

ACTION PLAN -- FYs 1992 - 1993

USAID/DOMINICAN REPUBLIC

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I. THE NEW COUNTRY STRATEGY

In 1991 the Mission presented its Country Development Strategy Statement (CDSS) for the Dominican Republic for the period from FY 1992 to FY 1996. The overall strategy goal of U.S. economic assistance to the Dominican Republic is to enhance the close and cooperative relationship between the Dominican Republic and the United States, as envisaged by the Enterprise of the Americas Initiative (EAI), by supporting Dominican efforts to promote economic growth and to strengthen democratic institutions. The Mission strategy in the Dominican Republic is crafted around the two major EAC development objectives:

- **Achievement of broad-based, sustainable economic growth; and**
- **Strengthening of a stable, democratic society in the Dominican Republic.**

In developing its new strategy, program activities and operational modalities, USAID has kept in mind the close interrelationship between the objectives of economic growth and strengthening of democracy.

The new CDSS presents several important changes of emphasis over the FY 1986-90 CDSS. First, the Mission will redirect efforts to foster a sustained, healthy macro-economic environment. In 1990 the GODR began a vigorous economic stabilization and structural reform program. Given the impact that poor economic performance has had on a large number of Dominicans, the highest GODR priority must be to adhere to this program. Previous strategies stressed the leverage of ESF in initiating macro-economic reform. The Mission now intends to use ESF to encourage the GODR to adhere to a reform program. In addition, the Mission also intends to assist Dominican entities to eliminate the institutional and public support constraints to sustained policy reform.

The new CDSS also significantly increases Mission efforts to promote a stable, democratic society in the Dominican Republic. USAID in the past has supported efforts at strengthening democracy. However, added emphasis is needed. First, while the Dominican Republic has a long track record of democratic transition from one elected government to another, the society still remains vulnerable to reversals of those achievements. Second, the joint objectives of economic liberalization and strengthening the Dominican democracy are interdependent and mutually reinforcing. Strengthening of Dominican democratic institutions and processes will provide an important complement to Dominican efforts to liberalize the economy and facilitate the country's participation in the open trade and investment regime envisioned in the Enterprise for the Americas Initiative. At the center of both is the issue of redefining and structuring Government's role in a modern society and making decision-making more responsive to existing realities. Open policy-making through public debate, education in democratic values and institutional efficiency and impartiality are at the heart of USAID's strategy.

The CDSS also stresses the great need to focus on the environment and natural resource management. Over the CDSS period, the Mission proposes to put significant additional staff and program resources into this area of concern.

Finally, USAID is modifying its approach to providing selected social interventions that address critical needs of the poor. The main tenet of the Mission strategy will continue to be that growth in employment and incomes in the productive sectors is the most efficient way to improve overall well-being of lower income groups. However there are key constraints, in addition to available jobs, which severely limit the ability of lower income groups to participate in the benefits of increased rates of economic growth. Poor education and family health services are significant obstacles to improved productivity, participation and well-being of low income groups. The Mission will focus its scarce resources on assisting Dominican efforts, mainly private sector efforts, which address these important constraints.

The new CDSS represents a departure in management approach as well. The Mission believes it can prudently manage its activities with 16 instead of the 22 U.S. Direct Hire which have traditionally staffed the Mission. This will require a redefinition of how the Mission goes about accomplishing its objectives. Mechanisms are being developed to reorient and streamline our approach. For example, in the PVO Co-Financing project, assistance to grantees in preparing proposals, review of these proposals against project criteria and financial management and oversight of grants are all handled on a detailed, day-to-day basis by firms under contract to the Mission, which maintains oversight and overall responsibility. The Mission is undertaking an extensive consolidation exercise detailed in Section 4 and Annex M. Emphasis will henceforth be on program outputs and their impact of program goals. The Mission will seek ways to finance project outputs and limit to the extent feasible, financing of commodities and other labor intensive inputs. USAID will also work more closely with other USG agencies, U.S. interest groups and other donors. In areas of critical importance to accomplishing Mission goals and where program resources are limited, the Mission will rely on its expertise and coordinating skills to promote other donor cooperation. Our work on Electricity Privatization is the model the Mission intends to follow. Importantly, USAID's new approach will emphasize the strengthening of proactive links between development activities in the Dominican Republic and private institutions and firms throughout the United States. Such U.S. organizations will both transfer their know-how and serve as additional proponents of U.S. views and priorities in our programs.

LAC OBJECTIVE NO. 1:

ACHIEVEMENT OF BROAD-BASED, SUSTAINABLE ECONOMIC GROWTH

Over the CDSS period, the Dominican Republic should be able to return to a real growth rate in GDP of around 5 percent and an inflation rate of under 10 percent. Greater participation in the economy will be fostered by key improvements in critical services to the poor, especially education and family health. Private organizations will

both take on delivery functions and push for governmental reform. Historical neglect of the environment can be reversed. Finally, the Dominican Republic will have the policy and institutional capacity to fully participate in the E.A.I. To achieve the scenario, the country will have to address four related areas of economic growth outlined as LAC sub-objectives.

1. ENCOURAGE THE ADOPTION OF, AND ADHERENCE TO, ECONOMIC POLICIES THAT PROMOTE INVESTMENTS, PRODUCTIVE EMPLOYMENT AND EXPORT-LED ECONOMIC GROWTH.

To achieve sustainable broad-based growth, the Dominican economy must attract considerable private investment into emerging sectors, especially those with strong international market potential. To do so, the GODR must address the issue of low efficiency of investment caused by inflation, high public/private sector investment ratios and skills bottlenecks.

USAID strategy links expanded U.S. assistance to continued adherence to an internationally sanctioned reform program. The Mission has aggressively pushed for an agreement with the IMF and will direct its policy dialogue agenda with both the GODR and key private sector interests on the need for adherence. Once an agreement is well underway, the Mission proposes to provide ESF both to assist adherence to the program and to promote key reforms in restructuring the Dominican economy to attract investment. The Mission Work Plan (Annex A) outlines the core Mission policy agenda for the Action Plan period and Action Plan objectives to which they are assigned. In addition to the macro-economic issues identified with the internationally sanctioned reform program, the Mission plans to concentrate on issues directly relevant to trade and investment, and such as tariffs and external debt. To assure the sustainability of the improved policy environment now in place, the Mission will provide selective support to improve the capacity of key Dominican institutions, such as the Central Bank, to develop and implement policies. Given the ambivalence of many parts of Dominican society on the desirability of an open, free-market economy and resistance on the part of many short-term beneficiaries of the current system, an important element of the strategy will be the Mission's support of efforts by highly respected private Dominican organizations to study and to promote informed public debate and consensus on important issues of public policy. USAID intends to initiate its Public Policy reform program as a top priority in FY 1992. The Mission plans that by 1992, a new Investment Law and set of Debt Conversion regulations will be in place, two key conditions for the country to participate in the Enterprise for the Americas Initiatives. Promoting a common approach among donors will become increasingly important and the Mission will press for a reactivated Consultative Group as part of its strategy to strengthen the policy environment.

2. ENCOURAGE A VIGOROUS RESPONSE BY THE PRIVATE SECTOR TO A FAVORABLE POLICY ENVIRONMENT

The new CDSS continues the Mission's past emphasis on the private sector. In spite of poor GODR management of monetary and fiscal policy, the Dominican private sector has proven to be surprisingly strong, diversified and adaptable. The Mission will support private U.S. and Dominican initiatives aimed at promoting increased investment and trade. While the Mission intends to reduce its targeting of certain areas, it will continue to push for an environment which fosters diversification and exports of non-traditional agricultural and industrial products which maximize employment and income opportunities. As an important new complement to the historical support for Dominican private sector led guilds in such key areas as micro-enterprises, international investment promotion and agribusiness, the Mission will actively seek to increase involvement of private U.S. interest groups in investment and trade in the Dominican Republic. While promoting improvements in the policy and regulatory environment for private investment and trade, USAID would work with private organizations which provide exporter and investor services and enhance linkages among overseas and domestic investors and producers. Addressing the critical electricity constraint through promotion of privatization of electricity generation and partial privatization of the Power Utility will be a priority USAID activity. The Mission will also work with the Dominican holding corporation, CORDE, to privatize selected companies and properties.

3. ENCOURAGE THE ACCELERATED OPPORTUNITIES FOR INCREASED PARTICIPATION IN THE ECONOMY BY THE HISTORICALLY DISADVANTAGED

To broaden the base of economic growth and promote participation, the Mission has proposed a two-pronged approach. First, USAID will promote more direct linkages of disadvantaged to the money economy through increased employment and income and therefore greater savings, and by linking micro and small entrepreneurs into the credit system. The Mission will continue its Micro and Small Enterprise project and seek to involve other donors in the microenterprise approach. Second, the Mission will support the development of a capacity in the private sector to act as a catalyst in developing sector-wide solutions to basic problems in education and health. To assist in the effort, the Mission will facilitate and encourage an active involvement in the Dominican Republic by U.S. organizations with similar objectives. This is already occurring in education through the PIPE project, which will continue. Concurrently, the Mission will provide funding to assist in expanding and improving the delivery of social services by private voluntary and commercial providers. The result will be to reinforce the linkage between increased jobs and incomes that come with economic growth and the improved well-being of the family. The Mission will continue financing its Primary Education project and will initiate in FY 1992 its Family Health project, a consolidated follow-on to its Family Planning, Child Survival and AIDS Prevention projects, with additional focus on AIDS and drug awareness. The focus of these projects will be on addressing issues of

importance to the family and on encouraging families to fulfill their responsibilities in resolving basic health and educational needs.

4. ENCOURAGE PRESERVATION AND SUSTAINABLE USE OF THE NATURAL RESOURCE BASE

USAID's environmental strategy will be to lay the policy and institutional ground work for the potentially large funding under the EAI for environmental protection activities. The Mission will emphasize the area of greatest concern: the management of watersheds and coastal zones. Over the Action Plan period, the Mission expects to advance the understanding of the causes and of the significance of key environmental problems in the Dominican Republic and to expand the capacity of private organizations to promote environmental policy reform. As with the social service sector, an important parallel effort will be made to facilitate and strengthen linkages with U.S. interest groups, in this case those active in environmental issues. Concurrently, the Mission will fund private natural resource management activities, such as forestry. To support these initiatives, the Mission will obligate a new project in FY 1993, Sustainable Growth through Natural Resource Management.

**LAC OBJECTIVE NO. 2:
DEVELOPMENT/STRENGTHENING OF A STABLE DEMOCRATIC SOCIETY**

As a complement to its Public Policy Reform project, the Mission will inaugurate in FY 1992 its Democratic Initiatives project (Annex C), which will work with academic and non-governmental organizations to promote open and thoughtful debate on issues of public policy; assess and promote broadly the need to strengthen the role and improve the performance of the legislature, the judiciary and the civil service; strengthen the electoral process and institutions; and promote decentralization of government and increase grass-roots participation.

The project will build on activities already conducted by the Mission in the areas of civil service reform, training for legislators, the administration of justice, and support for private foundations in the promotion of open public debate on democracy themes. It will also enhance emphasis on democracy themes in Mission and other donor activities in the areas of primary education and PVO programs. This project and the Mission's Public Policy Reform project will be mutually supportive.

II. PERFORMANCE

A. Background

GODR macroeconomic policy implementation since 1986 has been unsuccessfully directed at stimulating rapid economic growth and new employment creation. Until recently, policy implementation was ad hoc, and not implemented in terms of a consistent medium-term framework that would provide sustained long-run, albeit moderate growth. At the same time, the resources available to the GODR have typically amounted to less than a 20 percent share of a small \$6 billion economy yielding per capita income on the order of \$900 a year. Unemployment has averaged some 25% of the work force in recent years.

In 1986 the new GODR administration's fiscal and monetary policies were mainly directed at rapid recovery from the 1985-1986 recession. Accordingly, quickly achieved high growth and employment creation were over-riding objectives, and were pursued by a restructuring of GODR budget and spending priorities that emphasized increased public sector savings, substantial increased public sector investment and numerous subsidy programs. Since fiscal revenues were inadequate to finance the GODR's investment program and increased consumer subsidies, and external resources were generally unavailable, monetary policy accommodated the expansionary thrust of the GODR's fiscal policies.

The Dominican private sector responded to the GODR's economic recovery objectives with unaccustomed alacrity. Private investment soared. Aggregate demand quickly rose to 107 percent of GDP, again igniting an acceleration of inflation and exchange rate depreciation which were mutually reinforcing in an environment of limited real resources. GDP grew at an annual rate of 7.0 percent the second semester of 1986, posted a respectable full year performance of 7.9 percent in 1987, continued to grow at an annual rate of 1.8 percent during the first half of 1988, then succumbed to recession, as high inflation and a rapidly depreciating foreign exchange rate again introduced myriad distortions that curtailed investment efficiency and stopped growth.

In 1988 and 1989 GODR authorities worked closely with World Bank experts to develop a program of comprehensive economic reform which included measures to stabilize macroeconomic financial structures and medium-term structural reform measures designed to improve efficiency by liberalizing the economy. Improved policy implementation from about mid-1988 through mid-1989 resulted in a slowing of inflation from 58 percent in 1988 to 41 percent in 1989, and robust performance of tourism, free trade zones and construction led the way to respectable 4.1 percent GDP growth in 1989, compared to a modest 0.7 percent in 1988.

Notwithstanding the apparent success of liberalized policy implementation in late 1988 and much of 1989, consolidating and sustaining a coherent reform program was postponed in late 1989 until after the elections scheduled for May 1990. The GODR was reluctant to pursue continued liberalization certain to alienate large segments of the

electorate, particularly since doing little or nothing over a short period of time would not necessarily have adverse consequences. As part of an electoral strategy, deferral of implementation of the GODR's planned economic reform program worked. The incumbent administration overcame significantly poor showings in pre-election polling to again win a modest plurality in the May elections that allowed it to remain in office. After the elections, the Administration moved quickly to resume implementation of a comprehensive economic stabilization and reform program.

B. LAC Country Performance Indicator Data

Economic Indicators

During the reviews of the FY 1991-1992 Action Plan, USAID indicated that the economy was expected to post GDP growth in the range of 1 percent to 2.5 percent during 1990, and that inflation could be contained to under 30 percent. Central Bank calculations of actual performance are GDP growth of -5.1 percent and CPI inflation of 100.7 percent, thereby recording the worst economic performance of the past 25 years. This poor performance coincided with the best macroeconomic policy implementation since 1985, when the economy declined 3.6 percent under the auspices of an IMF Stand-By arrangement.

Preliminary Mission estimates of GODR fiscal performance indicate a decline in public sector savings from 3.4 percent of GDP in 1989 to 2.9 percent in 1990. Total investment spending, however, despite a significant slow down in the final months of 1990, is estimated at near 10.0 percent of GDP, compared to 10.7 percent in 1989. Accordingly, the consolidated public sector deficit in 1990 improved only slightly to 7.1 percent of GDP, compared to 7.3 percent in 1989. Domestic banking system net financing of the deficit is estimated at 2.6 percent of GDP, compared to 2.5 percent in 1989. External financing of the fiscal deficit is estimated at 4.5 percent of GDP, facilitated by an 83 percent build-up in the stock of external debt arrears, from \$736 million to \$1.35 billion. In real terms, fiscal spending was constrained to less than 80 percent of 1989 levels, fixed capital investment spending was reduced some 12 percent, the consolidated fiscal budget deficit during the year was reduced by 8 percent compared to 1989, and domestic banking system financing of the fiscal budget declined by 2 percent.

Monetary policy implementation has been progressively tightened over the past two years. Broad money (M2), experienced a record increase of 57 percent in 1988, but was constrained to 37 percent growth in 1989 and an estimated 28 percent expansion in 1990. Total banking system credit balances rose 36 percent in 1988, 39 percent in 1989 and an estimated 37 percent in 1990. Outstanding banking system net credit to the public sector, which includes Central Bank losses and domestic interest arrears, increased 42 percent in 1988, but was constrained to modest nominal increases of 24 percent and 32 percent, respectively, in 1989 and 1990. In real terms, outstanding banking system credit declined 5 percent in 1988, rose 7 percent in 1989, and contracted an estimated 18 percent in 1990 as the banking system coped with a major liquidity crisis resulting from

deflationary monetary policy implementation and capital flight that reduced the system's deposit base in real terms by over 20 percent.

Outstanding banking system credit to the private sector declined an estimated 15 percent in real terms in 1990, after posting a respectable 18 percent increase in 1989. Although access to credit was limited by falling system liquidity, high nominal effective interest rates ranging up to 80 percent made credit less desirable. Accordingly, private investment declined in real terms an estimated 6 percent, from 16.8 percent of 1989 GDP to 16.6 percent of 1990 GDP.

The GODR pursued a policy of reluctant foreign exchange rate flexibility, but not liberalization, during 1990. The official exchange rate was devalued three times: by 16 percent in April, 28 percent in August, and 7 percent in October, for a total devaluation over the course of the year of 45 percent, from RD\$6.35 equals US\$1.00 to RD\$11.50 equals US\$1.00. The corresponding December over December depreciation of the parallel market exchange rate in percentage terms was more modest: 33 percent, from an average RD\$8.33 equals US\$1.00 in December, 1989, to RD\$12.50 equals US\$1.00 in December 1990; notwithstanding a cumulative depreciation of 48 percent from December, 1989 to October's trough when the peso premium of parallel market dollars reached 40 percent, before declining to a 5 percent premium in December, 1990.

After the October spectacle of rampant exchange rate instability and concern about the impact of a too rapid run-up in the peso value of foreign exchange in an economy with an estimated import content equivalent to 48 percent of GDP, the monetary authorities elected to defend the peso by imposing rigid foreign exchange and import controls since foreign exchange reserves were unavailable, and few holders of foreign exchange were anxious to make patriotic sacrifices by surrendering foreign exchange to the Central Bank at over-valued rates. These actions were successful at repressing demand for foreign exchange, and achieved exchange rate stability, but at the cost of driving the economy to the brink of collapse as imported inputs and petroleum inventories were used up and large segments of the economy were forced to severely curtail productive activity.

In January the authorities renewed liberalization of the economy by removing all controls and ceilings on interest rates and fully legalized the parallel market exchange rate system, with a view to near-term unification of the official and parallel markets. The official peso-U.S. dollar exchange rate was devalued 4 percent, followed by an additional 9 percent devaluation in February. After December, however, the legal parallel market exchange rate depreciated by more than 20 percent (as of 2/20/91) compared to official devaluations totaling only 12 percent; accordingly, the parallel market peso premium on 2/20/91 exceeded the official rate by over 15 percent. The authorities have indicated that the official exchange rate will be maintained, on average, at a discount of not more than 10 percent of the parallel market rate, and that the near-term (not more than 9 months) objective is unification. Actions taken during January and February confirm commitment to this objective.

The poor performance of the Dominican economy in 1990 was due to a large number of factors, including unanticipated adverse external developments and the size and scope of the macroeconomic financial measures and reform of incentives structures that were implemented. The extent of the poor performance, however, can be attributed to the havoc wrecked by liberalization novitiates on a learning curve who needed time and experience to intellectually disencumber non-constructive vestiges of dirigisme.

Adverse external developments include a large decline in the international terms of trade. The value of non-free trade zone exports declined 24 percent, from \$923 million to \$704 million, largely due to substantial declines in international prices. The value of ferronickel exports fell 36 percent, to \$238 million from \$372 million in 1989. The value of exports of sugar products fell by 6 percent, coffee 32 percent, cocoa 5 percent, and silver/gold alloy 33 percent. Non-traditional exports dropped 29 percent in value. Despite substantially higher prices for imports of petroleum products and other goods, total outlays on imports fell 8 percent, from \$1.96 billion in 1989 to \$1.81 billion. In volume terms, imports declined an estimated 13 percent, thereby depriving the economy of needed inputs and contributing heavily to its 5 percent contraction in 1990. The deficit on current account of the balance of payments, calculated on an accrual basis, was an estimated \$396 million dollars, equivalent to 5.7 percent of GDP calculated by averaging official and market exchange rates during the year.

The Mission expects the current account deficit of the balance of payments to continue to grow during 1991 to about \$550 million. Targeting repayment of external debt arrears and build-up of reserves on the order of \$100 million results in a nominal financing gap of just under \$2 billion. Even if the GODR is successful in obtaining liberal rescheduling terms, and can complete rescheduling arrangements in 1991, the Mission projects a residual balance of payments financing gap on the order of \$365 million in 1991 and an additional \$230 million in 1992 that remain to be financed. (See Annex K).

Social Indicators

The poor performance of the economy in 1990 and high inflation that reduced the real incomes of the poorest groups of the society in prior years has had a seriously adverse impact on the delivery of social services. Government provided services have been reduced due to budget revenue constraints and the budget emphasis on fixed investment spending. Privately provided services have declined due to the reduced ability of people to pay for them.

Primary school enrollment may have declined by over 5 percent in 1990 due in part to strikes by public school teachers seeking higher pay and improved working conditions and the high cost of private alternatives. Despite indications that infant mortality rates continue to decline and vaccination coverage (BCG, DTP 3, Polio 3 and measles) was sharply up in 1990 compared to prior years, the health of infants and children appears to have deteriorated, largely due to reduced access to health services and difficulty in obtaining medicines.

Environmental Management Indicators

The GODR has recently been very aggressive in partially enforcing forest management laws and regulations, but is not yet implementing these laws and regulations in ways that can be expected to result in increasing the country's forest cover or developing a viable forestry industry. The emphasis at this time is on prohibiting cutting of trees without permits. Permits are difficult to obtain. There have been some very small approved forestry projects, and forestry conservation is emphasized by both public and private schools with special nursery and tree planting projects. Some municipal governments have recently become more aggressive in enforcing regulations on air and water contamination by polluting industries, but these activities are not yet supported with adequate budgets and qualified personnel to make them generally effective. Some new parks have been created, and a debt for nature swap using GODR debt was recently approved by the monetary authorities.

USAID/DR tracks the activities of 10 of 27 NGOs/PVOs involved with natural resource management and preservation and the resources utilized by them in these activities. These organizations increased program spending by an estimated 40 percent in U.S. dollar terms in 1990, compared to 1989, from \$1.7 million to \$2.4 million. Projections of NGO/PVO spending on environmental programs in the Dominican Republic in 1991 and 1992 are \$6.0 million and \$9.9 million, respectively. See Annex H for Mission response to LAC's Environmental Management Questionnaire.

Democracy and Human Rights Commitment

The Dominican Republic is a constitutional democracy with a popularly elected president and bicameral congress. Political parties representing the ideological spectrum from right to left freely and actively participated in the elections held in May of 1990, the seventh consecutive election since the current democratic process began in 1966. President Joaquin Balaguer was inaugurated for a new four-year term in August, 1990.

In practice, the political system heavily favors the executive branch. In directing the administration of the government, the President exercises his authority fully. Through use of the veto, discretion to act by decree, and influence as the leader of his party, he also may take a leading role in enacting laws and regulations. The congress traditionally has had limited powers but provides an open forum for the free exchange of views and debate.

Of the principal human rights concerns in the Dominican Republic noted in the Human Rights Report for 1990 two are of particular interest. One is the tardiness and general inefficiency in the conduct of the 1990 elections which produced allegations of electoral irregularities. The other is apparent anti-union discrimination in the free trade zones, which appears to have violated workers' rights.

The Mission anticipates that it will become active in supporting an electoral reform process which must begin within the Action Plan period if it is to be completed by the next general elections in 1994.

The workers' rights issues is now under review by the U.S. GSP committee. Should the GSP decision (due April 1) be negative, the Dominican Republic will lose its right to GSP and OPIC benefits and also may be disqualified from the Caribbean Basin Initiative. These would be serious blows to its ailing economy. The Mission is already actively involved in addressing this issue through the A.I.D.-funded resident AIFLD representative. We anticipate that over the Action Plan period, workers' rights will be a continuing priority item for discussion with our private sector counterparts active in trade and investment in the Dominican Republic.

C. Mission Program Performance Indicators Data

Performance under 1990 Action Plan Goals and Objectives

The goals of the Action Plan in 1990 were:

- (1) expand and diversify private sector investment and employment;
- (2) undertake selected social interventions to address critical needs of the poor; and
- (3) promote key sectoral policy reforms which encourage sustained growth with equity.

With respect to goal (1), specific objectives included increased employment resulting from USAID projects, increased agricultural production, a strengthened private sector as indicated by increased private sector access to credit and increased investment, and promotion of exports, as indicated by increases in non-traditional exports and increased value added in free trade zones.

Performance related to all of these objectives was substantially poorer than targeted. Whereas employment resulting from USAID projects was targeted at 27,100 net new jobs in agribusiness, microenterprise and free trade zone activities, estimated actual performance was creation of only 400 new jobs. Whereas increased employment for women was targeted at 18,500 new jobs, actual results are estimated to have been a net decline of 1,575 jobs due to the precipitous decline in productive activity of all kinds during the final quarter of the year, including reduced employment in free trade zones where an estimated 6,300 jobs were lost, 75 percent of which affected women.

A major activity of the Mission in recent years has been assistance of various kinds to the agricultural sector. The sector was about 3 percent smaller in 1990 than five years ago, due to tepid growth over the 1986-1989 period and a 6.2 percent contraction in 1990. The Mission's specific target was 2.0 percent growth in non-traditional agricultural output, which had grown 3.9 percent in 1989. Because of widespread pest infestation, drought and closing of usual credit windows, non-traditional agricultural

output declined 3.5 percent. Traditional commercial export agriculture experienced a large 15.0 percent drop in output. Only the livestock sub-sector experienced modest positive growth in 1990 (0.5 percent), as overall crop agriculture fell 10.9 percent, and fishing and forestry output declined 0.4 percent. The sector as a whole is not expected to recover to 1985 levels until 1993.

Private sector investment was targeted to grow 5.6 percent in 1990, from 16.8 percent of GDP to 17.3 percent of GDP. Actual performance is estimated to have been a 6.0 percent reduction in private sector investment to 16.6 percent of GDP. With respect to access to financing, the Mission had targeted that 100 percent of banking system credit expansion in 1990 would be channeled to the private sector, in accordance with the economic program the GODR was implementing at the time, compared to 43 percent in 1988 and 69 percent in 1989. The Mission estimates that only 62 percent of banking system credit was channeled to the private sector although 91 percent of increased commercial bank credit was for private sector activities. It should be noted that a large part of the increase in credit to the public sector was indirect, in the form of Central Bank losses, domestic interest arrears, and draw-down of prior year deposits, including utilization of local currencies associated with A.I.D. PL-480 and ESF programs.

Overall export performance of the Dominican Republic has been fairly good the past several years. Exports to the U.S., as tracked by the U.S. Department of Commerce have increased, on average, about 12 percent a year the past seven years, and exports of manufactured products to the U.S. have experienced average annual growth of 26 percent since 1983. Non-traditional exports to the U.S. averaged 24 percent growth over the same period and preliminary estimates project 1990 over 1989 growth at about 11 percent. Nevertheless, performance on the Mission's specific indicators has not been as robust. The Mission's performance indicators focused exclusively on non-traditional exports generated outside the free trade zones. By Central Bank estimates, these more-limited exports in 1990 recorded a decline on the order of 29 percent, from \$163 million in 1989 to \$115 million in 1990, thus coming well short of the Mission's target of 3 percent growth. On the other hand, local value added from the dynamic free trade zones rose 47 percent in 1989 and an additional 18 percent in 1990 to an estimated \$225 million. Even though performance on this indicator was good, it fell short of the Mission's target of 35 percent growth. Growth on the order of 35 percent is a reasonable expectation for free trade zone value added, 1991 over 1990, and additional growth in 1992 and 1993 on the order of 20 percent a year is likely.

Performance in 1990 on targeted objectives associated with goal (2) was generally quite good. The Mission target of increasing contraceptive prevalence among couples to 54 percent of the target population was met. Targets for immunization coverage, which is a child survival program indicator for children vaccinated by age 12 months, were generally exceeded by wide margins. During 1990, BCG coverage was 67 percent, compared to 41 percent in 1989 and targeted coverage of 60 percent, DTP 3 coverage was 55 percent, compared to 47 percent in 1989 and targeted coverage of 55 percent, Polio 3 coverage was 91 percent, compared to 75 percent in 1989 and targeted coverage of 70 percent, and measles vaccine coverage was 95 percent, compared to only 46 percent in 1989 and

targeted coverage of 38 percent. Primary school enrollment gross ratio may have declined from 103% to around 96%. Targeted enrollment had been maintenance of a gross ratio of 103 percent. The Mission's target of 487 participants receiving training abroad was effectively met, as 474 participants, 97 percent of the target, actually received training.

Progress on the policy issues associated with goal (3) was generally very good and is documented in the notes to Table II referred to LAC Country Performance indicators. In addition, legislation to permit private sector production and sale of electricity was approved and is being implemented. Adjustments of the official exchange rate are now frequent and timely and the parallel market is fully legal. Product price controls have been reduced in number and remaining controls are not generally enforced. All restrictions and controls on interest rates have been removed.

TABLE II

LAC COUNTRY PERFORMANCE INDICATORS
DOMINICAN REPUBLIC

Description of Indicators	LAC		MISSION		Maximum Rating
	Indicator Value	Rating	Indicator Value	Comment	
<u>Economic Indicators</u>					
- Macroeconomic Program, 1989/90	2.0	<u>21.2</u> 3.0	6.0	Note (1) (*)	<u>34.4</u> 9.0
- Domestic Financing Deficit	1.8	8.2	2.6	Note (2) (*)	7.4
- Exchange Rate	3.0	3.0	7.0	Note (3) (*)	7.0
- Business Regulatory Environment	2.0	2.0	3.0	Note (4) (*)	3.0
- Trade Regime	3.0	1.5	7.0	Note (5) (*)	3.5
- Market Pricing	7.0	3.5	9.0	Note (6) (*)	4.5
<u>Social Indicators</u>		<u>15.0</u>			<u>18.45</u>
- Elementary School Enrollment Ratio:			97.4		
1982			101.7		
1985			102.8		
1987			96.4	Note (7) (*)	9.6
1990		N/A			10.0
- Infant Vaccination			77.0	Note (8) (*)	3.85
- Contraceptive Prevalence					
1975			32		
1987			51		
1989			53		
1990		N/A	54	Note (9) (*)	5.0
<u>Environmental Management</u>		<u>5.05</u>		Note (10) (*)	<u>4.5</u>
<u>Democracy and Human Rights Commitment</u>		<u>15.5</u>		Note (11) (*)	<u>15.5</u>
<u>TOTAL RATING</u>		<u>56.75</u>			<u>72.85</u>

NA: Not Available

(*) See Annex L for notes

T A B L E 111

PROGRAM PERFORMANCE TARGETS
USAID/DR

Indicators	1975	1980	1985	1990	1991	1992	1993
I. ECONOMIC GROWTH							
Obj. 1: Promote Gov. Reform Prm							
1.A) Economic Policies							
Intern. sanctioned stabiliz. Prm in place (Y/N) (1)	N/A	N	Y	Y	N	Y	Y
Intern. Sanction Debt Restruct. Prm in place (Y/N) (2)	N/A	N	Y	Y	N	Y	Y
Investment Regime Reformed	N/A	N	N	N	N	Y	Y
1.B) Vigorous Private Sector Responsibilities							
Obj. 2: Promote Incr. Inv. & Trade							
Private Investment (% of GDP)	15.1	20.0	15.8	16.6	18.0	18.7	19.3
Exports to U.S. (value % of GDP) (3)							
- Traditional	N/A	N/A	11.3	7.0	6.8	6.6	6.4
- Non-Traditional	N/A	N/A	10.4	21.8	22.0	23.0	24.6
Imports from U.S. (% of GDP) (4)	N/A	N/A	16.7	27.8	28.5	29.5	31.0
SOEs privatized/liquidated	N/A	N/A	N/A	N/A	0	1	2
Electricity Privat Projects (Y/N)	N	N	N	N	N	N	Y
Debt Converted (\$000,000)	0	0	0	0	0	100	100
1.C) Accelerated Opportunities for Disadvantaged							
Obj. 3: Expand Partic. in Prod. Act.							
Net employment generated by A.I.D. projects (5)	N/A	N/A	N/A	400	29,500	34,000	36,000
- (% of women)	N/A	N/A	N/A	-93%	67%	68%	67%
Loans to Micro/Small Enterprises (incl. farms) (6)							
- (% of women)				10,000	12,000	16,000	20,000
				42	43	44	45
Obj. 4: Address Constraints to Growth							
No. of students benefitting from improved systems (7)	N/A	N/A	N/A	0	0	0	40,000
No. of participants receiving training abroad	25	14	182	474	405	273	280
- (% of women)	32%	7%	19%	35%	35%	35%	40%
Child vaccination coverage (Dup) (8)	N/A	N/A	N/A	77	78	79	80
Infant Mortality (IMR) (9)	N/A	N/A	69	61	59	55	50
Contraception Prevalence (Dup) (10)	32	42	48	54	55	56	57
AIDS: % using protection (11)	N/A	N/A	N/A	38	42	48	50
1.D) Preservation of Natural Resources							
Obj. 5: Reduce Imped. to Nat. Res.							
Area Forested (% total land)	41	31	28	11	10	10	12
Number of nat. parks working effectively	0	0	0	2	3	3	5
Coastal zones in improvement projects	0	0	0	0	0	0	1
Products rejected for chemical harm (%) (12)**	25	22	22	20	18	16	15
Watershed Management proj. underway	0	0	1	1	2	2	3

(*) See Annex M for notes.

** Early years are estimated

T A B L E III
PROGRAM PERFORMANCE TARGETS
USAID/DR

Indicators	1975	1980	1985	1990	1991	1992	1993
II. DEVELOPMENT/STRENGTHENING OF DEMOCRACY							
<u>Obj. 6: Incr. Citizen Particip.</u>							
- Govt. decisions influenced by open debate initiated by:							
- Publ legisl or admin bodies	N/A	N/A	N/A	N/A	N/A	2	2
- Non-Govtl groups	N/A	N/A	N/A	N/A	N/A	2	2
<u>Obj. 7: Impr'd Effic. & Fairness</u>							
No. of Courses for Legislators and Judges	N/A	N/A	N/A	1	0	2	4
Govt prm to impr elections underway (13)	N/A	N/A	N/A	0	0	0	1

(*) See Annex M for notes.

III. NEW PROJECT INITIATIVES

PROPOSED NEW PROJECTS

Proj No.	Project Name	Increment (000)	LOP	Included 1st yr Actn	Recmn
FY 1992					
517-0262	Pub Policy Reform	1,000	10,000	N	
517-0265	Democratic Initiatives	750	9,000	N	
517-0259	Priv Family Health	2,500	18,000	Y	Postp
FY 1993					
517-0266	Sust. Growth through Nat. Res. Mgt.	2,000	7,000	N	

1992

To achieve a sustained growth rate, the Dominican Republic must put in place macroeconomic and sectoral policies which foster and facilitate a dynamic, outward looking, market driven economy. The most immediate priority is to stabilize the economy and return to a solid growth path. To achieve this the country must liberalize the economy, eliminate subsidies, and dismantle the remnants of its old import-substitution strategy. Much of Dominican society is ambivalent about an open market system. This derives from a lack of understanding of the long-run advantages of free markets, misperceptions of how much or little government can do, and limited self-interest on the part of certain sectors of society. Until broad public consensus is reached about key public policy issues such as the role of government in a modern economy and society, and the inefficiencies of open market competition, the chances for sustaining the good policy environment are limited.

USAID's proposed Policy Project (517-0262), further described in Annex B, aims at encouraging adherence to, and expansion of, the already established framework of policy reform. It addresses a key element of policy formulation in the Dominican Republic, public pressure. Through respected, local private foundations, the project will provide studies, seminars, publications and information campaigns on key public policy concerns, thereby building a sound basis for a continued, healthy policy environment.

The need to redefine the role of Government in a modern economy is mirrored in the need to define a modern role for Government in Dominican society. The sustained success in transferring political power through free elections has not been matched by participation in the process of government between elections. Private businessmen prefer to work around, rather than through, a difficult bureaucratic structure. The

population at large continues to demand, if not necessarily to expect, public sector largesse in meeting their needs. Coupled with the lack of a competent, professional civil service, these practices and attitudes have hampered broad reforms and led to the collapse of public services and infrastructure.

As in the case of an open market economy, much of Dominican society remains ambivalent about participative government. This is reflected in a closed-policy making process which has led to government intervention in, and competition with, the market economy. In FY 1992, the Mission is proposing its Democratic Initiatives project (517-0263). The project, further described in Annex C, aims to maximize participation of the people in the process of government. To do this, the project will provide support to Dominican private entities to conduct studies and seminars and produce publications that encourage public debate and discussion through the media on topics concerning the role and nature of government and the rule of law within the Dominican democratic context. The project will also undertake selected interventions to improve the performance of the legislature, the judiciary and the civil service as well as strengthen the electoral process and its institutions.

With the deterioration of the economic situation in the Dominican Republic over the last ten years, the country has experienced significant decline in the quality and quantity of critical social services. Real incomes have declined and unemployment is high, with the resultant negative impact on families. More and more fathers are abandoning wives and children. Coupled with the consensual nature of many marriages, female-headed households now constitute 26 percent of all households. Health status, particularly of children and their mothers, has suffered.

The Family Health Services project (517-0259) will address the most critical aspects of health status in the Dominican Republic today by providing low-cost interventions in child survival, family planning and maternal health, AIDS prevention and drug awareness. Recognizing the inability of government institutions to provide needed health interventions, the project will improve the capacity of local private voluntary organizations to provide delivery of essential health services. The project will build upon lessons learned from three predecessor A.I.D. projects: Family Planning, Child Survival and AIDS prevention.

1993

Recent assessments confirm the growing significance of problems derived from the mismanagement of natural resources. Deforestation, watershed siltation, untreated industrial discharges, uncontrolled withdrawals from and discharges into aquifers, among others are degrading the quality of underground, riverine and coastal water systems. This will soon become a major constraint to economic growth and to an improved quality of life in the Dominican Republic.

Once implemented, the EAI promises to become a major source of financing for environmental protection and natural resource management in the Dominican Republic.

The Sustained Growth through Natural Resource Management project (517-0266) will prepare the country to take advantage of EAI financing promptly upon implementation by improving the knowledge about environmental problems in the country, developing the capacity of NGOs, and helping to create a joint public/private environmental council. The focus of the project will be on watersheds and coastal zones.

Program Evaluations

These new starts, together with the consolidation of the existing projects, will align the Mission portfolio tightly with the overall CDSS objectives. As a result, program evaluations will become an important management tool. As described in Annex N, the earliest of these evaluations will address the critical issue of the adherence of the GODR to its economic stabilization program. The subsequent evaluation of the performance of the Dominican Republic in trade and investment will complete the picture needed to measure overall progress toward an agreement under the Enterprise for the Americas Initiative.

In the second semester of FY 93, the Mission will focus on progress in developing a capacity among non-governmental organizations to influence broad policies and programs in the social service sector, starting with education. Finally, the Mission will begin work at the very end of the Action Plan period to develop the objectively verifiable indicators and the related baseline information needed to monitor progress in meeting the democratic initiative objectives of the CDSS.

IV. RESOURCE REQUIREMENTS

A. Program Resources

The Mission's assessment of resource requirements derives from three basic observations. First, as a near neighbor, a performing democracy and significant trading partner with the United States, the Dominican Republic will perforce play an important role in future intra-hemisphere relationships. The first initiative in this regard, the Caribbean Basin Initiative, catapulted the Dominican Republic into an important U.S. trading partner. Initiatives on tax information and narcotics interdiction have followed. A.I.D. must play an important role in assisting the Dominican Republic to fully participate in the latest initiative, Enterprise for the Americas.

Second, as the Performance Section demonstrates, the GODR has initiated a comprehensive stabilization and restructuring program which puts the Dominican Republic into the LAC Bureau's group of "performing countries." This status will help the country efficiently use A.I.D. support and enable it to participate in the E.A.I.

Finally, there is a great need for U.S. assistance. With a per capita income of \$900, the Dominican Republic is one of the poorest countries in the Hemisphere. The recent economic crisis and the new austerity program are having, and will continue to have, a significant impact on vital social services and the poor.

ESF

During the Action Plan period, the Mission will continue its policy dialogue with the GODR both in the context of our DA and ESF programs. At the level of ESF, USAID will link balance of payments support to continued adherence to internationally sanctioned stabilization and structural adjustment programs. It is anticipated that obligation of ESF resources would take place only after a Paris Club and bi-lateral debt rescheduling have taken place. The timing will assist in ascertaining more closely the amount of budget support that will be necessary and in assuring that the stabilization program is being adhered to and having its intended effect. USAID will also use ESF to leverage vital regulatory and institutional reform of the electricity subsector to permit private sector participation in electric power generation. Preliminary assessments by the IMF and Mission point to the necessity of assuring budget gap financing early in the process.

Development Assistance (DA)

For both reasons of Agency exigencies and country performance, USAID/Dominican Republic has experienced significant reductions in its historical levels of approximately \$18 million per year. In FY 90, DA assistance fell to \$11 million and in FY 91 to \$9.8 million. During the previous Action Plan review, the Bureau noted the adverse impact that such deep and unforeseen cuts were having on to project implementation and new

starts. The Bureau also noted the need to try to restore some of the cuts. With the new GODR reform program underway, USAID is proposing a return to historical levels in FY 1992 and proposes a yearly level of \$19 million.

In order to more closely adjust program thrust to the LAC objectives, USAID is proposing two major new programs in FY 1992. The Public Policy Reform project and Democratic Initiatives projects will promote public consensus and limited institutional support to redefining and modifying the role of Government in both a modern economy and the overall society. Both projects are considered key to addressing the fundamental constraints to improved policy and democratic environment in the Dominican Republic. In FY 89, the Action Plan review approved Child Survival and Family Planning follow-on projects. Because of funding cuts, the Mission and Bureau agreed to postpone these new starts until FY 1992, which is now included as the Private Initiatives in Family Health project. In FY 1993, the Mission will initiate its first environmental project to meet LAC objective at addressing the pressing need in the Dominican Republic to reverse natural resource degradation.

The Mission's number of new starts in FY 1992 and FY 1993 reflect both the lack of new starts in recent years due to budget limitations and the Mission's desire to revamp the portfolio to reflect the new CDSS. Annex J details the Mission's mortgages. In FY 1992, the mortgage climbs to a still reasonable 2.73 years from 1.82 in FY 1991, reflecting the three new starts. In FY 1993, the return to historical levels pushes the mortgage down to 1.99 years.

By the end of the Action Plan period in FY 1993, the Mission will have completed its reorganization. Annex M presents the impact of the Mission consolidation exercise. The four new starts presented in Section III will refocus Mission activities around the new Bureau and Agency priorities. Eleven inactive projects will be closed. Eight active projects, Electricity Revenue Generation, On-Farm Water Management, Sugar Diversification, Graduate Training, Agricultural Policy and Agricultural Sector Training and possibly the Title XII University Agribusiness Partnership, will be terminated. Follow-on projects to those which directly support Mission objectives will be consolidated into combined projects: Industrial Linkages, Agribusiness Promotion, Investment Promotion, Debt Conversion and Agricultural Policy are examples.

PL 480

USAID has reviewed with PVOs the Mission's revised strategy and considers that Title II support can be an essential part of the development strategy. In support of a more family oriented and focused approach to the use of food aid, the program will be concentrated on areas critical to overall family health, particularly maternal and child feeding and family planning.

USAID will also work closely to assist USDA in the development and implementation of the Title I program which will be used to address the critical balance of payments gap.

Local Currency

Over the last year, the Mission has pursued, as part of its consolidation program, a reorganization of the local currency portfolio. Activities have been discontinued or folded into ongoing DA projects. As a result, the number of local currency projects was reduced from 183 in 1988 to 36 in FY 1991. By FY 1992, only three of the current local currency activities not associated with DA projects will remain. Host Country owned local currencies will derive from generations from the ESF program grant in FY 1992. In keeping with the Mission consolidation program, henceforth, all local currencies will be directed as counterpart to A.I.D. projects and support of the GODR operational unit. In the exceptional case, the Mission will consider a proposal by the GODR to assign local currency as counterpart to another donor activity.

B. Support Resources

Staffing

By the end of the action Plan period, the Mission reorganization will have been completed. In addition to the DA and Local Currency portfolios being streamlined, USAID offices will be combined: Health and Population and Human Resources have been combined into the General Development Office; Agriculture and Private Enterprise are being combined into the Trade and Investment Office; and Projects and Program will become the Program Development and Support Office, with corresponding downscaling of administrative overhead.

As a result, USDH staffing will decrease from 19 to 16 by 1992; overall, Mission staffing will decrease from 105 to 95, reflecting both consolidation and increased Mission workload from our FAAS arrangements. Workyear levels shown of Mission personnel reflect less overtime than in years past for both local employees and USDH.

Implementation of development activities in the Dominican Republic is exceptionally staff intensive. The GODR has no professional civil service which creates extra burdens on USAID, contractors and counterpart private organizations. As public services have collapsed, support has become an additional problem. Local currency management by the GODR will continue to be a particular concern. A FY 1989 Price Waterhouse assessment indicated that considerable time and effort will be required before the GODR can fulfill its responsibility for proper management of host country owned local currency. This comes in the face of increased responsibility placed on Missions for uses. The Mission has agreed with the GODR to virtually eliminate all activities that are not counterpart to DA projects. The elimination of oversight responsibility for PL 480 Title I will also reduce Mission workload.

USAID has made numerous management improvements to address the staffing problem: 1) High quality FSN staff is being recruited as wage revisions improve the Mission's competitiveness; 2) consolidation of local currency and project management units will be completed by FY 1992; 3) as of FY 91, the Mission will use only the private sector as counterparts for project implementation.

Operating Expenses

Mission attempts to operate with over a 100 percent inflation rate, physical separation of offices, deteriorating electricity service, an unstable economic environment and difficulties maintaining staffing will be further undermined by reductions in OE dollars and exhaustion of trust fund resources. The ever-increasing degree of oversight, such as in areas of local currency, demanded by A.I.D., IG and GAO place added burden on Mission management.

Operating Expenses, including Trust Funds, are \$2,745,000 for FY 91, \$2,773,800 for FY 1992 and \$2,856,500 for FY 1993. The level for FY 91 requires significant reductions in staffing levels. Given the extremely rapid deterioration of items in this hot and humid climate and the additional damage caused by power outages and voltage fluctuations, the Mission will need to follow normal replacement cycles for non-expendable property. The same level straight-lined to FY 92 will not be sufficient, given current inflation rates and staffing levels. As ever, reduction or elimination of NXP procurement materially affects both the efficiency and the morale of staff, while premature reductions in staff levels would increase our vulnerability to violations of controls, and to waste, fraud and abuse.

Although Mission management has reduced USAID work locations from four to three separate buildings in a five block area, we continue to be faced with serious communications problems attributable to physical separation of our Mission offices. The Mission still owns a spacious lot purchased with local currency Trust Funds and has submitted a well-justified request for 636 (c) construction funding. That request was refused. We will explore rental possibilities. However, no action can be taken under the existing budget constraints. The current physical plan arrangement is unacceptable and seriously hinders the effective functioning of the Mission. The Mission believes that AID/W continues to need to focus on this issue and assist the Mission in financing a new building on the site.

Trust Funds

At the present rate of expenditure, the Mission expects to deplete the Trust Fund account by mid FY 1992. Replenishment is not anticipated during the Action Plan period.

TABLE IV
PLANNED FOOD AID ACTIVITIES
(\$000)

<u>YEAR</u>	<u>PROGRAM</u>	<u>AMOUNT*</u>	<u>COMMODITIES</u>
FY 1991	<i>PL-480 Title II (CARE)</i>	3,827	<i>Red beans, lentils, veg. oil Soy fortified bulgur, soy fortified commeal, red beans Red beans, soy fortified commeal, Soy fortified bulgur wheat</i>
	<i>School Feeding Plan</i>		
	<i>Maternal & Child Health</i>		
	<i>Pre-school feeding Other child feeding</i>		
FY 1992	<i>PL-480 Title II (CARE)</i>	3,975	<i>Red beans, lentils, veg. oil Soy fortified bulgur, soy fortified commeal, red beans Soy fortified commeal, soy fortified bulgur Soy fortified commeal wheat</i>
	<i>School Feeding Plan</i>		
	<i>Maternal & Child Health</i>		
	<i>Pre-school feeding Other child feeding</i>		
FY 1993	<i>PL-480 Title II (CARE)</i>	3,975	<i>Red beans, lentils, veg. oil Soy fortified bulgur, soy fortified commeal, red beans Soy fortified commeal, soy fortified bulgur Soy fortified commeal</i>
	<i>Maternal & Child Health</i>		
	<i>Pre-school feeding</i>		
	<i>Other child feeding</i>		

*Excluding transportation costs

TABLE V - A

FY 1989 LOCAL CURRENCY UTILIZATION
(\$000)

A. USES	ESF	PL-480 I	PL-480 II	PL-480 III	SEC 416	OTHER	TOTAL
HG BUDGET GENERAL							
HG BUDGET SECTOR							
HG CONTRIBUTION TO A.I.D. PROJECT	3,311	7,121			4,443		14,875
HG CONTRIBUTION TO OTHER DONOR PROJECTS							
HG MANAGED L/C PROJECTS (GOVT. OR PRIVATE)	2,038	4,382			2,734		9,154
A.I.D. PROGRAM TRUST FUND							
A.I.D. OE TRUST FUND							
SECTION 108							
OTHER (PRIVATE SECTOR MGMT.)							
TOTAL	5,349	11,503			7,177		24,029
B. CHANNEL FOR ASSISTANCE*							
PUBLIC SECTOR	2,420	6,016			1,292		9,728
PRIVATE SECTOR	2,929	5,487			5,885		14,301
TOTAL	5,349	11,503			7,177		24,029

* DETERMINED BY THE FINAL USER OF FUNDS.

TABLE V - B

FY 1990 LOCAL CURRENCY UTILIZATION
(\$000)

	<u>ESF</u>	<u>PL-480 I</u>	<u>PL-480 II</u>	<u>PL-480 III</u>	<u>SEC 416</u>	<u>OTHER</u>	<u>TOTAL</u>
<u>A. USES</u>							
HG BUDGET GENERAL							
HG BUDGET SECTOR							
HG CONTRIBUTION TO A.I.D. PROJECT	1,304	431			2,146		3,881
HG CONTRIBUTION TO OTHER DONOR PROJECTS							
HG MANAGED L/C PROJECTS (GOVT. OR PRIVATE)	853	1,388			76		2,317
A.I.D. PROGRAM TRUST FUND							
A.I.D. OE TRUST FUND							
SECTION 108							
OTHER (PRIVATE SECTOR MGMT.)							
TOTAL	2,157	1,819			2,222		6,198
<u>B. CHANNEL FOR ASSISTANCE*</u>							
PUBLIC SECTOR	546	951			400		1,897
PRIVATE SECTOR	1,611	868			1,822		4,301
TOTAL	2,157	1,819			2,222		6,198

*DETERMINED BY FINAL USER OF FUNDS.

TABLE V - C

FY 1991 LOCAL CURRENCY UTILIZATION
(\$000)

<u>A. USES</u>	<u>ESF</u>	<u>PL-480 I</u>	<u>PL-480 II</u>	<u>PL-480 III</u>	<u>SEC 416</u>	<u>OTHER</u>	<u>TOTAL</u>
HG BUDGET GENERAL							
HG BUDGET SECTOR							
HG CONTRIBUTION TO A.I.D. PROJECT	3,409	489			1,671		5,569
HG CONTRIBUTION TO OTHER DONOR PROJECTS							
HG MANAGED L/C PROJECTS (GOVT. OR PRIVATE)	281	16			218		515
A.I.D. PROGRAM TRUST FUND							
A.I.D. OE TRUST FUND							
SECTION 108							
OTHER (PRIVATE SECTOR MGMT.)							
TOTAL	3,690	505			1,889		6,084
B. CHANNEL FOR ASSISTANCE*							
PUBLIC SECTOR	482	311			298		1,091
PRIVATE SECTOR	3,208	194			1,591		4,993
TOTAL	3,690	505			1,889		6,084

*DETERMINED BY FINAL USER OF FUNDS.

TABLE V - D

FY 1992 LOCAL CURRENCY UTILIZATION
(\$000)

<u>A. USES</u>	<u>ESF</u>	<u>PL-480 I</u>	<u>PL-480 II</u>	<u>PL-480 III</u>	<u>SEC 416</u>	<u>OTHER</u>	<u>TOTAL</u>
HG BUDGET GENERAL							
HG BUDGET SECTOR							
HG CONTRIBUTION TO A.I.D. PROJECT	39,420	281			1,925		41,626
HG CONTRIBUTION TO OTHER DONOR PROJECTS							
HG MANAGED L/C PROJECTS (GOVT. OR PRIVATE)	1,220				400		1,620
A.I.D. PROGRAM TRUST FUND	2,000						2,000
A.I.D. OE TRUST FUND							
SECTION 108							
OTHER (PRIVATE SECTOR MGMT.)							
TOTAL	42,640	421			2,325		45,246
B. CHANNEL FOR ASSISTANCE*							
PUBLIC SECTOR	1,220				586		1,806
PRIVATE SECTOR	41,420	281			1,739		43,440
TOTAL	42,640	281			2,325		45,246

*DETERMINED BY FINAL USER OF FUNDS.

TABLE VI

SUMMARY PROGRAM FUNDING LEVELS

Dollar Program by Functional Accounts
(\$000)

<u>Project Title and No.</u>	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>
<u>Development Assistance</u>			
<u>ARDN</u>			
0000 PD and S	350	350	350
0216 Development Trng	682	618	0
0243 Univ Agribus Partn	0	0	2,250
0247 PVO Co-Financing	1,000	750	750
0266 Sustain. Natural Res.	<u>0</u>	<u>0</u>	<u>1,000</u>
Subtotal (Grant)	2,032	1,718	4,350
<u>Population</u>			
0000 PD and S	45	50	50
0259 Family Health	<u>0</u>	<u>1,000</u>	<u>2,222</u>
Subtotal (Grant)	45	1,050	2,272
<u>Health</u>			
0000 PD and S	150	150	150
0239 Child Survival	180	0	0
0247 PVO Co-Financing	0	517	800
0256 AIDS Prevention	<u>105</u>	<u>350</u>	<u>0</u>
Subtotal (Grant)	435	1,017	950
<u>AIDS</u>			
0256 AIDS Prevention	745	0	0
0259 Family Health	<u>0</u>	<u>500</u>	<u>850</u>
Subtotal (Grant)	745	500	850
<u>Education</u>			
0000 PD and S	150	150	150
0216 Development Trng	1,659	106	0
0251 Priv Primary Ed.	<u>331</u>	<u>1,000</u>	<u>1,495</u>
Subtotal (Grant)	2,140	1,256	1,645

TABLE VI

SUMMARY PROGRAM FUNDING LEVELS

Dollar Program by Functional Account
(\$000)

<u>Project Title and No.</u>	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>
<u>Child Survival</u>			
0239 Child Survival	565	435	0
0259 Family Health	<u>0</u>	<u>0</u>	<u>1,500</u>
Subtotal (Grant)	565	435	1,500
<u>Priv.Sect.Enviro.n.& Energy</u>			
0000 PD and S	460	460	460
0050 SDAF	150	150	150
0190 Export Inv. Prom.	1,726	1,181	0
0216 Develop. Trng	772	0	2,000
0237 Debt Conversion	100	500	0
0252 Industrial Link.	0	500	500
0254 Micro & Small Enter.	0	2,483	1,073
0247 PVO Co-Financing	500	0	0
0264 Economic Education	300	0	0
0262 Public Policy Reform	0	1,000	2,000
0265 Democracy Initiative	<u>0</u>	<u>750</u>	<u>1,250</u>
Subtotal (Grant)	4,008	7,024	7,433
Subtotal DA	<u>9,970</u>	<u>13,000</u>	<u>19,000</u>
(Loans)	0	0	0
(Grants)	9,970	13,000	19,000
<u>Economic Support Fund</u>	<u>0</u>	<u>5,000</u>	<u>20,000</u>
(Loan)	0	0	0
(Grant)	0	5,000	20,000
<u>P.L. 480</u>	<u>3,975</u>	<u>3,975</u>	<u>3,975</u>
Title I (Loan)	0	0	0
Title II (Grant)	3,975	3,975*	3,975*
PROGRAM TOTAL	13,945	21,975	42,975
	=====	=====	=====
(Loan)	0	0	0
(Grant)	13,945	21,975	42,974

* Excludes transportation costs

V. MISSION ISSUES

Issue 1: Whether the new initiatives of the Agency and Bureau are being supported by the bureaucratic process.

Discussion: The Bureau has established a series of objectives and sub-objectives to guide Mission planning. The CDSS and Action Plan processes then review the Mission approach to fulfilling the objectives and areas of emphasis, new starts required, and funding levels are agreed upon. The Mission actively participates in this process. However, a separate process appears to occur during development of the ABS and Congressional Presentations. New levels are established apparently on new information. Additional priorities are discovered and the Mission portfolio is re-arranged. This process does not benefit from Mission input. Worse, the Mission planning process is disrupted.

During the Action Plan process in FY 1990, the Mission level was cut to \$11.45 million for FY 1991. At the same time, the Mission was told that additional resources would be identified if possible. During the ABS process, the Mission level was raised to \$18 million for FY 1991. For Congressional Presentation purposes, the level then fell to \$9 million. Of the \$9 million, over 60 percent was earmarked for activities all directed at only two of the Bureau sub-objectives. Two projects, Child Survival and Family Planning, proposed for FY 1991 and promised to Congress as an earmark were explicitly deleted by the Bureau during the Action Plan process (see 90 STATE 50779).

As A.I.D. attempts to refine its priorities and consolidate workload, the Agency must find ways of making its processes fulfill its objectives. It would also seem the Agency has more work to do to assure that earmarks do not become de facto functional accounts.

Issue 2: Contingent Liability for FSN Severance Payment.

Discussion: Mission OE Trust Funds will be fully exhausted o/a February 28, 1992. However, the Mission will have a contingent liability for FSN severance payment for FSNs funded from the Trust Fund. We do not believe the Mission should continue to fund the contingent liability from the Trust Fund as the pesos will lose value due to the rate of inflation. We request approval to shift the contingent liability to dollar funding.

Issue 3: Whether A.I.D. should review issue of centrally-funded projects.

Discussion: There are numerous centrally-funded programs operating in the Dominican Republic. The precise number of projects is not known. We believe it essential that the Mission be informed on all centrally-funded programs operating in the Dominican Republic, and those activities be restricted to the priority areas of the CDSS and Action Plan. The Mission proposed to identify, with AID/W assistance, all the centrally-funded projects operating in the Dominican Republic and close out those which do not directly relate to the Mission's strategic objective.

ANNEXES

Table I

**USAID/DOMINICAN REPUBLIC STRATEGY
WORK PLAN
FY 1991-1993**

I. PROMOTE BROAD-BASED, SUSTAINABLE ECONOMIC GROWTH

A. Encourage Economic Policies that Promote Trade, Investment, Productive Employment, and Export-Led Economic Diversification.

USAID Strategic Objective: Promote sustained implementation of a governmental program of economic stabilization and structural reform.

To Support GODR adherence to IMF program:

- o Redirect regularized dialogue with GODR to emphasize U.S. views regarding the importance of adherence to stabilization program and on development of ESF program. PRM, 3 Q, FY 91.
- o Redirect dialogue with private sector groups regarding issues related to adherence to stabilization programs. PED, 3 Q, FY 91.
- o Assist GODR to complete official rescheduling of debt to creditors. PRM, 2 Q, FY 92.
- o Working with other USG agencies and donors, complete participation in a Consultative Group donors' meeting. PRM, 4 Q, FY 91.
- o Authorize ESF Economic Reform Support Program. PRM, 2 Q, FY 92.

To promote structural changes in areas of investment and trade in the economy:

- o Authorize Policy Reform Project to provide enhanced support to economic private policy groups. PRM, 2 Q, FY 92.
- o In collaboration with the other USG, develop a joint strategy on trade and

investment in the Dominican Republic, consistent with EAI. PED, 4 Q, FY 91.

- o Assist GODR to complete adoption of key sectoral reforms:
 - tariffs
 - legislation regarding investment
 - regulations governing debt conversion
- o Hold two national level workshops of agribusiness leaders to articulate an economic and policy agenda to prepare the Dominican Republic to effectively participate in the Enterprise for the Americas Initiative. PED/ARD, 4 Q, FY 92.
- o Promote signing of IBRD Structural Adjustment loan. PRM, 3 Q, FY 92.

B. Encourage Vigorous Private Sector Responsiveness

USAID Strategic Objective: Promote increased investment and trade by supporting private U.S. and Dominican initiatives.

To promote increased investment for industrial and agricultural exports:

- o Complete dialogue with key private sector counterpart organizations, such as Investment Promotion Council, Association of Industries and JACC to formulate strategy to improve future investment climate. PED, 4 Q, FY 92.
- o Complete detailed study on input needs of FTZs which might be supplied by non-FTZs producers. PED, 2 Q, FY 92.
- o Complete with IPC a regional trade strategy. PED, 2 Q, FY 92.
- o In conjunction with the Agricultural Attache, work with private sector agribusinesses and public sector agriculturalists to increase exports of number of pre-cleared (non-quarantined) containers of healthy exported food from 500 to 2,000. ARD, 4 Q FY, 92.
- o Consolidate the agricultural portfolio to focus on trade and investment objectives, especially those requiring policy reforms in government. ARD, 2 Q, FY 92.
- o Develop, in conjunction with other U.S. Government agencies, a strategy to coordinate specialized U.S. services, financial support (DA, Title I and ESF) and regulatory enforcement so as to increase international trade with the Dominican Republic. PED/ARD, 1 Q, FY 92.

To promote involvement of private U.S. groups and investors:

- o Complete promotional campaigns intended to make potential investors and others aware of investment opportunity made possible by debt conversion. PED, 2 Q FY 92.
- o Establish a group of representatives of U.S. firms to advise Mission on investment and trade issues in the Dominican Republic. DIR, 1 Q, FY 92.
- o Promote active foreign investment in the Dominican Republic through debt conversion:
 - \$100 million in debt converted to \$25-40 million in investment. PED, 4 Q, FY 92.
 - additional \$100 million converted. PED, 4 Q, FY 93.

To promote GODR privatization:

- o Assist CDE to complete privatization plan: PRM, 1 Q, FY 92.
 - o Assist energy directorate to adopt regulations governing private investment in energy production. PRM, 1 Q, FY 92.
 - o Assist CORDE to complete privatization of one firm. PRM, 4 Q, FY 93.
- C. Support accelerated Opportunities for Increased Participation in the Economy by the Disadvantaged.**

Global:

- o Carry out Women in Development (WID) training to increase awareness, understanding and ability to address WID issues by Mission personnel. PRM, 1 Q, FY 92.
- o Finalize monitoring mechanism for impact of WID on program portfolio. PRM, 1 Q, FY 93.

USAID Strategic Objective: *Expand participation in productive, private income-generating activities by segments of the society previously isolated from the economic system.*

To promote micro and small enterprises:

- o Complete all actions necessary to make FONDOMICRO fully active and operational (i.e. offices opened and staffed, all processes and systems in place). PED, 1 Q, FY 92.
- o Formalize Inter-American Development Bank support for micro-enterprises through private sector organization(s). PED, 1 Q, FY 92.

USAID Strategic Objective: *Address critical socio-economic constraints to growth through improvements in family health and education by supporting non-governmental programs in these areas.*

To foster significantly increased private sector capacity to catalyze sector-wide solutions to sector problems:

- o Authorize "Private Sector Initiatives to Improve Family Health Project." GDO, 2 Q, FY 92.
- o Initiate assistance to new private sector organization to develop its capacity to analyze health trends and needs with respect to family health and stimulate sector-wide solutions. GDO, 3 Q, FY 92.
- o Complete initial institutional development of EDUCA the NGO dedicated to promoting sector-wide solutions in education in order for it to receive grant funds directly from A.I.D. under the Private Initiatives in Primary Education Project (PIPE). GDO, 4 Q, FY 92.
- o Initiate "Private Initiatives in Primary Education Project" (PIPE) activities with the Ministry of Education. World Bank and IDB to address policy and institutional constraints to the improvement of the quality of primary education. GDO, 4 Q, FY 93.
- o Work with World Bank and Inter-American Development Bank to assure their primary education projects address the need for a Civil Service within the Ministry of Education. GDO 4 Q, FY 93.

To expand the delivery of critical social services by private providers.

- o Complete implementation of child survival modules on breast feeding, oral rehydration and family planning in the three project health zones. GDO, 4

Q, FY 92.

- o Make sub-grants to three additional NGOs. GDO, 1 Q, FY 92.
- o Institutionalize the provision of immunizations at all health facilities in order to increase immunization coverage to 80% for all antigens. GDO, 4 Q, FY 93.
- o Make initial grant to Dominican PVOs under the PVO Co-Financing Project to enable poorer population groups to address their health, nutritional and housing needs. GDO, 1 Q, FY 92.
- o Reorient commercialization of contraceptives so as to increase prevalence of use of temporary modern contraception by 10%, including Norplant insertions. GDO, 4 Q, FY 93.
- o Begin training of primary school administrators and teachers under the PIPE project. GDO, 3 Q, FY 92.

D. Encourage preservation and sustainable use of the natural resource base.

USAID Sub-Objective: Promote reduction of legislative, regulatory and institutional impediments to rational management of natural resources by the public and private sectors to assure long-term sustainability of development.

To lay the policy and institutional groundwork for EAI funding for environment:

- o Strengthen linkages of Dominican organizations with U.S. groups by funding joint U.S.- Dominican PVO activity, e.g. to mitigate adverse environmental impacts of Free Trade Zones. ARD, 2 Q, FY 93.
- o Assist PVO efforts to persuade the GODR to change current reforestation policies to allow commercial forestry operations as a way of relieving pressures on national parks and watersheds. ARD, 3 Q, FY 92.
- o Authorize Sustaining Growth through Natural Resource Management project. ARD, 3 Q, FY 93.
- o Initiate a systematic information gathering effort on the causes and consequences of environmental degradation in the Dominican Republic. ARD, 4 Q, FY 93.

II. SUPPORT THE EVOLUTION OF STABLE, DEMOCRATIC SOCIETIES.

- A. Encourage the strengthening of competent civilian government institutions that will merit the confidence of political and military leaders, citizens and investors.**

USAID Strategic Objective: Promote improved efficiency and impartiality of governmental institutions.

- o Authorize Democratic Initiatives Project (DI). GDO, 1 Q, FY 92.
- o Begin activities under the DI project to strengthen the electoral process. GDO, 2 Q, FY 92.
- o Initiate training under the Development Training Project in support of this sub-objective. GDO, long-term: 4 Q, FY 92; short-term: 1 Q FY 1992.
- o Assist NGOs in their efforts to gain approval of Civil Service Reform Act. GDO, 4 Q, FY 92.

- B. Encourage pluralism, tolerance of opposing views and support for democratic values on the part of non-governmental bodies, including the press, community organizations, labor unions and business organizations.**

USAID Strategic Objective: Support Dominican initiatives to facilitate participation and encourage involvement by citizens in the process of government.

- o Provide initial grant funds under the Democratic Initiatives Project (DI) to Dominican organizations to conduct studies and seminars designed to promote open and thoughtful debate on public policy: GDO, 2 Q, FY 92.
- o Provide initial grant funds to PVOs under the PVO Co-Financing Project to strengthen community organizations. GDO, 1 Q, FY 92.
- o Assist Dominican organizations' efforts to gain approval of Electoral Reform Act. GDO, 2 Q, FY 92.
- o Assist Dominican institutions to complete baseline study on knowledge, attitude and practices of citizenry in democratic society. GDO, 1 Q, FY 93.

ANNEX B

NEW PROJECT DESCRIPTION

<u>LAC Objective:</u>	<i>Broad-based, Sustainable Economic Growth</i>
<u>LAC Sub-Objective:</u>	<i>Encourage the adoption of, and adherence to, economic policies promote investments, productive employment and export-led economic growth.</i>
PROJECT TITLE:	PUBLIC POLICY REFORM (New)
PROJECT NUMBER:	517-0262
FUNDING:	FY 92 - \$1,000,000 LOP - \$10,000,000
TYPE OF FUNDING:	Development Assistance (DA) Grant

A. CONSISTENCY OF PROJECT WITH MISSION STRATEGY.

The goal of the Country Development Strategy for the Dominican Republic for the period from FY 1992 to 1996 is to enhance the close and cooperative relationship between the Dominican Republic and the United States, as envisaged in the Enterprise for the Americas Initiative, by supporting Dominican efforts to promote economic growth and to strengthen democratic institutions. To achieve broad-based economic growth, the Dominican Republic must attract private investment into emerging sectors with strong international market potential. For that to occur, the Dominican government must dismantle the remnants of its old import-substitution strategy, liberalize the economy and rationalize existing subsidy schemes. The joint objectives of economic growth and strengthening democracy are interdependent and mutually reinforcing. Decision-making and policy formulation must be more responsive to existing realities, both in the economic arena and in society as a whole. How to proceed with economic liberalization -- who will bear the burdens and who will share in the benefits -- will require new thinking and considerable public review and discussion.

On several occasions in recent years the Dominican Government has adopted major elements of an economic adjustment program. It has had great difficulty in sustaining the implementation of the measures and has never really put in place a comprehensive program. Support within the country has been mixed, as Dominican society, including important segments of the private sector, remains ambivalent about the merits of a

market economy. A closed public policy-making process and the failure to discuss the economic measures with the country have further hampered the reforms. Consistent with the CDSS objectives, this project will provide technical assistance to support continued efforts to implement macro-economic reforms. It will also address closely related issues, such as civil service reform, privatization and debt conversion and sectoral policies in areas such as trade. In an attempt to build support for sustained implementation of the reforms, the project will also encourage and support an open and transparent policy-making process based on extensive public debate of issues.

B. RELATIONSHIP TO A.I.D. AND OTHER DONOR ACTIVITIES

The Mission intends to link increased DA assistance and ESF to adherence to an internationally sanctioned stabilization program and other structural reforms needed to attract private investment. Donors are united on the need for the Dominican Republic to stabilize its economy and reschedule its debt. After arrearage, the single greatest inhibitor to donor financing is the lack of coherent policies and poor program implementation. The Policy Reform project aims to directly promote improvements in the policy and institutional environment of the Dominican Republic.

C. RELATIONSHIP OF PROJECT TO OVERALL A.I.D. POLICY OBJECTIVES

A.I.D. and LAC Bureau policy place greatest emphasis on achieving a sustained environment aimed at promoting private sector investment. Without public support for an informed approach to liberalizing the Dominican economy to greater international and intra-regional trade, the Mission's other policy reform and private sector strategies will have limited impact.

D. PROJECT DESCRIPTION

The purpose of the project is to develop both strong support within the Dominican society and capacity within the GODR for sustained implementation of internationally sanctioned economic policies and programs. The GODR is currently following policies that often inhibit sustainable economic growth. These are fostered by various segments of the society who are at best ambivalent about certain aspects of economic reform. Those segments may benefit through policies that permit such things as restrictive trade regulations and/or subsidized interest rates. They are also fostered by others who are afraid of change and are used to government intrusion in the economy. In addition, because the GODR's institutional base is weak it lacks the capacity to analyze policy issues, formulate reforms and then implement them in a consistent, transparent fashion over the long term. To respond to these problems the project will follow a three pronged approach. First, it will encourage debate and discussion in the private sector by supporting private organizations which promote a market economy. Assistance will be provided through such activities as seminars, roundtable discussions and special studies, to aid groups within the sector including importer, exporter, domestic manufactures and

labor to dialogue with each other and to carry out further dialogue with the Government. Second, the project will provide support to the GODR to complete analysis of policy level issues and to design required reforms. Third, the project will assist the GODR with designing the institutional strengthening activities required to implement the selected policy reforms.

Potential activities the project could support include regularized studies, seminars, workshops and articles in the public media proposed by respected private organizations. In response to GODR requests it may: provide technical assistance to examine alternative policies and their potential effects on various segments of the economy and society; assist with formalizing such policies through legal and regulatory reform; and analyze institutional weaknesses, propose means for correction and fund pilot activities to implement the corrections.

E. PLANNED IMPLEMENTATION ARRANGEMENTS

To provide a forum in which to determine the conduct of the project, the Mission will propose the creation of a joint public/private council with representatives of the key government economic policy bodies, private business and community groups and specialized non-governmental organizations. The council will establish annual workplans for the project reflecting common priorities and needs for macro and sectoral policy reforms. It will also serve as an initial forum in which to debate the proposed reforms and will sponsor additional discussion of the issues through seminars, workshops and in the various media. To assist the council, the Mission will enter into an agreement with a U.S. university with established expertise in public policy and will enter into a direct contract with a U.S. consulting firm or group of firms acting as a consortium. The university and the consultants will each provide a resident advisor and short-term experts. These will be complemented by subcontracts with Dominican consultants and specialized organizations.

F. SUSTAINABILITY OF PROPOSED ACTIVITY

The project's emphasis on economic and institutional reform is designed to assure a permanent positive impact on the country's ability to overcome the principal policy and institutional obstacles to high, sustained economic growth and development; and to promote the level of informed public debate that is vital to a mature, stable democracy.

G. MISSION MANAGEMENT ROLE

Mission management of the project will be made simple by the availability of the agreement with the U.S. university and the contract with a consulting firm or a consortium of firms. The resident advisors representing the university and the consultants will work with the proposed joint public/private council to prepare and implement an annual work plan. The Mission will participate in the review and approval of that plan, but will not face extensive paper work or confront numerous small tasks in

carrying it out.

Mission staff's time and effort would be directed to guiding the policy agenda, and undertaking dialogue on policy reform with private and public counterpart.

H. POTENTIAL ISSUES AND/OR INNOVATIVE PROGRAM APPROACHES

None.

III. PROTECT THE HEMISPHERE AGAINST TRANSNATIONAL DANGERS SUCH AS DRUGS AND AIDS.

A. Contribute to the formulation and implementation of U.S. Government strategies for dealing with issues of particular concern, such as the production, trafficking and consumption of drugs, terrorism and environmental degradation.

- o Conduct a national needs assessment on drug abuse and awareness. GDO, 3 Q, FY 91.
- o Initiate drug abuse awareness campaign under Family Health Project. GDO, 1 Q, FY 93.
- o Complete national mass media campaign on AIDS prevention. GDO, 3 Q, FY 92.

ANNEX C

NEW PROJECT DESCRIPTION

LAC Objective: *Support the evolution of a stable, democratic society by both strengthening competent civilian government institutions and by encouraging support for democratic values on the part of non-governmental entities.*

PROJECT TITLE: DEMOCRATIC INITIATIVES PROJECT (New)
PROJECT NUMBER: 517-0265
FUNDING: FY 92 - \$1,000,000
LOP - \$9,000,000
TYPE OF FUNDING: Development Assistance (DA) Grant

A. CONSISTENCY OF PROJECT WITH MISSION STRATEGY.

The project will directly support four of the Mission's Strategic Objectives as stated in the CDSS. It will: promote open and thoughtful debate on issues of public policy; assess and promote broadly the need to strengthen the role and improve the performance of the legislature, the judiciary and the civil service; strengthen the electoral process and institutions; and, promote decentralization of government and increase grass-roots involvement in decision making.

B. RELATIONSHIP TO A.I.D. AND OTHER DONOR ACTIVITIES.

The project will build on activities already conducted by the Mission in the areas of civil service reform, training for legislators, the administration of justice, and support for private foundations in the promotion of open public debate. It will also enhance Mission and other donor activities in the areas of primary education and PVO programs. This project and the Mission's Public Policy Reform project will be mutually supportive.

C. RELATIONSHIP TO OVERALL A.I.D. POLICY OBJECTIVES.

The project will be the key element in support of policy objectives in the strengthening of democracy. It will be the principal vehicle by which the Mission will promote the strengthening of democratic institutions and open public debate concerning the rule of law within the Dominican Republic.

D. PROJECT DESCRIPTION.

The goal of the project will be to strengthen the democratic system of the Dominican Republic. The Dominican Republic has a fairly well established system of free elections. However, the level of citizen participation often ends with the elections. There is little of the involvement of the population in the government's operations between elections that is vital to successful development of a mature democracy. In addition, the institutional apparatus that supports the election is weak and outdated. Further, the judicial system is slow and subject to outside influence. The purpose of the project will be to maximize the participation of the people in the process of government. The project will accomplish this by providing support to Dominican private entities to conduct studies and seminars and produce publications that encourage public debate and discussion through the media of topics concerning the role and nature of government and the rule of law within the Dominican democratic context. The project will also undertake selected interventions to improve the performance of the legislature, the judiciary and the civil service, as well as strengthen the electoral process and its institutions.

E. PLANNED IMPLEMENTATION ARRANGEMENTS.

Because many of the topics to be addressed are of a sensitive nature, the Mission plans to identify a U.S. based international organization to serve as the principal implementing entity. The organization will then make sub-grants to local or international institutions for specific activities. Local organizations may include: the Foundation for Institutionalization and Justice; the Pontifical Catholic University, Mother and Teacher Center for Social and Democratic Studies; the Dominican Association of Women Voters; and, the Central Election Council (CAPEL). CAPEL is an example of an international organization which might receive a sub-grant to undertake activities under the project.

F. SUSTAINABILITY.

The objective of the project is to bring about fundamental changes in the way the Dominican democratic system operates. In that sense, the changes in the areas addressed should be inherently sustainable. In addition, the project will fund activities by organizations that already exist and function, so the organizations should continue to operate after the project terminates. The activities funded under the project, such as studies, publications and seminars are intended to be ongoing only in the sense that the democratic process is evolutionary by its very nature.

G. MISSION MANAGEMENT ROLE.

The Mission will enter into a cooperative agreement with an appropriate organization. Because the Mission will want to maintain control over the type and nature of activities funded under the project, as well as the subjects of studies, etc., the project will require direct management by the Mission. It will be one of a number of projects under the direction of the Mission's Democratic Initiatives Officer, a USDH position to be

established in the General Development Office in the near future. In addition a Mission sub-grant review and approval system similar to the one being adapted for the PVO Co-Financing project will be developed. Finally, because of the interdependence of this project and the Public Policy Reform project the two will be managed by the same office within the Mission.

H. POTENTIAL ISSUES.

A key issue is whether the Mission will be able to identify an appropriate U.S. based international organization to act as a cooperating entity. To be effective the organization will be required to have both acceptability and credibility across a broad range of the Dominican population. Finally, dealing with sensitive areas will require caution and support from other USG in-country entities.*

NEW PROJECT DESCRIPTION

- LAC Objectives
- (1) *Achievement of Broad-based sustainable economic growth through the LAC Sub-objective of encouraging accelerated opportunities for increased participation in the economy by the historically disadvantaged; and (2) Protect the hemisphere against the transnational dangers of AIDS and drug abuse.*

PROJECT TITLE: Private sector Initiatives to Improve Family Health

PROJECT NUMBER: 517-0259 (Follow-on)

FUNDING FY 92 - \$5,500,000
LOP - \$30,000,000

TYPE OF FUNDING: Development Assistance (DA) Grant

A. CONSISTENCY OF PROJECT WITH MISSION STRATEGY

This project will support the CDSS objective to "address critical socio-economic constraints to growth through improvements in education and opportunities and family health by supporting non-governmental programs in these areas." Success in meeting the objective will contribute to the overall objectives of "achievement of broad-based, sustainable economic growth" and "strengthening of a stable, democratic society in the Dominican Republic".

B. RELATIONSHIP TO A.I.D. AND OTHER DONOR ACTIVITIES:

This new project would combine current project activities in child survival, family planning services and AIDS prevention, and would add a component for prevention of drug abuse. The focus of the project would be the family, which acts as a unit to produce optimal health status for each member. Recently, all activities in the health sector have been redesigned so that they work more closely with the private sector. The close collaboration with PAHO, UNICEF and other donor agencies would continue, so that the activities of each agency are complementary.

C. RELATIONSHIP TO OVERALL A.I.D. POLICY OBJECTIVES:

A.I.D.'s overall policy is to assist "nations throughout the world to improve the quality of human life and to expand the range of individual opportunities by reducing poverty, ignorance and malnutrition." This project will support this policy through the principle of concern for individuals and the development of their economic and social well-being. Likewise, this project will support the new Family and Development Initiative, "to use the family...as a starting point for analysis of what people need, how they use the resources they have, and as an organizing principle for mobilizing the energy of people to create progress."

D. PROJECT DESCRIPTION

The goal of this project will be to improve family health. The purpose will be to improve the quality of health services and the quantity of health service delivery institutions through a variety of low-cost interventions in child survival, family planning and maternal health, AIDS prevention and drug awareness. The focus of these interventions will be the family, which also will be given simple information on how to improve the production of health within family resources, with special attention to preventive measures that will obviate more expensive curative measures. The project will continue to implement child survival interventions begun in the present project, including immunizations, breastfeeding, oral rehydration, and family planning, and will expand geographic coverage and add new interventions. Family planning services will continue through the national family planning association (PROFAMILIA) and other NGOs, with an emphasis on improving the use of under-utilized temporary methods. Social merchandising of contraceptives will continue in the commercial sector with additional products and brands at lower prices, as well as other health-related products. AIDS prevention efforts will continue emphasis on HIV awareness among the general public with special attention to high risk groups as well as condom distribution schemes. Work with the National Council on the Control of Drugs will continue, with emphasis on information and education campaigns for target groups and mass media messages.

E. PLANNED IMPLEMENTATION ARRANGEMENTS:

The project will endeavor to engender the growth of an institution in the private sector similar to the EDUCA organization for education, i.e. one that acts as catalyst in developing sector-wide solutions to health problems. This institution will develop the capacity to analyze health trends and needs with respect to family health, and stimulate sector-wide solutions. Overall project management will be contracted with this entity, which in turn will subcontract or enter into cooperative agreements with sub-component implementing agencies. While a variety of service delivery mechanisms will be examined, it is expected that a number of service delivery modes will be investigated and/or tested to increase or improve their services. This would include iguallas medicas, private insurance companies, social merchandizing of oral rehydration or weaning food products, increased product availability for contraceptives, working with pharmacists and private doctors' associations, and increased use of qualitative research to improve effectiveness of information and behavior change activities at the family level.

Technical assistance in developing an overall national health policy organization in the private sector will be provided from similar U.S. institutions such as the American Public Health Association, CDC, NIH and the National Council for International Health. Included here would be assistance in the policy aspects of mobilizing the private, public and commercial sectors to address a specific health problem. Technical assistance in organizing all facets of the health sector to focus on a specific problem will be provided through these organizations or those in the U.S. which are more specialized, such as PRITECH or AIDSCOM. At project end, it is planned that this Dominican health organization could act independently to mobilize the health sector around any specific health problem, and that the family unit will have received empowering tools to create better health at home.

F. SUSTAINABILITY:

Several components, such as social merchandizing of contraceptives and other MCH products through pharmacies and other commercial outlets, as well as activities through iguales medicas or microenterprises, should achieve sustainability by mid-project, whereas others, such as those with NGOs, may only approach sustainability towards the end of the project. The philosophy here is that families in lower income groups that can afford to pay small amounts should do so in order that those who cannot afford anything can be provided services.

G. MISSION MANAGEMENT ROLE:

This project will be managed by the General Development Office with one Direct Hire officer, two PSCs and two secretaries. The contract with the Dominican umbrella organization will be monitored by GDO, as well as approval of all sub-contracts and sub-grants under the umbrella.

H. POTENTIAL ISSUES AND INNOVATIVE APPROACHES:

Crucial to the success of this effort will be the identification of a competent umbrella organization, or one that can evolve into such a group, that will enjoy the respect of all parts of the health sector. The combination of a variety of private and commercial sector delivery systems under this project is an innovation that we hope and expect will produce some synergism among various project components. At present, various sectors of the Dominican health sector operate compartmentally, resulting in problems such as extremely high rates of caesarian section deliveries, abortions and extremely low rates of breastfeeding. Rather than addressing these large issues through a national public health group, the specialized groups of doctors involved remain within their own specialty associations and can be unaware of such problems. It is similar to the national practice of purchasing electrical generators for business and personal use rather than pressuring the government to provide continuous, reasonably-priced electricity to all. The foreign exchange expenses of buying both the generating equipment and the petroleum to run them probably far outweighs what the costs would be to institute efficient utilities and power generation.

NEW PROJECT DESCRIPTION

LAC Objective: *Achievement of broad-based, sustainable economic growth.*

LAC Sub-Objective: *Encourage preservation and sustainable use of the natural resource base.*

PROJECT TITLE: Sustaining Growth through Natural Resource Management

PROJECT NUMBER: 517-0266

PROJECT FUNDING: FY 93 - \$1,500,000
LOP - \$7,000,000

FUNDING TYPE: Development Assistance (DA) - Grant

A. CONSISTENCY OF PROJECT WITH MISSION STRATEGY.

The FY 1992-96 CDSS recognizes the growing significance of problems derived from the mismanagement of natural resources in the Dominican Republic. Deforestation, watershed siltation, untreated industrial discharges and uncontrolled withdrawals from, and discharges into, aquifers, among others, are degrading the quality of underground, riverine and coastal water systems. The CDSS, recognizing that these trends will soon become a major constraint to economic growth and to an improved quality of life in the Dominican Republic, proposes as a major strategic to objective to "reduce legislative, regulatory and institutional impediments to rational management of natural resources by public and private sectors to assure long-term sustainability."

The overall Mission strategy during the CDSS period is to assist those in Dominican society who seek and support the policy and institutional reforms which would enable the Dominican Republic to become an important participant in the Enterprise for the Americas Initiative. Once implemented, the EAI promises to become a major source of support for environmental protection and natural resource management in the Dominican Republic. The new project seeks to promote sustained growth through natural resource management, while preparing the Dominican Republic to take

advantage promptly of the support for environmental programs of the EAI.

B. RELATIONSHIP TO A.I.D. AND OTHER DONOR ACTIVITIES

The project complements past and present USAID projects as well as those of other donors. AID's work in irrigation and management of coastline agricultural areas is one of the most successful in the region, often serving as a model for other countries. Recently the On Farm Water Management Project was extended to permit consolidation of its work, especially work with the highly democratic local irrigation boards. That work should serve as an excellent springboard to support a new project focusing on watersheds and coastal zones endangered by man-made-environments. It will also complement environmental work being completed under the PVO Co-Financing Project, which enhances NGO participation in natural resource management through a series of small pilot sub-projects, such as the National Forest Investment Project (FIRENA).

The proposed focus of the project will mesh well with activities being funded by other donors under the Tropical Forestry Action Plan for 1990-1995. A review of that plan in the Agricultural Sector Strategy Study shows that other donors will be working almost exclusively with reforestation and related activities during the planning period. None propose to work on watersheds impacting directly on coastal zones.

C. RELATIONSHIP OF PROJECT TO OVERALL A.I.D. POLICY OBJECTIVES

The Sustaining Growth through Natural Resources Management Project directly addresses the targets of Sections 118 and 119 of the Foreign Assistance Act by encouraging policy reforms which will protect and improve the country's major watersheds and related coastal zones. In turn this focus will also serve to encourage protection of remaining forests, the 80 endangered species identified in the country and ecosystems surrounding urban areas of high population density. The project also is designed explicitly as a tool to help prepare the Dominican Republic to participate quickly in the environmental protection activities identified as a high priority in the implementation of the Enterprise for the Americas Initiative.

D. PROJECT DESCRIPTION

The goal of the project is to support economic growth in the Dominican Republic in harmony with the sustained use of natural resources. The purpose of the project is to assist in developing the knowledge, programs and institutions which will enable the Dominican Republic to utilize quickly and effectively the resources available through the Enterprise for the Americas Initiative to undertake large scale efforts to reverse the trends of environmental degradation of watersheds and coastal zones and to promote sustained growth through improved management of the country's natural resources.

Directing this project toward resolution of problems surrounding watersheds and coastal zones (both locally recognized as highly important) will provide a concrete setting for institutional and policy improvement. Institutions will work to improve their performance in three areas: problem identification and policy analysis, natural resource management, and long-term planning. Project components will include educational activities, data gathering, building public awareness and using selected watersheds and coastal zones as models for environmental management. Specific efforts will be made to increase the understanding of donors, the GODR and Dominican NGOs and private business groups as to how they can better coordinate economic development and environmental improvement policies and activities at particular sites. National, regional and international human resources will be drawn upon to solve common problems in at least two watersheds and two coastal zones.

The educational component of the project will assist the Dominican Republic to understand and act upon provisions of the new Enterprise for the Americas Environmental Fund and the Enterprise for the Americas Facility. The GODR and NGOs will become prepared to take advantage of the EAI program, to make policy changes required to meet eligibility criteria of that program, and to begin implementation of activities supporting market-oriented reforms, investment reforms and environmental protection through the debt reduction operations commonly known as debt-for-nature swaps.

E. PLANNED IMPLEMENTATION ARRANGEMENTS AND PROCUREMENT MECHANISM

The focal point for the project will be a Dominican organization which represents broad interests in and perspectives on environmental issues in the country and which can serve as the forum for adopting and monitoring the implementation of an annual work plan describing specific objectives for the period and related activities which the project will support. The organization will either include the public sector among its members or will engage the GODR actively in the deliberation of the work plan. Agreements or contracts funded under project will ensure that U.S. interests and expertise in environmental matters are strongly represented in the conduct of the project, with a resident representative acting to coordinate and facilitate the process. The management of the activity within the Mission will be the responsibility of the proposed Trade and Investment Office.

F. SUSTAINABILITY OF PROPOSED ACTIVITY

In pilot areas selected to become models the project will establish environmental protection policies that are appropriate to the ecological, economic and social conditions of local sites as well as the country. As such they will have a much greater chance of being implemented and followed. In addition, the project will seek to establish financing mechanisms that will receive long-term support under provisions of the EAI Fund. The

reforestation law, for example, could be revised so as to tie it to the EAI Fund to make it both effective and financially sustainable by generating funds for new investments in conservation and commercial forestry. This will insure the long-run sustainability of the initial pilot activities promoted through the project.

G. POTENTIAL ISSUES

The success of this Project will depend upon the GODR 's implementation of policy recommendations stemming from both donors and the private sector. Such changes would include: (1) enabling the participation of private organizations in the management and control of national parks, coastal zones, watersheds and similar areas of common good, such man-made tourist attractions; (2) increasing local autonomy and democratic decision-making regarding uses of regional and/or municipal public lands; and (3) promote a market environment to enable the growth and development of economically viable activities which are consistent with the sustained use of watersheds and coastal zones.

BALANCE OF PAYMENTS ESTIMATES

1989-1992

DESCRIPTION	MILLIONS OF US DOLLARS			
	PRELIMINARY		PROJECTIONS	
	1989	1990	1991	1992
<u>Current Account</u>	<u>-343</u>	<u>-396</u>	<u>-550</u>	<u>-360</u>
- Trade Balance	-1,041	-1,103	-1,270	-1,325
Exports	923	704	780	850
Imports	-1,964	-1,807	-2,050	-2,175
- Non-Factor Services, Net	563	647	510	765
Exports	1,028	1,112	980	1,250
o Tourism	894	975	840	1,100
o Other	134	137	140	150
Imports	-465	-465	-470	-485
- Factor Services, Net	131	60	210	200
<u>Capital Account</u>	<u>309</u>	<u>472</u>	<u>-1,301</u>	<u>30</u>
- Public Sector, Net	547	671	-1,281	-130
Grants	84	92	95	30
Net Lending	159	-27	-90	-160
Arrears	304	606	-1,286	
- Private Sector, Net	-238	-199	-20	160
<u>Overall Balance</u>	<u>-34</u>	<u>76</u>	<u>100*</u>	<u>100*</u>
<u>BOP Financing Gap</u>	<u>---</u>	<u>---</u>	<u>1,951</u>	<u>430</u>
- Rescheduling			1,586	200
Arrears			1,286	
Current Obligations			300	200
- Residual Financing Gap			365	230

* Target

SUPPORT THE ACHIEVEMENT OF BROADLY-BASED,
SUSTAINABLE ECONOMIC GROWTH.

PROJECT NO. AND TITLE	OBJECTIVE I			
	1991	1992	1993	TOTAL
517-0000 PD&S PSEE STUDIES	460	460	460	1,380
517-0050 SDAF	112	113	112	337
517-0190 EXPORT & INVESTMENT	1,728	1,181	0	2,909
517-0216 DEVELOPMENT TRAINING (50%)	2,335	543	1,500	4,378
517-0237 DEBT CONVERSION	100	500	0	600
517-0239 CHILD SURVIVAL	745	435	0	1,180
517-0243 UNIV. AGRIB. PARTN.	0	0	1687	1687
517-0247 FVO CO-FINANCING	1,125	950	1,162	3,237
517-0251 PRIV. PRIMARY EDUC.	248	750	1,122	2,121
517-0252 INDUSTRIAL LINKAGES	0	500	500	1,000
517-0254 MICRO/SMALLBUSINESS	0	2,483	1,073	3,556
517-0259 FAMILY HEALTH	0	1,500	4,572	6,072
517-0262 POLICY REFORM	0	1,000	2,000	3,000
517-0264 NATURAL RESOURCE & ENVMT.	0	0	1,000	1,000
517-0256 AIDS PREVENTION	850	350	0	1,200
517-0264 ECONOMIC SUPPORT GRANT	300	0	0	300
517-0000 PD&S POF	45	50	50	145
517-0000 P&S HEALTH	150	150	150	450
517-0000 PD&S ARDN	350	350	350	1,050
517-0000 PD&S EDUC	150	150	150	450
TOTALS	8,698	11,465	15,888	36,051
% OF TOTAL	67.2%	88.2%	83.6%	85.9%
517-XXXX ESF POLICY REFORM	0	40,000	40,000	80,000
PL-480- II FOOD SUPPORT	4,000	5,000	5,000	14,000
TOTAL OBJECTIVE I	12,698	56,465	60,888	130,051
% OF TOTAL PROGRAM	90.9%	97.4%	95.1%	95.6%

ENCOURAGE THE ADOPTION OF AND CONTINUED ADHERENCE
TO ECONOMIC POLICIES THAT PROMOTE INVESTMENT,
PRODUCTIVE EMPLOYMENT AND EXPORT-LED ECONOMIC
DIVERSIFICATION

PROJECT NO. AND TITLE	OBJECTIVE I-A			
	1991	1992	1993	TOTAL
517-0000 PD&S PSEE	460	460	460	1,380
517-0262 PUBLIC POLICY REFORM		1,000	2,000	3,000
517-0190 EXPORT & INVESTMENT (25%)	433	295		728
517-0264 ECONOMIC EDUCATION	300			300
517-0243 UNIV. AGRIBUS. PART.			562	562
D.A. TOTALS	1,193	1,755	3,022	5,970
% OF TOTAL D.A.	12.0%	9.2%	15.9%	14.2%
517-XXXX EBF POLICY REFORM	0	40,000	40,000	80,000
PL-430 II FOOD SUPPORT	4,000	5,000	5,000	14,000
TOTAL OBJECTIVE I - A	5,193	46,755	48,022	99,970
% OF TOTAL PROGRAM	37.2%	80.6%	75.0%	73.5%

ENCOURAGE A VIGOROUS RESPONSE BY THE PRIVATE
SECTOR TO A FAVORABLE POLICY ENVIRONMENT.

PROJECT NO. AND TITLE	OBJECTIVE I-B			
	1991	1992	1993	TOTAL
517-0190 EXPORT & INVESTMENT	1,295	886		2,181
517-0216 DEVELOPMENT TRAINING (50%)	1,557	362	1,000	2,919
517-0237 DEBT CONVERSION	100	500		600
517-0251 PRIV. PRIMARY EDUC. (25%)	83	250	375	708
517-0252 INDUSTRIAL LINKAGES		500	500	1,000
517-0254 MICRO/SMALL BUSINESS (25%)	0	621	268	889
TOTALS	3,034	3,119	2,143	8,296
% OF TOTAL D.A.	30.4%	24.0%	11.3%	19.8%
% OF TOTAL PROGRAM	21.7%	5.4%	3.3%	6.1%

04-Mar-91

ENCOURAGE ACCELERATED OPPORTUNITIES FOR INCREASED PARTICIPATION IN THE ECONOMY BY THE HISTORICALLY DISADVANTAGED.

PROJECT NO. AND TITLE	OBJECTIVE I-C			
	1991	1992	1993	TOTAL
1517-0050 SDAF (50%)	75	75	75	225
1517-0216 DEVELOPMENT TRAINING	772	181	500	1,453
1517-0239 CHILD SURVIVAL	745	435		1,180
1517-0259 FAMILY HEALTH		1,500	4,572	6,072
1517-0251 PRIV. PRIMARY EDUC. (50%)	166	500	748	1,414
1517-0254 MICRO/SMALL BUSINESS (75%)	0	1,862	805	2,667
1517-0247 PVO CO-FINANCING (50%)	562	475	581	1,618
1517-0256 AIDS PREVENTION	850	350		1,200
1517-0240 UNIV. AGRIB. PARTN.			562	562
1517-0000 PD&S POP	45	50	50	145
1517-0000 PD&S HEALTH	150	150	150	450
1517-0000 PD&S EDUC	150	150	150	450
TOTALS	3,521	5,738	6,192	17,441
% OF TOTAL D.A.	35.0%	44.1%	43.1%	41.6%
% OF TOTAL PROGRAM	25.0%	9.9%	12.8%	12.8%

04-Mar-91

ENCOURAGE PRESERVATION AND SUSTAINABLE USE
OF THE NATURAL RESOURCE BASE.

PROJECT NO. AND TITLE	OBJECTIVE I-D			
	1991	1992	1993	TOTAL
517-0050 SDAF	37	38	37	112
517-0266 SUSTAINING NATURAL RESOURCE			1,000	1,000
517-0000 FD&S ARDN	350	350	350	1,050
517-0247 FVD CO-FINANCING	562	475	581	1,618
517-0243 UNIV. AGRIB. PARTN.			563	563
TOTALS	949	863	2,531	4,343
% OF TOTAL D.A.	9.5%	6.6%	13.3%	10.3%
% OF TOTAL PROGRAM	6.8%	1.5%	4.0%	3.2%

04-Mar-91

SUPPORT THE EVOLUTION OF STABLE, DEMOCRATIC
SOCIETIES.

PROJECT NO. AND TITLE	OBJECTIVE II			
	1991	1992	1993	TOTAL
517-0050 SDAF	37	37	37	111
517-0216 DEV. TRAINING	778	161	500	1,459
517-0265 DEMOCRATIC INITIATIVES	0	750	1,250	2,000
517-0251 PRIV. PRIMARY EDUC. (25%)	62	250	374	706
517-0247 PVO CO-FINANCING	375	317	388	1,080
517-0243 UNIV. AGRIB. PARTN.			563	563
TOTALS	1,272	1,535	3,112	5,919
% OF TOTAL	12.8%	11.8%	16.4%	14.1%
% OF TOTAL PROGRAM	9.1%	2.6%	4.9%	4.4%

04-Mar-91

ENCOURAGE THE STRENGTHENING OF COMPETENT
CIVILIAN GOVERNMENT INSTITUTIONS THAT WILL
MERIT THE CONFIDENCE OF POLITICAL AND MILITARY
LEADERS, CITIZENS AND INVESTORS.

PROJECT NO. AND TITLE	OBJECTIVE II-A			
	1991	1992	1993	TOTAL
517-0265 DEMOCRATIC INITIATIVES	0	375	625	1,000
TOTALS	0	375	625	1,000
% OF TOTAL D.A.	0.0%	2.9%	3.3%	2.4%
% OF TOTAL PROGRAM	0.0%	0.6%	1.0%	0.7%

04-Mar-91

ENCOURAGE PLURALISM, TOLERANCE OF OPPOSING
VIEWS AND SUPPORT FOR DEMOCRATIC VALUES ON
THE PART OF NONGOVERNMENTAL BODIES, INCLUDING
THE PRESS, COMMUNITY ORGANIZATIONS, LABOR
UNIONS AND BUSINESS ASSOCIATIONS.

PROJECT NO. AND TITLE	OBJECTIVE II-B			
	1991	1992	1993	TOTAL
517-0050 SDAF	37	37	37	111
517-0265 DEMOCRATIC INITIATIVES	0	375	625	1,000
517-0216 DEV. TRAINING	776	181	500	1,459
517-0243 UNIV. AGRIB. PARTN.			563	563
517-0251 PRIV. PRIMARY EDUC. (25%)	62	250	374	706
517-0247 PVO CO-FINANCING	375	317	388	1,080
TOTALS	1,272	1,160	2,487	4,919
% OF TOTAL	12.8%	8.9%	13.1%	11.7%
% OF TOTAL PROGRAM	9.1%	2.0%	3.9%	3.6%

04-Mar-91

ENVIRONMENTAL QUESTIONNAIRE

(A) The Government has not established effective coastal zone management laws and programs that promote the sustainable development of these environmentally sensitive and economically important areas. Raw sewage continues to be dumped directly or indirectly from oceanside tourist/private housing developments. However, environmental and regional ecology groups have increasingly publicized the worst abuses and have begun lobbying for tidewater and manglar grove protection on the north coast.

(B) The forest management laws and programs which exist and/or are most aggressively implemented by the GODR area those related to tree preservation; these tend not to ensure sustainable use/production of forest resources nor socio-economic benefits for local communities. Local and regional citizen's groups are, however, increasingly protesting and publicizing the environmentally damaging extractive operations in their neighborhoods, e.g. river bed gravel extraction, decimation of sand dunes, etc.

(C) A USAID/private sector funded agribusiness service organization is now building a residual testing lab and fully supports an APHIS pre-inspection team, in addition to managing a nationwide integrated pest management program. Results of these efforts to date are extremely promising and point toward the eventual establishment of a private quality assurance program, probably fully operational and sanctioned by CY 1993. Successive GODR attempts to address these problems ended in failure.

(D) Major donors were largely unsuccessful during the late 1970s and early 1980s in introducing the concept of land use planning and sustainable agricultural practices (there are not land taxes); however, some limited watershed mountain regions and irrigated alluvial plains were incorporated into very successful programs involving water user fees and indigenous land redistribution.

(E) Air and water pollution have only recently been addressed effectively by GODR official agencies and personnel; compliance and follow-up are difficult with low budgetary support and lack of mobility.

(F) Watershed management policies exist but their application is limited; environmental assessments are an exception rather than the norm.

(G) Most environmental education programs have been developed throughout the "concerned citizen" community, and are the result of private investments and/or donations to PVOS and NGOs operating in this area of increased concern.

(H) The GODR has established several parks and approved a debt for nature swap of commercial arrearage to be invested in the management and improvement of four national parks, through the Nature Conservancy and the indigenous Pronatura organization.

(I) The national policies are disarticulated and imperfectly implemented; however, both men and women have exercised leadership roles in presenting policy reforms.

(J) Current policies and programs have fallen short of encouraging efficient energy use, and have, instead, encouraged massive micro-privatization of electricity generation at highly inefficient rates of conversion.

Environmental Performance Indicators

	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>	<u>FY 96</u>
A) GODR establishes costal zone mgt	0	0	1	2
B) Forest laws & prgms ensure sustainability	3	3	3	4
C) Agrochemical use is publicly or priv'ly monitored & controlled	0	2	3	4
D) Incentives for sustainable ag	2	2	3	4
E) Is environmental monitoring working	1	1	3	4
F) Watershed mgt successful	2	3	3	4
G) Environmental educat. exists	2	2	3	4
H) GODR established parks exist	3	3	4	4
I) National environmental strategy plan	3	3	3	4
J) Encourage efficient energy use	1	2	3	4
TOTAL SCORE IS OR SHOULD BE	4.25	5.25	7.5	8.5

ANNEX I

BUSINESS REGULATORY ENVIRONMENT QUESTIONNAIRE

A. Are private ventures permitted to compete on a fully equal footing with state-owned enterprises or privileged groups?

Legally, private ventures are permitted to equally compete with state-owned enterprises. On a practical basis, however, fully equal competition does not exist as state-owned enterprises frequently enjoy special privileges. The principal benefit seems to be that state-owned enterprises pay reduced or sometimes no import tariffs when importing production inputs. The fact that the number and size of state-owned manufacturing firms is quite limited minimizes the harmful effects of this situation. As and if current government plans to "privatize" some of the firms proceed, the problem will be further reduced.

B. Does the country adhere to international standards for protection of intellectual property rights (e.g. patents, copyrights, processing and trade secrets)?

The GODR does adhere to international standards for protection of intellectual property rights. However, due to limited enforcement capability, there are violations. Copyrights are frequently violated in the unauthorized reproduction of video cassettes, cable broadcasts, computer software, music cassettes, records, and books. Unauthorized reproduction thus far, appears to be at only a "cottage industry" level.

C. Are foreign investors subject to any different treatment with respect to laws ownership, employment, taxation, customs and judicial process than local businesses?

In general, the situation appears to be satisfactory. With respect to ownership, there are some controls on foreign ownership of firms involved in transportation, agriculture, banking and insurance (although foreign firms are operating in all these fields). Also, all real estate purchases by foreigners must be approved by the government. Treatment of foreign firms in regards to judicial processes taxation, customs duties, and employment is essentially the same as treatment of local firms.

D. How much time, effort, money does it take for new corporations to be formed and licensed?

Legally, it takes a minimum of 60 days to form and license a new corporation. However, some major law firms keep files of companies which are already legally formed (on paper) and available for purchase. An investor who wishes to buy one of these companies can set it up in less than 60 days. Law firms charge from US\$500 to

US\$10,000 to form new companies.

E. How much time, effort, money is involved in clearing customs for imports and exports (both inside and outside the FTZs?)

For firms outside the FTZs, the time involved depends on the clearing agent used. Major shipping companies have employees that work in customs, and know how to clear things relatively rapidly. Since clearing merchandise may require over 50 signatures, paying unofficial fees to expedite the process is not uncommon. The process normally takes several weeks, but this process can be lengthened when other government requirements also come into play. (For example when importers are required to show certification that all foreign exchange to pay for the imports was acquired through the Central Bank). Under such circumstances merchandise imported by both foreigners and Dominicans may spend months waiting to be cleared.

For firms inside the FTZs, customs clearance is straightforward and typically takes one to four days. Materials arrive in containers, which are inspected, resealed, and accompanied by officials directly to the Free Trade Zones.

F. Is the country a signatory to a trade and investment framework agreement, bilateral investment treaty and/or OPIC Agreement with the United States? How have these functioned?

The only agreement has been an OPIC Agreement signed in 1962.

G. Does the country have laws and/or policies which inhibit the free flow of capital internationally, including restrictions on capital and profit repatriation?

According to the laws of the Dominican Republic, only the Registry Division of the Foreign Exchange Department of the Central Bank is authorized to convert local currency into foreign exchange for commercial and financial purposes. In spite of various provisions permitting the convertibility of pesos into dollars, the reality of the Central Bank's lack of dollars has been thwarting any actual international flow of capital.

Legislation permits controlled repatriation of capital and profit from parties both inside and outside of the industrial free zones. Law 861 allows all foreign-owned businesses operating outside the FTZs to annually convert pesos and remit profits abroad equally up to 25% of their registered foreign investment. This law also permits repatriation of 100% of the invested foreign capital upon liquidation. Firms operating within the industrial free zones are allowed 100% repatriation of all profits and capital under Law 8-90.

H. Are labor unions significantly influenced, controlled and financed by political parties or other outside interest groups? Are labor disputes?

There are 9 major labor "confederations", several hundred "federations" and several

thousand unions in the D.R.

Several of the major confederations do receive financial and political support from political parties and are influenced by them. For example, the Central de Trabajadores Mayoritaria (CTM) has strong ties with the Partido de la Liberacion Dominicana (PLD) and the Confederacion Autonoma de Sindicatos Cristianos (CASC) has strong ties to the Partido Reformista Social Cristiano (PRSC). The level of political involvement in unions in the D.R. appears to be similar to the level in the U.S.

Other outside interest groups which influence unions are: 1) the Catholic Church, which has close ties to the CASC (formed along Social Christian ideas); 2) campesino groups which are formed by small farmers and are very influential; 3) community organizing groups representing the poor in urban areas.

In labor disputes there tends to be only infrequent and behind-the-scenes intervention by political parties. The Church often plays an arbitrating or mediator role in such disputes. Recent national labor strikes have not been strikes in the traditional sense, but national work stoppages to protest political policies.

I. Are property rights of both men and women clearly and fairly protected? Are legal disputes handled in a clear, predictable and transparent manner?

There is equal protection for the property rights of both men and women.

Legal disputes are not always handled in a clear, predictable and transparent manner. Judges are frequently unschooled in the law, and poorly paid. Decisions can be reversed by presidential decree.

J. No other regulatory issues.

FIVE YEAR MORTGAGE PLAN

APPROPRIATION ACCOUNT PROJECT NO. & TITLE	COMPLETIS														
	LOF	THRU FY90	MORTGAGE	FY 91	MORTGAGE	FY 92	MORTGAGE	FY 93	MORTGAGE	FY94	MORTGAGE	FY 95	MORTGAGE	FY 96	MORTGAGE
ROAD DEVELOPMENT															
009 Child Survival *	5,450	4,450	1,000	565	405	405	0	0	0	0	0	0	0	0	0
009 Family Health Initiatives(Child surv	7,950	0	0	0	0	0	0	1,500	6,450	1,500	4,950	2,450	2,500	2,500	0
Subtotal	13,400	4,450	1,000	565	405	405	0	1,500	6,450	1,500	4,950	2,450	2,500	2,500	0
EDUCATION & HUMAN RESOURCES															
009 Project Development & Support	2,422	1,500		150		150		150		150		150		150	
009 Export & Investment Promotion	2,500	2,500	0	0	0	0	0	0	0	0	0	0	0	0	0
020 Development Training	11,980	8,185	3,785	1,659	2,106	166	2,000	2,000	0	0	0	0	0	0	0
020 Private Primary Education	5,500	1,534	3,966	321	3,635	1,000	2,635	1,495	1,140	1,140	0	0	0	0	0
020 Development Training II	15,000	0	0	0	0	0	0	0	2,000	13,000	2,500	10,500	2,500	2,500	5,000
Subtotal	37,372	13,741	7,731	2,140	5,741	1,256	4,635	3,645	1,140	3,290	13,000	2,650	10,500	2,650	5,100
PRIVATE SECTOR, ENERGY AND ENVIRONMENT															
009 Project Development & Support	6,657	4,097		460		460		460		460		460		460	
009 Special Dev. Activities Fund	2,343	1,463		150		150		150		150		150		150	
009 Export & Investment Promotion	8,500	5,593	2,907	1,726	1,151	1,181	0	0	0	0	0	0	0	0	0
020 Development Training	1,500	728	772	772	0	0	0	0	0	0	0	0	0	0	0
020 Debt Conversion	3,500	2,900	600	100	500	500	0	0	0	0	0	0	0	0	0
0247 FDI Co-Financing	1,500	1,000	500	500	0	0	0	0	0	0	0	0	0	0	0
0200 Industrial Linkages	5,000	4,000	1,000	0	1,000	500	500	500	0	0	0	0	0	0	0
0254 Micro /Small Business Dev.	7,006	3,270	3,736	0	3,736	2,482	1,253	1,073	180	180	0	0	0	0	0
0200 Public Policy Reform	10,000	0	0	0	0	1,300	9,000	2,000	7,000	2,000	5,000	1,000	4,000	2,500	1,100
0200 Democracy Initiatives	9,000	0	0	0	0	750	8,250	1,250	7,000	1,000	6,000	1,000	5,000	2,500	2,500
0264 Economic Education	300	0	0	300	0	0	0	0	0	0	0	0	0	0	0
0207 Investment & Trade Promotion	9,000	0	0	0	0	0	0	0	0	2,000	7,000	1,500	5,500	2,500	3,000
Subtotal	64,526	23,051	9,515	4,008	6,417	7,024	19,003	5,433	14,180	5,790	16,000	4,110	14,500	6,420	6,690
DA GRANTS	193,135	77,462	31,518	9,970	23,153	13,000	40,513	19,000	37,773	19,000	52,083	19,003	34,390	19,000	16,700
DA LOANS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DA	193,135	77,462	31,518	9,970	23,153	13,000	40,513	19,000	37,773	19,000	52,083	19,003	34,390	19,000	16,700
MORTGAGE RATIO					2.32		3.12		1.99		2.74		1.81		0.65

FIVE YEAR MORTGAGE ANALYSIS
 FY 91 - FY 96
 (IN THOUSANDS OF US DOLLARS)

APPROPRIATION ACCOUNT PROJECT NO. & TITLE	LCF	CLM DEL. 10 TAL. FY 91	MORTG. MORTGAGE	FY 91 MORTGAGE	FY 92 MORTGAGE	FY 93 MORTGAGE	FY 94 MORTGAGE	FY 95 MORTGAGE	FY 96 MORTGAGE	
AGRICULTURE, RURAL DEV. AND NUTRITION										
0211 Project Development & Support	10,926	10,626		751		351		351		751
0216 Development Training	3,000	1,700	1,300	650	615	615	0	0	0	0
0247 Univ. Agribusiness Partnership	12,000	5,725	6,275	0	6,275	0	6,275	2,250	4,025	2,075
0247 PVD Co-Financing	4,000	1,000	3,000	1,000	2,000	750	1,250	750	500	500
0254 Small/Micro Business	244	244	0	0	0	0	0	0	0	0
0266 Sustaining Natural Resource	7,000	0	0	0	0	0	0	1,000	6,000	1,500
0267 Priv. Trade & Investment Expansion	5,000	0	0	0	0	0	0	1,000	7,000	4,500
Subtotal	47,170	19,495	10,575	2,032	8,895	1,716	7,525	4,250	10,525	5,425
POPULATION PLANNING										
0211 Project Development & Support	593	598		45		50		50		50
0216 Development Training	550	550	0	0	0	0	0	0	0	0
0259 Family Plan. Services Expan. I	5,450	5,450	0	0	0	0	0	0	0	0
0259 Family Health Initiatives	7,000	0	0	0	0	1,000	6,000	2,000	3,775	1,945
Subtotal	13,593	6,598	0	45	0	1,050	6,000	2,272	3,775	1,995
HEALTH										
0211 Project Development & Support	2,692	1,782		150		150		150		150
0239 Child Survival	3,490	2,510	180	180	0	0	0	0	0	0
0247 PVD Co-Financing	4,000	2,692	1,317	0	1,317	517	800	800	0	0
0256 AIDS Prevention	905	450	455	105	350	350	0	0	0	0
Subtotal	11,077	8,425	1,952	435	1,667	1,017	800	950	0	150
AIDS										
0256 AIDS Prevention	2,245	1,500	745	745	0	0	0	0	0	0
0259 Family Health Initiatives	3,050	0	0	0	0	500	2,550	850	1,700	850
Subtotal	5,295	1,500	745	745	0	500	2,550	850	1,700	850

Notes on LAC Country Performance Indicators(1) MACROECONOMIC REFORM PROGRAM

The GODR has made substantial progress on developing and implementing a comprehensive economic adjustment and reform program since early August, 1990. Recent economic policy implementation represents a quantum change from the policies generally in effect over the past four years, and though orthodox and fundamentally sound, are extremely high risk policies in a political and social environment that does not trust the incumbent government to implement and sustain policies with benefits that will be realized only over the medium long-term. A.I.D. and other donor support can significantly improve GODR credibility by providing financing that will make the adjustments now being undertaken politically palatable and financially viable. Most of the recent economic performance is unfavorable and directly related to the short-term costs of an adjustment program that was delayed for too long a period. In addition to the adverse short-term impacts of the adjustment program, the economy is also suffering the consequences of a contracting U.S. economy and fall-out from the Gulf crisis through higher oil bills and a precipitous decline in tourism. Despite an unfavorable external environment, GODR authorities are convinced that needed adjustment can no longer be postponed. The GODR's progress and palpable commitment to fundamental reform needed for economic recovery and sustained future growth led by external trade expansion and efficient investment in emerging growth areas of the domestic economy merits recognition and timely support from A.I.D.

(2) DOMESTIC FINANCING DEFICIT

USAID estimates domestic banking system net financing of the consolidated public sector deficit to have been on the order of 2.6 percent of GDP in 1990, although the total deficit may have exceeded 7.0 percent of GDP, with the difference being mainly financed by unilateral rescheduling of external debt through build-up of arrears.

(3) FOREIGN EXCHANGE REGIME

The foreign exchange regime at present consists of an official market and a legal parallel market administered by the commercial banking system. During 1990, the parallel market exchange rate premium was typically on the order of 20 percent, although the arithmetic averages of the two, as per Central Bank daily tracking, show a premium of 29 percent, compared to the official exchange rate. The premium peaked in October at about 40 percent, then steadily declined to less than 5 percent during the final week of December. The parallel market exchange rate was legalized for most import transactions on January 24, and on January 27 the official exchange rate was devalued to the level of the parallel market rate in December. As of February 1, 1991, average legally negotiated parallel market exchange rate premiums for foreign exchange sales exceeded the official exchange rate by 13 percent. The premium posted buy rates averaged 10 percent.

Average premiums on February 20 were on the order of 15 percent, despite an 8 percent devaluation of the official exchange rate on February 19 and Central Bank determination to keep the spread between official and market rates to less than 10 percent on average.

(4) BUSINESS REGULATORY ENVIRONMENT. See Annex I

(5) TRADE REGIME

The recently implemented tariff reform reduced basic tariffs to a range of 5 percent to 35 percent, substantially reducing effective rates of protection and closing the huge disparities in effective rates of protection in effect before tariff reform was implemented. The exchange surcharge on import transactions was reduced by 25 percent. Although basic tariffs average significantly less than 15 percent, temporary surcharges and the remaining exchange surcharge may raise the average tariff in 1991 (excluding petroleum imports) to over 30 percent. There are no significant quantity restrictions. By 1993, however, average tariffs of less than 15 percent will be typical.

(6) MARKET PRICING

Most of the measures that have needed to be implemented are now in place. Subsidies have effectively been removed from most goods and services produced or controlled by the government. Market-based pricing in line with actual costs and exchange rate depreciation have resulted in price increases of up to 233 percent on imported petroleum products, together with pass-through of these price increases by means of large fuel surcharges for electricity in addition to basic billing increases and authorized increases in fares charged for public transportation services. The prices of domestic sugar, wheat flour and other basic products have been permitted to rise in line with costs. All ceilings and controls have been removed on both deposit and lending interest rates. Massive subsidies on raw materials and intermediate products for import substitution industries have been removed by implementation of comprehensive tariff reform that also lowered basic tariff rates on imports of final products to maximum 35 percent. The parallel market foreign exchange rate has been legalized with a view to near-term unification of the official and parallel market exchange rates and the exchange surcharge applied to specified import transactions has been reduced by 25 percent.

- (7) For elementary school enrollment ratio estimates prior to 1989, the source for school age population (6-12 years): Instituto de Estudios de Poblacion y Desarrollo, "Poblacion y Desarrollo", Boletin 14, Abril-Junio, 1986; sources for primary school enrollment: 1980 SEEBAC; 1982-World Bank, Dominican Republic, PSIP, January, 1989; 1985-SEEBAC; 1987-SEEBAC for public grades 1-6, and Mission estimate for private grades 1-6. The source of data for 1990 is an Enrollment Study by Ivelisse Pratts de Perez for the Centro de Investigacion y Economia Aplicada (CIEA), grades 1-8; Eligible Population, D.R. Oficina Nacional de Estadisticas (ONE) and Centro Latino-Americano de Demografia (CELADE), ages 7-14.
- (8) Immunization coverage is a child survival program indicator and refers to percent of children in the 12-23 month age cohort who are vaccinated by age 12 months with the indicated coverage. Coverage rates have not been reported for years prior to 1987 for children less than 12 months old. Prior data coverage was a mixture of children under two years and under five years. Data for Polio 3 and Measles Vaccine are taken from an Assessment Report prepared by UNICEF in early 1988, using data provided by the Ministry of Health (MOH) from the November 1987 vaccination campaign. Data for 1988 calculated from MOH data for one year

period October 1988-September 1989, and includes data from November 1988, March 1989 and August 1989 vaccination campaigns. Data for 1989 and 1990 are current estimates from MOH and PAHO.

Recent trends are:

	1988	1989	1990	Projected 1991
DPT 3	42	47	55	80
POLIO 3	67	75	91	80
MEASLES VACCINE	48	46	95	80
BCG	49	41	67	70
TOTAL (AVERAGE)	52	52	77	78

(9) Includes usage in both legal and common law marriages; 1990 is estimated based on trends observed in three fertility/contraceptive prevalence surveys conducted in 1980, 1985 and 1986.

(10) See Annex H

ANNEX L

Notes on Program Performance Indicators Data (Table III)

- (1) GODR discussions with an IMF negotiating team in January, 1991, resulted in broad agreement on the over-all content of an adjustment program that could be supported by an upper credit tranche arrangement such as a Stand-By over a 12-15 month period. Unresolved in the January meetings was how to implement a reduction in the size of the over-all budget deficit and financing of the remaining deficit. Fund staff was particularly concerned that needed concessional external resources could not be identified to fill the projected fiscal financing gap, even though the GODR agreed to zero domestic banking system net financing through new revenue measures and continued curtailment of public sector investment spending. The GODR moved rapidly in January to implement such prior conditions to an agreement as full liberalization of interest rates and liberalization of the foreign exchange system. According to GODR authorities, the precise content of an agreed to program will depend on the magnitude of firm donor commitments of additional concessional financing, and Fund staff agreed to collaborate in efforts to secure needed financing. The GODR has indicated to USAID/DR that it will proceed with planned financial adjustments to stabilize the economy and additional reforms to liberalize the economy by removing structural bottlenecks intended to improve efficiency, whether or not an Agreement is soon signed with the Fund.

In 1990, GODR a Business Plan was sanctioned by the World Bank.

President Balaguer announced in a speech on 2/27/91 that an agreement with the Fund will soon be signed.

- (2) Paris Club rescheduling will require a Fund agreement before negotiations can begin. Commercial bank rescheduling is expected soon after Paris Club rescheduling is concluded. Sustained adherence to the GODR's stabilization and reform program after rescheduling would qualify the country for the benefits of President Bush's Initiative for the Americas program.

- (3) Exports to U.S. Source: U.S. Department of Commerce data. 1990 estimates are projections based on January-October data.
- (4) Imports from U.S. Source: U.S. Department of Commerce data. 1990 estimates are projections based on January-October data, and may be optimistic since imports declined drastically during the final quarter of 1990.
- (5) Employment generated by A.I.D. Projects. Recent trends are as follow:

	1986	1987	1988	1989	1990
<u>Agribusiness</u>					
Men	NA	NA	940	NA	2,100
Women	NA	NA	935	NA	2,100
Total	2,200	2,025	1,875	3,430	4,200
<u>Small Industrial Microenterprise</u>					
Men	NA	NA	NA	NA	1,450
Women	NA	NA	NA	NA	1,050
Total	2,500	3,000	3,089	3,192	2,500
<u>Free Trade Zones*</u>					
Men	NA	NA	5,890	3,324	- 1,575
Women	NA	NA	10,938	18,938	- 4,725
Total	12,329	14,781	16,828	22,160	- 6,300
<u>Total, All Activities</u>	17,029	19,806	21,792	28,792	400

NA: Not Available

* 1990 numbers based on IPC estimates of massive lay-offs during the last 4 months of the year. Estimates at mid-year were of substantial increases in employment.

- (6) Up-to-date information on the distribution of lending by type of enterprise is not available. A 1989 analysis of sector portfolios shows the following:

Type of Activity	Distribution of Activity in Small, Microenterprise Sector (%)	Distribution of Sector Lending (%)
Manufacturing	18	51
Services	31	30
Commercial	51	19
Total	100	100

- (7) Total number of students in project area: 200,000; five years of teacher training; beneficiaries (coverage) programmed at 20 percent of target group per year over LOP beginning in FY 1993.
- (8) Indicator is same as LAC indicator.
- (9) Infant mortality (IMR). Source of base-line information is the 1986 Demographic and Health Survey (DHS). Inconsultation with GODR's National Planning Office and CELADE, IMR figures have been estimated for five year periods and adjusted for each year.
- (10) Indicator is same as LAC indicator.
- (11) Percent of casual sexual encounters over previous six months who used condoms during last encounter.
- (12) % of total exports (esp. ag.) rejected from U.S. ports.
- (13) Includes completion of a proposal for reform of the legislation governing elections for the national and municipal levels.

ANNEX M

MISSION PORTFOLIO CONSOLIDATION EXERCISE

FY 1991 - FY 1993

	1991	1992	1993
Active Projects DA and Loc Cur	48	31	24
Inactive Projects DA and Loc Cur	181	20	10
TOTAL PROJ.	229	51	34

PROGRAM GOAL AND PROJECT EVALUATION PLAN
 FY 1992 -FY 1993 ACTION PLAN
 COUNTRY/OFFICE: USAID/DOMINICAN REPUBLIC
 PROPOSED PROGRAM EVALUATIONS

ANNEX M
 Page 1

PROGRAM OBJECTIVES	LAST EVAL. COMPLETED (Mo./Yr.)	FY 1992 START (Qter)	TO AID/W	FY 1993 START (Qter)	TO AID/W	REASONS/ISSUES	FUNDING SOURCE	(000)	USAID Person Days	COLLATERAL ASSISTANCE
1. Adherence to Stabilization Policy	Part of Routine Miss/Eab reporting	3	4			Completion debt rescheduling	PD&S			
2. Support Private Sector Initiative in Investment and Trade (including employment generated)	10/88	4				Focus future trade/ investment activities	PD&S			
3. Priv. Sector delivery of Social services	--					Experience in education sector	PD&S			
4. Democratic Initiative	--			3	4	Develop objectively verifiable indicators	PD&S			

* Upon completion of the democratic knowledge, attitude and practices survey

PROGRAM GOAL AND PROJECT EVALUATION PLAN
 FY 1992 ACTION PLAN
 COUNTRY OFFICE: USAID/ DOMINICAN REPUBLIC

ANNEX A
 Page 2

PROJECT LIST (Project No. & Title)	LAST EVAL. COMPLETED (Mo./Yr.)	FY 1992		FY 1993		REASONING ISSUES	FUNDING SOURCE	LBRID Amount	LBRID Period Days	COLLATERAL ASSISTANCE
		START (Start)	TO AID/Yr	START (Start)	TO AID/Yr					
1. Debt Conversion (517-0237)	5/90	1	2			PACD: 10/90 Final evaluation	Proj.			
2. Export & Investment (517-0190)	1/89	2	3			PACD: 12/92 Final evaluation	Proj.			
3. Sugar Diversification (517-0235)	N/A	1	2			PACD: 12/92 Final evaluation	Proj.	80,000	10	100 - 100 p/case
4. Agric. Policy Analysis (517-0156)	6/88	4	4			PACD: 6/91 Final evaluation	Proj.			
5. PL450 Title I (Sect. 10E)	N/A	2	3			Assess performance	PD&E	70,000	25	Mission - 100 p/case
6. Co-Farm Water Management (517-0159)	3/90			2	3	PACD: 3/93 Final evaluation	Proj.			
7. Agric. Sector Training (517-0160)	07/85			1	2	PACD: 12/91 Final evaluation	Proj.			
8. Commercial Farming System (517-0214)	3/90			2	2	PACD: 3/93 Final evaluation	Proj.			
9. Univ. Agribusiness Partn. (517-0243)	N/A			4	4	PACD: 6/96 Mid-term evaluation	Proj.			
10. Development Training (517-0216)	6/90	3	4			PACD: 8/94 Mid term evaluation	Proj.			
11. PVO Co-financing (517-0247)	N/A			1	2	PACD: 6/96 Mid term evaluation	Proj.			
12. Industrial Linkages (517-0252)	N/A	2	2			PACD: 12/94 Mid term evaluation	Proj.			
13. Micro & Small Business (517-0254)	N/A	3	4			PACD: 6/97 Mid term evaluation	Proj.			

BEST AVAILABLE