the private sector, and AID share the belief that the existence and activities of the IPC constitute an important component of national efforts to stimulate sound, sustainable economic growth.

IPC Financing Objectives

The IPC currently finances its operations through a combination of a direct grant extended by AID and the utilization of AID counterpart funds administered by the Government of the Dominican Republic. To assure the future sustainability of the IPC, a determination has been reached on the need for the IPC to broaden and diversify its funding base. The basic goal is for the IPC to implement a fundraising plan designed to secure sufficient funds to support progressively larger shares the IPC's core expenditures, with program funding to continue to be provided by AID.

Specifically, in a Memorandum of Conversation between IPC and AID representatives, the funding goal is stated as follows:

"The IPC will generate and contribute 25% of the costs to maintain basic IPC services (Core Costs) during the first year of the project, 50% during the second year, 75% during the third year and 100% in the fourth year."

The core costs have been defined to include salary and overhead costs related to the following staff:

- Executive Director
- Secretary
- Driver
- Director of Administration
- Accountant
- Secretary
- Receptionist
- Drivers (2)
- Messenger
- Director of Marketing
- Investment Counsellor
- Secretary
- Director of Information Systems
- Desktop Publishing Assistant
- Director of Research
- Secretary

On the basis of AID budgetary projections, it is estimated that these core costs, as well as the share to be covered by IPC "self financing" activities, are as follows:

IPC Funding Targets

<u>Year</u>	<u>Total Core Staff Costs</u> (U.S.\$)	<u>IPC Share</u> (U.S.\$)
1	248,000	62,000
2	288,000	144,000
3	344,000	258,000
4	350,000	350,000

According to the Memorandum of Conversation, revenue generation by the IPC will be derived from membership dues, service fees, and other fund raising activities undertaken by the Board.

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Funding Constraints and Challenges

The universe of efforts to establish self-financing capabilities for institutions created by AID or other donor organizations is replete with failures. However, notwithstanding this experience, there is no logical reason to preclude attempts to place organizations like IPC on a long-term, self-sustained footing. The IPC funding strategy is based on the premise that the value of the organization and its work is of sufficient value to warrant the IPC's continued existence. Nevertheless, any realistic funding plan should be recognized as highly experimental, and should acknowledge a number of major challenges, including those noted below. Many of these challenges face promotion organizations in any country, whereas others are specific to the Dominican Republic environment.

1. All investment promotion agencies with a prolonged span of operation have been funded, in some part, from government budgetary resources. These include the Irish Development Authority, Thailand's Board of Investment, Taiwan's Industrial Development and Investment Center, the Malaysia Industrial Development Authority, and the Scottish Development Authority. While the scale and scope of these organizations vary, they are viewed as serving the interests of their respective nations and consequently as deserving of public sector funding.
2. From a conceptual standpoint, investment promotion is a "public good" Like a weather service or a forestry agency, it is difficult for an investment promotion organization to assign the benefits (and therefore costs) of its activities to any particular target group.
3. Prospective investors, who are the beneficiaries of promotional services, are not generally required to pay for such services. None of the promotion agencies in countries which are major competitors of the Dominican Republic charge for their services. As a result, most investors are not accustomed to paying for basic information and assistance, and if asked to do so may well shift their attention to alternative sites.

4. The Dominican Republic does not possess a sufficient number of large and medium sized firms with adequate resources to support "public service" organizations in a meaningful financial way. Several large firms are generous in their support (e.g. Codetel, Falconbridge) but these are not few in number.
5. A fairly wide range of business organizations in the Dominican Republic already depend heavily or totally on corporate financial support. These include the National Businessmen's Council, AMCHAM, ASIEX and ADOEXPO, and JACC and ADOZONA are now seeking such support. As a result, the resources of business enterprises are stretched among a number of agencies competing for funds.
6. Like many countries, the Dominican Republic does not have an established tradition of corporate giving on a "pro bono" basis for worthy activities, in the sense that contributors do not expect any specific services in return for their donations.

In combination, these factors imply that any attempt by IPC to attain financial self-sufficiency represents a major challenge.

Method of Approach

The methodology employed for the development of the proposed IPC funding strategy revolved around a logical progression of analysis. The first step was to identify a broad range of possible sources of funding for the IPC. This was combined with the preparation of a catalog of possible mechanisms for funding support. This step sought to establish a "universe" of financial possibilities, which are presented in the final section of this report.

The second step was to assess alternative sources and mechanisms objectively via a process of elimination, to develop realistic determinations on prospects for each category. This process included scoring each possibility against a series of predetermined criteria. On the basis of this analysis, a preliminary set of fund raising options was prepared. The criteria and scoring of alternatives are also shown in the last section of the report.

The third step involved testing the feasibility of various funding options through a solicitation of views of individuals and organizations in the Dominican Republic. Those interviewed were asked to comment on the feasibility of alternatives as well as reasonable funding thresholds for each. Additional ideas were also collected. Those interviewed included IPC Board Members,

management and staff, as well as business executives and representatives of other business associations in the Dominican Republic.

The final step in the strategy formulation process was to evaluate the various comments and ideas received, and then to prepare a proposed funding strategy. This strategy, which is described in the next three sections, will be presented to the IPC Board and Management for their consideration and adaptation.

II. FUNDING PRINCIPLES

Efforts to achieve funding for the IPC, like those for any similar organization, will by necessity depend heavily on circumstances associated with alternative sources. In other words, a fund raising strategy should be "entrepreneurial" in seeking out reliable sources of money to support the IPC's existence and activities. However, in order to direct the funding strategy without unduly constraining the range of alternatives, it is important to establish certain principles to act as guidelines. A proposed set of guidelines is presented below, along with a brief discussion of their intent and operational implications.

1. The IPC Board and Management should take primary responsibility for developing and implementing a strategy to assure the long-term viability of the IPC.

Clearly the primary responsibility for the IPC's future existence rests with its management and Board of Directors. Accordingly, these groups are directly accountable for undertaking those steps necessary to assure that sufficient funds are obtained. This responsibility includes but also goes beyond the basic task of fund raising. The IPC's long-term viability is also dependent upon creating and maintaining a high degree of credibility within both local and foreign private sector and government groups. Equally important is guaranteeing a high level of competence and performance. Additional responsibilities include clear pledges to undertake aggressive fund-raising efforts, assure prudent fiscal management, and marshal institutional and program resources carefully. These actions are necessary to indicate to outside sources that their funds are being well spent.

2. Direct beneficiaries of IPC activities and services should constitute a major source of funding.

This principle simply indicates that costs should be borne by beneficiaries whenever possible. The primary recipient of benefits is the Dominican Republic economy, since IPC is charged with encouraging new investments which in turn generate jobs, income and foreign exchange for the country as a whole. As a result, funds for IPC should be sought from the government and from other public

and private donors which are interested in development of the economy as a whole.

A second and very specific segment of beneficiaries includes the prospective investors -- both domestic and foreign -- that directly receive IPC services. While these individuals and companies should, in theory, be willing to pay for these services, a caveat regarding the potential danger of charging investors for information and services has already been noted.

A third category of recipients to which the IPC should look for funds consists of the Dominican Republic business community, since increased investments provide new income opportunities for many members of this group. Beneficiaries include free zone operators, professional service providers (e.g. law firms, accounting firms, engineering consultants, etc.), potential joint venture partners, and others who stand to gain from expanded investments. All three of these groups should be approached as viable sources of funds to support the IPC.

3. The need to secure increased financial self-sufficiency should not alter IPC's professional independence nor compromise its ability to provide objective information and services in a nondiscriminatory fashion.

A danger faced by any organization seeking to raise funds is that it might be forced to change its basic role or actual identity to accommodate the interests and demands of primary funders. This problem is particularly acute for nonprofit organizations experiencing chronic or acute cash flow shortfalls, since they must achieve acceptable accommodations between organizational goals and funder requirements.

A specific implication of this principle for the IPC is that funding should not force the organization to extend preferential treatment in its advice, information and counsel to prospective investors. Such a development would imperil the integrity of the IPC and undermine its chartered purpose. In a practical sense this sometimes runs counter to the idea that contributors "want to see something" in return for their money.

4. The IPC should maintain its status of independence and its mission of assisting private sector development in the Dominican Republic.

This principle is related to the notion of objectivity noted above, but refers specifically to the concept that while the IPC is a cooperative venture between the public and private sectors, it is essentially designed to promote private enterprise. Regardless of whether it receives government funding, IPC should maintain a strong business-minded emphasis and orientation.

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III. IPC FUNDING STRATEGY

Based on the considerations presented above, along with an analysis of funding opportunities and constraints, a proposed fund raising strategy for IPC is as follows.

Strategic Objective

The goal of IPC's funding strategy is to obtain increasing incremental shares of IPC's core costs, as identified above, from a variety of non-AID sources which support IPC's institutional mission. The term "non-AID sources" is defined to include all possible private and public funders.

Funding Activity Criteria

The sources of funds to be sought, as well as the mechanisms to be used, have been determined on the basis of the following decisionmaking criteria. An evaluation of alternatives tested against these criteria is appended to this report.

- Relative scale of funding (the largest feasible increments of financial receipts from alternative sources)
- Relative probability for success (highest chances for obtaining positive decisions by alternative sources)
- Relative ease of administration (smallest amount of fund raising time and effort)
- Relative lack of undesired side effects (e.g., changes in operations, need to provide preferential treatment, etc.)
- Relative functional appropriateness (obtaining funds from pertinent sources)

Fundraising Campaign Structure

An examination of funding alternatives indicates that no single source can be relied upon to provide funding in the magnitudes necessary to fulfill all of IPC's requirements. Therefore, IPC's fundraising must be geared toward developing a series of funding bases which cumulatively build up to secure an adequate, sustainable funding foundation.

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The funding bases consist of four core sources of finance:

- membership dues from the Dominican Republic business community
- receipts from an IPC corporate/service registry
- grants or budget allocations from the Dominican Republic Government
- core or program support from non-AID donor agencies

Implementation of the fundraising program will require development of tailored fund-raising plans for each of these candidates. Realistically, a certain degree of funding will have to be achieved from each source in order to reach the overall objective. The precise timing and financial thresholds for each candidate vary, depending on differences in decisionmaking.

In addition to the core funding sources, the IPC will also seek to obtain a certain amount of money from two additional activities:

- User fees for IPC services (cost recovery)
- financial and in-kind donations from individuals and corporations.

However, these latter two components cannot be expected to raise significant levels of funding.

The funding campaign structure includes two important rules which are intended to provide for the flexibility, incentives, and "entrepreneurship" that is needed to enhance this highly experimental initiative.

1. While the overall strategy is to cover the targeted amount annually, any excess funds raised in any given year will be placed in an "endowment" account, to earn interest and be credited against future year targets.
2. All gross receipts of funds from non-AID sources will be credited against the annual target, regardless of their source or use.

The following discussion provides a more detailed description of the funding bases to be developed as a part of the IPC strategy.

Membership dues. To remain viable as a private sector organization, the IPC needs to mobilize the material support of the local private sector, particularly those groups which form its natural "constituency".. The method to be used for manifesting this support is the assessment of annual dues for membership in the IPC. The IPC Board has discussed alternative membership due levels at length and has reached the decision to assess two separate categories of dues: \$RD 1,000 annually for individual members and \$RD 5,000 for associations, and corporations. Since the IPC is incorporated as a nonprofit entity, all dues will be deemed as tax deductible.

The following table indicates an estimate of the number of potential corporate and individual members from whom dues can be collected, as well as overall amounts raised.

MEMBERSHIP DUES ESTIMATES
(Numbers of members and D.R. Pesos)

	<u>Year 1</u>		<u>Year 2</u>		<u>Year 3</u>		<u>Year 4</u>	
	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>
Assns	7	35,000	10	50,000	12	60,000	14	70,000
Zones	10	50,000	12	60,000	12	60,000	12	60,000
Corps	15	75,000	20	100,000	25	125,000	30	150,000
Ind'ls	<u>20</u>	<u>20,000</u>	<u>30</u>	<u>30,000</u>	<u>40</u>	<u>40,000</u>	<u>50</u>	<u>50,000</u>
TOTAL	52	180,000	72	240,000	89	285,000	106	330,000

Note: It is assumed that membership due levels remain the same throughout the four-year funding period.

Corporate/Service Registry. A second funding base for the IPC is a new venture proposed by the Executive Director. The basic concept is for the IPC to undertake the preparation and publication of a corporate and service registry for the Dominican Republic. It provides a service to current and prospective investors, and represents a money making enterprise.

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The IPC would first advertise locally that it plans to publish a registry. It will solicit "placements" in the registry from a variety of local business establishments. They would include local manufacturers and subcontractors, potential joint venture partners, free zone operators, law and accounting firms, real estate companies, consulting companies, utilities, and other firms seeking the business of current and new investors. The placements will include a pre-determined set of information (products, services, joint venture interest, addresses, etc.) that will be collected on a form. A standard fee of \$RD 1,000 will be charged for placements of equal size. An option for advertisements (using camera ready copy) will be considered for additional fees. Another option is to "sell" differentially sized space in the registry, similar to "Yellow Pages" telephone directories.

For planning and budgeting purposes, it is assumed that a total of 200 firms will be willing to fund placements in the registry, leading to a gross income of \$RD 200,000. The initial figure of 200 appears reasonable and is viewed as conservative by some. The number of registered firms will increase thereafter. Copies of the registry will be made available to local and foreign firms and individuals either at no charge or for a modest fee.

Government Grants or Budget Allocations. As noted above, the overwhelming if not universal experience of investment promotion organizations of any reasonable size and duration has been that their basic operating costs are covered by their governments. Encouraging new investments is in the public good and accordingly should be seen as worthy of public support.

As a consequence of this conclusion, the Dominican Government should be approached to provide at least partial financial support for the IPC. The strategy to be followed is to present the IPC as a public/private partnership, and to seek funding from the Government on an approximate matching basis with private sector support. In this regard, private sector support would be defined as IPC receipts from membership dues and from the corporate registry.

The IPC should implement a procedure of developing a formal grant proposal to the Government. This proposal will include, at a minimum, detailed treatment of the following:

1. A comprehensive financial statement and plan, specifying the composition of IPC expenditures to date and forecasting future expenditures and financial needs.
2. An analysis of achievements made by the IPC to date, including an economic and social justification of the merits of the organization and its activities.

3. A master plan for the IPC's institutional development and promotional program, as well as annual work plans where appropriate.
4. A review of the IPC's fund raising strategy and results to date.

This and related material would be aggregated into a major proposal which would include a specific funding request (multi-year) and proposed uses for funding. The proposal would then be presented to the Government through appropriate channels. Accompanying the proposal would be supporting testimonials from those public and private sector organizations which derive benefits from the IPC and its activities.

Any attempt to secure government funding will clearly face serious challenges, given budgetary resource constraints. On the other hand, there is no logical reason for the IPC to preclude such an attempt in view of the merits of the case.

Non-AID Donor Grants and Project Funds. The final major funding base for the IPC to develop is the solicitation of grants and project funds from donors other than AID. Many investment and promotion organizations obtain funds from both bilateral and multilateral donors, and in fact the IPC has been approached by these donors. While AID has taken the lead internationally in funding such projects, other donors are now following suit and providing grants to institutions involved in investment promotion.

Among the "universe" of donor agencies, the following hold the greatest promise at least in the near term: The World Bank, the IFC, CIDA of Canada, IADB, and the Caribbean Basin Development Facility. Discussions have already been initiated with several of these donors. A second list of candidates includes the European Community, the Commonwealth Development Corporation, the Caribbean Development Bank, the OECF of Japan, and other bilateral donor agencies.

The strategy to be employed by IPC includes two components. The first is to act aggressively on opportunities that arise in the form of responding to inquiries and proposals initiated by donor organizations. Several of these initiatives are now under way. The second method is for IPC to prepare formal proposals for donor funding, comparable to and using much of the material developed for a government funding proposal. These latter proposals would present requests for specific levels of institutional and program funding. In order to meet the need of securing "core" funding, each proposal should incorporate a portion of the IPC's core (staff) costs which would be allocated to the activity planned. In other words, "program" funding would include a certain amount of "overhead" to be financed out of the same grant.

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Other funding sources. The sources and mechanisms identified above constitute the most likely means of obtaining material thresholds of funding for the IPC. In addition, however, several additional funding opportunities should be pursued rigorously, even though they are not likely to yield major amounts of money.

It is clearly appropriate for the IPC to seek to recover, from direct recipients, part of the costs of certain services. These include informational brochures and videotapes, participation in IPC-sponsored seminars in the Dominican Republic, and attendance at trade and investment shows in which the IPC takes a lead in sponsoring a Dominican Republic presence. Fees have already been collected on the latter two activities. While at best, any fees collected can only represent partial cost recovery (e.g., printing and mailing costs, trade show registration and booth space fees, seminar honoraria, etc.), they do represent a cash inflow and therefore should be credited against the IPC's overall core funding target.

Another source of potential funding is outright donations -- financial or "in kind" by individuals and corporations. These can include, for example, the provision of services (travel by airlines, telephone, etc.) or goods (e.g., computers, audio-visual machinery, etc.) by various "friends of IPC." Appropriate steps would be taken to assure that such donations would be tax deductible. The strategy would simply be for the IPC to identify specific cost items (current and projected) and then seek targets of opportunity for donations.

A final source of possible funding is derived as a culmination of all other fund raising efforts -- the establishment of an IPC endowment account. If in any year the IPC succeeds in exceeding its core cost funding target, the excess would be placed into an interest-bearing account. The principal and interest of this account would then be credited against future year targets.

IV. ANALYSIS OF IPC FUNDING CONSTRAINTS AND OPPORTUNITIES

This section seeks to present an objective assessment of funding possibilities for the IPC. Following a brief discussion of the fund raising environment in the Dominican Republic as it relates to the IPC in different categories, specific funding alternatives are analyzed.

Membership dues. The IPC faces major hurdles in its fund raising efforts. As noted at the outset of this report, the IPC is not an advocacy organization, and consequently faces difficulties in mobilizing a strong support base and constituency like those enjoyed by organizations such as ASIEX, ADOZONA, or ADOEXPO. In addition, the IPC will in a sense compete with

existing business associations for a limited pool of members and/or funds. Finally, the staff size of the IPC is quite large in comparison to other local membership organizations, which are able to support their staff salaries with relatively modest membership dues.

Notwithstanding these constraints, current Board members and outside interested parties have been polled on the prospects for raising funds via membership dues. In general, these have yielded positive results and a general interest among the business community in supporting IPC and its activities.

Government funding. In view of its organizational standing outside the traditional government structure, the IPC will have to convince the government that its existence and mission are important to the nation. No similar organization has achieved general support funds from the government, and budgetary resources will be limited for the foreseeable future. In all likelihood, a plan to elicit some form of matching funds from the government has the greatest chance of achieving results.

Corporate/service registry. This form of venture provides a concrete service to the local business community, and hence is considered as holding considerable fund-raising potential. It is also visibly nondiscriminatory in presenting the case of alternative firms and suppliers, thereby reinforcing the IPC's stated mission.

User fees. Foreign and local corporations and entrepreneurs are generally willing to pay for certain materials and services they receive, such as brochures and participation in seminars. This also indicates their level of interest and wherewithal. However, this cannot be extended to include all of IPC's services, such as informal counselling, arranging appointments, and responding to inquiries of prospective investors. If these services are subjected to major fees, many investors will simply turn elsewhere. Consequently, the IPC should develop a standard set of fees and present this structure early in the process of dealing with new leads, but should not set these at excessive rates and apply them to all services.

Non-AID Donor Assistance. The IPC has not to date exerted major efforts to secure funds from bilateral and multilateral donors. This represents a considerable potential source of program funding. Many similar promotion organizations literally manage a rolling set of projects and programs with external donors. The relatively small size of the IPC presents both advantages and disadvantages. On the positive side, the IPC does not require significant levels of funds to provide a material inflow of funds. On the negative side, the IPC is not in a position to manage a large number of donor-funded activities beyond its own mission, since the existing staff time would be stretched. Nevertheless,

the IPC should develop a series of funding "packages" to be presented to alternative donors.

V. EXPECTED RESULTS

The sum result of the fund raising efforts identified above is the following cash flow for the IPC. These results are presented in schematic form in Appendix 1:

IPC ESTIMATED FUNDING STRATEGY INCOME
(Thousands of U.S. Dollars)

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
Membership Dues	28.6	38.1	45.2	54.4
Registry Income	31.7	40.0	50.0	60.0
Government Grants	-	60.0	75.0	90.0
Non-AID Donors	10.0	30.0	50.0	90.0
Service Fees	5.0	7.0	9.0	11.0
Donations	5.0	5.0	10.0	10.0
Endowment	<u>-</u>	<u>18.3</u>	<u>54.4</u>	<u>35.6</u>
Subtotal	80.3	194.4	293.6	351.0
Target	<u>-62.0</u>	<u>-144.0</u>	<u>-258.0</u>	<u>-350.0</u>
Carry-Over	18.3	54.4	35.6	1.0

As one can see from these cash flow projections, the strategy assumes that the membership drive and registry are implemented in first year of the plan, beginning July 1, 1989. Government funding is not assumed until the second plan year, since practical considerations dictate considerable preparation and "groundwork." The strategy also assumes that a certain endowment cash balance is created in initial years as a cushion to help meet future year requirements. No interest has been computed on the projected endowment, whereas current rates of about 20 percent could be earned.

The overall financial targets and the money raising figures for individual components reflect the need for concerted action and a considerable level of effort. However, these targets are not unrealistic but rather represent an achievable goal if appropriate measures are taken. At the end of the planning period the IPC should be placed on a sound, long-term financial foundation.

VI. IMPLEMENTATION CONSIDERATIONS

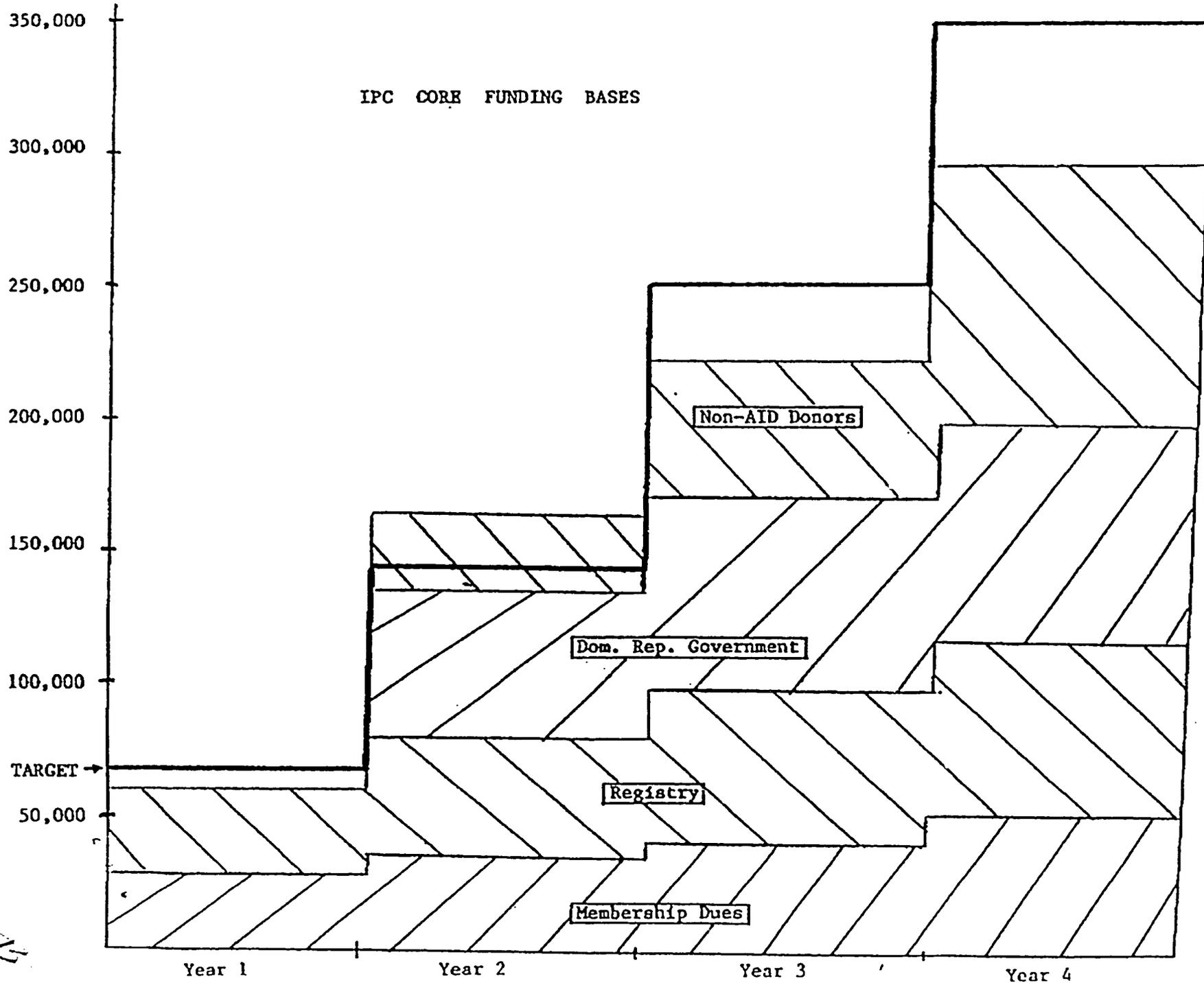
Implementation of the fund raising strategy will require a major level of effort by the IPC, and specific tactics will be determined for each funding component. At the general level, however, a series of implementation rules and procedures will be applied to provide overall guidance.

1. A Financial Development Committee of the Board will be established to oversee fund raising activities and monitor results.
2. The President of the Board and the Executive Director will assume functional responsibility for the implementation of the fund raising plan.
3. Specific decision points, actions and milestones will be determined on an annual basis, in conjunction with the development of annual strategic plans.
4. Bi-annual progress reports will be issued and will include financial and substantive information.
5. All receipts of funds will be deposited into a special bank account and credited to the core funding target. The account will be subject to rigorous fiduciary controls, and all withdrawals will be used only to support identified core IPC costs.
6. A comprehensive set of financial accounts will be developed according to accepted accounting principles and made available to institutional sources of funds.
7. A summary financial statement will be issued annually to IPC members.

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APPENDIX 1

IPC CORE FUNDING BASES



Export and Investment Promotion Project
Project Supplement

LOGICAL FRAMEWORK

SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<u>Goal</u>	<u>Measures of Goal Achievement</u>		
Increased employment, incomes and foreign exchange earnings.	<ul style="list-style-type: none"> - Value of export increasing by 10-15% annually. - Number of export-related jobs increasing by 10-15% annually 	<ul style="list-style-type: none"> - Data from IPC, CEDOPEX and Central Bank. 	<ul style="list-style-type: none"> - Relative political stability. - Continued GODR support for IFTZs.
<u>Purpose</u>	<u>EOPS</u>		
The purpose of the Project is to establish the IPC as an effective mechanism for promoting investment in, and exports from the Dominican Republic, and for coordinating and facilitating efforts of other public and private sector organizations with related objectives.	<ul style="list-style-type: none"> - The IPC will be fully staffed with 20-30 fully trained and qualified (professional-level) individuals who are fully capable of carrying out the functions for which they are responsible. The organization's internal structure, division of responsibility and authority, and established administrative and operational procedures will be such as to optimize effective performance of the organization's functions. - The Board of Directors of the IPC will reflect and represent the significant public and private sector interests and constituencies being served by the IPC. Board 	<ul style="list-style-type: none"> - Observation and evaluation of IPC. - IPC documentation evaluation and monitoring of IPC. 	<ul style="list-style-type: none"> - Export and business community sees value in IPC services. - IPC generates sufficient funds to attract (compensate qualified staff members.

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: members will be being selected/ :
: elected to their seats through an :
: appropriate process. Board members:
: will be actively participating in :
: the decision making process as :
: regards overall IPC direction. :
: :
:-- IPC will have a dues-paying member-- IPC records.
: ship of at least 150 associations/ :
: firms/individuals. Its membership :
: will adequately reflect the various:
: constituencies being served by the :
: IPC. Membership dues will be such :
: as to: a)reflect a significant :
: commitment of members to the IPC; :
: and b)offset a significant percent-:
: age of the costs of services being :
: provided to IPC's members. :
: :
:-- IPC will be generating sufficient -- IPC records.
: funds from membership dues, sale :
: of of IPC-produced documents, sale :
: of services, commissions and other :
: sources to meet :
: its :
: "core operational costs" (i.e. :
: staff salaries and benefits, :
: office rent and utilities, supplies:
: and equipment, etc.) :
: :
:-- IPC will be providing services for -- IPC records.
: and receiving financial and other :
: support from 2-5 international :
: donor agencies each year. Services:
: provided to these organizations :
: will be consistent with and in :
: support of the objectives of the :
: IPC as indicated in the EIP :
: project. Whenever possible, IPC :
: will be obtaining contributions :
: from those organizations which :

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: offset its costs, including "over- :
: head costs" in providing the :
: services. Contributions to defray :
: "overhead costs" will be used for :
: meeting IPC's "Core Operational :
: Costs" (as these are indicated :
: above). :
: :
!- The IPC will be serving as a !- IPC records.
: principal forum for the discussion, !
: debate, and analysis of national !- Evaluation and monitoring of IPC.
: policy and other factors as they :
: affect prospects for investment and !
: exports. Actual and/or proposed :
: legislation that will affect these !
: will regularly be being reviewed !
: and cometed upon by the IPC. On !
: occasion IPC will be proposing new !
: and/or modified legislation in !
: certain areas. !
: !
!- IPC will be taking the lead in !- IPC records.
: regularly (several times each year) !
: meeting and holding discussions !
: with 8-12 other public and private !
: sector organizations which have !
: substantial interest in the !
: promotion of investment in and !
: export from the D.R., so as to be !
: better enable all the organizations !
: to plan and coordinate their !
: individual and joint programs. !
: (Discussions will be in relation !
: to activities proposed and/or being !
: implemented with IPC subgrants, as !
: well as other more general !
: matters). !
: !
!- Through: a) participation at !- IPC records.

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: selected trade fairs, trade shows, :
 : and trade association meetings; :- Evaluation of IPC.
 : b)placement of advertising in :
 : selected trade journals; and c) :
 : targeted mailings to particular :
 : audiences - be identifying and :
 : establishing contact with at least :
 : 500 firms each year which could :
 : credibly be considered as potential :
 : investors in the D.R. From these :
 : 500 contacts, be inducing at least :
 : 150 firms to make initial :
 : investment exploration visits each :
 : year. (Of the 50 firms making :
 : follow-up visits, approximately :
 : 1/3 - or 17- should decide to :
 : establish a plant in the D.R. With :
 : an average of 300 new jobs created :
 : with each new plant, approximately :
 : 5000 new jobs should be being :
 : created each year). :

:- From contact with 500 firms :- IPC records
 : indicated above, the IPC will be :
 : facilitating/arranging at least :
 : 50-70 "export production contracts" :
 : per year, under which Dominican :
 : manufacturers will manufacture :
 : goods under contract for foreign :
 : producers. Total value of these :
 : contracts will be in excess of :
 : \$2,000,000 per year. Through these :
 : contracts, at least 600 :
 : "employment-years" of work will :
 : be generated in the D.R. each year. :

OUTPUTS

1- Adequate and appropriate IPC office facility established and : 11. To be accomplished by end of 1987. :- Observation :

operating- basic, core staff hired and in place, office equipment procured and in place, basic operating systems established.	1 1 1 1 1 1				!- Review of IPC records.	!
2. IPC staff training systems established and functioning (i.e. all needed courses identified, training modules prepared, etc.)	1 1 1 1 1 1	2. All training systems established and in place by end of 1989.			!- IPC records !- Existence of "Training modules".	!
3- Appropriate by-laws/regulators for establishment and functioning of IPC board of directors prepared and adopted.	1 1 1 1	3- To be accomplished by Mid-1990.			!- IPC records	!
4- Annual Strategic Marketing Plans developed.	1 1	4- One plan per year.			!- Existence of Plans	!
5- Sectoral promotion/marketing campaigns planned and implemented:	1 1 1 1 1 1	5- One campaign for sector for years indicated:			!- IPC records	!
- footwear	1	90	91	92		!
- apparel	1	X	X	X		!
- electronics	1	X	X	X		!
- sporting goods	1	X	X	X		!
- toys	1	X	X	X		!
6- "936" investment campaign planned and implemented.	1 1	6- To be conducted in 1990.			!- IPC records	!
7- Firms receiving in-plant assistance to increase exports.	1 1	7- <u>90</u> <u>91</u> <u>92</u> 8 8 8			!- Observation !- IPC records	!
8- GODR Policy or other issues affecting business climate studied and/or addressed.	1 1 1	8- 3/4 issues per year.			!- IPC records	!
9- Promotional materials developed.	1	9- Annual production of following:			!- Existence of Materials	!

10-General D.R. image enhancement advertisement/favorable articles produced and placed.	110-	<u>90</u> 12	<u>91</u> 12	<u>92</u> 12	!- Reveiw of Ads, articles	!
	!	!	!	!	!	!
11-Receptions/tours organized for visiting investors groups.	111.	<u>90</u> 30	<u>91</u> 30	<u>92</u> 30	!- Ipc Records	!
	!	!	!	!	!	!
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INPUTS	!	!	!	!	!	!
1- AID Grant to IPC	11.	\$4,000,000			!- AID/IPC records	!
- TA	!	!	!	!	!	!
- Operating costs	!	!	!	!	!	!
- Program costs	!	!	!	!	!	!
2- AID Cont.	!	\$1,630,000			!- AID/IPC records	!
- TA	!	!	!	!	!	!
- Operating costs	!	!	!	!	!	!
- Program costs	!	!	!	!	!	!
3- IPC Funds	!	\$764,000			!- AID/IPC records	!
- Operating costs	!	!	!	!	!	!

POSITION DESCRIPTION
EXPORT/INVESTMENT PROMOTION ADVISOR

INTRODUCTION

A Personal Services Contractor (PSC) is required for up to a 30 month period to fill the position of the USAID Export/Investment Promotion Advisor. The Contractor will report to the Private Enterprise Division (PED) of USAID and be responsible for wide-ranging assignments with several public and private organizations in the areas of investment, trade and export development. The focus of responsibility will be technical in nature, the contractor will be asked to provide advice, initiate activities, and monitor actions on a variety of issues as they arise.

OVERALL DUTIES AND RESPONSIBILITIES

The Contractor will be required to monitor the activities of the Export and Investment Promotion Project (517-0190) and to act as the project advisor and project coordinator to USAID as well as to the various public and private associations involved in investment promotion and export development. Specifically, the contractor will be responsible for:

- Monitoring the plans and activities of various participating institutions such as the Investment Promotion Council (IPC), the American Chamber of Commerce (AMCHAM), the Center for the Promotion of Dominican Exports (CEDOPEX), the Dominican Association of Exporters (ADOEXPO), Association of Foreign Investors (ASIEX), Secretariat of Industry and Commerce (SEIC) and other organizations as AID shall determine fall within the scope of the Project's activities.
- Promoting, to the extent possible, a unified effort by the various participating institutions to increase investment and generate exports.
- Assisting each organization to develop specific objectives, a strategy and a working/operational plan and to determine the financial and technical resources required to meet the goals for the organization's activities.
- Advising AID on the status, capabilities and progress of each organization and their relative strengths and weaknesses in pursuing their organizational mandates.

TASK-SPECIFIC RESPONSIBILITIES:

The Contractor will carry out a variety of tasks as follows:

- Develop working relationships at various levels with the public and private organizations involved in investment promotion and export development. Those organizations include, but are not limited to IPC, CEDOPEX, ADOEXPO, ASIEX, SEIC and Customs. The contractor is required to (1) establish a formal relationship with counterparts, at various levels within each of the agencies and organizations, (2) develop a working credibility with each, and (3) elicit the cooperation of the organization for participation in a coordinated national effort.
- Develop an understanding of the nature, scope and breadth of the activities of each of the organizations as they relate to the objectives of the IPC in promoting investments and exports. To this end the contractor will (1) review all pertinent documentation relating to, or emanating from, the organizations involved in investment or export promotion, (2) interview key personnel involved in program/project activities, (3) conduct institutional analyses of the private and public organizations to identify specific constraining factors, (4) examine the success and failures, strengths and weaknesses of each organization, (5) analyze the reasons for the success and failures, (6) present AID, the IPC and participating organizations with suggestions as to how organizations should promote export and investment, and (7) identify strategic directions consistent with and complementary to the goals of the IPC.
- Work with each organization to produce and implement plans or programs which will stimulate exports and new investments. Contractor will (1) advise in the selection of areas for program concentration, (2) help determine the nature and the extent of the specific programs, (3) assist in the design of project/program proposals, (4) coordinate the efforts of each organization to eliminate duplication, excess or extraneous effort, and (5) seek to assure the integration of each of the organizations activities with the policy and program direction of the IPC.
- Identify specific financial and technical assistance (TA) requirements for each organization. Contractor will monitor the program planning and implementation process of each organization and determine the nature and extent of the technical and financial assistance required during the various stages of program/project development and implementation. Contractor will (1) advise AID and the organization of the specific technical and financial assistance required, (2) draft scopes of work and budgets as may be needed for individual requests, (3) follow-up with the requests through the IPC's institutional TA Contractor, (4) guide the work of the TA contractor, (5) assure timetables are met and (6) verify that the work of the TA contractor meets the scope of work, and (7) assure the integration of the technical assistance contractor's work into the program/project objectives of the organization.

- Advise AID and the IPC on specific policy problems or constraints faced by the implementing organizations. The contractor will (1) evaluate the policy constraints faced by each institution and recommend methods and means for overcoming those barriers, and, (2) advise AID and the IPC on the laws, regulations and rules which impede the achievement of the goals of the IPC and participating institutions.
- Advise AID, the IPC and the TA Contractor on the progress of the various participating organizations in meeting the goals outlined under the project. The contractor will (1) report on the stages of the participating organizations to the IPC's Executive Director, (2) inform the IPC TA Contractor on a continuous basis of the status and direction of the participating organizations and (3) advise the AID Private Enterprise Officer as frequently as AID determine is required and in a manner which AID deems appropriate, and (4) submit periodic written reports on the status and progress of each organization's attempt to meet their objectives.

QUALIFICATIONS

The Contractor will have about ten years of experience in international business. Specifically, the Contractor will be familiar with investment promotion and export development activities in Third-World countries and will have some level of experience with international donor agencies. Direct experience with the private sector is required. An undergraduate and graduate degree is required and a specialty in business, finance or accounting is desirable. The contractor must also be able to communicate effectively in written and spoken English and Spanish. Specific evaluation criteria are contained in Attachment C.

SUPPORT

The Mission will provide office space and secretarial assistance to the contractor. Housing and educational allowances, transportation of household goods, vacation, and commissary privileges shall be extended to the contractor and dependents in accordance with USAID rules and regulations.

TIMING

The Contractor is expected to begin work in the Dominican Republic on or about January 1, 1990. The ending date of the contract will be no later than December 31, 1992.

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