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UNCLASSIFIED

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

DOMINICAN REPUBLIC

PROJECT PAPER

ECONOMIC POLICY AND PRACTICE

AID/LAC/P-728

PROJECT NUMBER: 517-0262

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE

A A = Add
C = Change
D = Delete

Amendment Number

DOCUMENT CODE

3

COUNTRY/ENTITY

Dominican Republic

3. PROJECT NUMBER

517-0262

4. BUREAU/OFFICE

LAC

05

5. PROJECT TITLE (maximum 40 characters)

Economic Policy and Practice

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
015 31 917

7. ESTIMATED DATE OF OBLIGATION

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

A. Initial FY 92 B. Quarter 3 C. Final FY 97

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

A. FUNDING SOURCE	FIRST FY 92			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(850)	()	(850)	(6,000)	()	(6,000)
(Loan)	()	()	()	()	()	()
Other U.S. 1.						
2.						
Host Country		300	300		1,998	1,998
Other Donor(s)						
TOTALS	850	300	1,150	6,000	1,998	7,998

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) PSEE	900					850		6,000	
(2)									
(3)									
(4)									
TOTALS									

10. SECONDARY TECHNICAL CODES (maximum 5 codes of 3 positions each)

920 930

11. SECONDARY PURPOSE CODE

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

A. Code PVON EQTY
B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To strengthen, deepen, enhance, and make more dynamic the participation of NGOs in economic policy design and sustained implementation.

14. SCHEDULED EVALUATIONS

Interim MM YY 03 94 Final MM YY 01 97

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a page PP Amendment)

I have reviewed the methods of implementation and financing of this project and certify that they are in agreement with Payment Verification Policy Implementation Guidance.

K
Kathleen G. LeBlanc
Controller

17. APPROVED BY

Signature *Raymond F. Rifenburg*
Title Raymond F. Rifenburg
Mission Director

Date Signed MM DD YY
01521912

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

MM DD YY

a

PROJECT AUTHORIZATION

NAME OF ENTITY: SRI International
NAME OF PROJECT: Economic Policy and Practice
NUMBER OF PROJECT: 517-0262

1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Economic policy and Practice Project for the Dominican Republic involving planned obligations of not to exceed Six Million United States Dollars (US\$6,000,000) in grant funds over five (5) years from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/Allotment process, to help in financing foreign exchange and local currency costs, to the extent permitted under Handbook 1, Supp. B, Chapter 18 and Handbook 13, of goods and services for the project. The planned life of the project is five (5) years from the date of initial obligation.

2. The goal of the project is to encourage the adoption of, adherence to, sound economic policies that promote investments, productive employment, and export-led economic diversification and sustained growth. The purpose of the project is to strengthen, deepen, enhance and make more dynamic the participation of NGOs in economic policy design and sustained implementation.

The grant will finance project administration by SRI International, sub-grants to Dominican NGOs, project evaluations, and audits. The project sub-grantees will contribute partial funding for the above costs as well as in-kind costs (personnel), rent, utilities, supplies and contingencies.

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

a. Source and Origin of Commodities, Nationality Services

Commodities and services financed by A.I.D. under this Project shall have their source and origin in the United States (A.I.D. Geographic 000) and the Dominican Republic to the extent permitted under the A.I.D. Buy America policies (HB 1, Supp. B, Chapter 18), except as A.I.D. may otherwise agree in writing.

b

Except for ocean shipping, the suppliers of commodities or services shall have the Dominican Republic or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing.

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

Raymond F. Rifenburg

Raymond F. Rifenburg
Director
USAID/Dominican Republic

Date: May 29, 1992

PDI:PGonzález:1/30/92:ECNAUTH

Clearance:

PDO:DChiriboga:	<u><i>[Signature]</i></u>	Date:	<u>5/28/92</u>
PDO:PWAmato:	<u><i>[Signature]</i></u>	Date:	<u>5/28/92</u>
PDI: BSevern	<u><i>[Signature]</i></u>	Date	<u>5/28/92</u>
CONT: KLeBlanc	<u><i>[Signature]</i></u>	Date	<u>6/23/92</u>
RLA: EDragon	<u><i>[Signature]</i></u>	Date	<u>1 May 1992</u>
DD: FConway	<u><i>[Signature]</i></u>	Date	<u>5/29/92</u>

SRI INTERNATIONAL

ECONOMIC POLICY AND PRACTICE

PROJECT PAPER

SUBMITTED TO THE

AGENCY FOR INTERNATIONAL DEVELOPMENT

(A.I.D.)

MAY 1992

SANTO DOMINGO, D. R.



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EXECUTIVE SUMMARY

A. Project Description

The Economic Policy and Practice Project will create a responsible mechanism whereby Dominican NGOs that meet eligibility criteria can receive co-financing for activities in support of sound, economic policy implementation. Activities will fall into the categories of economic policy design, development of action plans, consensus building, public awareness-raising and education, information dissemination, and networking.

B. Project Rationale

The EPP project needs to be undertaken in order to support recent macroeconomic and sectoral reforms in the Dominican Republic. Past experience has shown that, in the absence of understanding of and public support for the broad benefits of the adjustments, similar reforms have been overturned.

NGOs play a vital role in any democracy, and while they have made important strides toward beginning to fulfill their role in the Dominican Republic, this project will strengthen them at a critical point in their development.

Several significant examples of NGO involvement in economic policy making in the Dominican Republic can be cited, including significant regulatory and policy changes. By means of the Economic Policy and Practice Project, NGO power will be enhanced, extended, catalyzed, broadened, and strengthened by co-funding Dominican NGO initiatives.

Many observers both within and outside of USAID have noted that the Dominican economy has been studied intensively, and dozens of reports have outlined rational policy recommendations, including implementation plans indicating which agency is responsible for which actions. However, too often no further follow-up takes place. The innovative project proposed in this Project Paper would take a new approach -- to reinforce Dominican initiatives that will in turn support policy implementation.

C. Project Budget

The project shall be funded at \$6,000,000 over five years. Project inputs are projected to be the following:

<u>Item</u>	<u>Amount ('000s)</u>
1. Sub-grants	\$3,357
2. Project Administration	1,775
3. Financial Review and Control	547
4. Commodities	105
5. Evaluations	<u>216</u>
Total AID	\$6,000
Minimum Counterpart Contribution (33% of sub-grants; 50% preferred)	\$1,108
Non-Activity Counterpart	\$ 890
Grand Total	\$7,998

It is expected that sub-grantee organizations will provide 50% or more of the cost of the activity for which financing is requested. This counterpart contribution may come from the recipient's own sources or from other national financing sources. However, there may be extraordinary exceptions, and the projected exceptions, taken together, may lower the national counterpart contribution average rate to 33.3% of the amount of the sub-grants and to 25% of the total project cost.

D. Project Administration and Implementation

The Project will be implemented by a Prime Grantee, which shall work with two Dominican groups, a Consultative Committee and an Activity Selection Committee, to identify, review, and approve (with AID concurrence) qualified activities. The Consultative Committee shall be a broad-based group of approximately 15 individuals committed to reaching consensus on sound economic policies, selected jointly by AID and the Prime Grantee. They shall meet annually to select high-priority policy issues on which project activities shall focus.

The Activity Selection Committee (ASC) shall be a subgroup of 3-5 members of the Consultative Committee who meet strict objectivity and lack of conflict of interest standards. The ASC shall review applications for co-financing from NGOs for activities in support of sound economic policy implementation. The ASC shall evaluate applications according to pre-set technical, institutional, and financial criteria. NGOs whose applications are approved will be subjected to a careful pre-award survey to assure the existence of adequate financial control systems before receiving funding. All NGO activities will include an evaluation to measure effectiveness, and shall be closely monitored by the Prime Grantee to assure compliance with the sub-grant agreement.

To minimize the administrative burden on AID, the Prime Grantee shall undertake the responsibility of receiving, reviewing and approving NGO applications (with AID concurrence), conducting pre-award surveys, monitoring sub-grantee performance, evaluating sub-grant effectiveness, and auditing NGOs upon completion of the activities.

E. End of Project Status (EOPS)

The EPP project is expected to yield substantial benefits for the Dominican Republic. The anticipated results are summarized in the Logframe, and listed below:

- o Economic policy improvements in areas identified annually by the Consultative Council (CC), as measured by regulatory and policy changes in the areas selected by the CC.
- o More/strengthened channels for public opinion to reach GODR on economic issues, as measured by activity evaluations and contractor reports. For example, appropriate NGOs will be regularly invited to participate in governmental commissions established to consider and/or propose new or modified policies, and make useful and recognized contributions to the commissions' reports. In addition, representatives of relevant NGOs will be regularly invited to participate as speakers, panel, members, etc. in workshops debates, conferences, etc. organized by government agencies, donor agencies, universities, etc., to discuss policy matters.
- o Better-informed populace on economic issues, as measured by surveys of participants of project seminars, workshops, etc. conducted by the project, which shall register measurable improvements in understanding of economic issues and needed policy changes.
- o Reflecting enhanced stature and reputation of NGOs concerned with economic policy, size of dues-paying membership of the 15 most active of these NGOs increases by at least 5 percent per year.
- o At least 16 NGOs are developing position papers and working to bring about sound and feasible GODR policy modifications each year. This number is increasing by 2 each year.

I. SUMMARY AND RECOMMENDATIONS

A. Recommendations

1. **Grant Amount:** A grant in the amount of \$6,000,000 over a period of five years is recommended for authorization in the third quarter of FY 92 to FY 97 for the execution of the Economic Policy and Practice Project as described in the following sections of this Project Paper.

2. **Waivers:** No procurement waivers are required. The authorized source/origin of commodities and nationality of suppliers of services (contractors) being procured under this project will be AID Geographic Code 000 and the Dominican Republic. However, the Project intends to obtain such goods and services from the United States to the maximum commensurate with responsible management of project financial resources.

B. Summary Findings

The Project Identification Document (PID) for this project was submitted in May, 1991 and approved by the Mission Director on May 17, 1991.

The Project has been determined to be economically, financial, institutionally, and technically feasible. The nongovernmental organizations that will undertake activities on a sub-grant basis, with the support of project-provided program support, have been found to be generally adequate to provide the necessary managerial, technical, and financial control capabilities necessary for activity execution. The Prime Grantee has been determined to provide the necessary administrative and technical capabilities necessary for project implementation. The project has been reviewed to establish that sufficient planning and analysis have been performed to provide a reasonable firm cost estimate to the U.S. Government. Thus, the requirements of Section 611a of the Foreign Assistance Act, as amended, have been met.

This project conforms with and supports LAC Bureau objectives, and the USAID/DR CDSS and Action Plan. The Social Soundness, Economic, Technical and Institutional Analyses indicate that the project will be of substantial benefit to the population of the Dominican Republic. The direct beneficiaries of the project will be the entire Dominican citizenry, especially the less-well-off, since the project goal is the sustained implementation of economic policies that generate employment, exports, diversification, and sustained economic development. Thus, the project conforms to Congressional requirements that project assistance be directed to the most needy.

The project meets all other applicable statutory criteria. The Statutory Checklist can be found in Annex B.

C. Funding Level

The project shall be funded at \$6,000,000 over five years. Project inputs are projected to be the following:

<u>Item</u>	<u>Amount ('000s)</u>
1. Sub-grants	\$3,357
2. Project Administration	1,775
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4. Commodities	105
5. Evaluations	<u>216</u>
Total AID	\$6,000
Minimum Counterpart Contribution (33% of sub-grants; 50% preferred)	\$1,108
Non-Activity Counterpart	\$ 890
Grand Total	\$7,998

Because of the nature of the project, at some point in the future, the project may be amended to lengthen the period of performance and add additional funding.

II. PROJECT BACKGROUND AND DESCRIPTION

A. Scope of the Problem

The Dominican Republic possesses economic development assets that are the envy of other nations: Minerals, fertile agricultural land, a booming duty-free export sector, and excellent climate and beaches attractive for tourism. However, the nation has been struggling to establish itself firmly on a sustained growth path. Rapid growth of 7 percent per year in the 1970s fell to 2 percent growth in the 1980s, and the nation experienced an estimated 5.1 percent drop in Gross National Product in 1991. Yet, while the Dominican Republic has been stagnating, many other economies have boomed. According to the World Bank's World Development Report, countries that pursue sound macroeconomic policies and maintain the competitiveness of their exports increase domestic savings, maintain high investment, and achieve export-led growth.¹

The economic difficulties in the Dominican Republic stem from several causes, including falling world demand for traditional exports, increasing competition from newly industrializing countries, a lack of electrical power, and a poorly trained labor force. However, a key reason behind the economic stagnation is the country's inability to introduce and maintain sound macroeconomic and adjustment policies.

The government has made two major attempts to implement sound economic policies in recent years, but both suffered severe setbacks. In the first attempt, economic restructuring implemented in 1983 was met with popular opposition which exploded into the Santiago rice price riots, forcing the government to abandon the program. The government tried again, in 1984-85, by implementing a sweeping policy reform package including price rationalization, market determination of the exchange rate, greater control over monetary policy, reforms in the financial system, and debt rescheduling. Like its predecessor, this reform package experienced some initial acceptance, but was overturned when opposition forces gained strength.

The government's inability to "stay the course" of macroeconomic structural adjustment has constrained economic development. Foreign and local investment has been curtailed, savings rates are low, and mismatched price signals result in inefficient resource allocations.

¹ World Development Report, 1989, (The World Bank, Oxford University Press), p. 11.

On August 7, 1990, the GODR embarked on an ambitious economic reform program. Price subsidies were eliminated, the peso was devalued, government credit was curtailed, import tariffs and government spending were reduced. However, without needed assistance, the program may follow the path of its predecessors, and lose force and legitimacy. In the words of one knowledgeable observer of the Dominican political and economic landscape, the nation is engaged in a "war of personal interests against national interests." At times, the government has failed to take action (or sustain an action) because it is unaware of the size of popular support. It is this key problem that the Economic Policy and Practice (EPP) project will address, by giving additional voice, vitality, and dynamism to the nongovernmental organizations that affect economic policy.

B. Project Rationale

The EPP project needs to be undertaken in order to support recent macroeconomic and sectoral reforms in the Dominican Republic. Past experience has shown that, in the absence of understanding of and public support for the broad benefits of the adjustments, similar reforms have been overturned.

NGOs play a vital role in any democracy, and while they have made important strides toward beginning to fulfill their role in the Dominican Republic, this project will strengthen them at a critical point in their development. NGOs dual role includes passing information from government to their members, and then assisting to formulate and articulate the group response which is then transmitted back to the government. NGOs can be significant sources of policy analysis and policy option development. Without articulated policy stances and viable policy proposals, government decision-making can become excessively personalized.

Several significant examples of NGO involvement in economic policy making in the Dominican Republic can be cited, included significant regulatory and policy changes. By means of the Economic Policy and Practice Project, NGO power will be enhanced, extended, catalyzed, broadened, and strengthened by co-funding Dominican NGO initiatives.

Many observers both within and outside of USAID have noted that the Dominican economy has been studied intensively, and dozens of reports have outlined rational policy recommendations, including implementation plans indicating which agency is responsible for which actions. However, too often no further follow-up takes place. The innovative project proposed in this Project Paper would take a new approach -- to reinforce

Dominican initiatives that will in turn support policy implementation.

In theoretical terms, the project will apply Graham Allison's "Model III."² Political scientists would typically categorize USAID's traditional approach as either "Model I," in which USAID finances reports which indicate the rational course that a single-actor government would take, or "Model II," in which USAID indicates to bureaucracies the steps necessary to implement a given course of action. However, USAID has rarely directly invoked "Model III," in which government actions are viewed as the end result of political consensus-building. By supporting the political consensus-building process regarding economic policy, the Economic Policy and Practice project will utilize Allison's highly-respected, proven approach toward the goal of sustained economic policy implementation.

Briefly stated, the project strategy is as follows: The project shall make available partial funding for projects identified by qualified Dominican nongovernmental organizations that contribute to the consensus-building process which supports appropriate policy reform. Therefore, the project is designed to address directly the identified need for greater support for policy reform initiatives. All projects must fulfill qualifying criteria, and must support the implementation of sound economic policies, in a cost-effective manner. The strategy, from outputs through expected results, is illustrated in Figure 1.

C. Relationship to AID Strategy

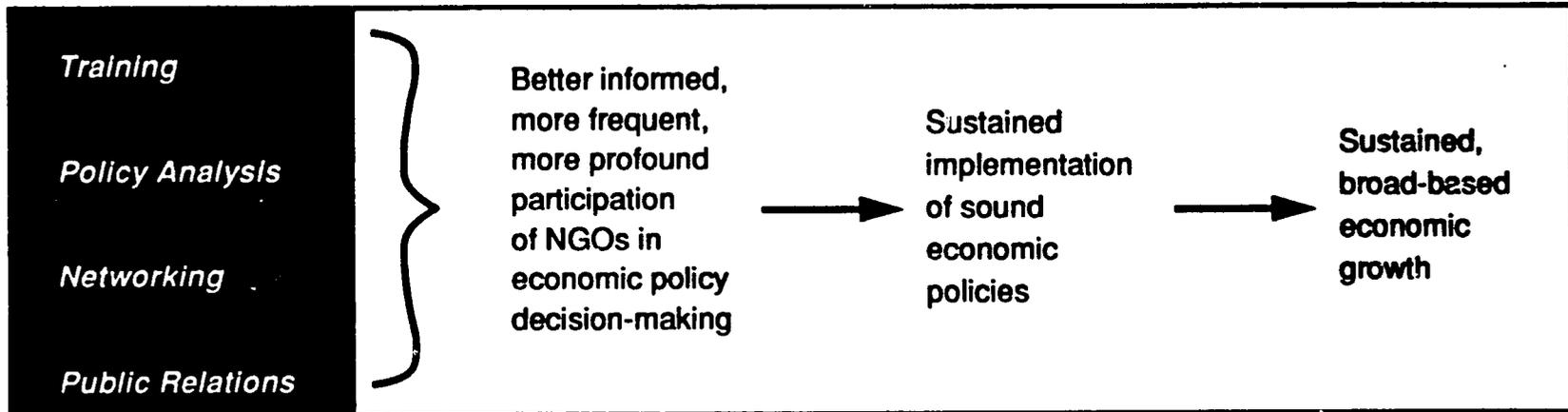
This project underpins the USAID/Dominican Republic 1992 -1996 country development strategy. The CDSS identifies "ad hoc and unsustainable policy implementation" as a critical constraint on economic growth. The EPP project will address this constraint directly, yet in a politically acceptable manner, in accordance with Dominican priorities and initiatives.

The Project contributes directly to achieving one of USAID/DR's main strategic objectives: "To promote sustained implementation of a governmental program of economic stabilization and structural reform needed to attract private foreign and domestic investment in key areas of economic opportunity."³

² Graham Allison, Essence of Decision: The Cuban Missile Crisis (Little, Brown and Co., 1971: USA)

³ USAID/Dominican Republic, Country Development Strategy Statement FY 1992 - 1996, Santo Domingo, August 29, 1991, p. 2.

Chain of Outputs and Expected Results



9

<i>Assumptions:</i>	<i>Assumptions:</i>	<i>Assumptions:</i>
<ol style="list-style-type: none"> 1. NGOs affect economic policies. 	<ol style="list-style-type: none"> 1. GODR wants to implement reforms. 2. GODR has capability to implement the reforms. 	<ol style="list-style-type: none"> 1. Political stability 2. Private sector responds to improved economic climate. 3. Markets exist for Dominican products.

Figure 1 ECONOMIC POLICY AND PRACTICE PROJECT

The project is congruent with LAC strategic goals as well. The project will further both of the major LAC Bureau's development objectives: (1) Achievement of broad-based, sustainable economic growth; and (2) Strengthening of a stable, democratic society in the Dominican Republic. By supporting local private institutions which promote study, public debate and national consensus building on economic issues, the project will encourage continued adherence to economic policies that promote investment, productive employment, and export-led economic diversification. In this manner, the project shall lead to economic development and shall also develop a more participatory democracy.

In addition, the project is assisting to lay the foundation for the Dominican Republic's full participation in future U.S. initiatives, including the Enterprise for the Americas Initiative. In order to be eligible for free trade, debt reduction, and other benefits under the initiative, nations must undertake systematic rationalization of their economic policies. The project will play an important role in assisting the Dominican Republic to meet the eligibility requirements, by leading to informed public debate and consensus on economic issues such as investment law and debt conversion. By catalyzing consensus, the initiative will assist the country to be eligible to participate in the Enterprise for the Americas Initiatives.

The project's private-sector operating method -- co-financing NGO initiatives -- is a well-accepted AID approach. Especially in recent years, because of AID's increasing commitment to work through the private sector in host countries, Missions have increasingly turned to NGOs as intermediaries for projects instead of the government itself.

The project will reach these goals in a manner that offers full respect for the sovereignty of the Dominican Republic over its economic affairs. By supporting Dominican initiatives, selected by a Dominican committee, that meet the priorities set by a Dominican Consultative Council, the project is assisting to enhance, enlarge, and provide additional dynamism and technical excellence to Dominican initiatives. In no part of project design, or design and approval of individual activities, has USAID mandated that certain policies or certain points of view be promoted. In contrast, the project supports Dominican research, analysis, policy option development, decision-making, and consensus-building.

The project will also dovetail well, and assist to boost the effectiveness of, another Mission priority: Democratic Initiatives (DI). NGOs reinforce democracy because they often operate as "democracies in miniature." They give members opportunities to vote, run for office, and reach decisions

consensually. The very act of organizing groups established the precedent for group problem-solving. By supporting NGO initiatives, the EPP project will assist to pave the way for a successful DI project.

Lastly, the project is designed in manner which is fully consistent with Mission goals of portfolio consolidation and reorganization in order to accomplish the proposed program with fewer staff and lower operating expenses. By shifting procurement, contracting, activity review and approval, and sub-grant invoice logistics to the Prime Grantee, the Mission is able to implement the project using substantially fewer Mission personnel and resources.

D. Relationship with Other Donor Activities

The project will be a coherent part of the overall donor strategy in the Dominican Republic. The World Bank has indicated that it will also be supporting economic adjustment and stabilization by offering increased capital flows, both private and public. If the Economic Policy and Practice project is a success, both the World Bank and the Inter-American Development Bank have indicated they will offer additional support for structural and sector reforms. By assisting efforts to sustain economic reforms, the project may also lead to additional funding for the Dominican Republic from bilateral donors, including Germany and Japan. Thus, the project is playing a linchpin role, assisting to hold together the elements of a complex economic reform program that will pave the way to greater donor and private investment in the Dominican Republic.

III. PROJECT DESCRIPTION

A. Project Rationale and Description

The EPP project needs to be undertaken in order to support recent macroeconomic and sectoral reforms in the Dominican Republic. Past experience has shown that, in the absence of understanding of and public support for the broad benefits of the adjustments, similar reforms have been overturned. Knowledgeable Dominicans point to a vicious circle whereby needed policy reforms are not implemented or not sustained because the GODR is unaware of popular support for the measures, yet no public support is evident because the centralized decision-making does not allow the public to be completely aware of the types of decisions and options the government is considering. In other words, the GODR will to implement reforms and public support for the reforms both exist, yet neither is aware of the other's existence. This project will attempt to break that vicious circle and unleash the support within the Dominican society for economic reform.

The five-year, \$6 million project will finance a variety of activities, each of which leads to greater popular understanding of and support for sound economic reforms. Activities shall be Dominican initiatives undertaken by nongovernmental organizations (NGOs), that serve to promote sustained implementation of sound economic policies through policy research, action plan development, consensus-building, public awareness-raising, and networking. Activities will fall into the following categories:

Economic Policy Design. Applied research and investigation on appropriate policies, based on success cases in other countries. Position papers. Briefs.

Development of Action Plans. Specific, detailed, action-oriented implementation plans with timetables and milestones.

Consensus Building. Bringing together disparate groups in seminars, conferences, workshops, and roundtables, to discuss alternatives for reaching common goals.

Public Awareness-raising and Education. Raising the level of understanding of economic policy issues among the populace and key target groups such as teachers, small business owners, etc. Techniques utilized will include short courses, seminars, workshops, roundtables, etc.

Information Dissemination. Taking the information gathered in studies and seminars, and circulating it among a wide range of interested groups, including consumers, small business owners, and others. Methods utilized will include conferences, TV, radio, publications.

Networking. One type of activity that is eligible for funding under the project is networking with U.S. counterpart organizations. Networking would be available for, for example, "think tanks" and educational institutions. Typical activities to be funded could include joint seminars/workshops; professional exchange programs; and other networking and exchange options. These activities should not be "one-time" activities but rather should prepare a foundation on which future collaboration can be built, and begin to forge lasting relationships between Dominican and U.S. organizations.

The specific activities will be selected each year by an Activity Selection Committee, according to priorities set annually by a Consultative Council, and in strict accordance with eligibility criteria determined by USAID (see Figure 2). The project administration and implementation plan is described in greater detail below, but it is important to mention here that the Consultative Council, will be a body of approximately 15 distinguished individuals representing the informal sector, economists, business leaders, and policy makers, all committed to reaching consensus on key economic issues. This group shall set project priorities by designing an agenda of critical economic issues to guide the approval of incoming requests from Dominican nongovernmental organizations.

In order to assure that all available project funding is targeted toward the types of issues that the project is designed to address, it is important to define "economic policy." All project activities must be in keeping with the definition of economic policy.

For the purposes of this project, economic policy is defined to mean the set of policies and regulations that directly affect the nation's levels of employment, imports, exports, investment, savings, and Gross National Product. Examples include tax rates, customs procedures, investment laws, labor codes, energy generation and distribution policy, pricing policy, etc. Allowable activities would include sound policy definition, design, implementation, evaluation, training, dissemination, etc.

For the purposes of this project, policies and regulations that are primarily directed toward non-economic issues shall not be considered for funding. For example, projects in the area of population, agricultural extension, health, general education (as opposed to education on economic issues), etc., would not dovetail well with the project's purpose.

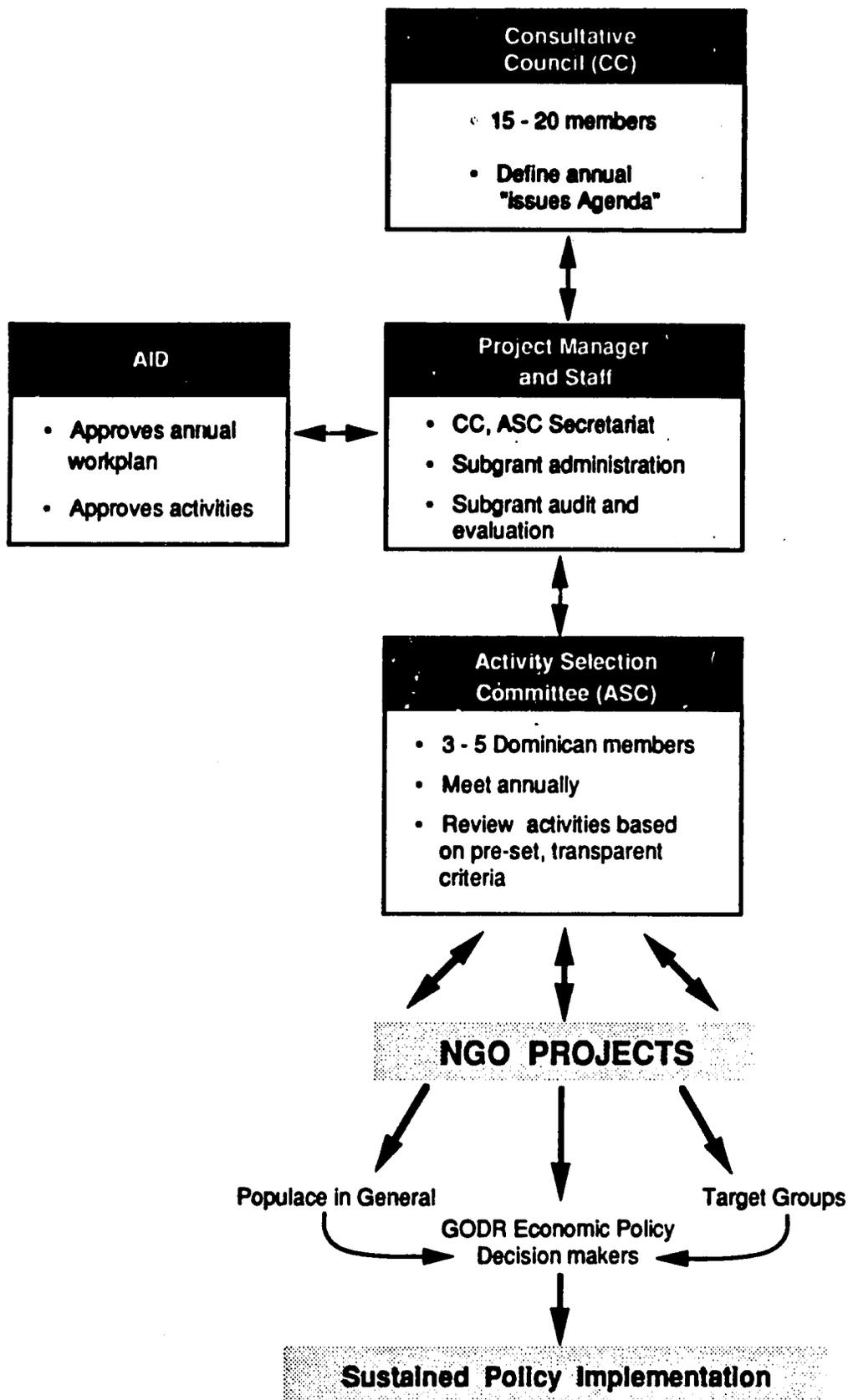


Figure 2 ECONOMIC POLICY AND PRACTICE PROJECT

Because the project will be demand-driven, and will respond to locally generated initiatives, information on the exact composition of project components cannot be provided in advance; doing so would be contrary to the project's approach. However, in the course of project design, several NGOs described initiatives to the project team that appear to dovetail with the project objectives. Several illustrative project activities, that could conceivably receive co-financing under the project, are described below.

Illustrative Activities

1) An NGO is currently working for administrative and policy reform of several laws affecting the Dominican economy, including Law 69 (Temporary Admissions) and Law 861 (Foreign Investment). The NGO expressed interest in obtaining co-financing for its activities in support of legal and administrative reform. The funds would be dedicated toward seminars, roundtables, one-on-one meetings, and perhaps trips to illustrate the benefits of change to key public sector leaders.

2) An NGO is seeking co-financing to generate timely "Reports to Congress," brief analytical reports that explain the issues before the Congress, and highlight the costs and benefits of alternative courses of action. A recent study of the U.S. Congress concluded that, "Without doubt, the inputs most fundamental to crafting legislation are information: information about concrete alternatives and information about the relationship between these alternatives and the underlying goals of senators."⁴ This conclusion is even more applicable in the Dominican Republic, where the Congress operates in a near void of information.

The NGO has been preparing the analyses and distributing 450-500 copies of each report to Congress, government ministries, the media, business and professional organizations, labor unions, university faculties, and other economic research institutes in the Dominican Republic and throughout Latin America, with funding from the Center for International Private Enterprise. Since 1987, the NGO has distributed 53 "Reports to Congress," on topics such as the income tax system, membership in the Lome Convention, the value-added tax, consular invoices, the national budget, the judicial system, custom tariffs, technology, and the electricity situation. CIPE funding ended in December 1990, and the NGO is seeking co-financing to continue the informational and consensus-building program.

⁴ C. Lawrence Evans, "Participation and Policy Making in Senate Committees," Political Science Quarterly, Vol. 106, No. 3, Fall 1991, p. 486.

3) An NGO is proposing to educate small business owners about the benefits of the structural adjustment program. Educational methods to be utilized would include brochures, a video, and speeches by respected members of the business community (mentors, role models). The program would be undertaken by regional small business associations. The group would survey small business owner attitudes before and after the educational program to estimate the change in attitude.

4) One NGO is seeking co-financing to offer scholarships for 2-6 students annually to receive Masters in Public Policy in the United States. The group would publicize the availability of the scholarship, and screen candidates based on criteria determined in conjunction with the Project. The group would handle all scholarship administrative and logistical arrangements. In exchange for the scholarship, the students could be required to work in the Dominican public sector for at least twice as long as the length of study, and the project would track the impact of the program.

5) A University is anxious to offer a seminar series featuring prominent U.S. and Dominican speakers. One seminar would focus on "The Role of Thinktanks in Dominican Society," featuring speakers from prominent U.S. and Dominican thinktanks. The seminar would offer practical advice to NGOs on media effectiveness, fund-raising, budgeting, and financial control. Another seminar would identify the reasons behind "The Far East's Economic Miracle," and draw parallels with the Dominican situation, and try to reach consensus on the appropriate economic policies to pursue. Seminars would not be "one-shot" events, but would form a continuum of public education, awareness-raising, and consensus-building, and be bolstered by media coverage. Surveys would track pre- and post-program attitudes.

6) An NGO is enthusiastic about the opportunity to obtain co-financing for a "Forum," in which public and private sector leaders will meet to discuss and reach consensus on economic issues. Forum, Inc. functioned continuously in the Dominican Republic from 1981 to 1988. With a regular membership of 400 leaders, the group held 33 sessions, operating as an open, independent, nonpartisan informational and consensus-building group throughout three different government administrations (Guzman, Jorge Blanco, and Balaguer). Forum was widely regarded as a success, and initial interviews with public and private leaders indicate that the concept could once again play an important role informing and shaping economic policy.

The group plans to hold six conferences each year for the next five years. Each conference will serve as a platform for the discussion and dissemination of ideas and policy proposals produced by the Forum's research activities. Conference proceedings will be printed and distributed widely,

through books, magazine articles, press releases, TV and radio appearances, and personal contacts. Membership fees will be collected and could be used for counterpart financing; foundation funding could also be sought.

7) A University is interested in applying to the Project to receive co-financing for a Chair in Economic Policy Implementation. The funds would go toward a Professor's salary and a research budget. While the benefits of this activity would be more long term, it could begin to create a group of well-trained individuals to occupy key government positions in the future.

8) One NGO plans to prepare a series of 4 television shows on different topics that would serve to educate the Dominican populace on economic policy issues and begin to create national consensus. The TV shows would be followed by seminars, roundtables, press releases, publications, and similar activities in order to multiply their effectiveness and reach. Surveys before and after the activities would monitor their effectiveness. Tentatively, the topics could include, "How Does an Independent Federal Reserve System Function," and "The Enterprise for the Americas Initiative."

9) An NGO is seeking co-financing to prepare a detailed action plan for the privatization of several state-owned enterprises. The plan and the benefits it would generate (less burden on national budget; better-quality, more competitively priced goods, etc.) would be made available to the general public and the Ministry of Finance. The activity would result in analysis of an important economic policy issue; public education on the costs and benefits of several specific privatizations; a more-informed populace on the issue of privatization; and detailed recommendations and an action plan for the Ministry of Finance to proceed with privatization.

B. Project Goal and Purpose

The Project goal is:

To encourage the adoption of, and adherence to, sound economic policies that promote investments, productive employment, and export-led economic diversification and sustained growth.

In nations around the globe, the path to sustainable economic growth has been demonstrated to include clear "rules of the game," and incentives to save, invest, and export. Yet, neither voluminous reports, nor technical assistance to public institutions experiencing high turnover and weak performance

incentives, have been particularly successful in encouraging the adoption and adherence to the necessary policies.

Aware of the inadequacy of past approaches, USAID/Santo Domingo has crafted the following project purpose:

To strengthen, deepen, enhance, and make more dynamic the participation of NGOs in economic policy design and sustained implementation.

NGOs play an important role in democratic governance. NGOs play a vital, dual role in a democracy, passing information to members, and assisting to formulate and articulate the group response which is then transmitted back to the government. A dynamic network of voluntary associations perform a number of significant functions in a democracy, including:

- o Informing their members on relevant topics;
- o Supplementing the role of political parties by articulating member's views to the press and government;
- o Stimulating civic participation;
- o Balancing and limiting the power of the state;
- o Increasing citizen efficacy and effectiveness; and
- o Enhancing commitment to the democratic system.

NGOs are also significant sources of policy analysis and policy option development. Policy analysis and design is an important component of the democratic process. Without articulated policy stances and viable policy proposals, government decision-making can become excessively personalized, and useful policy options may not surface.

NGOs are just beginning to assume this role in the Dominican Republic, and this project will strengthen their efforts in this direction. Several examples of successful NGO involvement can be cited. While policy design and implementation remains fairly centralized in the Dominican Republic, NGOs surveyed during project design gave concrete examples of instances in which their active, timely participation directly affected policy. For example, one NGO described its efforts to break the domestic transport monopoly which was resulting in high transport costs. The problem was well-known and had been cited in a number of USAID and other reports, but no action was being taken.

Utilizing a wide range of techniques, including private meetings between high GODR officials and members of the NGO's Board of Directors, and raising public awareness, the NGO was an important member of the consortium of interest groups that persuaded the President of the GODR to dismantle the monopoly. Ground transport costs have since fallen by 40 percent and are

now in line with costs in similar nations. Other NGOs have sponsored research and held seminars which have led to important legislative enhancements of the business climate. These are just a few examples that indicate that this project is predicated upon a proven approach: Policy design and implementation can be improved by strengthening the effectiveness of local NGO initiatives.

C. Project Inputs

The project shall make available an estimated \$800,000 per year to finance activities (less in years 4 and 5). In order to have the impact necessary to provide a rationale for the project, and to avoid excessive splintering into extremely small projects, the local funding is estimated to be divided approximately as follows: 3 large (\$200,000) projects, and 4 medium (\$40,000), and 2 small (\$20,000) projects. Thus, each year the Prime Grantee shall enter into approximately 9 sub-grant agreements with Dominican NGOs. Because some NGOs are expected to apply for and receive the maximum life-of-project funding (\$500,000), the actual number of NGOs assisted over the life of project is expected to be between 16 and 25.

In some cases, the applications will fail to show sufficient technical expertise to undertake the proposed activities. In those cases where the approach shows sufficient merit but needs to be strengthened, the Prime Grantee will identify sources of program support and sub-grant or sub-contract with them. In those cases, the Prime Grantee shall complement the sub-grant agreement with the Dominican NGO with a sub-grant or sub-contract agreement with a U.S. or third-country source of technical assistance, on an as-needed basis. Most of the program support would be provided by members of the Prime Grantee's team, but additional members could be added, using competitive procedures to the maximum extent feasible in accordance with Handbook 13 guidelines for "Procurement of Goods and Services" and "Subagreements". Thus, a typical activity may have a Dominican component, represented by a sub-grant with a Dominican NGO, and an American component, represented by a sub-contract or sub-grant to an American NGO.

An estimated minimum \$1.9 million in counterpart funding shall be made available to the project. The majority of the counterpart funding will be in-kind, and shall be both project-specific (donated time from Consultative Council, foregone fees, etc.) and activity-specific (fees foregone by NGOs and a minimum 33 percent in-kind contribution per activity).

D. Summary Administration and Implementation Plan

The project administration and implementation mechanisms are summarized in Figures 2 and 3. The initiative will be guided by a Consultative Council, a broad-based group of approximately 15 individuals dedicated to reaching consensus on sound economic policies. The Council actively designs and approves the annual project priorities, as set out in an annual issues agenda.

Project operations will be managed by the Prime Grantee's Project Manager and his small staff. These individuals will be responsible for translating the Council priorities into operational goals by actively promoting the project; serving in a non-voting capacity on the Activity Selection Committee; identifying assistance as necessary to support project activities; overseeing disbursements, audits and procurements; and assuring adequate evaluations of activities. A part-time project development specialist will assist NGOs to develop appropriate projects.

All project activities will be Dominican initiatives, submitted by nongovernmental organizations for co-funding, selected in accordance with the criteria laid out in Section IV.C. of this Project Paper. A description of the project and funding criteria shall be drafted and widely disseminated.

The Activity Selection Committee, a group of 3 - 5 Dominican individuals with the necessary knowledge, standing, and objectivity to assess proposals, shall meet to review incoming applications and select activities for partial funding. To assure objectivity, the individuals serving in this capacity in any given year shall not represent any NGO that has submitted an application for funding in that year.

Activities are expected to be in the \$10,000 to \$200,000 range. No single NGO will be eligible to receive more than \$500,000 over the life of the project. Projects under \$10,000 will be discouraged to minimize the administrative burden.

The activity selection, implementation, and evaluation process, summarized in Figure 3, will be as follows:

- 1) **PREDETERMINATION OF APPROPRIATENESS OF ACTIVITY.** Interested NGOs first fill out a one-page "concept paper," describing the initiative for which they seek partial funding. At this point, AID concurrence is assumed unless lack of concurrence is communicated to the Prime Grantee.

2) **REVIEW OF APPLICATION BY ACTIVITY SELECTION COMMITTEE.** If the concept paper is approved, the NGO is invited to submit a complete application, which is reviewed by the Activity Selection Committee. The Prime Grantee's Project Manager has a coordinating but non-voting role on the Committee. A two-page abstract of the activity shall be submitted to AID for written concurrence or lack of concurrence.

If the application fails to show sufficient technical expertise regarding any aspect (economic analysis, methodology, training capacity, dissemination of results), the Committee can either reject the application, or, if the approach offers sufficient merit but needs to be strengthened, the Committee and the Project Development Specialist can assist the applicant to locate the assistance (either Dominican or U.S.) needed to improve the quality of the application.

3) **Pre-award EVALUATION.** All NGOs must pass a pre-award evaluation. The Prime Grantee (or their designee) shall determine that the recipient has: 1) Labor rates in accordance with standard USAID-accepted local wage rates, and that other costs are reasonable; 2) A proposed program description and financial plan that is sufficient; 3) Reasonable personnel and travel policies; 4) A satisfactory record of integrity and business ethics; and other requirements as stated in Handbook 13, Section 4.

4) **CONTRACTING.** If the application is approved, the Prime Grantee will enter into a sub-grant agreement with the NGO, and with any support firms as appropriate.

5) **ACTIVITY UNDERTAKEN.** Once the sub-grant agreement is signed, the NGO shall begin to implement the activity, in accordance with the application and the sub-grant agreement.

6) **TECHNICAL MONITORING.** The Prime Grantee shall monitor the development of the activity to assure quality of outputs.

7) **INVOICING.** NGOs shall submit invoices for payment to the Prime Grantee, according to a preapproved invoice schedule that corresponds to major, measurable activity milestones such as the completion of a seminar or TV broadcast. Advances will be kept to an absolute minimum.

8) **AUDITING.** Each year, all activities will be audited by an external auditor. The Prime Grantee shall also be audited.

9) **EVALUATION.** Each activity shall include an evaluation. Annually, the Prime Grantee's Project Manager shall assess project results. In addition, a mid-term project evaluation shall be conducted after 30 months, and a final evaluation after five years. These two evaluations will be contracted outside of the Cooperative Agreement with the Prime Grantee.

E. Expected Project Achievements

The project is expected to result in more sustained implementation of economic policies that lead to private investment, employment generation, and trade. It will achieve this goal by assisting private non-profit groups to bring their analysis, action plans, and recommendations to key officials and the public, and catalyze more-informed public debate.

Each year in the issues agenda, the Consultative Council shall set annual objectives for the project to attain. In the course of workplan review, USAID shall have an opportunity to concur with or decline to concur with the objectives. These objectives may include the following:

Process Objectives

- a) Encourage the submission of sufficient high-quality proposals to be able to disburse all annual project funding;
- b) Monitor all project activities for technical and financial compliance;
- c) Process all applications and invoices in a timely manner;

Substantive Objectives

- a) Attain policy objectives set annually (i.e., interest rates remain market-determined during year; exchange rates remain market-determined during year; import tariffs reduced;
- b) Review evaluations of all project activities to assess effectiveness and estimate direct and indirect impact of sub-grants.

1. Monitoring and Evaluation Plan

At the beginning of the project, the Prime Grantee shall assure the collection of adequate base-line data from which to measure project progress. The base-line data shall include economic, sociological, and public-opinion data.

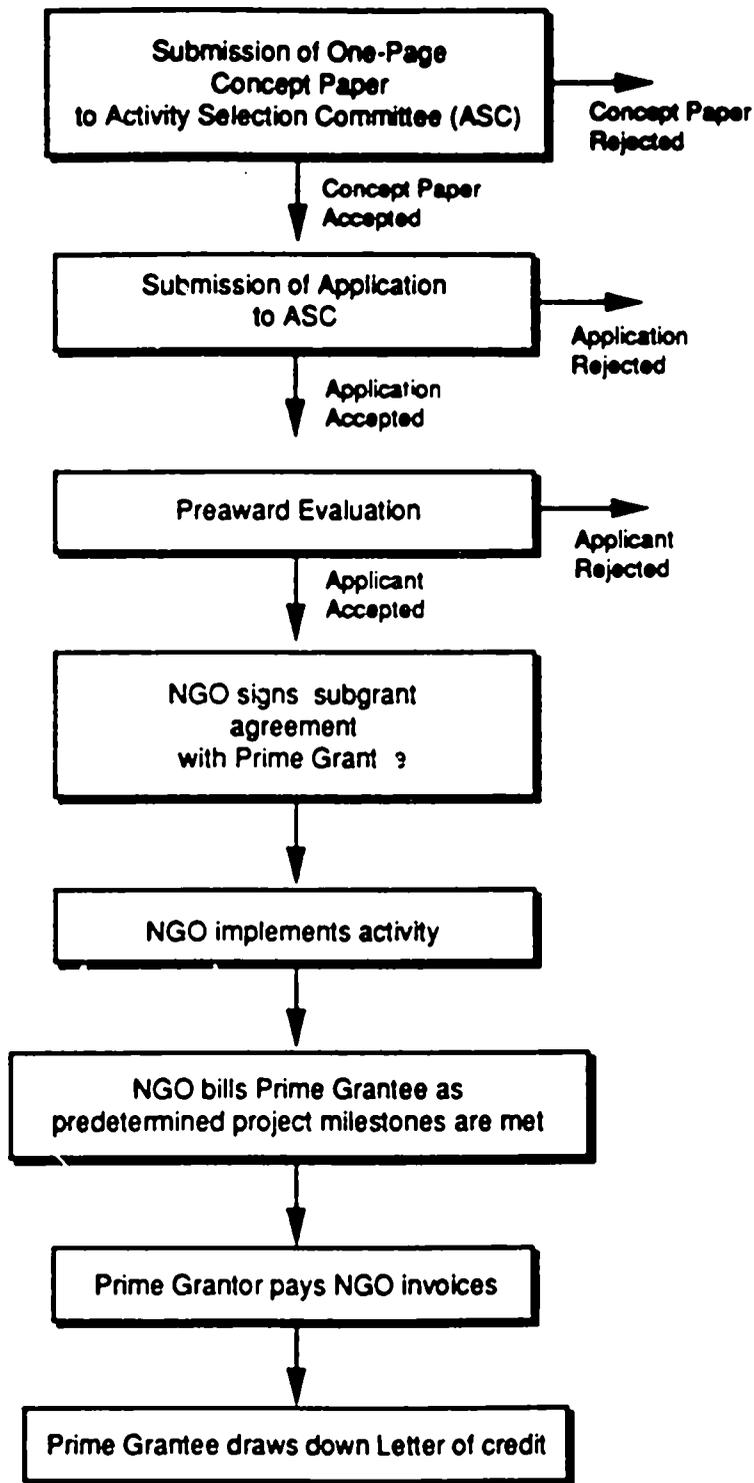


Figure 3 FLOWCHART OF SUBGRANT APPROVAL, INVOICING, AND PAYMENT PROCESS

Responsibility for monitoring the activities funded under the project shall fall to the Prime Grantee's Project Manager. Prior to approving each invoice submitted by an NGO, the Prime Grantee's Project Manager shall review the activities conducted to date for quality and timeliness. Because invoices shall be tied to measurable project milestones, tangible outputs and progress will be a prerequisite for payment.

Each activity shall be evaluated, through surveys, questionnaires, press coverage, impact measurement, and other means. In addition to monitoring individual activity successes, the Grantee's Project Manager shall assure that at the end of year the project overall is evaluated for macroeconomic impact, impact on NGOs, impact on public opinion, impact on consensus-building, and other impacts to be selected in consultation with USAID. The Grantee's Project Manager shall prepare a report to the Consultative Council and USAID, summarizing project progress and accomplishments, and highlighting any problems that may have occurred.

A mid-term project evaluation shall take place after 30 months. At that time, an outside firm shall assess the project's effectiveness in meeting its targets. A second, similar evaluation shall take place at the end of the project.

2. End of Project Status (EOPS)

The EPP project is expected to yield substantial benefits for the Dominican Republic. The anticipated results are summarized in the Logframe, and listed below:

- o Economic policy improvements in areas identified annually by the Consultative Council, as measured by regulatory and policy changes in the areas selected by the CC.
- o More/strengthened channels for public opinion to reach GODR on economic issues, as measured by activity evaluations and contractor reports. For example, appropriate NGOs will be regularly invited to participate in governmental commissions established to consider and/or propose new or modified policies, and make useful and recognized contributions to the commission's reports. In addition, representatives of relevant NGOs will be regularly invited to participate as speakers, panel members, etc. in workshops, debates, conferences, etc. organized by government agencies, donor agencies, universities, etc., to discuss policy matters.

- o Better-informed populace on economic issues, as measured by surveys of participants of project seminars, workshops, etc. conducted by the project, which shall register measurable improvements in understanding of economic issues and needed policy changes.
- o Reflecting enhanced stature and reputation of NGOs concerned with economic policy, size of dues-paying membership of the 15 most active of these NGOs increases by at least 5 percent per year.
- o At least 16 NGOs are developing position papers and working to bring about sound and feasible GODR policy modifications each year. This number is increasing by 2 each year.

By end of the five-year project, the following milestones will have been reached:

- o At least 16 NGOs will have received partial funding to carry out initiatives.
- o At least 8 NGOs will have been audited and/or had their rates and internal financial control systems reviewed by the project. As a result of the project, these NGOs are in a better position to request and monitor funds from other funding sources.
- o At least 200 newspaper articles will have been printed on project-sponsored activities.
- o At least 100 TV or radio spots will have been aired covering project-sponsored activities.
- o At least 1000 individuals will taken part in project-sponsored training events (workshops, seminars, roundtables, discussion groups, etc.)
- o Target groups receiving training and assistance shall demonstrate a marked increase in their level of understanding of economic reform and its benefits, as measured by pre- and post-activity surveys.

IV. PROJECT ADMINISTRATIVE AND IMPLEMENTATION PLANS

A. Administrative Plan

The project administration mechanism is illustrated in Figure 2. The initiative will be guided by a Consultative Council, composed of distinguished Dominican economists, members of the business community, the clergy, the informal sector, and other appropriate groups committed to reaching consensus on sound economic reform. It is the intent of the project to have sufficient unbiased members of the CC to staff the ASC with individuals who have no ties with NGOs likely to submit applications during the life of the project. Failing that, it is important for ASC members to have no ties with NGOs that submit applications during the year they serve on the ASC. Ultimately, CC and ASC composition can be adjusted to assure the absence of real (or the appearance of) conflicts of interest. To remain an active, demand-driven, responsive group, the structure and exact size will be allowed to vary as appropriate. However, it is expected that the Consultative Council will be composed of approximately 15 individuals. The Council's purpose will be to meet as needed, but at least annually, to set priorities for the project.

The day-to-day supervision of the project will be the responsibility of the Prime Grantee's Project Manager and his/her staff. The Project Manager and staff will:

- o Translate the Council guidance and annual plan into quarterly workplans;
- o Actively promote the project throughout the informal sector, business, NGO, and educational communities;
- o Serve in a non-voting capacity on the Consultative Council and the Activity Selection Committee;
- o Provide and/or identify technical assistance to support project activities;
- o Oversee disbursements and procurements; and
- o Assure adequate evaluations of activities.

Individual activities will be approved by the Activity Selection Committee, a group of 3 - 5 capable, respected, unbiased individuals that will meet annually to review and approve or deny applications for sub-grants and sub-contracts. They will meet as necessary, perhaps twice during the first year of operation, and once each year after that. To avoid cases of

potential or potentially perceived conflict of interest, ASC members will be not be associated with firms that submit proposals to the ASC in the year in which they serve on the Committee.

Sub-grant applications will be actively solicited from the entire universe of private, non-profit Dominican organizations, including non-governmental organizations, educational institutions, business groups, community associations, and others. To receive co-financing, groups would need to pass through three approval steps. First, they would submit a brief, one-page summary of the activity (including a complete budget) for which they seek co-financing. This would be reviewed by the Activity Selection Committee and USAID, and a decision returned in a timely fashion.

If the technical concept is approved, the group would then fill out a lengthier application, specifying the activities to be undertaken, detailing the co-financing requested, and estimating the impact. This application would be reviewed in a timely fashion by the Activity Selection Committee. USAID would review a 2-page abstract, and indicate written approval or lack of approval. If approved, the NGO then undergoes a pre-award evaluation.

B. Selection of Project Committees

The Consultative Council shall be selected by the Prime Grantee and USAID, who shall work with Dominican advisors to develop a slate of candidates and vote on members. Candidates receiving the most votes shall be invited to join the Council. The size of the Council shall be allowed to vary as needed, but is expected to be approximately 15. AID shall concur or decline to concur with the composition and size of the Council. All Council members shall serve for 1-year, renewable terms. The Groups shall have no formal President; the role of meeting moderator shall be rotated among members. The Prime Grantee's Project Manager shall serve as non-voting Secretariat.

The criteria used to select members of the Consultative Council shall include the following:

- 1) The individual shall have made significant contributions to improving consensus on economic policy in the nation;
- 2) Overall, the Council shall be comprised of a broadly representative cross-section of the Dominican nation, including representation of the private sector and community groups.

The Activity Selection Committee will be named by the Consultative Council for one-year terms, renewable for an additional year. AID shall concur or decline to concur with the Activity Selection Committee composition.

The criteria used to select members of the Activity Selection Committee shall include the following:

- 1) The individual shall have consistently demonstrated integrity above reproach regarding procurement;
- 2) The individual shall make a commitment to dedicate the time necessary to thoroughly review incoming proposals, and analyze them; and
- 3) The individual shall not have any financial interest in any proposal before the ASC in the year(s) in which he/she serves.

C. Project Activity Selection Criteria

Activities will be selected only after thorough review of their technical approach, and of the financial control and project implementation capability of the applicant. Activities funded by the Economic Policy and Practice Project must meet the following technical, financial, and institutional criteria.

Technical Criteria

The activity shall:

- o Further at least one of the project priorities listed in the annual critical issues agenda;
- o Offer evidence that it will lead, either directly or indirectly, to sustained, sound economic reform implementation;
- o Be a concrete, identifiable activity or set of activities, rather than ongoing support for a group's administrative or institutional expenses;
- o Be unique, and not duplicate other activities either within or outside of the Project;
- o Include a well-conceived dissemination plan, indicating who are the target groups of the effort, and how they shall be reached; and

- o Include an evaluation plan, indicating how activity results shall be estimated.

Financial Criteria

The activity shall:

- o Include a detailed budget to carry out the proposed activity; and
- o Be undertaken in a cost-effective manner.

The group requesting funding shall:

- o Have sufficient accounting and financial control systems to provide complete information on use of funds; and
- o Cofinance at least 33 percent (and preferably 50 percent) of the total cost of the activity through internal funds, in-kind contributions, or other funding sources.

Institutional Criteria

The group requesting funding shall:

- o Have a demonstrated capability for at least one year of successfully undertaking the type of activity proposed; and
- o Indicate that sufficient financial control, technical, and management skills will be made available to the activity.

D. Role for USAID

AID's primary role in the Economic Policy and Practice Project is to review and concur or decline to concur with summaries of activity proposals based on pre-set technical, financial, and institutional criteria. In the event AID's review indicates that the activity does not meet the pre-set criteria, it shall decline to concur. A USAID representative may choose to attend any or all CC and ASC meetings as a non-voting member. Alternatively, USAID and the Prime Grantee can meet prior to the review meetings and the Prime Grantee can pass any USAID comments to the Activity Selection Committee.

AID will also review the project's annual workplan and quarterly reports, and make comments as appropriate. AID will concur or decline to concur with the composition of the Consultative Council and the Activity Selection Committee.

E. Disbursement and Audit Procedures

Project disbursement and audit procedures were designed to minimize the direct involvement of USAID; encourage the active participation of Dominican NGOs by not being overly burdensome; place more financial control requirements on larger projects, and fewer requirements on smaller projects; assure that all payments are valid and supported by documentation that meets USAID requirements; eliminate advances to the greatest extent possible; and not place the Prime Grantee in a financially vulnerable position regarding USAID reimbursement. The following disbursement procedures meet these criteria.

1. Disbursement and Audit Procedure for Prime Grantee

A Federal Reserve Letter of Credit shall be established in Washington, D.C. for the Prime Grantee, and funded incrementally. The Prime Grantee shall draw down the letter of credit monthly, and shall send copies of invoices and back-up documentation to the Controller at USAID/Santo Domingo.

At project inception, the Prime Grantee shall conduct a pre-award evaluation on all groups submitting approved applications. Once the Prime Grantee establishes adequacy of that group, the Prime Grantee shall be authorized by USAID for full reimbursement of the rates charged by the group.

The Prime Grantee shall be audited annually, by an auditor external to the project.

2. Disbursement and Audit Procedures for Participating NGOs

Awards shall be given only to NGOs that pass a pre-award evaluation. The Prime Grantee shall determine the recipient's adequacy with Handbook 13 guidelines. The activities shall submit to a financial audit at the end of each year, conducted by an external auditor. The Prime Grantee shall enter into an IQC with an auditor at the inception of the project.

The Prime Grantee shall enter into sub-grant agreement with each NGO. Payments shall coincide with activity milestones and measurable outputs, such as submission of reports; press conferences; seminars; trips; or other measurable outputs. Advances will be kept to a minimum.

The project shall not consider requests under \$10,000, due to the time-consuming nature of the selection, evaluation, and disbursement procedures.

F. Role of Community Groups

Community and consumer groups shall be considered an important component of the project, and mechanisms shall be created to assure their active participation. Community group leaders estimate that the co-financing requirement will not deter their participation, however they expressed concern over the ability of individual groups to a) meet the minimum activity size of \$10,000 and b) to be able to fulfill AID financial control requirements. Therefore, it is recommended that community group participation be stimulated by encouraging umbrella organizations such as Instituto Dominicano del Desarrollo Integral (IDDI) and others to serve as channels for funding to community groups. For example, IDDI's "Plan de Apoyo a las Organizaciones de Base (PAYOBA) can provide appropriate accounting and financial control and channel resources to grassroots organizations for "encuentros," workshops, training, etc.

G. Procurement Procedures

Because the goal of this project is to support local initiatives, it is expected that the funds set aside for sub-grants shall be procured from Dominican nongovernmental organizations, and from American NGOs as necessary to provide assistance and support.

Because the Project will fund activities, not institutions, very limited (if any) commodity procurement is envisioned beyond the minimum equipment needed to operate the Project. The equipment to be procured, listed in Tables 2 of the Financial Analysis Annex, is expected to include household and office generators housings, fuel tanks, and inverters; household air conditioners; office phone system; 3 computers with software; laser printer; copier; fax; office furniture; and file cabinets. The Prime Grantee shall be responsible for procurement, and for assuring that all USAID/DR and Handbook 13 eligibility rules are followed. All goods (with the exception of "shelf items," such as office supplies) which are to be reimbursed under this grant shall be purchased in accordance with Handbook 13, "Procurement of Goods and Services" in the United States (AID Geographic code 000) and the Dominican Republic. Because the total expected procurement represents an insubstantial amount of the total grant, and the procurement will be "up-front," no procurement plan is required in this Project Paper. In order to assure rapid project start-up, a Project Start-up Specialist shall be

contracted for a period of 3 months to assist in establishing appropriate procedures.

H. Project Implementation Plan

The Schedule below illustrates EPP project milestones. The day-to-day operations of the Council and the project are then explained in more detail following the Schedule. The annual cycle consists of:

Schedule of Major Events

Year 1

USAID/Grantee select Consultative Council	Week 1
Project Manager hires staff, procures equipment	Month 2-4
CC develops annual issues agenda/action plan	Month 1-2
CC designates Activity Selection Committee	Month 2
Grantee Project Manager publicizes funds availability for target areas set by CC, and works with NGOs to develop concept papers.	Month 3
ASC receives, reviews, and approves or denies concept papers.	Month 4
Project Manager informs NGOs of concept paper approval, and NGOs begin to develop application.	Month 4
ASC receives, reviews, and approves or denies applications.	Month 5
Project Manager informs NGOs of approval.	Month 6
Pre-award evaluations performed Sub-grant agreements between Grantee and NGO are drafted and signed	
Project activities begin.	Month 7

Year 2

Annual Meeting of Consultative Council
Annual Meeting of Selection Committee

Year 3

Annual Meeting of Consultative Council
Annual Meeting of Selection Committee
Mid-term Project Evaluation

Year 4

Annual Meeting of Consultative Council
Annual Meeting of Selection Committee

Year 5

Annual Meeting of Consultative Council
Annual Meeting of Selection Committee
Final Project Evaluation

* * *

In greater detail, these steps are as follows:

1) The Consultative Council shall be a representative group of leaders with proven ability to develop consensus on economic policy issues. The Council shall be broad, shall include members of all social strata of the nation, and shall be committed to sound economic policies leading to broad-based, sustainable economic growth. See above for selection procedure.

2) The Council shall provide the project with annual guidance regarding high-priority areas for project funding. Each year, the Council shall meet as necessary, approximately 3-6 times over a period of 1-2 months at the end of each year, to discuss the highest priority economic policy issues, and identify issues for the coming year's project activities. The Prime Grantee shall serve as Secretariat to translate the Council guidance into sub-grant guidelines. The USAID representative is welcome and encouraged to attend any of the Council meetings as a nonvoting participant.

As soon as the Council is formed, it would meet to begin to set the first year's issues agenda. Depending on group dynamics and the Council's ability to reach internal consensus, this task may take only 2-3 meetings, or it could take longer. Once the Council reaches consensus, the Secretariat shall summarize the Council guidance in the form of project activity guidelines, which the Council shall ratify, preferably by

consensus but if necessary by majority vote. The guidelines shall identify at most three topics on which project activity funding shall be focussed. This limitation is necessary to assure that the funding is targeted for maximum impact, and not dispersed on a large number of issues with little measurable affect.

Because the project shall respond to the policy issue priorities as selected by the Council, it is not appropriate in the Project Paper to indicate likely topics for the project's first year. However, in order to clarify the roles of all players, and the day-to-day operations of the project, purely illustrative topics are listed below. In no way does this illustrative list purport to represent the actual topics to be selected by the Council for the first year, or to indicate to the Council any USAID guidance. The topics are listed for discussion purposes only.

With these caveats, let us assume that the first year's issues agenda/annual plan were to read as follows: The Consultative Council hereby requests applications for co-financing for eligible activities that focus on the areas of 1) creating consensus on liberalizing trade; 2) assessing the expected impact of stabilization and structural adjustment on the Dominican society and economy; and 3) creating consensus on energy policy.

3) This action agenda would be publicized widely to all eligible groups, and applications encouraged. Approximately 4-6 weeks would be set aside for NGOs to develop concept papers. No concept papers would be accepted after the deadline. This rigor is necessary to allow the Activity Selection Committee to select project for funding with the confidence that all applications have been submitted.

Concept papers would be submitted to the Prime Grantee's Project Manager for initial review and discussion. If necessary the Prime Grantee's Project Manager and Project Development Specialist would work with the NGO to bring the proposal up to standards.

4) The concept papers would then be submitted to the Activity Selection Committee for review and decision. The Activity Selection Committee (ASC) would review the concept papers according to the pre-set criteria, keeping in mind that the first technical criteria is that the activity, "further at least one of the project priorities listed in the Council's issues agenda." Activities outside of the scope set by the Council would not be eligible for project financing. In the absence of AID lack of concurrence with concept papers, concurrence is assumed.

5) NGOs that submitted concept papers that are accepted would then have 4-6 weeks to submit a complete application. The Grantee's Project Manager and the Project Development Specialist would be available during this period to assist to develop acceptable applications.

6) Once the application is approved by the ASC and a 2-page abstract of the application is approved by USAID, the NGO would undergo a pre-award evaluation. The Prime Grantee (or their designee) shall determine that the recipient has: 1) A proposed program description and financial plan that are sufficient and reasonable; 2) Reasonable personnel and travel policies; 3) A satisfactory record of integrity and business ethics; and other requirements as stated in Handbook 13, Section 4. Upon successful completion of the pre-award evaluation, the sub-grant agreement shall be made between the Grantee and the NGO, and the activity shall commence.

This cycle shall be repeated annually.

V. SUMMARY PROJECT ANALYSES

A. Economic Analysis

In the past three decades, two major attempts have been made to liberalize the Dominican economy. The current reform effort, like its unsuccessful 1983-85 predecessor, was initiated in response to severe macroeconomic disequilibria. The New Economic Program is going beyond getting macroeconomic policies right, however, to embrace reforms that potentially could arrest thirty years of growing state interventionism. Nevertheless, in the absence of a thorough overhaul of economic legislation and government institutions, the likelihood that suitable macroeconomic policies and an appropriate incentive framework will be sustained is low.

Impediments to this transformation are formidable. They range from a deeply-entrenched tradition of near-absolute discretionary governance to the considerable transitional costs a switch to a competitive economy would entail for the privileged beneficiaries of the dirigiste system, to a widespread lack of understanding of the rationale for a market-based economy and to the limited financial and political power of the proponents of a free enterprise system.

Against this background, the Economic Policy and Practice Project could play both a catalytic and sustaining role in the reform process. To do so, it should act on three fronts. The ability to design and implement effective reform policies must be embodied in local knowledge and owned by local institutions. However, many actual and potential domestic reform proponents lack sufficient financial resources and political clout. First and foremost, the Project must assist local groups who have a stake in a process of continuous, permanent policy reform to develop the ability to conceptualize, articulate, advocate, implement and manage this process.

Second, an on-going, structured dialogue must inform highly charged and divisive reform issues in a manner that is frank yet courteous and technical yet informal, and must bring together reform stake-holders and interests vested in the current system. Development of such a dialogue is constrained by the dearth of appropriate fora as well as of financing. It also is hindered by a lack of consistency and coherence of reform efforts. The project should facilitate the informed exchange of information, the development of a critical mass of reform proponents and creation of a reform bandwagon effect. The project needs to help bring to the forefront the actors, many of them probably latent or unknown, who will shepherd the reform process during the rest of this century and beyond.

Third, despite its shortcomings, the current administration initiated the reform process and was able to do so thanks, in part, to discrete but crucial technical assistance. Such assistance will remain crucial, especially during this period of transition. The project should stand ready to provide it. Indeed, a window of opportunity for the enactment of fundamental reforms now exists precisely because the current administration's time horizon is so short and because the President is less beholden to special interest groups than other major political figures, in- and outside of his party. However, the capacity of the government to design and implement reforms is meager. Successful implementation of the IMF agreement--which is indispensable to the reform process--currently hinges on a handful of government technicians. They will need considerable support. In any case, the very existence of the Project could be threatened if it were perceived by the government as an adversary, as it would be if it limited its assistance to non-governmental entities.

The medium and long-term growth prospects of the Dominican economy will turn exclusively on the scope, pace and duration of market-oriented, private sector-based policy reforms. Three scenarios may be envisaged: (i) a reversal of the reform process; (ii) a paralyzation of the reform process; and (iii) a progressive reform process.

The first scenario is tantamount to an extrapolation of the poor performance registered by the economy during the past dozen years. It constitutes a recipe for social and political disaster. A conceivable variant of this scenario would involve a process of policy flip-flops beginning, say, with a failure to adhere to the performance criteria in the IMF Stand-by Arrangement. In this case, growth performance likewise would be mediocre at best.

The second scenario corresponds to the maintenance of the policy reforms adopted to date under the New Economic Program. In this case, real GDP should recover and grow steadily but at a rate considerably below the potential growth rate, because widespread price distortions and a bloated state would remain.

Under the third scenario, the creation of an incentive system that would unleash private initiative and foster efficient resource allocation, together with a downsizing and modernization of the state and devotion of its resources to the formation of human capital, should enable the economy to grow at potential. Over the medium term it could even expand faster, thanks to static efficiency gains.

In the absence of the Economic Policy and Practice Project, the probability attached to the materialization of the third scenario will be lower than otherwise would be the case, because reform proponents and stakeholders appear to lack sufficient financing, leverage and technical assistance to surmount the obstacles to reform. Provided the Project is successful in helping to foster a process of continuous policy reform or, in helping to thwart a reversal of recent reforms, the expected rate of return to the resources allocated to it would be astronomic.

B. Technical Analysis

1. Need for the Project

The project design team encountered a clear and well-recognized need for a project to support sustained economic policy implementation. One Dominican policy-maker in a position to understand the true dynamics of the situation summarized the current juncture as a vicious circle, in which the GODR has the will to implement and sustain the policies, but is unaware of the depth and breadth of public support for the policies. At the same time, the populace, unaware of the policies under consideration (due to the centralized nature of decision-making), and with few means to make its voice heard, is not heard in an effective manner. This project will break that vicious circle, and support, enhance, enlarge, and make more dynamic the Dominican support for the sustainment of the policies.

2. Validity of the Technical Approach

In the course of project design, the team analyzed the validity of the economic and technical approach, as well as the assumptions that support the project. The assumptions were judged to be valid. The Project will utilize a technical approach that is both innovative and yet well-grounded in theory and practice. The Project will enhance, extend, strengthen, and catalyze Dominican NGO initiatives in support of policy reform by providing up to 67 percent funding for initiatives that meet the project's technical, financial control, and institutional criteria. The NGO initiatives to be funded will have as their focus the sustained implementation of sound economic policy reforms in support of private sector-led, market-based, export-oriented growth.

NGOs play a vital role in determining economic policy in a democracy. By informing their members about upcoming policy changes, and assisting to formulate and articulate their reaction to proposed modification, NGOs represent an important channel to and from the government. Effective NGOs can balance and limit the power of the state by giving voice to the concerns

of groups of citizens. NGOs are also important sources of policy analysis and policy option development. Without articulated policy stances and viable policy proposals, government decision-making can become excessively personalized, and useful policy options may not surface.

NGOs are a proven force on the Dominican political and economic landscape. Concrete examples abound of NGOs effectively expressing their views and affecting GODR policy decisions. Specific illustrations are presented in the Technical Analysis in the Annex, in all areas of economic policy, including tax policy, customs operations, monopoly rights, and banking. Thus, the methodology that underpins the project has been proven successful in the Dominican Republic.

3. Timing Appropriate for Project

Analysts consistently cited the timing of the project as apt. The nation is currently waged in a "war of personal interests versus the national interest," and the Project will assist to tip the scales in favor of consumers, exporters, and the creation of a policy framework to guide the nation successfully toward balanced economic growth.

4. Validity of Project Assumptions

Each of the assumptions which uphold the project approach were tested, and found to be valid. The assumptions are listed in the Logframe, and are examined one by one in the Technical and Economic Annexes.

C. Social Analysis

After conducting a social analysis of the content and approach of the EPP, it was concluded that the project has fully taken into account Dominican societal and sociological factors, and will be beneficial to the Dominican populace. Beneficiaries of the project include consumers, entrepreneurs, exporters, savers, and investors. The only groups likely to be negatively affected by the project are those that in the past have benefitted from highly skewed, protectionist policies and must now face open competition, and individuals who benefitted from the obscure, past regulations.

The project is in harmony with several social factors, especially the strong desire of young business and community leaders to participate in the design of public policies. In addition, the GODR and the Presidency have been opening, gradually but steadily, additional opportunities for dialogue with citizens.

D. Financial Analysis

The budget for the overall project will amount to \$7.997 million. From this, USAID will contribute \$6.0 million. The remaining \$1.997 million will be provided by counterpart contributions. In order to gain maximum impact from limited funds and assure maximum Dominican commitment to project activities, maximum feasible Dominican contribution to the cost of the activities will be sought. As a general standard, a counterpart contribution of 50% or more of the activity cost is expected. However, for exceptional cases, the Prime Grantee, with the Consultative Council concurrence, may request approval from A.I.D. to reduce this requirement in appropriate and fair cases. This will be done on the basis of a list of criteria previously agreed upon between the Prime Grantee, the Consultative Council and A.I.D.

No funds for any sub-grant activities can be disbursed until the Prime Grantee, the Consultative Council, and A.I.D. develop a mutually acceptable set of criteria to be used to judge proposals that might request a waiver of the "no less than 50% counterpart contribution" rule.

After the first semester of the life of the Project, and subsequently as deemed convenient through the life of the Project, A.I.D. and the Prime Grantee will review how the counterpart contribution from sub-grantee institutions has worked, and decide on any necessary modifications.

The value of time and labor contributed to the activity by sub-grantee staff and directors will be included in the calculation of counterpart contributions, as well as the time and labor contributed by staff hired specifically for Project activities by the institution.

All dollar costs are adjusted for expected inflation at a rate of 6 percent per year; local costs are adjusted at 10 percent for year 2 and 6 percent thereafter in order to allow for exchange rate adjustment lags in the short term, consistent with recent experience.

It is expected that sub-grantee organizations will provide 50% or more of the cost of the activity for which financing is requested. This counterpart contribution may come from the recipient's own sources or from other national financing sources. However, as noted above, there may be extraordinary exceptions, and the projected exceptions, taken together, may lower the national counterpart contribution average rate to 33.3% of the amount of the sub-grants and to 25% of the total project cost. With a sub-grant budget of \$3.357 million, the specific activity counterpart contribution is estimated to be \$1.108 million.

In addition to the specific activity counterpart contributions made by participating NGOs, the project will also receive \$889,841 in in-kind contributions from other sources, for a total counterpart contribution of at least \$1.997 million over the life of project. This in-kind estimate is described in detail as follows:

- 1) First, the Consultative Council would presumably volunteer some of their time. Assuming the Council has 15-20 members, each of whom dedicate 5 days to the effort, at an average shadow salary rate of \$300/day (an accurate rate for individuals with the experience and skills required by the Council), the annual in-kind contribution of the Council would be approximately \$30,000. Their expenses (phone calls, transportation) are estimated at \$50 each, for a yearly total of \$1000. Over five years, this contribution is worth \$155,000.
- 2) In addition, under the terms of the cooperative agreement, no NGOs will be allowed to earn a fee from the project. The no-fee policy is the equivalent of an in-kind contribution to the project of an average of 8 percent on the total amount of sub-grants, or \$268,521.
- 3) In addition, the no-fee policy on the Prime Grantee is the equivalent of an 8 percent in-kind contribution based on the total value of the contract, \$5.8 million, or \$466,320.

The total of these non-activity-specific, in-kind contributions is \$889,841. When combined with the 33 percent minimum in-kind contribution made for each local sub-grant (33 percent of \$3.356 million, or \$1.108 million) the total in-kind contribution to the project is \$1.997.

The following table illustrates the methods of implementation and financing for the Project.

Methods of Implementation and Financing

<u>Method of Implementation</u>	<u>Method of Financing</u>	<u>Approx. Amt. (US\$ '000s)</u>
Cooperative Agreement	FRLC	\$5,841
Direct Contract	Direct Pay	\$ 159
	Total:	<u>\$6,000</u> =====

Financial analysis of the project concludes that the proposed approach represents the least-cost method for accomplishing the project goals. Specifically:

- o By neither creating nor maintaining any institutional home, nor financing operating costs for existing institutions, the project reduces costs to a minimum and eliminates any recurring expenses after the project is over.
- o The project minimizes the logistical or administrative burdens on USAID/Dominican Republic, thus allowing the Mission to proceed with its plans to reduce staff and expenses.

The budget is presented in Table 1. In summary, project inputs are projected to be the following:

<u>Item</u>	<u>Amount ('000s)</u>
1. Sub-grants	\$3,357
2. Project Administration	1,775
3. Financial Review and Control	547
4. Commodities	105
5. Evaluation External	159
6. Evaluation Internal	57
	<u>Total AID</u>
	\$6,000
Minimum Counterpart Contribution (33% of sub-grants; 50% preferred)	\$1,108
Non-Activity Counterpart	\$ 890
	Grand Total
	\$7,998

TABLE 1
FINANCIAL PLAN
ECONOMIC POLICY AND PRACTICE PROJECT

	RATE	PER	UNITS	PROJECT YEAR					TOTAL
				1	2	3	4	5	
PROJECT MANAGER:									
SALARY	250	DAY	260	65,000	68,900	73,034	77,416	82,061	366,411
BENEFITS	42.00%			27,300	28,938	30,674	32,515	34,466	153,893
OVERHEAD (ON S & B)	50.00%			46,150	48,919	51,854	54,965	58,263	260,152
Subtotal				138,450	146,757	155,562	164,896	174,790	780,456
FINANCIAL MANAGER									
ADMINISTRATIVE ASS'T	58	DAY	260	15,080	16,588	17,583	18,638	19,757	87,646
DRIVER/MESSENGER	15	DAY	260	3,900	4,290	4,547	4,820	5,109	22,667
Subtotal Salaries				34,060	37,466	39,714	42,097	44,623	197,959
BENEFITS	42.00%			14,305	15,736	16,680	17,681	18,741	83,143
OVERHEAD (ON S & B)	50.00%			24,183	26,601	28,197	29,889	31,682	140,551
Subtotal				72,548	79,803	84,591	89,666	95,046	421,653
HOME OFFICE SUPPORT:									
ADMINISTRATIVE	125	DAY	130	16,250	17,225	18,259	19,354		71,088
PROFESSIONAL	225	DAY	85	19,125	20,273	21,489	22,778		83,665
Subtotal Salaries				35,375	37,498	39,747	42,132		154,752
BENEFITS	42.00%			14,858	15,749	16,694	17,696		64,996
OVERHEAD (ON S & B)	100.00%			50,233	53,246	56,441	59,828		219,748
Subtotal				100,465	106,493	112,882	119,655		439,496
CONSULTANTS:									
PROJECT DEVELOPMENT SPECIALIST	110	DAY	80	8,800	9,680	10,261	10,876		39,617
PROJECT STARTUP SPECIALIST	225	DAY	66	14,850					14,850
PROJECT STARTUP SPECIALIST TRAVEL				750					750
PROJECT STARTUP SPECIALIST - Per Diem and Local Travel	140	DAY	90	12,600					12,600
Subtotal				37,000	9,680	10,261	10,876		67,817
GENERAL AND ADMINISTRATIVE	3.00%			1,110	290	308	326		2,035
Subtotal				38,110	9,970	10,569	11,203		69,852
OTHER DIRECT COSTS:									
INTERNATIONAL TRAVEL	1650	TRIP		16,500	6,600	6,996	7,416	7,861	45,372
LOCAL TRAVEL	200	MONTH	12	2,400	2,640	2,798	2,966	3,144	13,949
OFFICE RENTAL	25	S.F./YR	1000	25,000	27,500	29,150	30,899	32,753	145,302
COMMUNICATIONS	400	MONTH	12	4,800	5,280	5,597	5,933	6,289	27,898
AUDIT SERVICES				67,500	74,250	81,675	7,500	7,500	238,425
AUDIT OF PRIME GRANTEE				20,000	22,000	24,200	26,620	29,282	122,102

**TABLE 1
FINANCIAL PLAN
ECONOMIC POLICY AND PRACTICE PROJECT**

	RATE	PER	UNITS	PROJECT YEAR					TOTAL
				1	2	3	4	5	
Subtotal									
GENERAL AND ADMINISTRATIVE	3.00%			136,200	138,270	150,416	81,334	86,828	593,048
				4,086	4,148	4,512	2,440	2,605	17,791
Subtotal				140,286	142,418	154,929	83,774	89,433	610,840
COMMODITIES:									
VEHICLE				17,000	1,870	2,057	2,263	2,489	25,679
FURNISHINGS & EQUIPMENT*				50,840	5,592	6,152	6,767	7,443	76,794
Subtotal				67,840	7,462	8,209	9,030	9,932	102,473
GENERAL AND ADMINISTRATIVE	3.00%			2,035	224	246	271	298	3,074
Subtotal				69,875	7,686	8,455	9,300	10,230	105,547
PROJECT EVALUATION:									
INTERNAL				10,000	10,600	11,236	11,910	12,625	56,371
EXTERNAL						75,000		84,270	159,270
Subtotal				10,000	10,600	86,236	11,910	96,895	215,641
TOTAL CORE ACTIVITIES				569,734	503,727	613,224	490,405	466,395	2,643,484
TECHNICAL ASSISTANCE/ SUBGRANTS									
SUB-GRANTS				800,000	800,000	800,000	600,000	356,516	3,356,516
TOTAL USAID FUNDING				1,369,734	1,303,727	1,413,224	1,090,405	822,910	6,000,000
COUNTERPART CONTRIBUTIONS:									
33% NGOs CONTRIBUTION				264,000	264,000	264,000	198,000	117,650	1,107,650
NON-ACTIVITY COUNTERPART				204,000	204,000	204,000	153,000	124,841	889,841
Subtotal				468,000	468,000	468,000	351,000	242,491	1,997,491
TOTAL PROJECT FUNDING				1,837,734	1,771,727	1,881,224	1,441,405	1,065,401	7,997,491
SUBTOTAL DOLLAR COSTS				883,989	784,961	891,195	708,036	541,234	3,809,416
SUBTOTAL LOCAL CURRENCY COSTS				953,745	986,766	990,029	733,369	524,167	4,188,075

Note: Allowances such as schooling/housing do not apply to Dominican Project Manager

*See Table 2 of Financial Analysis Annex for details

E. Institutional Analysis

The institutional analysis served two purposes: To analyze the appropriateness of placing the Project within an existing institution, and to assess the level of interest among Dominican NGOs in participating in the project.

The project team concluded that no existing Dominican institution represents an appropriate "home" for the Project for the following reasons:

- o The goal of the project is not to create or strengthen an organization to carry out a purpose. Rather, it is to take advantage of a historic opportunity to strengthen existing Dominican initiatives in support of sustained economic policy implementation.
- o By not creating a new institution or placing the project in an existing institution, the project avoids creating recurrent operating expenses beyond the life-of-project.
- o An independent project operating arm is free of any "baggage" that may be attached to existing institutions, such as personal biases and agendas.

During the design phase, the team interviewed 21 NGOs, including business associations, educational institutions, and thinktanks. All of the NGOs expressed interest in participating in the project, and many had projects under development that appeared to be fit the eligibility requirements. Profiles of the NGOs interviewed are presented in the Institutional Analysis Annex. Illustrative potential projects are listed in Section III.A. of the Project Paper.

ANNEX A

LOGICAL FRAMEWORK

**ANNEX A
LOGICAL FRAMEWORK**

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumption																
<p>Goal: The adoption of, and adherence to sound economic policies that promote investments, productive employment, and export-led economic diversification.</p>	<p>Measures of Goal Achievement: -Economic policy improvements in areas including trade, taxation banking, investment. -More support for economic reform among Dominican populace. -Macroeconomic indicators, to be specified by Consultative Council, (CC).</p>	<p>-Interviews and media reports -Polls of business and citizen attitudes and opinions</p>	<p>-GODR supports economic reform. -Political stability. -Private sector responds to improve conditions.</p>																
<p>Purpose: To strengthen, deepen, enhance, and make more dynamic the participation of NGOs in economic policy design and sustained implementation.</p>	<p>End of Project Status: Economic policy improvements in areas identified annually by the CC, as measured by regulatory and policy changes in the areas selected by the CC. -More/strengthened channels for public opinion to reach GODR on economic issues, as measured by activity evaluations and contractor reports. -Better-informed populace on economic issues. -Size of dues-paying membership of the 15 most active NGOs increases by at least 5 percent per year.</p>	<p>-Project evaluations -Polls and attitudes surveys -Press clippings</p>	<p>-NGOs are effective</p>																
<p>Outputs: 1. Policy Analysis Documents. 2. Seminars/workshops, roundtables, discussion groups. 3. Print, TV, radio coverage of issues and events.</p>	<p>Outputs Indicators: -At least 16 NGOs will have received partial funding to carry out initiatives. -At least 8 NGOs will have been audited and/or had their rates and internal financial control systems reviewed by the project. As a result, these NGOs are in a better position to request and monitor funds from other sources. -At least 200 newspaper articles will have been printed on project-sponsored activities. -At least 1000 individuals will have taken part in project-sponsored training events. -Target groups receiving training and assistance shall demonstrate a marked increase in their level of understanding of economic reform and its benefits.</p>	<p>-Contractor reports -No. of seminars/roundtables/workshops held. -No. of individuals trained.</p>	<p>-Appropriate NGO applications submitted. -Counterpart financing available. -NGOs pass financial control audits.</p>																
<p>Inputs: 1. Subgrants 2. Project Administration 3. Financial Review and Control 4. Commodities 5. Evaluations</p>	<p>Budget (US\$000):</p> <table border="0"> <tr> <td></td> <td align="right">3,357</td> </tr> <tr> <td></td> <td align="right">1,775</td> </tr> <tr> <td></td> <td align="right">547</td> </tr> <tr> <td></td> <td align="right">105</td> </tr> <tr> <td></td> <td align="right">216</td> </tr> <tr> <td>Total</td> <td align="right">6,000</td> </tr> <tr> <td>Minimum Counterpart Contribution</td> <td align="right">1,998</td> </tr> <tr> <td>Grand Total</td> <td align="right">7,998</td> </tr> </table>		3,357		1,775		547		105		216	Total	6,000	Minimum Counterpart Contribution	1,998	Grand Total	7,998	<p>-Contractor billings -Controller reports</p>	<p>-DR eligible to receive AID funds -Funds available</p>
	3,357																		
	1,775																		
	547																		
	105																		
	216																		
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Grand Total	7,998																		

- 4/4

ANNEX B

**FLOWCHART OF SUBGRANT APPROVAL,
INVOICING, AND PAYMENT PROCESS**

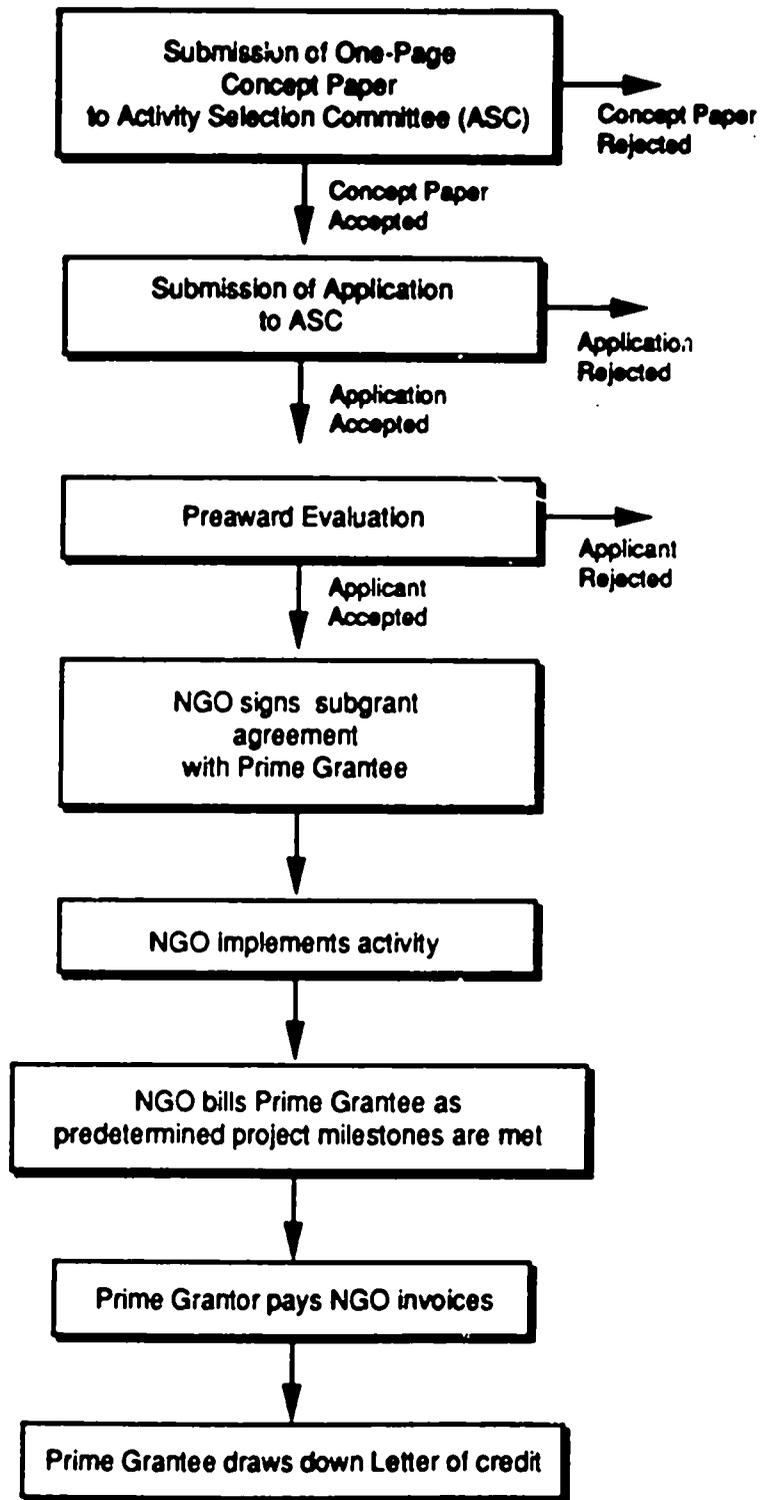


Figure 3 FLOWCHART OF SUBGRANT APPROVAL, INVOICING, AND PAYMENT PROCESS

**ANNEX C
ECONOMIC ANALYSIS**

ANNEX C

ECONOMIC ANALYSIS

A. Summary of Economic Analysis

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Impediments to this transformation are formidable. They range from a deeply-entrenched tradition of near-absolute discretionary governance to the considerable transitional costs a switch to a competitive economy would entail for the privileged beneficiaries of the dirigiste system, to a widespread lack of understanding of the rationale for a market-based economy and to the limited financial and political power of the proponents of a free enterprise system.

Against this background, the Economic Policy and Practice Project could play both a catalytic and sustaining role in the reform process. To do so, it should act on three fronts. The ability to design and implement effective reform policies must be embodied in local knowledge and owned by local institutions. However, many actual and potential domestic reform proponents lack sufficient financial resources and political clout. First and foremost, the Project must assist local groups who have a stake in a process of continuous, permanent policy reform to develop the ability to conceptualize, articulate, advocate, implement and manage this process.

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or unknown, who will shepherd the reform process during the rest of this century and beyond.

Third, despite its shortcomings, the current administration initiated the reform process and was able to do so thanks, in part, to discrete but crucial technical assistance. Such assistance will remain crucial, especially during this period of transition. The project should stand ready to provide it. Indeed, a window of opportunity for the enactment of fundamental reforms now exists precisely because the current administration's time horizon is so short and because the President is less beholden to special interest groups than other major political figures, in- and outside of his party. However, the capacity of the government to design and implement reforms is meager. Successful implementation of the IMF agreement--which is indispensable to the reform process--currently hinges on a handful of government technicians.

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Under the third scenario, the creation of an incentive system that would unleash private initiative and foster efficient resource allocation, together with a downsizing and modernization of the state and devotion of its resources to the formation of human capital, should enable the economy to grow at potential. Over the medium term it could even expand faster, thanks to static efficiency gains.

In the absence of the Economic Policy and Practice Project, the probability attached to the materialization of the third scenario will be lower than otherwise would be the case, because reform proponents and stakeholders appear to lack sufficient

financing, leverage and technical assistance to surmount the obstacles to reform. Provided the Project is successful in helping to foster a process of continuous policy reform or, in helping to thwart a reversal of recent reforms, the expected rate of return to the resources allocated to it would be astronomic. The expected economic impact of the EPP project is summarized in Table 4. In effect, under scenario three, it is projected that GDP would grow about 6% per annum, versus about 3.5% per year under scenario two and about 1% under scenario one. Under the assumption that the probabilities corresponding to scenarios one, two and three are .4, .3 and .3, respectively, in the absence of the project, and .2, .4, and .4, respectively, with the Project, the expected return to the Project would be an increase of the annual GDP growth rate of 0.75 percentage points.

B. Background of Economic Situation

From the 1920s to the early 1960s the Dominican Republic pursued a relatively liberal trade and payments regime. The economic system was grounded in tight fiscal and monetary policies, a small state and a relatively modest number of policy-induced price distortions. Furthermore, from the late 1940s until the early 1960s, the country was a net creditor to the rest of the world.

Following the demise of the Trujillo Regime, subsequent administrations restricted the convertability of the peso, expropriated Trujillo's copious assets, commenced to borrow abroad and pursued discriminatory pricing policies. By the mid-1970s, the interventionist paradigm had spawned a plethora of price distortions in and transformed the production structure of, the Dominican economy. The new incentive regime entailed heavy costs, but these would not be perceived for some time because they were masked by foreign borrowing and very favorable terms of trade. Indeed, the economy continued to grow at rates of about 8% per annum.

During this period, the notion that publicly provided goods and services should be purveyed at heavily subsidized prices became widely entrenched, as did the perception that income is rent and that generation of income thus hinges mainly on discretionary state decision-making. The series of external shocks that occurred from the late 1970s onward revealed that the dirigiste laws, institutions and policies had run their course, but this would not be recognized for more than a decade, and then, only half-heartedly.

Since the early 1960s, two major attempts have been made to liberalize the economy. The first took place during 1983-85, when the authorities, to cope with the most serious economic crisis faced by the country since the 1965 civil war, sought to

eliminate unsustainable macroeconomic imbalances with the support of the IMF and USAID. In early 1983, the Government reversed the countercyclical fiscal and monetary policies and procyclical exchange rate policies that had been pursued since the second petroleum price shock, and rescheduled a substantial fraction of the state's foreign debt. Six months later, popular pressure, which exploded into violent civil unrest, forced the government to revert to an expansionary fiscal policy and abandon the IMF program.

In 1984-85, however, the government was able to implement the most sweeping policy reforms since the mid-1960s. A series of tax measures arrested a decade-long contraction in government revenue relative to GDP; the prices of most goods and services produced by the state were brought in line with international prices; the institution of a market-determined exchange rate regime dissipated a large part of the bias against exports and helped stabilize the financial system; and further debt reschedulings normalized the country's relations with the international financial community.

Beginning in late 1985, however, the Jorge Blanco administration once again reverted to an expansionary fiscal policy, a stance which was maintained by the new administration which took office in August, 1986. Most of the other important 1984-85 policy reforms were abandoned during the first year of the Balaguer Administration, which attempted to pursue a variant of the approach that characterized President Balaguer's 1966-78 period in office, i.e., a large-scale public sector investment program, mainly in public works, financed in part by a retrenchment of the already sorely inadequate operations and maintenance expenditures, and in part by the accumulation of external arrears, together with a procyclical exchange rate policy.

C. Recent Economic Developments

In 1987, the economy rebounded sharply, as real GDP rose 8% on the strength of a massive increase in public investment financed partly through the achievement of a major turnaround in the overall public sector savings effort. However, inflation escalated, the current account balance of payments deficit widened, and the import coverage of gross international reserves dropped from about three months to one month. These adverse trends mainly reflected the surge in monetary growth between August 1986 and December 1987, and the contradiction between the twofold expansion of public investment and a foreign debt strategy that sharply curtailed access to foreign financing.

In 1987, both the consolidated public sector deficit and domestic bank borrowing requirement were curbed, but the additional creation of domestic credit was accompanied by a progressive rise in inflation. Net loan disbursements turned sharply negative. The pronounced loss of international reserves also was brought about by the abandonment of the free market exchange regime in mid-1987, when the official rate was fixed below the market rate. In addition, the deterioration of electricity service led to a sharp expansion in the volume of petroleum imports. Finally, a deterioration in the terms of trade heightened external imbalances. In November 1987, the Government unified the official and parallel market exchange rates and enacted a series of measures to augment fiscal revenues and curtail commercial bank lending. Nevertheless, the economy remained seriously overheated, and the public continued to reduce its demand for real peso balances.

In 1988, inflation surged to 58% while real GDP scarcely increased. The current account balance of payments contracted and the Central Bank's holdings of gross external assets increased slightly. The further acceleration of inflation was occasioned by the persistence of excessive money supply growth and the attendant accentuation of inflationary expectations and increase in velocity. The Government managed to augment overall public sector savings to an estimated 5% of GDP in 1988 as a result of revenue-generating measures introduced at the end of 1987, but the rate of expansion of public sector capital expenditures continued to outstrip global resource availability. The latter was constrained by the large subsidies funneled through the Dominican Electricity Corporation (CDE), the Dominican Petroleum Refining Corporation, and the Agricultural Bank as well as by both the Government's foreign debt policy and its difficulty in reaching agreement on foreign-financed projects.

Although the consolidated public sector deficit was reduced somewhat in 1988 relative to GDP, domestic bank financing of public sector operations was responsible for the excess growth of the money supply. The depletion of foreign exchange reserves by the end of 1987 and administrative measures adopted to curb the demand for foreign exchange shifted the burden of elimination of excess liquidity entirely to domestic prices. At the same time, the large adjustment of key relative prices fueled the inflationary upsurge, since it included a considerable element of overshooting, and also reflected to some extent the relaxation of price controls.

The inflationary upsurge was, in turn, a major factor in the paralyzation of the economic recovery, as it sharply eroded the incentives to save and invest. The unprecedented escalation of the consumer price level also led to a steep decline in the real growth of public sector investment and depressed real wages.

Overall, both real gross domestic investment and consumption stagnated. The distortions of the incentive system likewise impaired the efficiency of investment. In addition, the increasingly frequent and protracted power outages, the interruption of nickel production during several months and a decline in sugar production because of external market conditions contributed to the sharp downturn in the measured increase in real value added. Both gross national product and income rose at somewhat higher rates (on a cash basis), owing to the continued dynamism of the free trade zones, the additional income obtained from a new nickel mining contract and recovery in the terms of trade.

Economic activity rebounded in 1989, but inflation reaccelerated progressively during the second semester and external imbalance worsened considerably. The exhaustion of the monetary authority's holdings of external assets, together with the enormous accumulation of external payments arrears, the counterpart of which was an appreciable expansion of domestic absorption, explains in large part the 4% increase in GDP. A marked improvement in the terms of trade, together with the drastic real devaluation of the peso during the first semester of 1988 and an upsurge in credit to the private sector explain the remainder, while more restrictive fiscal and monetary policies in the latter part of 1988 and the steady revaluation of the peso decelerated inflation during the first months of 1989.

The virtual exhaustion of liquid external assets by August absorbed a considerable part of the disproportionate growth of domestic credit, but shifted to domestic prices and the parallel exchange rate elimination of excess liquidity. Inflation reaccelerated sharply. Unprecedented price instability and external imbalance rendered untenable the administration's counter-cyclical fiscal and monetary policies and pro-cyclical exchange rate policy cum systematic accumulation of external arrears.

Indeed, by the end of 1989, the economy no longer could continue to expand on the basis of reserve losses or through accumulation of arrears. Moreover, price prospects for nickel turned highly adverse, the specter of a collapse of the financial system loomed and external financial inflows had all but vanished. But the Government, faced with uncertain election prospects, demurred. Prolonged controversy over the May 1990 election results subsequently distracted the government's attention from the economic crisis

Real GDP contracted an estimated 5% in 1990, the open unemployment rate shot-up from 19% to 24% and real wages dropped an estimated 15%. Inflation surpassed 100%--by far the highest in the Twentieth Century. The current account deficit (commitment basis) contracted to an estimated 3% of GDP against

4% in 1989, while the capital account registered an unprecedented deficit of an estimated 6.5% GDP versus about 3% the year before. The overall balance of payments deficit was financed almost entirely by arrears accumulation. The external debt rose to an estimated US\$4,480, or 70% of GDP. Total arrears soared to an estimated US\$1,480. At year's end, virtually every foreign creditor had suspended disbursements to the country.

The pronounced exacerbation of internal and external disequilibria in 1990 is ascribable to the cumulative effects of persistently untoward economic policies, the two essential characteristics of which have been incoherency and inconsistency--features that also have plagued implementation of the New Economic Program. In particular, the recurrent overvaluation of the currency, in tandem with the recurrent repression of the parallel market, strangled the economy. At the official exchange rate the profitability of exporting plummeted. In turn, the inflow of foreign exchange to the Central Bank declined more or less systematically and sufficed to cover merely a fraction of essential petroleum imports and consumer foodstuffs.

Scarcities of these essential commodities became ubiquitous, as a result of which exports were depressed further--the dearth of petroleum products curbed electricity generation by CDE and idled much of the private sector's generation capacity. Free trade zones as well as the manufacturing sector geared to the domestic market were hard hit; numerous plants were closed. Tourism likewise was affected. Fuel shortages also disrupted shipment of agricultural products to market.

At the same time, the massive and heavy-handed direct repression of the parallel market--which depressed the market rate from about DR\$18 per US\$ in early October, 1990 to DR\$12.50 in early November--curtailed substantially the economy's generation of foreign exchange. The indirect repression of the parallel market (by revoking a provision that allowed for imports with foreign exchange secured in the parallel market) squeezed imports across-the-board and likewise depressed economic activity as well as exacerbated unemployment, scarcities and citizen discontent. A series of general strikes inflicted considerable loss of output and damaged tourism.

The exceptionally ill-advised exchange rate policies that have been pursued, particularly since August, 1989, similarly led to the "overshooting" of key relative prices, including that of petroleum (which was selling, in the market, at prices above international ones) and of food. They also further undermined the fragile financial system and militated against the adjustment of relative prices of non-tradeables (e.g. as currency substitution was highly risky, individuals increasingly opted to invest their peso holding in land and housing). Inflation thus was higher than otherwise would have been required to bring the

supply of money in line with the real demand for peso balances and to mitigate the costs of adjusting to the petroleum price shock.

D. The New Economic Program

Following confirmation of the reelection of the Balaguer Administration in August 1990, the Government commenced to implement its New Economic Program to redress the economic crisis, and since then, has undertaken successfully a series of important measures. The overall deficit of the non-financial public sector was reduced from about 6% of GDP in 1989 to about 2% in the first semester of 1991, by means principally of a large cut in central government investment and the rationalization of the prices of public goods and services. In particular, the hitherto heavily subsidized petroleum prices are now above international prices and the average price of electricity has been adjusted accordingly. This has facilitated a marked tightening of monetary policy. Moreover, for the first time, lending and deposit interest rates have been freed from regulatory control; Central Bank interest rates also are market-determined, and the monetary authorities are relying more on open market operations.

After affecting a number of discrete devaluations, in January 1991, the authorities also introduced a new, essentially market-determined dual exchange rate system. In consequence of the tight fiscal and monetary policies, the gap between the controlled rate and the free rate narrowed progressively. On July 1, 1991, a single, freely floating rate, was put into effect.

The New Economic Program halted the 100% inflation in spectacular fashion--during the first eight months of 1991, the consumer price index was virtually unchanged. Real GDP continued to decline during this period, in consequence largely of the untoward policies pursued until August, 1990. The substantial correction of the macroeconomic policy framework since then also curtailed external imbalances, despite a further deterioration in the terms of trade. The monetary authority's stock of net external assets climbed from about -US\$ 200 million at the end of 1990 to about US\$ 170 in September, 1991.

This, in turn, has enabled the government to clear its arrears to the IMF, the IBRD and the IDB, selectively reduce its overdue obligations to other external creditors, and regain access to international financing. At the end of August, 1991, the IMF approved the requests of the Dominican Government for a nineteen-month Stand-by Arrangement and for access to the Compensatory and Contingency Financing Facility. Policy-based operations by the IBRD and IDB are under preparation, and the

Government has commenced to renegotiate its external debts to the Paris Club and commercial banks.

From the outset, the New Economic Program, unlike previous reform attempts, also included direct structural reforms. In September 1990, the President issued two decrees that reduced the number of import tariffs from thousands to seven, and the maximum tariff, from 596% to 35%. The scope of tariff exemptions and administrative trade controls also was curtailed. However, this facet of the New Economic Program illustrates two of the impediments to the sustainability of economic reform. Those parts of the trade reform involving taxes proper, i.e., the nominal tariffs, can be modified only with the consent of Congress. President Balaguer simultaneously submitted a trade reform bill to Congress, but Congress has not passed it; the legal status of the trade reform is unclear. In addition, customs officials, aided and abetted by inward-looking manufacturing interests, have resisted implementing the reform.

The outlook for other reforms is also unclear. A major fiscal reform, which was to have been introduced to Congress at the end of 1990, has not yet been submitted to the legislative branch because of interest group pressures and disagreements within the executive branch. Great uncertainty surrounds the question of how or whether the recently-enacted Civil Service Code will be implemented. The Central Bank also has been backsliding on exchange rate policy, as it has intervened frequently to prevent the exchange rate from rising. And more recently, the money supply has been expanded too rapidly.

E. Obstacles to Economic Reform

Economic recovery and sustainable growth cannot be achieved unless and until a coherent economic policy framework is forged and maintained through time. But consolidation of economic reform faces formidable obstacles. First, the correction of macro policies will not be sustained--the IMF program notwithstanding--unless and until the institutional framework is overhauled. Key government bodies, particularly the Central Bank, the Secretariat of Finance, the Technical Secretariat of the Presidency, the Congress and the Judiciary, sorely need technical assistance and training to perform their duties required of them in a market-based economy.

Second, powerful interest groups will strive to protect the scope for rent-seeking activities. Their efforts threaten market-based macro policies and especially, any attempts to liberalize economic legislation or rationalize state institutions. These interest groups include inward-looking industrialists and financial groups (who benefit from barriers to entry and loose prudential regulations), political parties (who

benefit from the open-spoils system of state employment) key elements of the state bureaucracy (who benefit from corruption) and employed wage earners (who benefit from closed shops and other barriers to entry).

These vested interests can and frequently have mobilized low income groups against economic reforms that ultimately would benefit them greatly, through appeals that dovetail with the ingrained notion that real wages can be enhanced by cheap food and energy policies. They also find willing allies and mercenaries in the intelligentsia and the press. Indeed, fear of civil unrest has forestalled or derailed a number of economic reforms.

Third, convincing the populace that it stands to gain from economic reform naturally is made especially difficult by the considerable time lag that often transpires between the costs of reform and the benefits of reform. In contrast, it is difficult to organize potential proponents of economic reform because the costs of price distortions typically are dispersed throughout society, and hence, are difficult to trace, whereas the benefits are highly concentrated. These obstacles are reinforced by the generally low level of comprehension of economic issues and political demagoguery. Indeed, many observers have commented on the lack of an "economic culture" in the country.

In addition, the persistence of near-absolute discretionary governance and the concentration of this power in the Presidency allows each administration to undo the policies of its predecessors--or the same administration to reverse course.

Finally, a complex, arbitrary and dirigiste legal system has obliged a large number of economic agents to engage in illegal activities, and in many cases, operate entirely outside the formal economy. While the state rarely penalizes such actions, those who criticize government economic policies too vocally run the risk of being taken to task for illegal activities.

F. A Policy Reform Agenda

The mismanagement of economic affairs over the past dozen years is symptomatic of pronounced institutional imperfections as well as of anachronistic approaches to economic policy-making. The recent agreement on an IMF-supported macro program augers well for economic recovery. However, deeply entrenched and ubiquitous institutional imperfections pose a permanent threat to the maintenance of sound macroeconomic policies: witness the country's economic performance subsequent to the mid-1980s Fund programs and foreign debt renegotiations.

Consequently, achievement of sustainable, broad-based growth will hinge on the institutionalization of the recent policy corrections, and the progressive reform of economic legislation and state institutions. The process of reform would need to encompass, inter alia: (i) central banking; (ii) financial system supervision and regulation; (iii) taxation; (iv) budgeting, investment programming and expenditure allocation; (v) privatization and property rights; (vi) price regulations and subsidies; (vii) labor market regulations; (viii) deregulation of other factor and output markets; (ix) the trade regime; (x) public administration; and (xi) macroeconomic management.

Guiding principles of a reform program should be autonomy, accountability, transparency and preeminence of policy rules over discretionality. These attributes need to be fostered generally and in key areas through legislative reform. Institution of an autonomous, professional and accountable Central Bank is an undertaking essential to price stability and sustainable growth, as are complementary budget and fiscal reforms that proscribe the inflation tax and ensure accumulation of resources required to compensate for transitory external shocks. A fully autonomous judiciary and electoral authority also would do much to restore the credibility of the state in dealing with economic affairs.

The traditional, extraordinary centralization of decision-making powers in the Presidency partly explains erosion of government's ability to manage the country's economic affairs. Policy rules, rather than discretionality, should be preeminent, especially in respect of management of monetary affairs (i.e., especially a ban on provision of central bank credit to the state and on central bank intervention in the foreign exchange market), public expenditure (e.g. preparation of a comprehensive budget), taxation (e.g. elimination of discriminatory exemptions and incentives) and pricing (e.g. removal of controls). At the same time, the acute dearth of qualified staff must be redressed and governmental resource allocation, decentralized.

The need for autonomy in key public sector entities and a rational division of labor throughout the state must be reconciled with a judicious centralization of responsibility for macroeconomic policy. One alternative is the institutionalization of an economic policy-making council presided over by the President and composed of the Central Governor, the Technical Secretary of the Presidency, the Secretary of Finance and the Economic Advisor to the President. Another is the creation of a Secretariat of Economic Policy, the essential responsibility of which would be to ensure policy consistency and coherency by coordinating the formulation, implementation and tracking of policies and outcomes.

G. Political Economy and Praxis of Policy Reform

The Dominican economy is riddled with complex, opaque, and profound distortions. How these distortions arise, and how difficult their removal would be, is subject to considerable debate. According to the most common interpretation, these distortions have been occasioned by policy "mistakes," (due, perhaps, to faulty analysis, or to subscribing to a misguided school of political economy, such as the faith in industrialization via import-substitution as a development strategy), or because of the short-run pressure of interest groups. These factors are certainly at work. In other words, the usual interpretation is that there is rent-seeking because there are distortions, and that removing the distortions will remove or reduce the direct dead-weight inefficiencies as well as reduce the inefficiencies associated with rent-seeking.

It may be argued, however, that the tendency of the Dominican economy to become distorted is its most profound characteristic; distortion is the norm, and the operation of competitive, efficient markets in the lead sectors of the economy is an almost revolutionary historical anomaly. Distortions may arise because the more influential decision-making groups normally see income as rent rather than as returns to entrepreneurship, arbitrage talent or technological innovation. The understanding of most income as rent led to the use of the state to create rents, which meant that for prominent segments of the governing groups the main sources of income were in fact rents. This, in turn, meant that the state, the press, and the intelligentsia also began to see income as rent. Since the distribution of rent is, at best, a zero-sum game, the state bureaucracy, the popular press and intellectuals came to see the redistribution of rents to the state and via the state as an economically legitimate activity. Market-oriented reform, therefore, has had few powerful "stake-holders."

This interpretation might be considered unduly pessimistic. It could be understood as leading to a paralysis of reform praxis: if the causes of the crisis are so profound, the prospects for meaningful reform are likely to be slim. Changing a few prices here and there, eliminating a few taxes, or selling off a few government businesses may seem trivial compared with the underlying problems: in any case, the distortions are likely to reemerge. However, there are also some positive lessons that can be extracted from this interpretation.

The main positive lesson is that the process of policy reform and dialogue needs to be continuous and permanent--or at least very long-run. If a series of distortions are corrected, the static efficiency gains (which would be great but would last perhaps only a decade or two) are likely to lull policy reformers into believing that efficiency and growth have been permanently

secured. But long-term growth must rely on the development of skills and institutions, and on dynamic productivity gains: it must be led by knowledge enhancement and institutional development in a distortion-free environment. Thus, forces interested in permanent policy reform must capitalize on those gains in order to wage a permanent battle to disseminate the perception that dynamic improvements in economic well-being depend as much on improvements in skills, institutions, and technology as on continued freedom from distortions.

To put it another way: the most pernicious effect of distortions is not static dead-weight and rent-seeking inefficiencies, but the damage to dynamic growth prospects caused by the strengthening of the belief that all income is rent. The process of reform must therefore start with the elimination of distortions, must wage a continuous struggle against their reappearance, and must use the static efficiency gains resulting from the elimination of distortions as a breathing space in which to promote a process of development of skills, technology, and institutions which are foundations for long-term growth.

A corollary of the above is that the "stake-holders" in the process of policy reform must be local and must have political power. The initial impulse for permanent policy reform can come from the outside, but local groups must develop a stake in a process of permanent policy reform, and must develop the ability to conceptualize, articulate, and promote the notion of a process of continuous reform at the political level. The promotional aspect is especially important. In a democratic society such as the Dominican Republic, where civil liberties are abundant, those bearing the costs imposed by a process of reform typically can thwart all attempts at reform. The local groups who would champion a process of permanent reform must therefore become consummate "salesmen" for the process, using the full panoply of modern public relations and "opinion-making" techniques.

In other words, political power in this type of situation must be accompanied by--or perhaps even arise from--the ability to mold public opinion. This can be accomplished, but it requires tremendous experience and skill. International organizations have traditionally relied on conditionality and financial pressure to initiate "one-shot" reform packages. But a process of reform that is locally led can only be assisted via training, dissemination of technical results and policy viewpoints, and technical collaboration on research and dialogue about the reform process. Part of the dissemination process could begin to include dialogue on the process of "selling" reforms to the public. The rest must be left up to local "stake-holders."

Second, there are indications that "stake-holders" in a process of permanent reform are emerging. One positive result of the process of import substitution industrialization was to connect the economic elites with technical knowledge and skills, and to begin to promote a notion of growth as technology- and skill-based. Thus, at the end of a period of highly distorting growth, followed by stagnation, the ruling elites may be ready to respond to a profound and permanent process of reform. Certain segments of the economic elites saw, during the 1960s and 1970s, that growth based on technology and knowledge is indeed possible, but they now also realize that the particular expression of this process in the Dominican Republic was highly distortionary and therefore unsustainable. It may be that if this kind of awareness is promoted and popularized, a true reform praxis will crystalize.

Another source of hope is the tremendous entrepreneurial dynamism and the large absolute size of the underground or "informal" economy in the Dominican Republic. This sector has developed in isolation from and in response to the maze of bureaucratic regulation and bribery affecting the formal sector. Because this section of the economy is isolated from rent streams, the entrepreneurs being "schcoled" in this sector of the economy are of an entirely different mentality from those coming from the traditional economic elites. The process of reform should capitalize on this new breed of entrepreneur, and encourage a process whereby their attitudes of come to dominate or at least inform the process of economic policy-making.

To date, even though the sector has been growing, and even though there are now entrepreneurs within this sector who hire as many as 20-30 laborers on a permanent, full-time basis, these new businesspeople do not play much of a role in the determination of policy. Inevitable, as informal sector entrepreneurs grow, they join the mainstream. If a means can be found whereby their entrepreneurial attitudes can be encouraged and spread to the mainstream, the number of powerful "stakeholders" in the reform process will increase.

The best hope for a permanent process of reform is that progressive elements from the traditional elites and new entrepreneurs arising from the informal sector could rally around a common set of policy aspirations. If, at the same time, these perceptions and aspirations can be clearly articulated and promoted by a group of local intellectuals and technocrats, then the basis for a process of continuous domestic reform will have been laid.

H. Growth Scenarios and Estimated Impact of EPP Project

The medium and long-term growth prospects of the Dominican economy will turn exclusively on the scope, pace and duration of market-oriented, private sector-based policy reforms. Three scenarios may be envisaged: (i) a reversal of the reform process; (ii) a paralyzation of the reform process; and (iii) a progressive reform process.

The first scenario is tantamount to an extrapolation of the poor performance registered by the economy during the past dozen years. It constitutes a recipe for social and political disaster. A conceivable variant of this scenario would involve a process of policy flip-flops beginning, say, with a failure to adhere to the performance criteria in the IMF Stand-by Arrangement. In this case, growth performance likewise would be mediocre at best.

The second scenario corresponds to the maintenance of the policy reforms adopted to date under the New Economic Program. In this case, real GDP should recover and grow steadily but at a rate considerably below the potential growth rate, because widespread price distortions and a bloated state would remain.

Under the third scenario, the creation of an incentive system that would unleash private initiative and foster efficient resource allocation, together with a downsizing and modernization of the state and devotion of its resources to the formation of human capital, should enable the economy to grow at potential. Over the medium term it could even expand faster, thanks to static efficiency gains.

In the absence of the Economic Policy and Practice Project, the probability attaching to the materialization of the third scenario should be lower than otherwise would be the case, because reform proponents and stakeholders would most likely lack sufficient financing, leverage and technical assistance to surmount the obstacles to reform. Provided the Project is successful in helping to foster a process of continuous policy reform or, in helping to thwart a reversal of recent reforms, the expected rate of return to the resources allocated to it would be astronomic. In effect, under scenario three, it is projected that GDP would grow about 6% per annum, versus about 3.5% per year under scenario two and about 1% under scenario one. Under the assumption that the probabilities corresponding to scenarios one, two and three are .4, .3 and .3, respectively, in the absence of the project, and .2, .4, and .4, respectively, with the Project, the expected return to the Project would be measured in terms of an increase of the annual GDP growth rate of 0.75 percentage points.

ANNEX D
TECHNICAL ANALYSIS

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A. Need for the Project

The EPP project needs to be undertaken in order to support recent macroeconomic and sectoral reforms in the Dominican Republic. Past experience has shown that, in the absence of understanding of and public support for the broad benefits of the adjustments, similar reforms have been overturned. Knowledgeable Dominicans point to a vicious circle whereby needed policy reforms are not implemented or not sustained because the GODR is unaware of popular support for the measures, yet no public support is evident because the centralized decision-making does not allow the public to be completely aware of the types of decisions and options the government is considering. In other words, the GODR will to implement reforms and public support for the reforms both exist, yet neither is aware of the other's existence. This project will attempt break that vicious circle and unleash the support within the Dominican society for economic reform.

The GODR's recent initiatives to maintain a sound macroeconomic policy environment have been overturned, resulting in severe economic development setbacks for the nation. The government has made two major attempts to implement sound economic policies in recent years, but both suffered severe setbacks. In the first attempt, economic restructuring implemented in 1983 was met with popular opposition which exploded into the Santiago rice price riots, forcing the government to abandon the program. The government tried again, in 1984-85, by implementing a sweeping policy reform package including price rationalization, market determination of the exchange rate, greater control over monetary policy, reforms in the financial system, and debt rescheduling. Like its predecessor, this reform package experienced some initial acceptance, but was overturned when opposition forces gained strength.

The government's inability to "stay the course" of macroeconomic structural adjustment has constrained economic development. Foreign and local investment has been curtailed, savings rates are low, and mismatched price signals result in inefficient resource allocations.

On August 7, 1990, the GODR embarked on an ambitious economic reform program. Price subsidies were eliminated, the peso was devalued, government credit was curtailed, import tariffs were removed, and government spending was reduced. However, without needed assistance, the program may follow the path of its predecessors, and lose force and legitimacy. In the words of one knowledgeable observer of the Dominican political and economic

landscape, the nation is engaged in a "war of personal interests against national interests." At times, the government has failed to take action (or sustain an action) because it is unaware of the size of popular support. It is this key problem that the Economic Policy and Practice project will address, by giving additional voice, vitality, and dynamism to the nongovernmental organizations that affect economic policy. The Economic Policy and Practice project is aimed directly at the weak link in the chain extending from policy design through implementation to successful execution and generation of expected benefits.

B. Technical Approach

The technical approach that underpins the Economic Policy and Practice Project is depicted in Figure 2. The Figure illustrates the chain of causation that runs from project activities through the desired effects.

The proposed technical approach will apply a "demand driven" concept of activity selection. Often Missions receive meritorious proposals but are unable to respond in a timely way. This Project will provide a flexible, quick-response mechanism for the Mission to utilize to promote the sustained implementation of economic policy reform.

The project approach represents two important departures from traditional USAID project strategy. One departure regards the way the project activities shall be selected, and the other innovation regards the types of activities themselves.

INNOVATIVE ACTIVITY SELECTION MECHANISM. The content of the project shall be determined by Dominican nongovernmental organizations, not by either the Mission or its consultants. Traditionally, the Mission and its hired consultants design projects and their components. While such projects are at least loosely based on Dominican recommendations that come from formal and informal interviews, nonetheless the traditional projects are fundamentally responding to needs as USAID sees them, with methodologies designed by USAID and consultants.

In contrast, the Economic Policy and Practice project creates a funding mechanism to respond to Dominican initiatives that meet financial and technical criteria. This innovative approach offers several benefits. First, it diffuses any criticism that USAID is "designing" or "lobbying for" certain economic policies, since all activities are designed and initiated by Dominican nongovernmental organizations. Second, it assures "market demand" for all activities; they respond to real, perceived needs as Dominicans, not USAID, sees them. Third, it is more likely to be effective in identifying and supporting local initiatives for sustained policy implementation, in that it allows interested groups to come forward

and receive strengthening, rather than second guesses who might be interested in supporting the policies.

INNOVATIVE TYPES OF ACTIVITIES TO BE SELECTED The Economic Policy and Practice Project is also innovative in the types of activities that will be selected. The new approach can be best understood when viewed from the perspective of Graham Allison's three models of governmental action. Presenting his analysis in its most complete form in his book, Essence of Decision: The Cuban Missile Crisis, Dr. Allison argues that there are three fundamentally different ways to view government decision-making. Each model highlights different aspects of government behavior, and indicates various techniques to use to affect government action.

Model I views the government as a single rational actor, acting in a reasonable way to implement a given goal. In contrast, Model II enriches the analysis by assuming the existence of various separate government institutions (each consisting of separate departments), which operate according to standard operating procedures. Model III adds the political dimension, by pointing out that government decisions are made by individuals, each with their own perceptions and goals.

In the past, USAID-funded activities have tended to be limited to either reports, which analyze a problem and set out a rational course of action (fundamentally a Model I approach), or programs which assist organizations to improve their standard operating procedures (essentially a Model II approach). However, the Economic Policy and Practice project uses the Model III methodology, by identifying key actors in the decision-making process, and targeting appeals to them.

C. Validity of the Technical Approach

The technical approach is supported not only by theory but also by practice. NGOs play an important role in democratic governance. NGOs play a vital, dual role in a democracy, passing information to members, and assisting to formulate and articulate the group response which is then transmitted back to the government. A dynamic network of voluntary associations perform a number of significant functions in a democracy, including:

- o Informing their members on relevant topics;
- o Supplementing the role of political parties by articulating members' views to the press and government;
- o Stimulating civic participation;
- o Balancing and limiting the power of the state;
- o Increasing citizen efficacy and effectiveness; and
- o Enhancing commitment to the democratic system.

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NGOs are also significant sources of policy analysis and policy option development. Policy analysis and design is an important component of the democratic process. Without articulated policy stances and viable policy proposals, government decision-making can become excessively personalized, and useful policy options may not surface.

NGOs are just beginning to assume this role in the Dominican Republic, and this project will strengthen them. Several examples of successful NGO involvement can be cited. While policy design and implementation remains fairly centralized in the Dominican Republic, NGOs surveyed during project design gave concrete examples of instances in which their active, timely participation directly affected policy. For example:

1) An NGO whose members include prominent exporters lobbied successfully to allow competition in the ground transportation industry, which was to date a monopoly. Through the use of roundtables, one-on-one meetings, and other techniques, the NGO was able to convince the GODR to take the steps necessary to allow competition, and ground transportation costs have fallen by 40 percent. The NGO successfully brought about a change that benefits large numbers of businesses and exporters.

2) A banking NGO was successful in petitioning the GODR to refrain from taxing interest paid on savings. Once it became known that the government was considering placing a tax on interest earnings, the NGO mobilized its members and Board of Directors and mounted a successful public and private campaign against the tax.

3) When rumors began circulating that the GODR was considering placing an income tax on free zone occupants, a free zone NGO galvanized opposition to the measure. The NGO designed and engineered a campaign to sway the government from implementing the measure. The campaign was a success, and the free zone occupants remain free of income tax.

4) In 1991, the customs inspections of cargo bound for free zones became problematic, as inspectors began to insist on opening containers at the ports rather than at the zones, as required by law. An NGO sponsored a series of five meetings between free zones, the Port Authority, and Customs, and resolved the situation.

Each of these examples indicate the power of NGO action. By means of the Economic Policy and Practice Project, this power will be enhanced, extended, catalyzed, broadened, and strengthened by co-funding Dominican NGO initiatives.

This analysis indicates that the Project will utilize an approach that is both innovative but also well-grounded in theory and practice. It is also important to note that the Project is extremely well-timed. Several distinguished Dominican economists and policy-makers commented to the project design team that the "time is ripe" for a project of this nature.

The timing is appropriate for several reasons. First, the government appears to be moving the direction of policy reform, yet needs to continue to move in that direction, and sustain the improvements made to date. The project will catalyze, support, and enhance that movement.

Second, the nation is currently in what one observer called "a war of personal interests versus the national interest." In nearly all facets of the economy, the traditional rules of the game are being challenged, and new policies considered. Groups being harmed by the modifications include some of the most powerful families and firms in the nation, and they are well-positioned with both resources and contacts to work aggressively against any changes that are counter to their interests. However, many of the changes will bring benefits to millions of consumers, and will lay the framework for sustained economic development for the nation as it enters the twenty-first century. In the resulting friction between the personal and the national interests, the well-bankrolled personal interests could conceivably gain the upper hand in the absence of organized, well-financed NGOs fighting for the common good.

D. Validity of Project Assumptions

In the course of project design, the team assessed the validity of the assumptions that underpin the approach, and they were found to be solid. Below, the assumptions in the Logical Framework are evaluated each in turn.

DR ELIGIBLE TO RECEIVE AID FUNDS. The project is predicated upon Dominican Republic eligibility to receive AID funds, and funds availability. The validity of both assumptions was confirmed at USAID/Dominican Republic.

APPROPRIATE NGO APPLICATIONS SUBMITTED. The project team met with representatives of 21 NGOs to assess interest in the project. The NGOs were uniformly interested in submitting proposals. Several had appropriate projects in development, and others indicated they would develop projects once the priority areas were defined.

COUNTERPART FINANCING AVAILABLE. NGOs interviewed showed some concern about their ability to meet a 25 percent counterpart

contribution requirement. Several indicated that a 25 percent rate would be at the upper limits of their ability to participate.

NGOS PASS Pre-award EVALUATIONS. In order to participate in the Project, NGOs will have to pass a pre-award evaluation. Some institutions may have difficulty meeting strict AID financial controls standards, but this was not judged by the project design team to be a binding constraint.

NGOS ARE EFFECTIVE. This point was firmly established by the project design team. Nearly every NGO interviewed was able to relate at least one incident in which the NGO was important in bringing about a policy modification on behalf of its members.

PRIVATE SECTOR RESPONDS TO IMPROVED CONDITIONS. This is valid. In the past, the Dominican private sector has shown itself to be very responsive to improvements in the business climate, as demonstrated by the rapid and extensive Dominican response to the positive free zone incentives by building free zones and establishing free zone businesses.

POLITICAL STABILITY. This is universally judged as likely. However, several observers indicated the need for GODR programs to support the "poorest of the poor" through the painful structural adjustment process.

The United Nations Development Programme's Social Emergency Fund will play a critical role in softening the impact of structural adjustment on the poorest Dominicans, and therefore assuring social stability and reducing popular pressure to overturn the reforms. The Social Emergency Fund is considered a pivotal project for creating an atmosphere in which the Economic Policy and Practice Project can be successful. If the Fund experiences delays in disbursement, alternative methods for meeting the needs of the lowest classes should be sought immediately.

GODR SUPPORTS ECONOMIC REFORM. This statement is both an assumption and goal of the project. It is not regarded as a "sure thing;" if it were, there would be no need for the project. However, the government has taken important steps to liberalize the economic policies, and it is generally agreed that the government will continue to follow this path, ceteris paribus. The goal of the project is to assure that this occurs.

E. Expected Project Results

The EPP project is expected to yield substantial benefits for the Dominican Republic. The anticipated results are summarized in the Logframe, and listed below:

- o Economic policy improvements in areas identified annually by the Consultative Council, as measured by regulatory and policy changes in the areas selected by the CC.
- o More/strengthened channels for public opinion to reach GODR on economic issues, as measured by activity evaluations and contractor reports. For example, appropriate NGOs will be regularly invited to participate in governmental commissions established to consider and/or propose new or modified policies, and make useful and recognized contributions to the commission's reports. In addition, representatives of relevant NGOs will be regularly invited to participate as speakers, panel members, etc. in workshops, debates, conferences, etc. organized by government agencies, donor agencies, universities, etc., to discuss policy matters.
- o Better-informed populace on economic issues, as measured by surveys of participants of project seminars, workshops, etc. conducted by the project, which shall register measurable improvements in understanding of economic issues and needed policy changes ; and
- o Reflecting enhanced stature and reputation of NGOs concerned with economic policy, size of dues-paying membership of the 15 most active of these NGOs increases by at least 5 percent per year.
- o At least 16 NGOs are developing position papers and working to bring about sound and feasible GODR policy modifications each year. This number is increasing by 3 each year.

By end of the five-year project, the following milestones (EOPS) will have been reached:

- o At least 16 NGOs will have received partial funding to carry out initiatives.
- o At least 8 NGOs will have been audited and/or had their rates and internal financial control systems reviewed by the project. As a result of the project, these NGOs are in a better position to request and monitor funds from other funding sources.
- o At least 200 newspaper articles will have been printed on project-sponsored activities.
- o At least 100 TV or radio spots will have been aired covering project-sponsored activities.

- o At least 1000 individuals will taken part in project-sponsored training events (workshops, seminars, roundtables, discussion groups, etc.)
- o Target groups receiving training and assistance shall demonstrate a marked increase in their level of understanding of economic reform and its benefits, as measured by pre- and post-activity surveys.

ANNEX E
SOCIAL ANALYSIS

ANNEX E

SOCIAL ANALYSIS

A. Summary of Social Soundness Analysis

After conducting a social analysis of the content and approach of the Economic Policy and Practice Project, we conclude that the project has fully taken into account Dominican societal and sociological factors, and will be beneficial to the Dominican populace. Beneficiaries of the project include consumers, entrepreneurs (including those in the informal sector), exporters, savers, and investors. The only groups likely to be negatively affected by the project are those that in the past have benefitted from highly skewed, protectionist policies and must now face open competition, and individuals who have benefitted from the obscure, past regulations.

B. The Social Anthropological Context of the Project

For the Dominican Republic, as for the rest of Latin America, the 1980s can be referred to as "the lost decade," to quote Inter-American Bank President Enrique Iglesias. The period was marked by deterioration in the growth rate of the principal economic indicators and increasing disfunctionality of public services (water, electricity, public health, education, nutrition, etc.). The decade ended registering the highest inflation levels of the entire second half of the century.

In August, 1990, the Dominican government made a public commitment to the business community and organized labor, referred to as the "Economic Solidarity Pact." This agreement laid the foundation for an economic adjustment program with the phase I goals of slowing inflation, controlling exchange rate volatility, reducing the fiscal deficit, reducing the amount of money in circulation, eliminating generalized subsidies, and rationalizing prices. In a second phase, the adjustment program would include debt renegotiation through a stand-by agreement with the International Monetary Fund (IMF), Paris Club negotiation, and revision of the nation's tariff and tax codes.

All of these adjustments have begun. Some are completed, while others are in intermediate stages. However, without the elements of a project like the Economic Policy and Practice Project, the full implementation of the needed adjustments is in jeopardy.

While arguments were being put forward for economic reform, many knowledgeable observers also highlighted the need to open the Dominican economy to international markets through export and

import liberalization, by eliminating red tape and excessively protective import tariffs. Thus, the economic reform package must include modifications necessary to streamline and encourage trade, modifications based on careful analysis of obstacles and priority needs. In preparing the adjustment program, it will also be necessary to identify the factors, both positive and negative, that affect the adoption of an economic reform program that can be sustained. In short, economic policies must be defined, adopted, and sustained, that will accelerate national development with certainty, predictability, and stability.

The Economic Policy and Practice Project is aimed directly at accomplishing these needed tasks. The project takes into account social and anthropological issues that will be determinant in setting the course of economic reform, and in turn, the rational, sustained development of the Dominican economy.

C. Social Factors that Affect Economic Reform

In a democratic society such as the society that has been developing in the Dominican Republic since 1961, economic reform cannot be conceived as an isolated, authoritarian action of the government. Economic reform needs the acceptance and participation in some form, of those who will be affected by it. In addition to "top down" action being somewhat incongruent with democracy, this type of policy making results in other difficulties as well. Reforms formulated "at the top" in a nation like ours, with frequent changes among government officeholders, are unable to remain on course of action that is stable, uniform, fair, and permanent.

In order to fully understand the process of reform and its linkages with the national development process, it is prudent to identify the obstacles to and incentives for the desired economic policy modifications.

OBSTACLES TO ECONOMIC REFORM

The obstacles include the following:

1. The Presidential system of the Dominican Republic concentrates excessive discretionary powers in the Executive Branch. The concentration is the result of two fundamental factors: The long tradition of "caudillismo," and Article 55 of the Constitution of the Republic, which gives such ample powers to the Presidency that the office can function practically as a republican monarchy. Given this legal framework, certain segments of the society ignore and regard as unnecessary the participation of the wide variety of interest groups in public policy and social issues.

2. The society lacks understanding or consensus regarding the role of the central governmental in a modern democratic society. This fact can perhaps explain the progressive weakening, almost to the point of extinction, of the local and municipal governments.
3. The remnants of past dictatorships have left a legacy of weak public opinions. Participation in the definition, adoption, and implementation of public policy is seen as inappropriately intrusive, or as the work of individuals seeking private gain, or conspiring against the President.
4. The Dominican populace tends to act "individualistically" rather than "collectively." Dominicans tend to look for a solution to their own particular problem, rather than a collective solution to the problem facing everyone. Solidarity is abandoned in the face of the need for individual survival. The rapid rise of the informal sector is proof of this individualistic response to constraints on the small business sector. A result of this trait is that individuals tend to feel like outsiders, since they have not developed a strong sense of community with either the nation or the state.
5. The Dominican populace is comfortable with a very paternalistic state. The state is viewed as the cause of all good and evil, and one looks to the state rather than to oneself to solve the problems. In general, the Dominican populace does not see itself as an active player in determining the future, and instead, waits for external forces to resolve any problems.
6. The breadth and abundance of mass media have not been sufficient for the country to develop a respectable "public opinion." In all fairness, one must emphasize that over time, opportunities for dialogue with the government have greatly increased, and the pace of improvement has quickened with the Economic Solidarity Pact of August, 1990.
7. Bureaucrats and government workers often feel that the government is "autonomous," and do not share a sense of public-spirited service, and obedience due the citizenry.
8. In addition, in light of the concentration of powers in the Presidency, and the wide discretionality granted his office, a long-standing tradition has developed whereby laws, rules, and regulations are "gotten around," through private arrangements and relationships, to the detriment of those members of society who lack this privileged access.

9. Entrenched holders of economic and social power see in the leveling power of the law the end of their privileges and the establishment of the competition created by a fully democratic and capitalist society.
10. Other factors worth mentioning include the lack of recognition of a hierarchy within the private sector leaders and the inability of the nongovernmental organizations to be heard and pressure the government for fear of being branded "opposition."
11. The Dominican populace, especially from rural areas, distrusts anything "new." The average rural Dominican is highly skeptical about nontraditional ideas, concepts, and programs.
12. Dominicans manifest a growing sense that their country has no future. The perception exists that the nation cannot offer its people a better life, and young people must emigrate to the U.S., Puerto Rico, or Europe.
13. Corruption is so accepted that there is little grassroots support for its elimination. Taking advantage of one's government position is considered normal; to do the contrary would be viewed as stupid. The Dominican populace accepts privileges, nepotism, and procedural irregularities. Honesty is not valued in and of itself.

SOCIAL FACTORS FAVORING ECONOMIC REFORM

In spite of these obstacles, several social factors favor economic reform. Among the favorable factors that work to accelerate popular participation in the definition and implementation of public policy, and in particular economic policy, one must consider the strong desire to participate that is evident among the young business community leaders. These strong desires are reflected in the activities of the National Young Businesspeople's Association (ANJE), as well as in the nonpartisan political group called "Moderno."

It is important to emphasize, as was mentioned earlier, that the President of the Republic has been opening, gradually but steadily, the opportunities for dialogue with the government, at the urging of the Catholic church, the labor unions, and business associations. This has opened the door for reaching levels of consensus not possible until now.

Additional forces that have encouraged policy reform include the World Bank, the International Monetary Fund, and other international agencies to which the Dominican Republic has turned seeking financing and support by which to end a decade of decline, and attempt to relaunch a process of social and economic growth that is stable and self-sustaining.

D. Project Social and Anthropological Issues

Any project in the Dominican Republic dedicated toward the definition, adoption, and sustainment of economic policies that will guide governmental action must overcome several basic obstacles including insulated official actions and frequent turnover of government officials that constrains the level of stability and permanency of the policies selected.

Given the current sociological context of the Dominican Republic, the project should undertake activities along the following lines in order to be successful:

1. Begin to encourage Dominicans to band together to solve problems, instead of seeking their own atomistic solution. Encourage solidarity.
2. Provide basic political and economic education so that decision makers know the economic systems in which they are operating, and don't have merely a vague, overall sense of the systems or a surface knowledge not well-grounded in a framework.
3. Assist the populace to understand that individuals can make a difference. Demonstrate that Dominicans are not

merely players in a drama directed either by the U.S., the President, or the Church (ie, the Altagraciano Model). This is necessarily a long-term undertaking.

4. Disseminate the concept of the legitimacy of the exercise of power that is granted to each segment of the society. The populace must learn to understand that the government should function as arbiter, representative, and interpreter of the various sectors of the citizenry, and not as a "supreme power" that suffocates, orders, directs, or enslaves civil society.
5. Encourage the effective sectoral collaboration on government plans, programs, and projects, through responsible participation of private sector representatives in debate and decision-making.
6. Inform and educate by means of a concerted dissemination program using mass media, the fact that public policy questions concern the entire society and not just the government. The government is obligated to offer a forum for open debate among interested individuals, the Congress, and political parties.
7. Re-create, through re-education, a sense of commitment to public service among bureaucrats and public employees.
8. Disseminate, as the Fundacion Economia y Desarrollo is doing, the fundamental concepts of how democracy and contemporary capitalism forge a modest, open, free society that offers opportunities to all its members. Seminars, conferences, and publications would be desirable.
9. Provoke nonpartisan, respectful public debate on the role of the Presidency in a democratic society, as well as the rolls of citizens, and their relationships with the government and the President.
10. Encourage the definition and frank discussion of the meaning of "participate in public policy making," given the marked reluctance of community leaders to take political party leadership, which is considered a somewhat "tainted" activity.

E. Social Soundness of the Project

1. Expected Beneficiary Groups

THE NATION AND THE DEMOCRACY. In reality, the definition, adoption, and sustainment of economic policies in a participative

and responsible manner would benefit the entire nation, and strengthen the democratic political system.

BUSINESS GROUPS AND LEADERS. Business groups and leaders working actively to configure a better present and future Dominican society would find a more amenable environment for their activities if the economic policy climate were characterized by confidence, predictability, participation, and stability.

BUREAUCRATS AND PUBLIC EMPLOYEES. Honest public servants will also be beneficiaries of a better definition and understanding of their roles, obligations, responsibilities, and rights as state employees. They would have greater personal satisfaction and pride in themselves.

COMMUNITY-BASED GROUPS AND THE INFORMAL SECTOR. Only by placing the Dominican Republic firmly on an economic reform track will the long-term, sustained income prospects of the less-well-off and the small businesses struggling in the informal sector improve. This project will increase these groups' participation in policy-making, as well as improve the policy climate that shapes their future economic fortunes.

2. Groups that Could Experience Negative Effects

PROTECTED INDUSTRIALISTS. Industrialists overprotected by special incentives and customs tariffs that stimulate inefficiency and stifle competition will be harmed by the economic reforms. Using the "excess capacity" argument, these groups have for years legally avoided allowing the creation of competitor firms by demonstrating that there already exists sufficient capacity to fill market demand, but failing to take into account either price or quality.

SOME GOVERNMENT OFFICIALS. Government officials who desire to perpetuate discretionality in order to preserve their ability to grant preferences and earn additional income would also be harmed by the economic reforms.

POLITICAL LEFT. Some small, leftist political parties oppose the change and peaceful, gradual evolution of the Dominican society.

F. Social/Antropological Sensitivity of the Project Focus

The project's focus raises several issues, which have been dealt with by making the project responsive to Dominican requests and proposals. The issues include the following:

1. The project could be perceived by Dominican government officials as an attempt to impinge on their discretionary

powers, including their ability to grant preferential treatment and earn additional income.

2. Groups accustomed to occupying places of power and privilege in the society may see the project as an attempt to threaten their traditional role.
3. Some could take offense at the "behind the scenes" method of operating in the Dominican political process.
4. The project must not be seen as a means to impose what many Dominicans consider "the great evil of international capitalism." Rather, the project must be viewed as and must be a purely Dominican enterprise.

ANNEX F
FINANCIAL ANALYSIS

ANNEX F

FINANCIAL ANALYSIS

A. Introduction

The project entails the administration of a sub-grant program to local institutions to finance a variety of activities in support of sound economic policy reform. As such, the financial analysis called for in a project which supports specific, predetermined activities is not warranted. Furthermore, the reactive nature of the project means that the exact nature of the activities undertaken cannot be programmed in advance. Therefore, traditional financial analysis per se is not appropriate in this case. A financial Plan and cost estimate has been developed which set forth the projected costs under the project.

B. Least Cost Analysis

In configuring the project, alternatives for implementation were evaluated on technical, administrative, and financial grounds. From a cost effectiveness perspective, the alternative proposed represents the least cost approach to establishing the sub-grant programs which are the principal activities under the project. This reflects specific assumptions provided by USAID that the entire project would be administered by the contractor with no logistical or administrative burden on the Mission; that the programs undertaken by the project be entirely based on local initiatives, as indicated by concrete proposals for grants to be financed by the project; and that the project itself not create any new institution or be a part of an existing AID grantee.

The financial plan shown meets these requirements, with a minimum of administrative costs required to implement the program and ensure that the sub-grant funds are properly accounted for. The contractor will provide one Project Manager, who will be supported by a minimal Dominican Staff. This position is necessary given the intention of USAID to transfer all responsibility for the implementation of the project to the contractor.

Supporting the Project Manager will be a Financial Manager who will be knowledgeable in basic aspects of USAID financial requirements and have previous relevant experience with a USAID grantee, an Administrative Assistant, a Messenger/Driver, and a part-time Project Development Specialist and Project Start-up Specialist. Position descriptions are presented in Annex J.

The commodities for procurement represent the bare minimum necessary for establishment of an office in the Dominican Republic. The Prime Grantee is assumed to provide both administrative/contractual and technical support from home office staff up to 210 days per year.

C. Financial Plan and Cost Estimates

The Economic Policy and Practice Project is estimated to require \$6 million in USAID funding, to be matched by a minimum of \$1.108 million in specific NGO activity counterpart contributions and by \$889,491 in in-kind contributions from other sources as described elsewhere in this Annex. The project is programmed to run for 5 years. The Financial Plan is shown in Table 1 below, with estimated costs shown for each project year. The total costs are classified as well as dollar costs or local currency costs. The estimating factors and assumptions are summarized below for each cost group. These costs are itemized where appropriate, primarily for the core activities which represent the direct costs to the contractor. The exact nature and composition of the sub-grants, which represent the main activities to be supported by the project, are not itemized as they will be the subject of proposals by local groups according to their interests, in concurrence with pre-set project criteria. Therefore, the budget is derived showing an itemization of the core activities by cost component, with a line item shown as estimated sub-grant activity. All dollar costs are adjusted for expected inflation at a rate of 6 percent per year; local costs are adjusted at 10 percent for year 2 and 6 percent thereafter in order to allow for exchange rate adjustment lags in the short term, consistent with recent experience.

This financial plan has been developed using approximate cost estimates based on generally accepted norms which can be expected from qualified contracting institutions.

Project Manager. The costs of placing a resident advisor are estimated for an full-time employee of the Prime Grantee. A salary of \$65,000/year level is assumed, with benefit rates of 42 percent and an off-site overhead factor of 50 percent. Because it is important that the position be filled by a Dominican, allowances are assumed to be \$0.

Local Support Staff. A minimal support staff is costed at prevailing rates based on the FSN salary scales. In order to support the Prime Grantee's Project Manager with project financial expertise, a local Finance Manager and an Administrative Assistant are assumed, both at roughly the FSN 11 level. A messenger/driver is budgeted, with the expectation that he would also serve as general support staff. It is assumed that no secretary will be required. A fringe benefit rate of 35 percent is used, representing mandatory contributions for retirement, health and life insurance, and customary allowances for year end bonuses and transportation. Two part-time consultants are also included: A Project Development Specialist for 80 days each year and a Project Start-up Specialist for 66 days during only the first year.

**TABLE 1
FINANCIAL PLAN
ECONOMIC POLICY AND PRACTICE PROJECT**

	RATE	PER	UNITS	PROJECT YEAR					TOTAL
				1	2	3	4	5	
PROJECT MANAGER:									
SALARY	250	DAY	260	65,000	68,900	73,034	77,416	82,061	366,411
BENEFITS	42.00%			27,300	28,938	30,674	32,515	34,466	153,893
OVERHEAD (ON S & B)	50.00%			46,150	48,919	51,854	54,965	58,263	260,152
Subtotal				138,450	146,757	155,562	164,896	174,790	780,456
FINANCIAL MANAGER									
ADMINISTRATIVE ASS'T	58	DAY	260	15,080	16,588	17,583	18,638	19,757	87,646
DRIVER/MESSENGER	15	DAY	260	3,900	4,290	4,547	4,820	5,109	22,667
Subtotal Salaries				34,060	37,466	39,714	42,097	44,623	197,959
BENEFITS	42.00%			14,305	15,736	16,680	17,681	18,741	83,143
OVERHEAD (ON S & B)	50.00%			24,183	26,601	28,197	29,889	31,682	140,551
Subtotal				72,548	79,803	84,591	89,666	95,046	421,653
HOME OFFICE SUPPORT:									
ADMINISTRATIVE	125	DAY	130	16,250	17,225	18,259	19,354		71,088
PROFESSIONAL	225	DAY	85	19,125	20,273	21,489	22,778		83,665
Subtotal Salaries				35,375	37,498	39,747	42,132		154,752
BENEFITS	42.00%			14,858	15,749	16,694	17,696		64,996
OVERHEAD (ON S & B)	100.00%			50,233	53,246	56,441	59,828		219,748
Subtotal				100,465	106,493	112,882	119,655		439,496
CONSULTANTS:									
PROJECT DEVELOPMENT SPECIALIST	110	DAY	80	8,800	9,680	10,261	10,876		39,617
PROJECT STARTUP SPECIALIST	225	DAY	66	14,850					14,850
PROJECT STARTUP SPECIALIST TRAVEL				750					750
PROJECT STARTUP SPECIALIST - Per Diem and Local Travel	140	DAY	90	12,600					12,600
Subtotal				37,000	9,680	10,261	10,876		67,817
GENERAL AND ADMINISTRATIVE	3.00%			1,110	290	308	326		2,035
Subtotal				38,110	9,970	10,569	11,203		69,852
OTHER DIRECT COSTS:									
INTERNATIONAL TRAVEL	1650	TRIP		16,500	6,600	6,996	7,416	7,861	45,372
LOCAL TRAVEL	200	MONTH	12	2,400	2,640	2,798	2,966	3,144	13,949
OFFICE RENTAL	25	S.F./YR	1000	25,000	27,500	29,150	30,899	32,753	145,302
COMMUNICATIONS	400	MONTH	12	4,800	5,280	5,597	5,933	6,289	27,898
AUDIT SERVICES				67,500	74,250	81,675	7,500	7,500	238,425
AUDIT OF PRIME GRANTEE				20,000	22,000	24,200	26,620	29,282	122,102

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**TABLE 1
FINANCIAL PLAN
ECONOMIC POLICY AND PRACTICE PROJECT**

	RATE	PER	UNITS	PROJECT YEAR					TOTAL
				1	2	3	4	5	
Subtotal				136,200	138,270	150,416	81,334	86,828	593,048
GENERAL AND ADMINISTRATIVE	3.00%			4,086	4,148	4,512	2,440	2,605	17,791
Subtotal				140,286	142,418	154,929	83,774	89,433	610,840
COMMODITIES:									
VEHICLE				17,000	1,870	2,057	2,263	2,489	25,679
FURNISHINGS & EQUIPMENT*				50,840	5,592	6,152	6,767	7,443	76,794
Subtotal				67,840	7,462	8,209	9,030	9,932	102,473
GENERAL AND ADMINISTRATIVE	3.00%			2,035	224	246	271	298	3,074
Subtotal				69,875	7,686	8,455	9,300	10,230	105,547
PROJECT EVALUATION:									
INTERNAL				10,000	10,600	11,236	11,910	12,625	56,371
EXTERNAL						75,000		84,270	159,270
Subtotal				10,000	10,600	86,236	11,910	96,895	215,641
TOTAL CORE ACTIVITIES				569,734	503,727	613,224	490,405	466,395	2,643,484
TECHNICAL ASSISTANCE/ SUBGRANTS									
SUB-GRANTS				800,000	800,000	800,000	600,000	356,516	3,356,516
TOTAL USAID FUNDING				1,369,734	1,303,727	1,413,224	1,090,405	822,910	6,000,000
COUNTERPART CONTRIBUTIONS:									
33% NGOs CONTRIBUTION				264,000	264,000	264,000	198,000	117,650	1,107,650
NON-ACTIVITY COUNTERPART				204,000	204,000	204,000	153,000	124,841	889,841
Subtotal				468,000	468,000	468,000	351,000	242,491	1,997,491
TOTAL PROJECT FUNDING				1,837,734	1,771,727	1,881,224	1,441,405	1,065,401	7,997,491
SUBTOTAL DOLLAR COSTS				883,989	784,961	891,195	708,036	541,234	3,809,416
SUBTOTAL LOCAL CURRENCY COSTS				953,745	986,766	990,029	733,369	524,167	4,188,075

Note: Allowances such as schooling/housing do not apply to Dominican Project Manager

*See Table 2 of Financial Analysis Annex for details

Home Office Support. Home office support is budgeted for an administrative professional at half-time, which will be necessary in order to provide oversight on the sub-grant program from persons knowledgeable with AID grant procedures and requirements. Rationale for professional/technical support is shown for one person one third of the time to assist the long term advisor on technical issues, such as the evaluation of grant proposals, monitoring work performed under the sub-grant programs, identifying sources of technical assistance to support individual activities requests, etc. The professional will provide networking services for the NGOs with US sister organizations. The professional will also develop relationships with multilateral lending organizations and the US government regarding follow-up of adjustment programs, development of trade treaties and relevant projects for the Dominican Republic. An overhead rate of 100% for contractor home office staff is utilized.

Other Direct Costs. Other direct costs required for the conduct of the project are estimated based on the project configuration. During the first year, ten, six-day, trips are planned, to allow a minimum of contractor interaction with the Prime Grantee Project Manager and USAID on both technical and administrative matters. During the following years, only 4 annual trips will be required. Per diem and related travel costs are estimated at \$140 per day. Local travel is estimated at \$200 per month, primarily for vehicle operation costs. Office rental is based on a 1,000 square foot suite at \$25 per square foot per year, which is consistent with current costs for finished suites. Communications are estimated at levels sufficient to facilitate routine contact between the Prime Grantee Project Manager and the contractor home offices, as well as general telephone costs in country. Audit services are estimated at levels sufficient to undertake regular project audits, as well as qualifying audits of major grantees in the first year of the project.

Commodities. Commodities to be procured under the project are minimal, and reflect the requirements for establishing a small office in Santo Domingo. One passenger vehicle is provided at a landed cost estimate of \$17,000. Furnishings and equipment are itemized further in Table 2. An amount equal to 10 percent of each of these items is budgeted for years 2-5 to allow for maintenance, repair and supplies.

Project Evaluation. The project will fund both internal and external evaluations of the project. Internal evaluations are estimated to cost \$10,000 per year, rising with inflation during the out-years. The internal evaluation will include an assessment of economic, public opinion, and sociological factors as determined each year by the Prime Grantee and USAID. One external mid-term review is scheduled in year 3, followed by an external final evaluation in the last year of the project. The external evaluations are expected to be sourced through existing IQC's or

other buy-in mechanisms for short term specialists in project evaluation. The annual audit requirements are listed separately in Other Direct Costs as line items for internal and external audit services.

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**TABLE 2
OFFICE EQUIPMENT**

HOUSEHOLD GENERATOR	15,000
GENERATOR HOUSING	3,360
FUEL TANK	180
INVERTER	1,550
BATTERY SET	1,250
TELEPHONE SYSTEM	2,000
COMPUTERS (3), W/ SOFTWARE	7,500
LASER PRINTER	3,000
COPIER	2,000
FAX MACHINE	1,000
FURNITURE	5,000
FILE CABINETS, ETC.	1,000
CARPETING & FINISHING	3,000
MISCELLANEOUS SUPPLIES	5,000
SUBTOTAL OFFICE EQUIPMENT PROCUREMENT	50,840

Sub-Grants. The balance of funding for Sub-Grants is not programmed in detail, as it will be structured in response to Dominican needs. It is expected, however, that a typical year of funding once the project is established would approach \$800,000 in magnitude, with smaller amounts in the final project years as it is phased out. Although the specific activities are not programmed, this would accomplish what could be envisaged as a typical annual program of 3 major sub-grants at \$200,000, 4 medium-sized activities (\$40,000) and 2 smaller projects at \$20,000.

Counterpart Contributions. In order to gain maximum impact from limited funds and assure maximum Dominican commitment to project activities, maximum feasible Dominican contribution to the cost of the activities will be sought. As a general standard, a counterpart contribution of 50% or more of the activity cost is expected. However, for exceptional cases, the Prime Grantee, with the Consultative Council concurrence, may request approval from A.I.D. to reduce this requirement in appropriate and fair cases. This will be done on the basis of a list of criteria previously agreed upon between the Prime Grantee, the Consultative Council and A.I.D.

No funds for any sub-grant activities can be disbursed until the Prime Grantee, the Consultative Council, and A.I.D. develop a mutually acceptable set of criteria to be used to judge proposals that might request a waiver of the "no less than 50% counterpart contribution" rule.

After the first semester of the life of the Project, and subsequently as deemed convenient through the life of the Project, A.I.D. and the Prime Grantee will review how the counterpart contribution from sub-grantee institutions has worked, and decide on any necessary modifications.

The value of time and labor contributed to the activity by sub-grantee staff and directors will be included in the calculation of counterpart contributions, as well as the time and labor contributed by staff hired specifically for Project activities by the institution.

It is expected that sub-grantee organizations will provide 50% or more of the cost of the activity for which financing is requested. This counterpart contribution may come from the recipient's own sources or from other national financing sources. However, there may be extraordinary exceptions, and the projected exceptions, taken together, may lower the national counterpart contribution average rate to 33.3% of the amount of the sub-grants and to 25% of the total project cost. With a sub-grant budget of \$3.357 million, the specific activity counterpart contribution is estimated to be \$1.108 million.

In addition to the specific activity counterpart contributions made by participating NGOs, the project will also receive \$889,841 in in-kind contributions from other sources, for a total counterpart contribution of at least \$1.997 million over the life of project. This in-kind estimate is described in detail as follows:

- 1) First, the Consultative Council would presumably volunteer some of their time. Assuming the Council has 15-20 members, each of whom dedicate 5 days to the effort, at an average shadow salary rate of \$300/day (an accurate rate for individuals with the experience and skills required by the Council), the annual in-kind contribution of the Council would be approximately \$30,000. Their expenses (phone calls, transportation) are estimated at \$50 each, for a yearly total of \$1000. Over five years, this contribution is worth \$155,000.
- 2) In addition, under the terms of the cooperative agreement, no NGOs will be allowed to earn a fee from the project. The no-fee policy is the equivalent of an in-kind contribution to the project of an average of 8 percent on the total amount of subgrants, or \$268,521.
- 3) In addition, the no-fee policy on the Prime Grantee is the equivalent of an 8 percent in-kind contribution based on the total value of the contract, \$5.8 million, or \$466,320.

The total of these non-activity-specific, in-kind contributions is \$889,841. When combined with the 33 percent minimum contribution made for each local subgrant activity (33 percent of \$3.356 million, or \$1.108 million) the total counterpart contribution to the project is \$1.997 million.

Local and Dollar Costs. The project costs are classified as dollar costs, i.e. payable outside the home country in U.S. currency, or local costs, which includes all payments within the Dominican Republic.

Disbursement Mechanism and Sub-Grant Pricing. The Prime Grantee selected for this project is expected to qualify for Federal Reserve Letter of Credit financing. This will provide rapid disbursement to the contractor for immediate payment of sub-grantee expenses, which should eliminate the need for advance payments. The sub-grants under this project will be structured as discrete activities, with defined outputs and deliverables. The project will not be financing ongoing general activities of NGOs, but rather only extraordinary projects related to specific economic policy issues which they would not otherwise be able to undertake. For all small projects, and wherever possible for larger projects as well, the sub-grants will be fixed price with a payment schedule

derived in response to the completion of project activities and milestones, as evidenced by submission of deliverables to the contractor. Therefore, no advance funding of sub-grants will be provided, except in extraordinary cases. The sub-grants will not be structured as cost-reimbursement grants except where there is no alternative and the organization has developed in place a suitable financial and accounting system to support this type of billing.

Audit and Financial Control. The sub-grant program will require the grantee to ensure that project funds are utilized as approved. All sub-grantees will be submitted to a pre-award evaluation and a post-award annual audit. The Prime Grantee expects to perform the pre-award evaluations, and will arrange for the services of audit firms which are qualified by the Mission to perform the annual audits. The internal audit services budget was estimated as follows: On average, the project will perform 9 annual audits of sub-grants, costing an average of \$7,500 each, for an annual expense of \$67,500 in the first year, rising with inflation.

With respect to the Prime Grantee, it is expected that the organization will be an established USAID or federal contractor with an established audit procedure and history. The Prime Grantee will be audited annually, for an estimated cost of \$20,000 annually, rising with inflation.

Methods of Implementation. It is planned that all activities, including sub-grants, will be done under the aegis of the cooperative agreement. The only exceptions are the external project evaluations and the audits of the Prime Grantee, which will be contracted for directly by the Mission via existing IQC's or other mechanisms. The counterpart contributions may be either in the form of direct funding of proposed activities, or in-kind contributions of staff time, overhead, facilities, etc. To cover the Prime Grantee's expected general and administrative charges, a charge of 3 percent has been added to non-labor line items.

Recurring Costs. The project will be funding a set of discrete activities in support of economic policy reform. Some of the activities undertaken in the project may be extended beyond the project life with private or other funding from directly concerned groups. Due to the reactive nature of the project and the discrete nature of the sub-grants, it is not possible to estimate these recurring costs and the ability of the organizations to support them. It is expected, however, that as a result of the activities supported by the project, that the concerned NGOs will have improved their effectiveness as advocates of policy reform and sponsors of related activities, and will thus be able to attract other funding to continue these types of programs.

ANNEX G
INSTITUTIONAL ANALYSIS

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ANNEX G

INSTITUTIONAL ANALYSIS

A. Structure and Role of NGOs in Public Policy in the Dominican Republic

The role of NGOs in public policy and democracy in general has been discussed elsewhere in this Project Paper. This section highlights NGOs role specifically in the Dominican Republic. For the past ten years, Dominican NGOs have been an active public voice forming public opinion. Business associations, educational centers, and more recently "think tanks" and community groups have been active participants in the public debate.

The centralized nature of the political structure of the Dominican Republic may be a constraint on business associations openly discussing some specific policy issues. Some businessmen fear reprisals from government officials if they "go public" on specific issues. For this reason business associations and businessmen sometimes turn to "think tanks" and research institutions and have them face the government with regards to policy recommendations. In addition, business associations have continued facing the government in issues that are vital for the survival of the sector they represent.

Educational institutions, traditionally places where people went to get a degree, are taking a new role in forming public opinion and public policy. They are undertaking research in different economic areas and actively propose policy alternatives.

B. Business Associations

Business associations are heavily involved in policy design and policy dialogue. This involvement was in large part a reaction to the deteriorating economic situation in the country in the 1980s. Due to the deterioration of the business climate, constant changes in regulations and procedures, and the deterioration of the energy situation and other government services, business groups started defending their interests. At the moment there is not clear definition of the position most business association have, but most of them, including the associations representing the import substitution industries, defend some sort of economic liberalization.

There appears to be a consensus among the business community that although they know how to proceed with regards to overall policies to be adopted, there are some technicalities of policy implementation that the country may lack the expertise to deal with. They think the DR should learn from experiences in Asia and

some Latin American countries that are undertaking economic reforms.

Although some associations may go public on some policy issues, for sensitive issues they may choose to express their positions to a research institution or a "think tank". In that way business associations protect themselves from facing the government unnecessarily. All business associations visited expressed interest in the EPP project, and mentioned projects to be developed.

Consejo Nacional de Hombres de Empresa (CNHE)

Founded in 1963, the CNHE, the most influential business association in the Dominican Republic, consists of 53 business associations from around the country. Among its members are financial associations, associations of industrialists, importers, exporters, etc. The opinion of the CNHE is considered the view of the business community in the D.R. Nevertheless, given the heterogeneity of the business community in the D.R., dissension among its members is common.

The CNHE is in the process of sponsoring activities, publishing the findings and making specific policy recommendations. The CNHE would like to see a definition of the investment regime that will regulate new ventures in the energy sector as well as other sectors of the Dominican economy. They are also interested in seeing the GODR sign international treaties to guarantee investments. One project they may develop is to encourage the GODR to join the Multilateral Guarantee Investment Agency.

According to members of the CNHE, more than financial assistance, the CNHE needs guidance on policy issues and a strategy to strengthen its role in influencing policymaking. They expressed a great deal of interest in the EPP project and in using technical assistance in areas in which they lack the analytical expertise.

Asociacion de Industriales de Herrera (AIH)

Operating since 1962, AIH is seen as a very independent, articulate and influential business group. It is comprised of over 170 small and medium size companies, mainly operating under the import substitution regime. The AIH leadership is very active in policy discussions and its representatives participate actively on TV and radio programs, participate in seminars, round tables and press conferences, and lobby at the administration and Congressional level. AIH activities are always well-covered by the media.

Just recently representatives of AIH publicly criticized the fact that some of its members have not made any progress in providing better quality products and better prices to their

customers. They also criticized the attitude of some businesses that are reluctant to innovate and get into new businesses that could link many economic activities. Without endorsing economic reforms per se, the AIH realizes that reforms will continue and is asking the government for an opportunity to discuss issues that may assist AIH members to compete in the new environment.

The AIH understands that the government should let the business community design some policy alternatives, as other countries do. AIH expressed interest in the EPP project, and would be pleased to submit several proposal ideas for review.

Asociacion de Jovenes Empresarios (ANJE)

Founded in 1978 and a member of the CNHE, ANJE is a group for a new cadre of businessmen exposed and influenced to neo-liberal ideas. With a membership of over 302, ANJE holds a yearly seminar on contemporary economic problems, attended by representatives of the public and private sectors and influential politicians. The event gets broad media coverage. ANJE also publishes a weekly section in a national newspaper containing economic analysis and policy recommendations. ANJE expressed interest in the EPP project and mentioned several projects they want to develop.

Asociacion de Industrias de la Republica Dominicana (AI)

The AI groups more than 270 businessmen, primarily benefiting from the import substitution regime. An active member of the CNHE, the AI is an important pressure group defending gradualism. Instead of trying to defend 100% protectionism, AI has made efforts to affect the pace at which economic changes take place. AI is also active in trying to affect the reform of Law 69, and customs laws, regulations and procedures. The AI is trying to keep its members aware of proposed reforms and discusses policy alternatives internally to have a consensus position in case measures are announced suddenly.

The AI has a demonstrated capability to provide sound policy alternatives and economic analyses. It is expected that in the future they will continue providing new ideas for policy formulation and implementation in the DR. AI feels that not enough notice or discussion is taking place regarding implementing economic reforms. AI is concerned that reforms are announced without the participation of affected parties, and wants this practice to change. AI expressed interest in the EPP project and mentioned projects they would like to continue and for which they may seek technical assistance. For example, the AI board is interested in the ongoing EAI negotiations, especially its debt forgiveness component. They are also interested in industrial reconversion, particularly changing the mind-set of Dominican businessmen.

Asociacion de Bancos Comerciales de la Republica Dominicana (ABCRD)

An important component of economic development in a country is its financing capabilities. The ABCRD represents 20 commercial banks operating in the D.R. The association has links with the government at the administration and Congressional levels. They organize personal meetings and press tables, issue press releases, visit newspaper editors and economic editors, and promote dialogue between government officials and representatives of the commercial banks. Among their recent lobbying victories, the ABCRD was successful in stopping the attempt by the government to impose a tax on interest earned on different types of accounts.

Although this is an influential association, the quality of its financial analysis is not always good and some financial instruments and mechanisms are foreign to some executives of the association. The unsophisticated nature of foreign transaction departments within the local banking community makes foreign banks the speakers for the sector in some key policy areas. ABCRD expressed interest in the EPP project.

Asociacion Dominicana de Zonas Francas Industriales (ADOZONA)

ADOZONA represents a thriving new sector of the Dominican economy, free zones. ADOZONA, now recognized as representative of 402 enterprises employing over 120,000 workers, has been a driving force in sparking policy dialogue in this important sector. ADOZONA's articulate members, whose businesses compete internationally, favor economic liberalization. ADOZONA's recent efforts have been with customs procedures and energy issues. ADOZONA is an important political force whose voice is heard by government officials and by the local media. They expressed interest in the EPP project.

Asociacion Nacional de Hoteles y Restaurantes (ASONAHORES)

Since 1962, ASONAHORES has grouped hotels and restaurants that are affected by trade policies that affect tourism. Recognized by the government and the media as an important political force employing over 80,000 people around the country and generating over 800 million dollars in foreign exchange, the tourism sector and its spokesperson, ASONAHORES, is an important ally of the trade liberalization cause.

ASONAHORES is continually active in trying to influence policymaking in the Dominican Republic. The Association is currently lobbying for some tax benefits they are no longer receiving. They think the new tariff reform unnecessarily harms the tourism sector, charging that the application of the tariff reform to the tourism sector creates disadvantages for the Dominican tourism sector relative to other industries with better

incentive regimes. They expressed interest in the EPP and mentioned several action plans they would like to develop for which they may need financing.

Association Dominicana de Exportadores, Inc.

ADOEXPO, a private non-profit, nongovernmental organization, was founded in 1972 to promote the interests of Dominican exporters. The influential organization's 200 members generate 90 percent of the nation's non-free-zone exporters. Both public sector and privately owned businesses are members. The organization functions primarily to represent exporters' interests, and has developed a well-functioning lobbying capability. ADOEXPO counts to its credit several important legislative enhancements that further its members' interests.

ADOEXPO expressed interest in the EPP project, and highlighted several projects for which it would seek financing. The projects would involve research and action plan design on economic policy implementation issues that affect exporters.

Asociacion Dominicana de Importadores (ADI)

Until recently a strong voice within the CNHE, the ADI openly defends trade liberalization. ADI was the first business association that publicly defended the recent duty reform in the DR, as it was proposed. At this time, they are active in the discussions regarding how the reforms will be implemented. ADI expressed interest in the EPP project and mentioned several projects they would like to develop in the near future.

Asociacion de Empresas de Inversion Extranjera (ASIEX)

ASIEX represents foreign investors, and therefore is reluctant to take strong stands on controversial domestic policies. Instead ASIEX devotes its efforts to issues such as the stock exchange.

ASIEX expressed interest in cooperating with the EPP Project and has two educational projects it wants to undertake. One is to educate businessmen on the benefits of financing through public offerings. The second is to educate the general public about the way a stock market works.

Investment Promotion Council (IPC)

Founded in the mid-1980s, the IPC is seen as an unbiased, non-partisan voice that promotes the improvement of business conditions in the Dominican Republic. In the past, the IPC has been involved in several policy-related issues and successfully lobbied for passage of the new free zone law. More recently, the IPC has been involved in policy issues mainly dealing with the

energy sector and the implementation of free zone and custom procedures.

The recent deterioration in the investment climate and the frequent changes in customs and other procedures have forced the IPC to take a more active role in policy issues. The IPC expressed a great deal of interest in the EPP project, and has several projects for which it is seeking co-financing.

C. Community-based and Informal Sector Groups

It will be important for the project to include community-based groups and the informal sector. Their participation in the process will strengthen their links to the economic policy making apparatus, increase their members' understanding of economic issues, and assure that the economic policy analysis and modifications take into account their unique interests.

However, because of their relatively small size, limited ability to provide counterpart co-financing, and modest financial tracking systems, it will be advisable to approach these groups through their umbrella associations. Several umbrella associations serve these groups, such as the Dominican Institute for Integrated Development (IDDI) and the Association for Community Groups.

Initial interviews with several umbrella associations indicated an enthusiastic willingness to perform this function on behalf of their members. Sub-grant agreements would be made from the Prime Grantee to the umbrella association, which would assume the responsibilities for financial control on behalf of their members. The groups are described briefly below.

Dominican Institute for Integrated Development (IDDI)

David Luther at IDDI expressed interest in the EPP project, and indicated that IDDI's "Plan de Apoyo a las Organizaciones de Base (PAYOBA)" mechanism could channel EPP resources to community groups. The project is in keeping with PAYOBA's goal of assisting community groups to be more effective and more sustainable. PAYOBA would receive and handle EPP co-financing, assist the community groups to meet the administrative and financial requirements of the project.

Association for Community Groups

This association, led by Virtudes Alvarez, organizes small community groups to work with the business, clergy, and other representatives to discuss domestic economic and community issues. The group brings to the government's attention their views on prices, public services such as garbage collection and water and power availability, and labor issues, etc. This group's prestige

is sufficient to assure them representation at the so-called "Tripartite" negotiations with the GODR, as well as other ongoing negotiations.

Association for the Development of Small Businesses (ADEMI)

ADEMI represents small enterprises in both the formal and informal sectors. Familiar with AID requirements, this organization implemented a financing project to offer credit to small "solidarity" groups of micro-entrepreneurs, serving thousands of small businesses and creating thousands of new jobs. Truly a national organization, approximately two-thirds of their loan portfolio is to businesses outside of Santo Domingo. By offering credit at non-subsidized rates, ADEMI assures its own financial strength, and represents a good channel for assuring nationwide small business and informal sector participation in the EPP project.

Fundacion Dominicana de Desarrollo (FDD)

Active for more than two decades in the Dominican Republic, this membership organization works primarily with the informal sector. They offer technical assistance and financing to their members. They represent an important channel to assure the voice of the informal sector in the EPP project.

D. Educational Institutions

Many universities are active participating in policy dialogue in the DR. The most influential higher education institution participating in policymaking is Pontifici Universidad Catolica Madre y Maestra (PUCMM). Other universities participating in policy debate and making policy studies and recommendations are Universidad Catolica de Santo Domingo (UCSD), and Universidad Pedro Henriquez Urena (UNPHU), among others.

Pontificia Universidad Catolica Madre y Maestra (PUCMM)

PUCMM is already active in policymaking in the Dominican Republic. Through its Rector, PUCMM has been active in policy formulation and dialogue. PUCMM participates in dialogue among labor, government and businesses, and organizes seminars, roundtables and policy discussions. The University also educates freshman Congressmen about their duties as representatives of the people of the Dominican Republic. Its Economics programs, both graduate and undergraduate, are considered the best in the country, and support free market initiatives. PUCMM expressed a lot of interest in the EPP project and mentioned many projects they may develop with co-financing of the project. They also offered collaboration to coordinate the efforts of the Democratization project with the efforts of the EPP project.

Universidad Catolica de Santo Domingo (UCSD)

UCSD is also influential in policymaking and policy dialogue. Board members of this educational institution are prominent members of the business community in Santo Domingo. They organize policy seminars and conferences and already started seminars and roundtables on Hemispheric Integration. Next year, UCSD will start a formal course on integration for its social sciences program. UCSD generally supports free market initiatives. UCSD expressed interest in the EPP project and mentioned at least one project they would like to co-finance with the project.

Universidad Pedro Henriquez Urena (UNPHU)

UNPHU's economics program trained many of the best young economists influencing public opinion in the DR. A recent infusion of new blood into the teaching body at UNPHU may return the vitality this economics program once had.

UNPHU's new authorities are trying to focus on a free market approach toward economics. They are also changing courses to prepare students to enter the job market in a changing international environment. A series of seminars featuring speakers from the private sector and business associations is already being developed by the program. Under new direction the program will continue seeking new programs, activities and courses with a free market content to present to their students. UNPHU expressed a lot of interest in the EPP project and mentioned several projects they may like to develop with co-financing from the project.

Universidad APEC

Universidad APEC is a training institute that has been serving the middle- and lower-middle class for 26 years. APEC trains approximately 5,000 part-time students annually, in the areas of law, languages, electrical engineering, secretarial skills, and graphic arts. In addition to traditional classroom instruction, the University offers extension programs around the country, and instruction by radio. The organization also operates a program which offers not only technical skills but also a small loan to needy women.

The institution expressed great interest in the EPP project, and indicated it would be interested in applying for funding to bring speakers and lecturers to the campus for seminars or workshops on topics that meet the EPP eligibility criteria.

INFOTEP

INFOTEP is a technical training institute funded by a mandatory one percent charge on a firms' total wage bill. Divided into regions, the organization serves the entire nation with technical training in the areas of electrical engineering, carpentry, automotive mechanics, refrigeration, quality control, hotel and restaurant skills, apparel assembly, and other job-related skills. In its ten year history, the Institute has offered more than 5,000 courses to over 90,000 individuals. Training is offered on the Institute's campuses, on mobile sites, and in a client's particular place of business.

INFOTEP would be extremely interested in offering training in public relations and other areas under the EPP project.

E. Think Tanks

Centro de Orientacion Economica (COE)

COE is one of the most influential think tanks in the DR. Its principal are former bankers, former free zone entrepreneurs and experienced economic consultants. For more than four years COE has carried out an effective lobbying campaign to affect the outcome of Congressional activities. COE is also active in educating small businessmen on their role as a political force.

More than a research institution, COE concentrates on affecting real public policy decisions facing the nation. COE maintains excellent relations with the CNHE and other business associations and is known for its practical approaches. They expressed a great deal of interest in the EPP project and mentioned several projects they would be developing in the near future.

Fundacion Economia y Desarrollo (FEYD)

Active in economic research, economic policy dialogue and economic education since the mid eighties, FEYD is perhaps the most quoted think tank in the DR. FEYD is very influential within the business community, particularly among export and import businesses. The import substitution sector sees the Foundation as a threat to their position in the marketplace. FEYD is a very prolific "think tank" and its ideas receive broad coverage by the Dominican press.

FEYD expressed a great deal of interest in the EPP project and mentioned several studies and project implementation proposals they have ready for development. Among them are proposals for privatization and for developing an institutional setting for the sustainability of export oriented activities.

Centro de Investigacion y Economia Aplicada (CIEA)

Founded in 1988, CIEA is an active player in economic research and policy dialogue. CIEA's areas of expertise include international financial policies, fiscal policy and macroeconomics, structural adjustments and labor markets. CIEA has been a consultant for the Central Bank in the recent past and has good working relations with the government and is involved in an ongoing policy dialogue.

CIEA has prepared many research papers that have not received press coverage or discussion due to lack of financing. These papers can be made available for policy dialogue, policy recommendations and implementation. While CIEA may not be 100% committed to free trade and free enterprise, but rhetoric is in the mainstream of privatization and free enterprise approach followed by most Dominicans think tanks.

Fundacion Ciencia y Arte

A three year old foundation, Fundacion Ciencia y Arte is an institution researching and trying to influence public opinion in the Dominican Republic. Previously associated with the left and considered anti-IMF and anti-adjustments, Ciencia y Arte has recently taken a more moderate approach.

Fundacion Ciencia y Arte is influential within students at Universidad Autonoma de Santo Domingo, where two of its main economists teach. Ciencia y Arte has a weekly page at HOY newspaper and issue an economics magazine. They also organize seminars and policy discussion on a regular basis.

Fundacion Siglo XXI

Siglo XXI is the newest mainstream think-tank in the Dominican Republic. Its main partners were principals at Centro de Orientacion Economica. Fundacion Siglo XXI has among the most experienced economic consultants in the nation as well as experienced businesspeople and former bankers. They specialize in financial, trade, fiscal and exchange policies, and agricultural policies.

Siglo XXI has available many papers for policy dialogue and implementation as well as policy paper proposals. They recently submitted a proposal to the Asociacion de Bancos Comerciales to study the reform of the financial sector. Siglo XXI expressed interest in the EPP and mentioned several projects for which they are seeking financing.

ANNEX H
DESCRIPTIONS OF PROJECT POSITIONS

ANNEX H

DESCRIPTIONS OF PROJECT POSITIONS

A. Project Manager

The Project Manager shall undertake the following tasks:

I. USAID Liaison Functions

- a) Liase with USAID, providing the Mission with quarterly written progress reports highlighting project activities, accomplishments, problems detected, strategy for dealing with problems, and workplan for coming quarter. As needed, brief Mission staff on project status.
- b) Draft project Annual Workplan and Annual Report and submit to AID for approval.

II. Project Administration Functions

- a) Oversee the local project staff to assure high-quality, on-time work.
- b) Oversee all project procurement and contracting. Assure that USAID and Contractor procurement procedures are followed correctly.
- c) Assure achievement of activity milestones before authorizing sub-grant payments.
- d) Draft project descriptive materials, funding guidelines, and application.
- e) Publicize the availability of project funding through presentations and networking with the widest possible variety of NGOS.
- f) Review all incoming concept papers and applications for technical quality. As necessary, work with NGOS to improve the technical quality of applications and activities.
- g) Liase with Consultative Council frequently to assure that project activities and direction are in keeping with CC guidance. Attend CC meetings as Secretariat.

- h) Assure that overall project is evaluated annually for macroeconomic impact, impact on NGOs, impact on public opinion, impact on consensus-building, and other impacts to be selected in consultation with USAID.

Position Qualifications

The nationality of the Project Manager is not critical: qualified Dominicans and Americans should be considered. Position qualifications include: Proven project managerial experience; good understanding of the economic issues facing the Dominican Republic; ability to assess applications objectively; no conflict of interest or appearance of conflict of interest regarding sub-grant selection and other procurement; excellent writing skills; fluency in English and Spanish; and good standing with Dominican community. Familiarity with USAID is preferred.

B. Financial Manager

The Financial Manager shall undertake the following functions:

I. Informal Desk Pre-award Evaluation Functions

- a) In conjunction with USAID, develop standard forms and procedures for conducting informal pre-award evaluations of activities under \$25,000.
- b) Carry out all informal pre-award evaluations of activities under \$25,000.
- c) Work with potential sub-grants to correct any potential problems discovered in pre-award evaluation.

II. Formal Pre-award Evaluation Functions

- a) In conjunction with USAID, determine the appropriate mechanism for sub-contracting for formal pre-award evaluation and audit services for the project (ie, IQC, etc.).
- b) Draft scopes of work as necessary for audit firm.
- c) Assure that formal pre-award evaluations of all activities over \$25,000 are carried out.
- d) Work with potential sub-grants to correct any potential problems discovered in pre-award evaluation.

III. Procurement Functions

- a) Work with Grantee and USAID to procure all equipment covered under the Grant in accordance with Handbook 13 regulations.

IV. NGO Sub-grant Agreement Functions

- a) Assist Grantee to negotiate sub-grants with Dominican NGOs.
- b) Track the sub-grant agreement status of all approved activities.

V. Sub-grant Invoicing and Payment

- a) Review invoices in comparison to sub-grant agreements for accuracy and eligibility of requested reimbursements.
- b) Create and monitor invoice receipt and payment system.
- c) Assist Grantee to open appropriate banking accounts, and apprise Grantee of status of accounts.

Position Qualifications

The ideal candidate for the Financial Manager position shall have at least one year of experience with USAID financial regulations, be fluent in English and Spanish, have appropriate Dominican accounting credentials, and have experience setting up a financial system.

C. Administrative Assistant (Santo Domingo office)

The Administrative Assistant shall undertake the following functions:

I. General Office Support

- a) The AA shall provide telephone coverage, word processing assistance, filing and correspondence handling for the Grantee's Santo Domingo office.

Position Qualifications

The ideal candidate for Administrative Assistant shall have at least five year's experience as Administrative Assistant to senior management, have experience setting up an office, including setting

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up a filing system, be fluent in English and Spanish, and be a team player.

D. Administrative Assistant (Home Office)

I. Procurement

- a) Negotiate, draft, review, and enter into (on behalf of Grantee) sub-grants and/or sub-contracts with Dominican and U.S. NGOs for activities approved by the Activity Selection Committee.
- b) Maintain complete records of all procurements.
- c) Review, approve, and process all incoming invoices for payment.
- d) In conjunction with Financial Manager, USAID, and outside audit firm, assure that all Grantee and USAID procurement requirements are complied with fully.
- e) Create and maintain project file system.
- f) Handle correspondence, telephones, and word processing for project.
- g) Provide graphics, desk-top publishing, and report production as necessary for project description materials, funding applications, annual workplans and reports.
- h) Provide other clerical/administrative support as necessary.

Position Qualifications

The ideal candidate shall have at least five years of Administrative Assistant experience, and be fully capable of facilitating Grantee procurement of goods and services. The candidate must have experience assisting with USAID contracts. The candidate must be well-organized, and fully capable in the word processing and desk-top publishing software utilized by the Grantee.

E. Professional Support (Home Office)

I. Project Support

- a) Assist Grantee Project Manager to implement the project by providing experienced project supervision, troubleshooting, managerial and technical support in the areas of hiring; meeting USAID requirements; understanding project background and reasons behind design decisions; etc.
- b) Provide intensive assistance in Santo Domingo during first several months to assure on-time project start-up.
- c) Travel to Santo Domingo during critical periods to assist with annual workplans, proposal review, and end-of-year assessments of project results.

II. U.S. Network/Sub-grantee Identification

- a) Search through databases, associations, and other information sources for NGOs to provide specified activity assistance as mandated by the Activity Selection Committee and the Grantee Project Manager (ie case study and presenters on the Far Eastern Economic Miracle or Chile or Mexico; customs expert; networking between U.S. and Dominican thinktanks). Assist Grantee Project Manager to draft scope of work, identify sources of assistance, solicit proposals.

Position Qualifications

The ideal candidate has at least 5 years recent experience in the Dominican Republic, and is fully familiar with Grantee and USAID contracting mechanisms. The candidate must be fluent in English and Spanish, possess a graduate degree in the area of public affairs, and be familiar with the range of consulting services available in the United States. The candidate must have demonstrated an ability to manage USAID contracts.

F. Project Development Specialist (Consultant)

- a) Review NGO concept papers and applications and compare with pre-set eligibility criteria.

- b) In conjunction with Project Manager, identify ways for NGO to strengthen proposals to meet technical, institutional, and financial criteria.
- c) Meet one-on-one with NGOs to review applications and suggest new text, methodologies, etc. to strengthen proposals.

Position Qualifications

The ideal candidate has at least two years experience with USAID project development. The candidate should possess a good familiarity with economic policy issues and their dissemination. The candidate should have experience working with Dominican NGOs.

G. Project Start-up Specialist (Consultant)

- a) Assist the Project Manager and Financial Manager to design and implement the forms and procedures required to begin the EPP project. In particular, assist to draft the scope of work for and implement the competitive bid for the audit IQC; procure necessary equipment and supplies; evaluate office space in conformance with AID regulations; and draft standard sub-grant agreement in conformance with USAID and Dominican legal requirements.
- b) Advise the Project Manager as necessary on USAID regulations regarding sub-grants, audits, and procurement.
- c) In conjunction with the Project Manager, identify and screen candidates for project positions.

Position Qualifications

The ideal candidate shall be fully knowledgeable about USAID procurement and project operating regulations, and shall have at least two years experience with USAID. He/she shall be conversant in English and Spanish, and shall have experience successfully starting up a USAID project.

A.I.D. ANNEXES

**ANNEX I
REQUEST FOR ASSISTANCE**

ANNEX J
STATUTORY COUNTRY, PROJECT AND STANDARD ITEM CHECKLIST



22 May 1992
DS-0592-2799-112

US/AID Dominican Republic
Leopoldo Navarro, esquina César Nicolás Penso
Santo Domingo, Dominican Republic

Attention: Mr. Raymond F. Rifenburg

Subject: Economic Policy and Practice Project
SRI Proposal No. IMU-92-011

Dear Mr. Rifenburg:

It is our pleasure to respond to the Economic Policy and Practice Project. SRI International (SRI) is submitting our subject proposal directly to Mr. Martin Napper for review. The total amount of A.I.D. funding for the project would be approximately \$6.0 million over a five year period.

The Economic Policy and Practice Project will create a responsible mechanism whereby Dominican NGOs that meet eligibility criteria can receive co-financing for activities in support of sound, economic policy implementation. Activities will fall into the categories of economic policy design, development of action plans, consensus building, public awareness-raising and education, information dissemination, and networking.

We look forward to your approval of the project proposal and the opportunity to work with you on this extremely important project.

Best regards,

A handwritten signature in dark ink, appearing to read 'Richard A. Cramer'.

Richard A. Cramer
Corporate Director of Contracts

Mr. Raymond F. Rifenburg
SRI International

SRI International

Washington, D.C.

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to the eligibility of countries to receive the following categories of assistance: (A) both Development Assistance and Economic Support Funds; (B) Development Assistance funds only; or (C) Economic Support Funds only.

A. COUNTRY ELIGIBILITY CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND ASSISTANCE

1. Narcotics

a. Negative certification (FY 1991 Appropriations Act Sec. 559(b)): Has the President certified to the Congress that the government of the recipient country is failing to take adequate measures to prevent narcotic drugs or other controlled substances which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully?

No

b. Positive certification (FAA Sec. 481(h)). (This provision applies to assistance of any kind provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance from the Child Survival Fund or relating to international narcotics control, disaster and refugee relief, narcotics education and awareness, or the provision of food or medicine.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct

source of illicit drugs significantly affecting the United States, through which such drugs are transported; or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government):

(1) does the country have in place a bilateral narcotics agreement with the United States, or a multilateral narcotics agreement?

Yes

(2) has the President in the March 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without Congressional enactment, within 45 days of continuous session, of a resolution disapproving such a certification), or has the President determined and certified to the Congress on any other date (with enactment by Congress of a resolution approving such certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals agreed to in a bilateral narcotics agreement with the United States or in a multilateral agreement, to prevent illicit drugs produced or processed in or transported through such country from being transported into the United States, to prevent and punish drug profit laundering in the country, and to prevent and punish bribery and other forms of public corruption which facilitate production or shipment of illicit drugs or discourage prosecution of such acts, or that (b) the vital national interests of the United States require the provision of such assistance?

a) Yes

b) Yes

c. Government Policy (1986 Anti-Drug Abuse Act of 1986 Sec. 2013(b)). (This section applies to the same categories of assistance subject to the restrictions in FAA Sec. 481(h), above.) If recipient country is a "major illicit drug producing country" or "major drug-transit country" (as defined for the purpose of FAA Sec 481(h)), has the President submitted a report to Congress

or distribution of illicit drugs; (b) in which any senior official of the government engages in, encourages, or facilitates the production or distribution of illegal drugs; (c) in which any member of a U.S. Government agency has suffered or been threatened with violence inflicted by or with the complicity of any government officer; or (d) which fails to provide reasonable cooperation to lawful activities of U.S. drug enforcement agents, unless the President has provided the required certification to Congress pertaining to U.S. national interests and the drug control and criminal prosecution efforts of that country?

N/A

2. Indebtedness to U.S. citizens (FAA Sec. 620(c): If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies, (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity?

NO.

3. Seizure of U.S. Property (FAA Sec. 620(e)(1)): If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

no

4. Communist countries (FAA Secs. 620(a), 620(f), 620D; FY 1991 Appropriations Act Secs. 512, 545): Is recipient country a Communist country? If so, has the President: (a) determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism, or (b) removed a country from applicable

no

the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism, or (b) removed a country from applicable restrictions on assistance to communist countries upon a determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided either directly or indirectly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, Iran or Syria? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan?

5. Mob Action (FAA Sec. 620(j)): Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property?

no

6. OPIC Investment Guaranty (FAA Sec. 620(l)): Has the country failed to enter into an investment guaranty agreement with OPIC?

no

7. Seizure of U.S. Fishing Vessels (FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5): (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made?

a) no

b) N.A.

8. Loan Default (FAA Sec. 620(q); FY 1991 Appropriations Act Sec. 518 (Brooke Amendment)): (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1990 Appropriations Act appropriates funds?

a) No

b) yes. But the GODR has been making payments since the end of June, 1991, and is not under Brook-Alexander sanctions at this time.

9. Military Equipment (FAA Sec. 620(s)): If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

Yes, taken into account by the Administrator at time of approval of Agency OYB.

10. Diplomatic Relations with U.S. (FAA Sec. 620(t)): Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

no

11. U.N. Obligations (FAA Sec. 620(u)): What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the "Taking into Consideration" memo.)

The Dominican Republic is not in arrears on payment of its U.N. obligations.

12. International Terrorism

a. Sanctuary and support (FY 1991 Appropriations Act Sec. 556; FAA Sec. 620A): Has the country been determined by the President to: (a) grant sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise support international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons?

a) no
b) no

b. Airport Security (ISDCA of 1985 Sec. 552(b)). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures?

no

13. Discrimination (FAA Sec. 666(b)): Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?

no

14. Nuclear Technology (FAA Secs. 669, 670): Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.)

no

15. Algiers Meeting (ISDCA of 1981, Sec. 720): Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the "Taking into Consideration" memo.)

Yes, they attended and did not disassociate themselves from the communique. However, they did submit specific reservations. These were taken into account by the Administrator at the time of approval of the Agency's OYB.

16. Military Coup (FY 1991 Appropriations Act Sec. 513): Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance? no

17. Refugee Cooperation (FY 1991 Appropriations Act Sec. 539): Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin? yes

18. Exploitation of Children (FY 1991 Appropriations Act Sec. 599D, amending FAA Sec. 116): Does the recipient government fail to take appropriate and adequate measures, within its means, to protect children from exploitation, abuse or forced conscription into military or paramilitary services? no

COUNTRY ELIGIBILITY CRITERIA (APPLICABLE ONLY TO DEVELOPMENT ASSISTANCE ("DA"))

1. Human Rights Violations (FAA Sec. 116): Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy? no

2. Abortions (FY 1991 Appropriations Act Sec. 535): Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary no

5C(2) - ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE?

Yes

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. **Host Country Development Efforts¹.** (FAA Sec. 601(a)): Information and conclusions on whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.

2. **U.S. Private Trade and Investment** (FAA Sec. 601(b)): Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

The Economic Policy and Practice Project will directly encourage an increase the flow of international trade by assisting the D.R. to meet eligibility requirement for the Enterprise for the Americas Initiative. The project's private sector operating method--cofinancing NGO initiatives-- will foster private initiative and competition and discourage monopolistic practices. It will help to catalyze consensus and inform public debate on economic issues such as investment law and debt conversion.

2. The project will contribute to the consensus-building process which supports appropriate policy reform and thus stabilize the investment and trade environment in the D.R. and encourage U.S. investment.

3. Congressional Notification

a. General requirement (FY 1991 Appropriations Act Secs. 523 and 591; FAA Sec. 634A): If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the notification requirement has been waived because of substantial risk to human health or welfare)?

Yes

b. Notice of new account obligation (FY 1991 Appropriations Act Sec. 514): If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

N.A.

c. Cash transfers and nonproject sector assistance (FY 1991 Appropriations Act Sec. 575(b)(3)): If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted?

N.A

4. Engineering and Financial Plans (FAA Sec. 611(a)): Prior to an obligation in excess of \$500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

YES

5. Legislative Action (FAA Sec. 611(a)(2)): If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action

N.A.

will be completed in time to permit orderly accomplishment of the purpose of the assistance?

6. **Water Resources (FAA Sec. 611(b); FY 1991 Appropriations Act Sec. 501):** If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)

N.A.

7. **Cash Transfer and Sector Assistance (FY 1991 Appropriations Act Sec. 575(b)):** Will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

N.A.

8. **Capital Assistance (FAA Sec. 611(e)):** If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?

N.A.

9. **Multiple Country Objectives (FAA Sec. 601(a)):** Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

The project will directly assist in helping sustain implementation of the GODR's economic reform program which is already embodied in a stand-by Agreement signed with the International Monetary Fund (IMF) on August 2, 1991. I will encourage continued adherence to economic policies that promote investment productive employment and export-led economic diversification which will result in substantial increases in trade investment technology transfer as well as create new opportunities for cooperatives and labor unions to participate in the economy.

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

The project will indirectly help encourage U.S. Private trade and investment by clarifying the rules of the game for investors, and fostering a stable political and economic environment in the country.

11. Local Currencies

a. Recipient Contributions (FAA Secs. 612(b), 636(h)): Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

N.A.

b. U.S.-Owned Currency (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No

c. Separate Account (FY 1991 Appropriations Act Sec. 575). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

N.A.

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

N.A.

(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

N.A.

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

N.A.

12. Trade Restrictions

N.A.

a. Surplus Commodities (FY 1991 Appropriations Act Sec. 521(a)): If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

b. Textiles (Lautenberg Amendment) (FY 1991 Appropriations Act Sec. 521(c)): Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of

No

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textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

13. Tropical Forests (FY 1991 Appropriations Act Sec. 533(c)(3)): Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

No

14. PVO Assistance

a. Auditing and registration (FY 1991 Appropriations Act Sec. 537): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?

N.A.

b. Funding sources (FY 1991 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

N.A.

15. Project Agreement Documentation (State Authorization Sec. 139 (as interpreted by conference report)): Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6C for agreements covered by this provision).

N.A.

16. Metric System (Omnibus Trade and Competitiveness Act of 1988, Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy):

N.A.

Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

17. Women in Development (FY 1991 Appropriations Act, Title II, under heading "Women in Development"): Will assistance be designed so that the percentage of women participants will be demonstrably increased?

Yes

18. Regional and Multilateral Assistance (FAA Sec. 209): Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.

No

19. Abortions (FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec. 525): No
- a. Will assistance be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization? No
- b. Will any funds be used to lobby for abortion? No
20. Cooperatives (FAA Sec. 111): Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life? No, not directly.
21. U.S.-Owned Foreign Currencies
- a. Use of currencies (FAA Secs. 612(b), 636(h); FY 1991 Appropriations Act Secs. 507, 509): Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services. Will purchase from USDO.
- b. Release of currencies (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? No
22. Procurement
- a. Small business (FAA Sec. 602(a)): Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? Yes
- b. U.S. procurement (FAA Sec. 604(a)): Will all procurement be from the U.S. except as otherwise determined by the President or determined under delegation from him? Yes

c. Marine insurance (FAA Sec. 604(d)): If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?

Yes

d. Non-U.S. agricultural procurement (FAA Sec. 604(e)): If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)

N.A.

e. Construction or engineering services (FAA Sec. 604(g)): Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

N.A.

f. Cargo preference shipping (FAA Sec. 603): Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates?

No

g. Technical assistance (FAA Sec. 621(a)): If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the

Yes

facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

h. U.S. air carriers
(International Air Transportation Fair Competitive Practices Act, 1974): If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

Yes

i. Termination for convenience
of U.S. Government (FY 1991 Appropriations Act Sec. 504): If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

Yes

j. Consulting services
(FY 1991 Appropriations Act Sec. 524): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

N.A.

k. Metric conversion
(Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest

N.A.

documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

1. **Competitive Selection Procedures (FAA Sec. 601(e)):** Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes

23. Construction

a. **Capital project (FAA Sec. 601(d)):** If capital (e.g., construction) project, will U.S. engineering and professional services be used? N.A.

b. **Construction contract (FAA Sec. 611(c)):** If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? N.A.

c. **Large projects, Congressional approval (FAA Sec. 620(k)):** If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation), or does assistance have the express approval of Congress? N.A.

24. **U.S. Audit Rights (FAA Sec. 301(d)):** If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? N.A.

25. **Communist Assistance (FAA Sec. 620(h)).** Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? Yes

26. Narcotics

a. Cash reimbursements (FAA Sec. 483): Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? **Yes**

b. Assistance to narcotics traffickers (FAA Sec. 487): Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker, in, or otherwise involved in the illicit trafficking of, any such controlled substance? **Yes**

27. Expropriation and Land Reform (FAA Sec. 620(g)): Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? **Yes**

28. Police and Prisons (FAA Sec. 660): Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? **Yes**

29. CIA Activities (FAA Sec. 662): Will assistance preclude use of financing for CIA activities? **Yes**

30. Motor Vehicles (FAA Sec. 636(i)): Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? **Yes**

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31. **Military Personnel (FY 1991 Appropriations Act Sec. 503):** Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? **Yes**
32. **Payment of U.N. Assessments (FY 1991 Appropriations Act Sec. 505):** Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues? **Yes**
33. **Multilateral Organization Lending (FY 1991 Appropriations Act Sec. 506):** Will assistance preclude use of financing to carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? **Yes**
34. **Export of Nuclear Resources (FY 1991 Appropriations Act Sec. 510):** Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology? **Yes**
35. **Repression of Population (FY 1991 Appropriations Act Sec. 511):** Will assistance preclude use of financing for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? **Yes**
36. **Publicity or Propoganda (FY 1991 Appropriations Act Sec. 516):** Will assistance be used for publicity or propoganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propoganda purposes not authorized by Congress? **No**

BB

37. Marine Insurance (FY 1991 Appropriations Act Sec. 563): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate?

Yes

38. Exchange for Prohibited Act (FY 1991 Appropriations Act Sec. 569): Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law?

No

CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY

1. Agricultural Exports (Bumpers Amendment) (FY 1991 Appropriations Act Sec. 521(b), as interpreted by conference report for original enactment): If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?

N.A.

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2. **Tied Aid Credits (FY 1991 Appropriations Act, Title II, under heading "Economic Support Fund"):** Will DA funds be used for tied aid credits?

N.A.

3. **Appropriate Technology (FAA Sec. 107):** Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

N.A.

4. **Indigenous Needs and Resources (FAA Sec. 281(b)):** Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

The project will reach these goals in a manner that offers full respect for the sovereignty of the D.R. over its economic affairs. The project support Dominican initiatives, selected by a Dominican committee, that meet the priorities set by a Dominican Consultative Council. The project is assisting to enhance, enlarge, and provide additional dynamism and technical excellence to Dominican initiatives.

5. **Economic Development (FAA Sec. 101(a)):** Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

A substantial amount of project technical assistance will be contracted from Dominican sources.

Yes

6. **Special Development Emphases (FAA Secs. 102(b), 113, 281(a)):** Describe extent to which activity will: (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries

The project will assist to boost the effectiveness of NGOs and as such reinforce democracy because NGOs often operate as "democracies in miniature." They give members opportunities to vote run for office, and reach decisions consensually. The very act of organizing groups established the precedent for group problem-solving. This will facilitate participation and encourage involvement by citizens in the political process, and enhance governmental efficiency and impartiality.

and the improvement of women's status; and
(e) utilize and encourage regional
cooperation by developing countries.

7. Recipient Country Contribution
(FAA Secs. 110, 124(d)): Will the
recipient country provide at least 25
percent of the costs of the program,
project, or activity with respect to which
the assistance is to be furnished (or is
the latter cost-sharing requirement being
waived for a "relatively least developed"
country)?

Yes

8. Benefit to Poor Majority (FAA
Sec. 128(b)): If the activity attempts to
increase the institutional capabilities of
private organizations or the government of
the country, or if it attempts to
stimulate scientific and technological
research, has it been designed and will it
be monitored to ensure that the ultimate
beneficiaries are the poor majority?

Yes, by means of sub-grants
to local NGOs.

9. Abortions (FAA Sec. 104(f); FY
1991 Appropriations Act, Title II, under
heading "Population, DA," and Sec. 535):

a. Are any of the funds to be
used for the performance of abortions as a
method of family planning or to motivate
or coerce any person to practice
abortions?

No

b. Are any of the funds to be
used to pay for the performance of
involuntary sterilization as a method of
family planning or to coerce or provide
any financial incentive to any person to
undergo sterilizations?

No

c. Are any of the funds to be
made available to any organization or
program which, as determined by the
President, supports or participates in the
management of a program of coercive
abortion or involuntary sterilization?

No

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d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services? N.A.

e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning? N.A.

f. Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? No

g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization? No

10. Contract Awards (FAA Sec. 601(e)): Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes

11. Disadvantaged Enterprises (FY 1991 Appropriations Act Sec. 567): What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)? N.A.

12. **Biological Diversity (FAA Sec. 119(g)):** Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

N.A.

13. **Tropical Forests (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c)-(e) & (g)):**

a. **A.I.D. Regulation 16:** Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16?

Yes

b. **Conservation:** Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions

N.A.

which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13) take full account of the environmental impacts of the proposed activities on biological diversity?

c. Forest degradation: Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded

N.A.

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forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

d. Sustainable forestry: If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry?

N.A.

e. Environmental impact statements: Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment?

N.A.

14. Energy (FY 1991 Appropriations Act Sec. 533(c)): If assistance relates to energy, will such assistance focus on: (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases?

N.A.

15. Sub-Saharan Africa Assistance (FY 1991 Appropriations Act Sec. 562, adding a new FAA chapter 10 (FAA Sec. 496)): If assistance will come from the Sub-Saharan Africa DA account, is it: (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) to be used to promote sustained economic growth, encourage

N.A.

private sector development, promote individual initiatives, and help to reduce the role of central governments in areas more appropriate for the private sector; (c) to be provided in a manner that takes into account, during the planning process, the local-level perspectives of the rural and urban poor, including women, through close consultation with African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (d) to be implemented in a manner that requires local people, including women, to be closely consulted and involved, if the assistance has a local focus; (e) being used primarily to promote reform of critical sectoral economic policies, or to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities; and (f) to be provided in a manner that, if policy reforms are to be effected, contains provisions to protect vulnerable groups and the environment from possible negative consequences of the reforms?

16. Debt-for-Nature Exchange (FAA Sec. 463): If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management.

N.A.

17. **Deobligation/Reobligation (FY 1991 Appropriations Act Sec. 515):** If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?

N.A.

18. **Loans**

N.A.

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

b. **Long-range plans (FAA Sec. 122(b)):** Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

c. **Interest rate (FAA Sec. 122(b)):** If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?

d. **Exports to United States (FAA Sec. 620(d)):** If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?

19. **Development Objectives (FAA Secs. 102(a), 111, 113, 281(a)):** Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from

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cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?

20. Agriculture, Rural Development and Nutrition, and Agricultural Research (FAA Secs. 103 and 103A):

N.A.

a. Rural poor and small farmers: If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor; or if assistance is being made available for agricultural research, has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made.

b. Nutrition: Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people.

c. Food security: Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

N.A.

21. Population and Health (FAA Secs. 104(b) and (c)): If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

N.A.

22. Education and Human Resources Development (FAA Sec. 105): If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

N.A.

23. Energy, Private Voluntary Organizations, and Selected Development Activities (FAA Sec. 106): If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is:

N.A.

- a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;
- b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;
- c. research into, and evaluation of, economic development processes and techniques;
- d. reconstruction after natural or manmade disaster and programs of disaster preparedness;
- e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;
- f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

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5. CRITERIA APPLICABLE TO ECONOMIC SUPPORT FUNDS ONLY

N.A.

1. Economic and Political Stability (FAA Sec. 531(a)): Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?

2. Military Purposes (FAA Sec. 531(e)): Will this assistance be used for military or paramilitary purposes?

3. Commodity Grants/Separate Accounts (FAA Sec. 609): If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? (For FY 1991, this provision is superseded by the separate account requirements of FY 1991 Appropriations Act Sec. 575(a), see Sec. 575(a)(5).)

4. Generation and Use of Local Currencies (FAA Sec. 531(d)): Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106? (For FY 1991, this provision is superseded by the separate account requirements of FY 1991 Appropriations Act Sec. 575(a), see Sec. 575(a)(5).)

5. Cash Transfer Requirements (FY 1991 Appropriations Act, Title II, under heading "Economic Support Fund," and Sec. 575(b)). If assistance is in the form of a cash transfer:

a. Separate account: Are all such cash payments to be maintained by the country in a separate account and not to be commingled with any other funds?

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b. **Local currencies:** Will all local currencies that may be generated with funds provided as a cash transfer to such a country also be deposited in a special account, and has A.I.D. entered into an agreement with that government setting forth the amount of the local currencies to be generated, the terms and conditions under which they are to be used, and the responsibilities of A.I.D. and that government to monitor and account for deposits and disbursements?

c. **U.S. Government use of local currencies:** Will all such local currencies also be used in accordance with FAA Section 609, which requires such local currencies to be made available to the U.S. government as the U.S. determines necessary for the requirements of the U.S. Government, and which requires the remainder to be used for programs agreed to by the U.S. Government to carry out the purposes for which new funds authorized by the FAA would themselves be available?

d. **Congressional notice:** Has Congress received prior notification providing in detail how the funds will be used, including the U.S. interests that will be served by the assistance, and, as appropriate, the economic policy reforms that will be promoted by the cash transfer assistance?

Drafted by: PWA  PDO:md:2/4/92

Clearances:

PDO:DChiriboga	_____	Date	_____
PDI:RSevern	_____	Date	_____
RLA:EDragon	_____	Date	_____

**ANNEX K
PID APPROVAL MESSAGE**

UNCLAS

AIDAC

SECSTATE 167819

01

ACTION: AID-0
INFO: CPO-1 ACO-1 DCMO-1 AMBO-1 AC-1 DCM-1 AMB-1

DISTRIBUTION: AID
CHARGE: AID

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E.O. 12356: N/A

TAGS:

SUBJECT: DOMINICAN REPUBLIC: COUNTRY DEVELOPMENT
STRATEGY STATEMENT (CDSS) AND ACTION PLAN (AP)
REVIEWS

1. SUMMARY: THE DOMINICAN REPUBLIC CDSS FOR THE PERIOD FY 1992-1996 AND THE ACTION PLAN FOR FY 1992-1993 WERE REVIEWED ON MONDAY APRIL 15, 1991. THE REVIEW WAS CHAIRED BY AA/LAC, JAMES H. MICHEL. USAID/DOMINICAN REPUBLIC WAS REPRESENTED BY MISSION DIRECTOR RAYMOND RIFENBURG, PROGRAM OFFICER THOMAS CORNELL, AND PROGRAM ECONOMIST KENNETH BEASLEY. STATE'S OFFICE OF CARIBBEAN AFFAIRS (ARA/CAR) AND OFFICE OF ECONOMIC POLICY (ARA/ECP) WERE ALSO REPRESENTED. A.I.D. WASHINGTON (AID/W) REPRESENTATIVES INCLUDED MEMBERS FROM FUNCTIONAL AND GEOGRAPHIC OFFICES. THE ISSUES PAPER FOR THE COMBINED MEETING CONTAINS A FULL DISCUSSION OF THE ISSUES AND HAS BEEN POUCHED TO THE MISSION.

2. THE CDSS STRESSES THE NEED FOR SUSTAINED IMPLEMENTATION OF AN INTERNATIONALLY SUPPORTED COMPREHENSIVE POLICY REFORM PROGRAM THAT IS CONDUCIVE TO PRIVATE INVESTMENT IN AN OUTWARD-ORIENTED PRIVATE SECTOR ECONOMY. THE STRATEGY FOCUSSES ON THE NEED TO TRANSFORM THE GOVERNMENT OF THE DOMINICAN REPUBLIC (GODR) INTO A MORE EFFECTIVELY FUNCTIONING OPEN DEMOCRACY RESPONSIVE TO PLURALISTIC INPUTS INTO GOVERNMENTAL DECISIONS.

3. AA/LAC MICHEL NOTED THAT THE CDSS WAS A THOUGHTFUL DOCUMENT WHICH DESCRIBED USEFUL WAYS TO PROCEED, BUT OBSERVED AMONG OTHER CONCERNS THAT THE STRATEGY APPEARED TO PROPOSE A DIFFUSION OF ACTIVITIES OVER A WIDE RANGE OF OBJECTIVES. DIRECTOR RIFENBURG'S CLARIFICATION

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INCLUDED THE MISSION'S THRUST TO CONTINUE TO REDUCE AND CONSOLIDATE EXISTING ACTIVITIES WHILE SIGNIFICANTLY INCREASING THE STRATEGY'S AIM TO CONTINUE TO PROMOTE A STABLE ECONOMY AND DEMOCRATIC SOCIETY IN THE DOMINICAN REPUBLIC THROUGH SELECT SOCIAL INTERVENTIONS THAT ADDRESS THE NEEDS OF THE POOR, ECONOMIC POLICY REFORM, AND PARTICIPATORY DEMOCRACY. HE EXPLAINED THAT THE MISSION DOES NOT INTEND TO INITIATE SPECIFIC ACTIONS OR PROJECTS IN A BROAD ARRAY OF POLICY AREAS, BUT RATHER TO PROVIDE SUPPORT TO KEY DOMINICAN INSTITUTIONS WHOSE OWN AGENDAS INCLUDE INITIATIVES TO CARRY OUT ANALYSES AND ADVOCACY OF REFORM PROPOSALS.

4. THE CDSS WAS APPROVED WITH ITS FOCUS ON SUSTAINING POLICY IMPROVEMENTS, SUBJECT TO THE MISSION INCORPORATING THE CLARIFICATIONS AND DECISIONS DISCUSSED BELOW INTO THE FINAL DOCUMENT BEFORE IT IS PRINTED. THE ACTION PLAN WAS ALSO APPROVED, SUBJECT TO THE CAVEATS DISCUSSED BELOW. END SUMMARY.

5. REVIEW DECISIONS:

A. PROGRAM FOCUS:

DECISION: THE MISSION'S FOCUS ON SUPPORTING THE PROCESSES REQUIRED TO SUSTAIN SOUND POLICIES IN THE DOMINICAN REPUBLIC CUTS ACROSS SECTORS. ALTHOUGH THE STRATEGY INVOLVES MULTIPLE SECTORS, IT SHOULD NOT TRANSLATE INTO PROJECTS FOR EACH SECTOR; PROJECTS SHOULD HENCEFORTH ONLY FOCUS ON THOSE PROCESSES THAT PROMOTE, ENHANCE, AND SUSTAIN ELEMENTS OF GROWTH AND DEMOCRATIC DEVELOPMENT. THIS NARROWING OF FOCUS AND DESCRIPTION OF THE PROCESSES SHOULD BE MORE EXPLICIT IN THE FINAL CDSS DOCUMENT.

THE FINAL CDSS SHOULD ALSO BRIEFLY DESCRIBE SOME OF THE MODALITIES FOR IMPLEMENTING THE STRATEGY AND NOTE THE KINDS OF ISSUES THAT WILL BE EMBRACED AND APPROACHES TO BE CONSIDERED WITHIN THE PUBLIC POLICY OBJECTIVE.

B. STRATEGY IN ABSENCE OF A COMPREHENSIVE ECONOMIC REFORM AND ADJUSTMENT PROGRAM.

DECISION: THE REVIEW SUPPORTS THE CDSS ASSERTION THAT A COMPREHENSIVE GODR PROGRAM MUST INCLUDE A FORMAL IMF AGREEMENT AND THE SETTLEMENT OF THE GODR DEBT ARREARAGES. THE ABSENCE OF SUCH AN AGREEMENT WOULD MAINTAIN THE COUNTRY IN THE NON-PERFORMER STATUS, DELAYING SIGNIFICANT IMPLEMENTATION OF IMPORTANT ASPECTS OF THE CDSS. CONTINGENCY PROGRAMMING FOR NON-PERFORMANCE, THE PROBLEM OF DEBT ARREARAGES, AND BROOKE/ALEXANDER SANCTIONS SHOULD BE ADDRESSED IN THE NEXT ACTION PLAN (FY 1993-1994) REVIEW.

C. RESOURCE LEVELS.

DECISION: WHILE AN IMF AGREEMENT WILL PUT THE DOMINICAN REPUBLIC IN THE PERFORMER STATUS WITH POTENTIAL FOR UNCLAS SECTION 02 OF 03 STATE 167819

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SUBSEQUENT UPWARD ADJUSTMENTS IN DEVELOPMENT ASSISTANCE (DA) LEVELS, ECONOMIC SUPPORT FUNDS (ESF) WILL BE PROVIDED ONLY AFTER DEMONSTRATION BY THE GODR OF SUSTAINED PERFORMANCE. THUS, ESF SHOULD BE PLANNED FOR AFTER CONCLUSION OF A PARIS CLUB DEBT RESCHEDULING. EVEN IF THE GODR ADHERES TO AN IMF AGREEMENT AND OBTAINS A DEBT RESCHEDULING, ONLY DOLS. 5 MILLION OF ESF IN FY 1992 (PROPOSED IN THE FY 1992 CONGRESSIONAL PRESENTATION) HAS BEEN IDENTIFIED TO DATE. HOWEVER, LAC AND STATE WILL SEEK FALL-OUT FUNDS TO FURTHER SUPPORT THE PROGRAM. FOR FY 1993, NOT MORE THAN DOLS. 20 MILLION IN ESF SHOULD BE ANTICIPATED.

SINCE THE GODR IS PROJECTED NOT TO HAVE AN IMF AGREEMENT BY THE JUNE 1 CUT-OFF DATE FOR PREPARATION OF THE ANNUAL BUDGET SUBMISSION (ABS), THE ABS WILL BE PREPARED ON THE ASSUMPTION THAT THE GODR IS A NON-PERFORMER FOR FY 1992 AND FY 1993. NORMALLY, THIS WOULD MEAN THAT THE PLANNING LEVELS FOR EACH YEAR WOULD NOT EXCEED THE MINIMUM CARRYING COST (MCC) OF EXISTING PROJECTS. FOR FY 1992 IT WAS AGREED THAT THE MISSION COULD INCLUDE TWO (2) NEW STARTS TO PROMOTE MOVEMENT TOWARD PERFORMER STATUS PROVIDED THE COSTS FOR THE NEW STARTS WERE ABSORBED WITHIN THE ADJUSTED FY 1992 NON-PERFORMANCE LEVELS. THE ABS LEVELS WILL BE RECONSIDERED ONCE AN IMF PROGRAM IS ESTABLISHED. FOR FY 1993 THE LEVELS WOULD

DECREASE WITH A DECLINING MCC. FOR FY 1994 AND BEYOND, A TURN AROUND TO PERFORMER STATUS MAY BE ASSUMED PER FORTHCOMING AAPL CABLE.

DETERMINATION OF THE FY 1992 LEVEL WILL BE BASED ON THE FOLLOWING: (1) THE MINIMUM LEVELS NEEDED TO MAINTAIN THE PERFORMING PROJECTS OF THE ONGOING PORTFOLIO, LESS USE OF FY 1991 DEOBS TO BUY-DOWN THE MINIMUM FY 1992 REQUIREMENTS; (2) LEVELS NEEDED FOR START-UP AND MAINTENANCE OF THE PUBLIC POLICY REFORM (517-0262) AND DEMOCRATIC INITIATIVE (517-0265) PROJECTS; AND (3) SPECIFIED FUNDING TARGETS FOR POPULATION, CHILD SURVIVAL, AND AIDS UNDER THE FOLLOW-ON PRIVATE FAMILY HEALTH (517-0259) PROJECT.

THE MISSION MUST DETERMINE WHAT ACTIONS ARE PLANNED IF THE REQUESTED OE FUNDING LEVELS ARE NOT AVAILABLE. THE

MISSION WILL PROGRAM LOCAL CURRENCY FOR THE OE TRUST
FUND IN ITS FY 1992 PAAD.

5. REGIONAL COOPERATION..

DECISION: THE FINAL CDSS SHOULD INCLUDE A SHORT
DISCUSSION INDICATING HOW REGIONAL COOPERATION ISSUES,
SUCH AS LINKAGES WITH HAITI, CARICOM, AND PUERTO RICO
WILL BE ADDRESSED WITHIN THE STRATEGY, AND SPECIFICALLY
WITHIN THE PROPOSED PUBLIC POLICY REFORM PROJECT.

E. PRIVATE SECTOR IMPLEMENTATION OF HEALTH, CHILD
SURVIVAL, AND PRIMARY EDUCATION.

DECISION: THE DAEC ENDORSES THE MISSION'S EMPHASIS ON
THE PRIVATE SECTOR AS THE IMPLEMENTATION MECHANISM IN
THE AREAS OF HEALTH, CHILD SURVIVAL, AND PRIMARY
EDUCATION AS APPROPRIATE, WITH THE UNDERSTANDING THAT
THE PRIVATE SECTOR WILL BE ASSISTED BY THE MISSION IN
THEIR EFFORTS TO LOBBY FOR IMPROVED PUBLIC SECTOR
POLICIES.

6. NEW PROJECT INITIATIVES.

FY 1992:

A. PRIVATE FAMILY HEALTH (517-0259)

DECISION: THE NEW PROJECT DESCRIPTION (NPD) IS
APPROVED. HOWEVER, BECAUSE OF THE PLANNED LOP OF
DOLS. 30 MILLION, THE PID WILL HAVE TO BE REVIEWED IN
AID/W. THE MISSION IS ENCOURAGED TO SIMULTANEOUSLY
ADDRESS THE DELIVERY OF SERVICES AND THE POLICY, LEGAL,
AND REGULATORY ISSUES INVOLVED IN HEALTH CARE. THE
PROJECT SHOULD ADDRESS THE ISSUE OF FINANCING AND
EQUITY OF ACCESS TO SERVICE VIS-A-VIS DIRECT PRIVATE
MERCHANDISING. THE PROJECT SHOULD ALSO ADDRESS HOW THE
QUALITY OF PRIVATELY-PROVIDED HEALTH, POPULATION, AND
NUTRITION GOODS AND SERVICES WILL BE ASSURED. IT SHOULD
ALSO EXAMINE THE ISSUE OF SUSTAINABILITY OF THE PRIVATE
UMBRELLA ORGANIZATION MEANT TO CATALYZE THE
PRIVATE/COMMERCIAL HEALTH DELIVERY SYSTEM(S).

B. PUBLIC POLICY REFORM (517-0262)

DECISION: AUTHORITY IS DELEGATED TO THE MISSION
DIRECTOR TO APPROVE THE PID AT DOLS. 6 MILLION FOR
FIVE YEARS. THE MISSION SHOULD MORE CLEARLY DEFINE THE
END RESULTS OF THE PROJECT AND ADDRESS THE QUESTION OF
UNCLAS SECTION 03 OF 03 STATE 167819

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SUSTAINABILITY DURING THE PROJECT'S DEVELOPMENT.

C. DEMOCRATIC INITIATIVES (517-0265)

DECISION: THE PID IS TO BE SUBMITTED TO AID/W FOR REVIEW. THE MISSION IS ENCOURAGED TO CONSIDER LOWERING THE TOTAL LOP FUNDING. LAC/DI WILL CONTINUE TO PROVIDE GUIDANCE IN DEVELOPING THE PROJECT.

FY 1993:

A. SUSTAINING GROWTH THROUGH NATURAL RESOURCE MANAGEMENT (517-0266)

DECISION: BECAUSE OF FUNDING CONSTRAINTS CAUSED BY THE GODR'S CURRENT NON-PERFORMANCE STATUS, THE DECISION ON WHETHER THE PROJECT SHOULD BE INCLUDED IN THE FY 1993 ABS IS DEFERRED. A NPD SHOULD BE PRESENTED AGAIN IN THE MISSION'S ACTION PLAN FOR FY 1993 - 1994.

7. CLARIFICATIONS.

A. CENTRALLY-FUNDED PROJECTS.

THE MISSION SHOULD REVIEW CENTRALLY-FUNDED ACTIVITIES PLANNED OR OPERATING IN THE DOMINICAN REPUBLIC IN LIGHT OF THE STRATEGIC DIRECTIONS OF THE CDSS AND OF REDUCTION IN THE WORKFORCE. THE BUREAU WILL ASSIST THE MISSION IN ITS REVIEW AND SCREENING OF THESE ACTIVITIES.

B. PROGRAM-LEVEL PERFORMANCE ASSESSMENT:

THE FIRST STEP IN ASSESSING PROGRAM-LEVEL PROGRESS AND IMPACT IS TO CLEARLY DEFINE STRATEGIC OBJECTIVES AND APPROPRIATE PERFORMANCE INDICATORS AGAINST WHICH TO MEASURE IMPACT. WHILE THE MISSION'S STRATEGIC OBJECTIVES AND INDICATORS NEED SOME FURTHER REFINEMENT THEY REPRESENT A GOOD BEGINNING. THE MISSION IS NOW ENCOURAGED TO DEVELOP A PROGRAM-LEVEL PERFORMANCE ASSESSMENT PLAN FOR DETERMINING HOW ACHIEVEMENT OF THE STRATEGIC OBJECTIVES WILL BE MEASURED. OF PARTICULAR CONCERN IS THE ABSENCE OF INDICATORS TO MONITOR AND ASSESS THE DISPERSION OF BENEFITS OF ECONOMIC GROWTH ON THE DISADVANTAGED. HOW WILL THE MISSION MONITOR STATUS OF THE DISADVANTAGED AS IT IS AFFECTED BY THE ECONOMIC GROWTH RESULTING FROM USAID PROGRAM ACTIVITIES? THE MISSION IS ENCOURAGED TO ADD PERFORMANCE INDICATORS (DIRECT AND/OR PROXY) TO MEASURE THE IMPACT OF ECONOMIC GROWTH ON THE STATUS OF THE POOR.

LAC/DPP IS AVAILABLE TO ASSIST THE MISSION IN OBTAINING TECHNICAL ASSISTANCE TO STRUCTURE MONITORING AND EVALUATION SYSTEMS FOR MEASURING PROGRESS AND IMPACT.

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PLEASE ADVISE.

C. CONTINGENT LIABILITY FOR FSN SEVERANCE PAYMENT.

THE U.S. GOVERNMENT DOES NOT FUND CONTINGENT LIABILITY. DOLLARS, THEREFORE, CANNOT BE USED. THE MISSION SHOULD CONTINUE TO FUND FSN SEVERANCE PAY FROM THE OE TRUST FUND. IF LOCAL CURRENCY IS NOT AVAILABLE, THE MISSION SHOULD BUDGET OE DOLLARS ANNUALLY FOR ESTIMATED SEVERANCE PAY REQUIREMENTS.

D. EDUCATION SECTOR (CLASP II).

THE MISSION'S REDUCED FUNDING LEVELS PRECLUDE FUNDING A NEW CLASP II PROJECT FOR FY 1992. IF ADEQUATE FUNDING IS RESTORED, THE MISSION SHOULD DEVELOP A CLASP II PROJECT WHICH IS CONSISTENT WITH ITS STRATEGY.

E. URBAN ENVIRONMENTAL STRATEGY.

THE RECENTLY COMPLETED URBAN ENVIRONMENTAL STRATEGY NOTES THAT ONE OF THE MOST PRESSING PROBLEMS FACING DOMINICAN CITIES IS SOLID WASTE COLLECTION AND DISPOSAL. THE MISSION WILL COMMUNICATE WITH THE BUREAU ON ANY FUTURE STRATEGY TO DEAL WITH THIS ISSUE.

F. AGRICULTURAL TECHNOLOGY GENERATION AND TRANSFER

THE MISSION WILL COMMUNICATE WITH THE BUREAU THE MANNER IN WHICH ITS POLICY REFORM ACTIVITIES MAY INFLUENCE THE DEVELOPMENT OF INDIGENOUS TECHNICAL CAPACITY TO ENHANCE THE COUNTRY'S PROSPECTS FOR NON-TRADITIONAL AGRICULTURAL EXPORTS AND LONG-TERM FOOD SECURITY.

G. REGIONAL CONTRACT OFFICER.

THE MISSION NOTED THAT THE REDUCTION IN FY 1992 FTE AND REDUCTION IN U.S. PRESENCE REQUIRED ABOLITION OF THE REGIONAL CONTRACT OFFICER POSITION. THE BUREAU WILL REVISIT THE ISSUE OF REGIONAL COVERAGE FOLLOWING THE CONCLUSION OF THE OFFICE OF PROCUREMENT (MS/OP) - SPONSORED ASSESSMENT OF THE CONTRACTING REQUIREMENTS OF JAMAICA, HAITI AND THE DOMINICAN REPUBLIC. BAKER

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SECSTATE WASHDC PRIORITY 0299

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O. 12356: N/A

BJECT: PROJECT APPROVALS

FERENCES: A) 91 STATE 167819, B) 91 STATE 227224,
DELEGATION OF AUTHORITY 752, 8/6/91

USAID/DR IS FINALIZING THE PPS FOR THE DEMOCRATIC
ITIATIVE PROJECT 517-0265 AND THE ECONOMIC POLICY AND
ACTICE PROJECT 517-0262.

AS PER DELEGATION OF AUTHORITY 752 AND REFTELS A AND B,
SSION PROCEEDING WITH AUTHORIZATION AND OBLIGATION OF
TH PROJECTS.

PLEASE FORWARD BUDGET ALLOWANCES ASAP. PASTORINO

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ACTION: AID-0
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E.O. 12356: N/A

TAGS:
SUBJECT: DOMINICAN REPUBLIC - FY 1992 PROGRAM FUNDS
BUDGET ALLOWANCE - REVISION NO. 2

REF: SANTO DOMINGO 11800

1. AT A BUDGET REVIEW MEETING FRIDAY, JANUARY 17, AMB. MICHEL AGREED THAT THE BUREAU SHOULD RELEASE FUNDS FOR THE FOLLOWING NEW PROJECTS WHICH USAID HAS REQUESTED TO FUND PRIOR TO ESTABLISHING A 12 MONTH OYB.

2. BUDGET ALLOWANCE FOR BPC LDSA92-25517-KG13 HAS BEEN INCREASED BY DOLS 1,850,000 FOR THE FOLLOWING PROJECTS:

517-0262, ECONOMIC POLICY - DOLS 850,000

517-0265, DEMOCRATIC INITIATIVES - DOLS 1,000,000

3. APPROPRIATION SYMBOL IS 72-1121021.6. NEW BUDGET ALLOWANCE TOTAL DOLS 2,200,000. ADVICE OF BUDGET ALLOWANCE AMENDMENT NO. 1 FOLLOWS. EAGLEBURGER

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E.O. 12356: N/A

TAGS:

SUBJECT: CONGRESSIONAL NOTIFICATION ALERT

THE CONGRESSIONAL HOLD HAS BEEN LIFTED ON PROJECT 517-0262, ECONOMIC POLICY AND PRACTICE - DOLS 850,000 PSEE, AND OBLIGATION MAY BE INCURRED AS SOON AS FUNDS ARE AVAILABLE. BAKER

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ANNEX L
ENVIRONMENTAL THRESHOLD DECISION



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

LAC-IEE-92-11

ENVIRONMENTAL THRESHOLD DECISION

Project Location : Dominican Republic
Project Title : Economic Policy & Practice
Project Number : 517-0262
Funding : \$6 Million (grant)
Life of Project : 6 Years (FY 92-97)
IEE Prepared by : Larry K. Laird
USAID/DR/ANR
Recommended Threshold Decision : Categorical Exclusion
Bureau Threshold Decision : Concur with Recommendation
Comments : The action will not have a direct effect on the physical environment. Nevertheless, the Mission is encouraged to include the consideration of environmental consequences in analysis and dialogue on economic policy and practices.
Copy to : Raymond Rifenburg, Director
USAID/Dominican Republic
Copy to : Larry Laird, USAID/Dominican Republic
Copy to : Gene Wilken, REA/CAR
RDO/C, USAID/Barbados
Copy to : James Hradsky, LAC/DR/CAR
Copy to : Gussie Daniels, LAC/CAR
Copy to : IEE File

John O. Wilson Date FEB - 5 1992
John O. Wilson
Deputy Chief Environmental Officer
Bureau for Latin America
and the Caribbean

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