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

DOMINICAL REPUBLIC

PROJECT PAPER

TRADE PRACTICES AND PRODUCTIVITY IMPROVEMENT PROJECT

AID/LAC/P-833

PROJECT NUMBER: 517-0267

UNCLASSIFIED

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
 C = Change
 D = Delete

Amendment Number

DO
COL

COUNTRY/ENTITY

Dominican Republic

4. BUREAU/OFFICE

Latin America and the Caribbean

3. PROJECT NUMBER

517-0267

5. PROJECT TITLE (maximum 40 characters)

Trade Practices

and Productivity Improvement Project

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
09/30/09

7. ESTIMATED DATE OF OBLIGATION
(Under 'B.' below, enter 1, 2, 3, or 4)

A. Initial FY 93

B. Quarter 4

C. Final FY 98

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

A. FUNDING SOURCE	FIRST FY 93			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AD Appropriated Total						
(Grant)	(1,500)	(300)	(1,800)	(4,128)	(2,872)	(7,000)
(Loan)	()	()	()	()	()	()
Other U.S.						
1. Host Country		150	150		2,750	2,750
2. Other Donor(s)		50	50		3,940	
TOTALS	1,500	500	2,000	4,128	9,562	13,690

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) DA	700	930				1,800		7,000	
(2)									
(3)									
(4)									
TOTALS						1,800		7,000	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

840 150 700 615

11. SECONDARY PURPOSE CODE
730

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

A. Code EOTY PART INTR TRG
B. Amount

13. PROJECT PURPOSE (maximum 480 characters).

To support adoption and maintenance of legal, regulatory and judicial reforms and improvements in productivity to increase trade and investment.

14. SCHEDULED EVALUATIONS

Interim MM YY Final MM YY
06/95 06/09

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 and that adequate provisions for audit are included.

Jill Thompson 8/20/93

Jill Thompson
Acting Controller

17. APPROVED BY

Signature: Raymond F. Rifenburg
Title: Director
USAID/Dominican Republic
Date Signed: MM DD YY
08/30/93

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

MM DD YY

PROJECT AUTHORIZATION

Name of Country : Dominican Republic
Name of Project : Trade Practices and Productivity Improvement
Number of Project : 517-0267

1. Pursuant to Part I, Chapter 1, of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Trade Practices and Productivity Improvement Project for the Dominican Republic involving planned obligations of not to exceed Seven Million Dollars (US\$7,000,000) in grant funds over a seven year period from 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 for the Project. The planned life of the Project is seven years and one month from the date of initial obligation.

2. The Project purpose is to support adoption and maintenance of Business, Legal, Regulatory, Judicial and Labor (BLRJL) reforms and improvements in productivity to increase trade and investment. In order to improve the competitiveness of Dominican firms in the external trade sector, the Project will address the areas of Trade Practices and Productivity Enhancement. The Trade Practices component will focus on improving the BLRJL environment in which firms operate, with an eye towards improving the environment in which to achieve internationally acceptable trade and investment standards. The Productivity Enhancement component will deal with improving competitiveness and efficiency at the enterprise level by assisting firms and workers to identify and address their internal constraints to productivity. To achieve the objectives of the Project, A.I.D. will finance technical assistance, commodities, training and other costs.

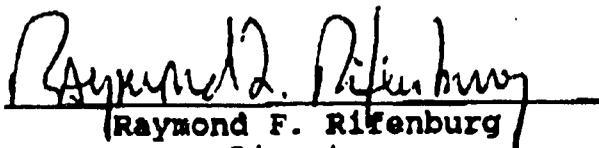
3. The Project Agreement(s) which may be negotiated and executed by the Officer(s) to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority shall be subject to the following essential terms and covenants and major conditions, together with such other terms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

[Handwritten mark]

a. Source and Origin of Commodities, Nationality of Services

Commodities financed by A.I.D. under the Project shall have their source and origin in the United States (A.I.D. Geographic Code 000) or the Dominican Republic, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have the United States or the Dominican Republic as their place of nationality, except as A.I.D. may otherwise agree in writing. Financing of commodities or services from the Cooperating Country are subject to the limitations set forth in Handbook 1B, Chapter 18.

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



Raymond F. Rifenburg
Director

USAID/Dominican Republic

Clearances:

PDO:WRGarland	<u>WRG</u>	Date:	<u>8/26/93</u>
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Drafted:

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USAID/DOMINICAN REPUBLIC
TRADE PRACTICES AND PRODUCTIVITY
IMPROVEMENT PROJECT

(517-0267)

PROJECT PAPER

August 20, 1993

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1. Technical Analysis
 2. Economic Analysis
 3. Administrative/Institutional Analysis
 4. Social Soundness Analysis
 5. Financial Analysis and Budget Estimate Worksheets
- G. List and Definition of Modern Management Techniques and Methodologies
- H. A.I.D. Audit Requirements
- I. List of Consultative Committee Members
- J. Unattached Annexes
1. PPAS Monitoring Plan*
 2. Detailed Implementation Plan*
 3. National Workforce Study (*Encuesta Nacional de Mano de Obra*)*
 4. CEDEMPRESA Report*
 5. STP Report: Trade and Investment Constraints*
 6. Steps to Meet ISO 9000 Registration*

*Copies Retained at Mission and LAC/DR/CAR (AID/W).

GLOSSARY OF TERMS

AID/W	Agency for International Development/Washington
AIFLD	American Institute for Free Labor Development
AIRD	Association of Industries of the Dominican Republic
APEC	Association for Education and Culture
B/C	Benefit/Cost
BLRJL	Business, Legal, Regulatory, Judicial, Labor
CAC	Conciliation and Arbitration Council
CEDEMPRESA	Center for Research and Study of Business Law
CEDOPEX	Dominican Center for Export Promotion
CEIS	Commission for Economic Integration Schemes
CENAPEC	Center for Correspondence Education
CNHE	National Council of Businessmen
CODETEL	Dominican Telephone Company
DA	Development Assistance
DEI	Dominican Educational Institution
DIGENOR	General Directorate of Norms and Standards
DT	Development Training Project
DT II	Development Training Project II
EAI	Enterprise for the Americas Initiative
EPP	Economic Policy and Practice Project
ESF	Economic Support Fund
FROR	Financial Rate of Return
FY	Fiscal Year
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GODR	Government of the Dominican Republic
GTZ	German Technical Cooperation Agency
IBRD	International Bank for Reconstruction and Development
ICDA	Dominican-American Culture Institute
IDB	Interamerican Development Bank
IDT	Dominican Institute of Technology
IESC	International Executive Services Corp
IMF	International Monetary Fund
INFOTEP	Institute for Technical and Professional Education
INTEC	Technical Institute of Santo Domingo
IPC	Investment Promotion Council
IPL	Loyola Polytechnic Institute
IPR	Intellectual Property Rights
IRR	Internal Rate of Return
ISO	International Organization for Standardization
ITECO	Technical Institute of Eastern Cibao
JAD	Dominican Agribusiness Board

LAC	Latin America and the Caribbean
LOP	Life of Project
LRJ	Legal, Regulatory and Judicial
NAFTA	North American Free Trade Agreement
NGO	Non-Governmental Organization
NPV	Net Present Value
OAS	Organization of American States
OICP	Office of Industrial and Commercial Protection
ONAPLAN	National Planning Office
ONDA	Office of Copyrights
PACD	Project Assistance Completion Date
PASA	Participating Agency Service Agreement
PET	Productivity Enhancement Team
PID	Project Identification Document
PIO/P	Project Implementation Order/Participant
PMU	Project Management Unit (STP)
PP	Project Paper
PPAS	Project Performance Assessment System
PROAG	Project Grant Agreement
PUCMM	Catholic University
PVO	Private Voluntary Organization
RSSA	Resources Support Services Agreement
SEEBAC	Secretariat of State for Education and Fine Arts
SEIC	Secretariat of State for Commerce and Industry
SESPAS	Secretariat of State for Public Health and Social Assistance
STP	Technical Secretariat of the Presidency
TIO	Trade and Investment Office (USAID/Santo Domingo)
TPIC	Trade Practices Institutional Contractor
TPPI	Trade Practices and Productivity Improvement Project
UCE	Central Eastern University
UNAPEC	APEC University
UNDP	United Nations Development Programme
UNIBE	Iberoamerican University
UNNE	Northeastern University
UNPHU	Pedro Henríquez Ureña National University
USDH	United States Direct Hire
UTESA	Technical University of Santo Domingo

I. SUMMARY AND RECOMMENDATIONS

A. Recommendations

It is recommended that A.I.D. approve the Trade Practices and Productivity Improvement (TPPI) Project No. 517-0267 with life-of-project (LOP) funding of \$7.0 million. The Project will have a six-year obligation period, and an implementation period of seven years with a Project Assistance Completion Date (PACD) of September 30, 2000. The Project is directed at removing legal, regulatory, judicial and productivity constraints to private enterprise development in the Dominican Republic through an integrated approach of technical assistance, training and policy dialogue favorable to international trade liberalization.

B. Summary

The Project goal is increased and diversified external trade. The Project purpose is to support adoption and maintenance of legal, regulatory and judicial reforms and improvements in productivity to increase trade and investment.

The TPPI Project conforms to the strategy and programs of the Government of the Dominican Republic (GODR) as it strengthens the implementation and effectiveness of legislative and policy reforms achieved by the government. The Project also supports A.I.D.'s program goal for the Dominican Republic of broad-based and sustainable economic growth within a democratic environment as it will increase and diversify external trade, leading to increased employment and income.

The Project has two components: Trade Practices, aimed at supporting business, legal, regulatory, judicial and labor (BLRJL) reforms for achieving internationally accepted standards related to trade and investment; and Productivity Enhancement, directed at strengthening labor-management collaboration (industrial relations) and expanding or upgrading the productivity of Dominican private enterprises active in international trade.

The Trade Practices component will address: customs standards and administration; intellectual property rights protection; dispute settlement mechanisms; development of uniform codes of product and workplace standards; and the Productivity Enhancement component will address productivity at the level of the firm, through basic skills enhancement and training in modern management methods; and at the productive systems level, through facilitation of access to modern technology related to the achievement of world-class standards of product, workplace and environmental quality.

II. PROJECT BACKGROUND AND RATIONALE

A. Recent Economic Situation

The economy of the Dominican Republic, essentially based on agriculture, traditionally has been highly dependent for its foreign exchange requirements on the export of primary goods, principally sugar, tobacco and minerals, including gold and ferronickel. The country has followed the practice, common to the region, of attempting to industrialize through import substitution with incipient industries protected from foreign competition through high tariffs and numerous nontariff import restrictions.

The Dominican Republic has attempted to lessen its dependence on traditional exports through the diversification of agriculture, enclave export processing industries, and tourism development. There has been some success in developing nontraditional agricultural exports, particularly fruits and vegetables. Export processing zones began in the 1960's and started showing significant growth in the late 1970's. Expansion of tourism facilities also took place during this period.

The world recession of 1981-83 had a substantial impact on the Dominican Republic as it did on almost every other country in the region. The GODR found it impossible to maintain parity between the Dominican Peso and the U.S. dollar and its attempts at keeping an overvalued currency during the period 1979-83 discouraged investment in export processing, and also made the country relatively expensive as a tourist destination. Monetary reform, later on, placed the official exchange rate essentially at parity with the market rate, triggered a sharp expansion of offshore export processing and further encouraged tourism and nontraditional exports. By 1985 the country was showing evidence of a strong economic recovery.

Yet little change took place in the basic legal, regulatory and judicial framework of the country. This worsened the impact of inappropriate government macroeconomic policies during the period of 1986-1990 which led to turbulent economic conditions in the Dominican Republic including a decline in real gross domestic product (GDP) of 5.4% in 1990. Large public sector deficits, rapid expansion of the money supply, high rates of inflation, default on foreign debt, loss of foreign reserves, and shortages of basic commodities and electric power led to capital flight, loss of investor confidence and substantial public discontent.

The GODR then concluded that economic reform was unavoidable. The GODR undertook a program of "new economics," the first phase of which increased prices on state-regulated goods (e.g., gasoline) and services, doubled the cost of electricity, let interest rates flow with the market and put pressure on commercial banks to meet legal reserve requirements. In a second phase the official exchange rate was again brought to parity with the market rate, gasoline prices were maintained at the 1990 price, despite declines in international prices, with the differential accruing as

government revenue, and a package of tax reforms increased public revenues to the extent that the central government showed a budgetary surplus in 1991. The stand-by agreement signed with the International Monetary Fund (IMF) in August 1991, paved the way for GODR debt negotiation with its foreign creditors. In the area of external debt management, the GODR successfully negotiated all its bilateral and multilateral foreign official debt, and is currently negotiating commercial debts with commercial banks.

The economic reform program produced positive results. The turnaround has indeed been remarkable. During 1992, real GDP grew at some 7.8%, a real per-capita GDP increase of some 5.4%. Nevertheless, due to the negative 5.4% and 0.9% growth rates of 1990 and 1991 respectively, present real per-capita GDP is still below 1989 levels. Fortunately, the inflation rate remains low, at 6.4% for 1992, and there has been a continuation of market-determined exchange rate and interest rate systems established under 1990 reforms. Consolidated public sector finances showed a surplus of 2.1% of GDP for the year. Also, there was a greater growth in the free trade zones and tourism sectors which, combined with a strong inflow of short-term private capital, led to an increase in Central Bank foreign exchange reserves.

Increasing exports is essential because the terms of trade for the country deteriorated about 10% during the last year due to a significant decline in prices of traditional exports such as coffee, sugar and ferronickel. Merchandise exports fell while imports increased by 26% in 1992. The trade deficit for the year amounted to US\$1,616 million, leading to a current account deficit of US\$524 million. The country financed this unprecedented deficit with private short-term capital inflows, a measure which cannot be sustained in the long-run. Imports from the United States during 1992 increased by 25% over 1991 levels, according to U.S. Department of Commerce statistics. This increase in imports was due in part to reductions in trade barriers and pent-up demand due to the 1990/91 restrictions, and an overall increase in real income for 1992.

As the GODR and the private sector prepare to overcome present problems in international trade, they are both becoming increasingly aware that the Dominican Republic now faces what in effect is a moving target in which a rapidly changing world requires increased confidence in trade and investment rules, and one in which continuously rising international competition demands higher productivity and adjustments in terms of adherence to international norms, quality, costs and technology. The challenge is compounded by the imminent possibility of new regional and other multilateral economic agreements, e.g., the North America Free Trade Agreement (NAFTA) and the Uruguay Round for the General Agreement on Tariff and Trade (GATT), which will demand compliance with international trade standards/regulations, if Dominicans are to maintain or increase access to foreign markets.

The Dominican Republic cannot continue its present inadequate and cumbersome business and investment environment and low levels of worker productivity

if it hopes to increase exports necessary to finance the imports needed for continued economic growth.

B. Constraints to Trade and Productivity to be Addressed by the Project

Most sectors of Dominican society agree on the country's need to adopt a development strategy encouraging sustained economic growth based on exports, market forces and international competitiveness. Since 1990, the GODR has moved substantially in this direction through improved monetary and fiscal policies which have proven conducive to economic stability and economic growth.

This Project's task of building on the present economic base to expand Dominican industrial and agricultural production for trade is directed precisely at the problems presented by an inadequate business and investment climate and generally low worker productivity. The approach of the proposed Project is to ameliorate business, regulatory and labor constraints which negatively affect trade and to increase productivity and private sector competitiveness. A summary of constraints by component to be addressed by the Project is provided below.

1. Constraints Affecting Trade Practices

The analysis of constraints in the Trade Practices area is based on several sources: a) a report on trade and investment priorities by CEDEMPRESA (a Dominican NGO which is closely associated with an international law firm specializing in trade and investment issues); b) a report prepared by the GODR's Technical Secretariat of the Presidency (STP) titled "Constraints to Trade and Investment;" c) a review of trade and investment laws and regulations prepared by a prominent Dominican law firm, Pellerano & Herrera, commissioned by STP; d) information gathered during the PID Consultative Committee meetings (which included representatives from GODR, the private sector and other international donor agencies) (see Annex I); and e) interviews with potential implementing agencies during preparation of the Project Paper.

During the Project design phase, constraints identified by the above-mentioned sources ranged from the way import duties are assessed, high import duty rates, and requirements for consular invoices to lack of protection for intellectual property, difficulties in land titling, and excessive bureaucratic review of export and investment applications and documentation.

BL&JL constraints and areas for reform were identified and prioritized by both the private and public sectors in the Dominican Republic. The need for customs reform was the major area of consensus. A variety of customs and ports-related reforms were supported by both the public and private sectors in order to expedite the release of merchandise, reduce administrative taxes and unnecessary bureaucratic costs, and to eliminate inconsistent application of laws. The specific reforms which will be supported

by the proposed Project include: improvements in the valuation system, the elimination of consular invoices, and the updating of the Customs Law (3489/1953) and the Tariff Regime (170/1971).

Revisions in the Foreign Investment Law (861/1978) were also sought by both groups, specifically to address limits on participation, repatriation, and registration of firms, and to create a flexible regime which is non-discriminatory with respect to foreign investment. They also identified a need for changes in the Export Promotion regime, particularly with respect to mechanisms for temporary importation of raw materials and inputs.

Both the GODR and the private sector also agreed there is a need for improvements in: the protection of intellectual property rights, the mechanisms for dispute settlement (business and labor disputes), the land titling system, and the legal and regulatory environment in order to comply with requirements for free trade and regional integration agreements. In the majority of these areas, the private sector recognizes they will have to work closely with the GODR to overcome these constraints.

The Technical Analysis Annex summarizes the methodologies and sources used to identify and prioritize constraints, and describes those constraints in greater detail.

2. Constraints Affecting Productivity

The Dominican Republic is at a crossroads. In the past many businesses felt that investments in productivity improvement would be ineffective because of the unfavorable business environment in which they operated, or unnecessary because of their captive national markets. Now with a more stable economy, productivity will provide the edge for successful businesses who no longer hide behind those arguments and which also attempt to adapt to a more open economy. In the words of one businessman interviewed, "competition is going to hit companies like a rainstorm if they don't adopt new practices," while another stated that companies are "going to go bankrupt if they don't adapt." Although further improvements in the trade and investment environment remain a high priority, economic progress in recent years turned the attention of innovative companies to increasing their productivity at the firm level. In addition, with a more open economy, Dominican companies will face more competition in their national market from imports, and a growing number of companies will be entering the international market to compete as first-time-exporters. Investment in productivity improvements will become a necessity for companies which want to compete and continue to grow.

Several constraints to improved productivity were identified during the Project design, including: a) the need for education about the concept of "productivity" and what it means to companies in today's global business environment; b) the need for

training and technical assistance in implementing modern management practices; c) the need for skills training, particularly to develop supervisory and middle management skills; d) the poor level of basic education among the work force; e) the lack of statistics regarding productivity, including baseline data and benchmarks; and f) the need to train a pool of first-class Dominican management consultants in tune with the needs of companies in today's global economy.

A major Dominican constraint to effective production (identified in the CEDEMPRESA report) is the very low educational level of the work force. Studies covering the educational sector reveal that the majority of students leave school with rudimentary qualifications acceptable only for low-level skilled jobs or unskilled labor; 50% of the economically active population is functionally illiterate. In an age of high technology and global competition this is unsatisfactory. The poor quality of education seriously handicaps development of innovation in any sector, either public or private. Studies conducted by the Ministry of Education and the Interamerican Development Bank (IDB) reveal that the majority of students leave school with rudimentary skills which are inadequate for a productive labor force. At present there is a massive campaign to improve the educational sector but this long-term commitment to change will not have effect for some time. It will be necessary to introduce a different style of education in any new program in order to overcome the educational shortcomings of graduates of the school system.

C. Program Factors

1. Conformity with the Strategy and Programs of the Government of the Dominican Republic

The comprehensive economic reform program that the GODR implemented after August 1990 continues to produce positive results. As noted in Section A, Recent Economic Situation, the Dominican economy grew substantially in 1992 and prospects for 1993 for GDP growth in real terms are estimated at close to five percent. Qualitative observations include a more positive attitude within the Dominican business community and continued dynamism in tourism. Maintenance of the economic reform package would appear assured as the IMF has approved a new standby agreement with the GODR on July 9, 1993.

As to the tariff regime, the government continues to refine the administration of tariff reforms which have reduced tariff schedules to fewer categories with variable rates (generally between 3%-35%). In fact rates may be higher because of selective taxes and exchange rate surtaxes. Non-tariff barriers still remain so. Much remains to be done to bring Dominican practices in line with new laws and regulations liberalizing trade and investment. A major activity of the TPPI Project will be directed at precisely this area.

In mid-1992, new tax code reduced maximum marginal income tax on individuals and businesses from 73% to 30%, substituted selective taxes on consumption for ad-valorem equivalents, and raised the value added tax from 6% to 8%. The success of the 1992 tax reform (income and value added taxes) produced impressive results. New tax and tariff reforms allowed the GODR to increase government revenues by 30% above 1991 levels, further giving the GODR an opportunity to reduce its disproportionate reliance on revenue generated from customs duties and other fees on imported and exported goods. Implementation of the TPPI Project will offer the GODR means for moving into more modern customs and duty arrangements which in turn will encourage industries and agro-industries to expand trade.

During 1992, the GODR also approved a new Labor Code which offers additional benefits to workers without threatening economic development. Implementation of the new code is in its initial stages and should be accelerating in the next two years. The 1992 A.I.D. Economic Support Fund (ESF) program included conditionality and covenants related to worker rights. The TPPI Project will also help address industrial relations concerns by assisting the public and private sectors to set up mechanisms for timely and fair arbitration of labor disputes commensurate with international standards.

Another key Dominican reform under discussion is a complete revision of the monetary/financial code. This revision will define the new institutional parameters within which all financial institutions in the country operate. In 1993, the GODR will continue its efforts, possibly leading to enactment of new investment legislation giving equal treatment to domestic and foreign businesses. The TPPI Project will complement GODR initiatives aimed at ensuring that revisions of investment laws, regulations and practices are expeditiously approved and implemented.

In the area of regional integration, the GODR formed in 1992 the Commission for Economic Integration Schemes (CEIS). Its main purpose is to formulate policy reforms and strategies towards bringing the country into regional or hemispheric economic pacts. The CEIS is headed by the Dominican Republic's Vice President and is composed of eight interministerial and private sector members, including the Technical Secretary of the Presidency (STP), Secretary of Foreign Relations, Secretary of Finance, the Lomé Convention Coordinator and the Director of the Dominican Export Promotion Center. Since the issues involved in trade and investment liberalization, environment and labor are intimately related to the negotiating agendas found in the Uruguay Round/GATT and other regional trade agendas, the CEIS has placed a great deal of importance on analysis of benefits and costs likely from such international arrangements. The CEIS is expected to sponsor additional analyses at the sectoral level in the short-run. These analyses will serve as further guidance for TPPI activities directed at addressing BLRJL constraints.

2. Relationship to USAID Strategy and Other Projects

The USAID's FY93-FY94 and FY94-95 Dominican Republic Action Plans laud the GODR's implementation of the comprehensive economic reform program started in August, 1990. Yet these Action Plans also emphasize that further expansion and integration of trade and investment depends on additional reforms and actions. To assist the GODR and the Dominican private sector in accomplishing these reforms, USAID/Santo Domingo received AID/W authorization to approve the TPPI Project in FY 1993 to help expand trade and investment. The TPPI Project is the second USAID-funded DA project designed to assist the country to successfully stay the course of economic reform. While the IMF is focussed on financial/monetary parameters, the USAID project already approved to promote stabilization and economic reform is the Economic Policy and Practice (EPP) project. This project supports USAID's No. 1 strategic objective of increasing and diversifying external trade, since it is designed to assist the country to sustain economic reform through informal discussion and consensus building.

The EPP project paper states that economic difficulties in the Dominican Republic stem from several causes, including falling world demand for traditional exports, increasing market competition, a lack of electrical power, and a poorly trained labor force. The EPP project focusses on policy and macroeconomic issues. Its purpose 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." This project, like others currently in the USAID portfolio, is built on the assumption that economic reforms, and increased trade and investment, can only be sustained if public support for the broad benefits of these adjustments is widely agreed to and acted upon in people's daily public and business practices. While the EPP project concentrates on economic policy concerns, TPPI concentrates on the feasibility and practical implications of proposed macroeconomic changes impacting on the trading community.

The TPPI Project is like the third leg on three-legged stool. One leg is democracy, the second leg is sound economic decision-making and the third leg, TPPI, consists of implementing business, legislative, regulatory judicial and labor reforms essential to increased and diversified trade. The TPPI Project focusses on the BLRJL matters from the viewpoint of the firm, i.e., how to make the business and investment climate better as well as compatible with the international trading scheme. The EPP project focusses on macroeconomic policy matters, i.e., improving the broad, economic framework in which BLRJL matters play out.

The analogy of a three-legged stool works only if one keeps in mind that the three legs must be firmly planted on a foundation of commonly held beliefs, which place high value on modern business practices, such as honesty, equal treatment, and predictability. Some allude to this as the "business culture," which includes all the

commonly accepted societal norms and procedures for doing business, whether they are legal or otherwise. Just changing the legislative, regulatory and judicial rules will not assure a "level playing field" for investment and trade unless these rules are consistently enforced and followed by the majority of traders. Thus, it is proposed that the TPPI Project will not only seek improvements in the BLRJL environment, but will also seek effective enforcement and widespread public consensus of the need for fair enforcement. In this sense this new Project will be complementary to, and dependent upon, the USAID/Santo Domingo projects in democratic initiatives and economic policy.

For the last eight years the USAID also implemented, under the Development Training Project, an academically oriented program "to improve the efficiency and productivity ... by providing training to Dominicans already employed." That project "had major positive impact on individuals, firms and other private sector institutions," according to a June, 1993 Impact Assessment. But the same Assessment noted there were a number of areas that should be addressed in subsequent training programs.

The TPPI Project will build upon recommendations of the Assessment of the current Development Training project, which specifically suggested that:

- "a. ... Training should focus on a limited number of sectors, and a limited number of institutions within each. ...
- b. Future graduate degree programs should focus on industries or sectors rather than institutions. Analyses presented in this study indicate that Enterprise Training Programs are probably not the most appropriate planning tool for future programs.
- c. A firm or institutional approach should be maintained for short-term, non-degree training. Special attention should be given to strengthening training needs assessments, participant identification and selection training program design and delivery, and program evaluation, particularly as they relate to short-term training.
- d. Several sources of information should be considered and probably used to identify training priorities. They include expert panels, existing sector assessments and surveys of institutional training needs.
- e. Only one organization should be contracted to implement future training programs. It should incorporate individuals and units which can attend to both public and private sector institutions. Special consideration should be given to institutions which participate in the current program in order to build on acquired knowledge bases. The organization should be able to handle diverse types of training and it should be able to attend to USAID reporting requirements."

Training under the proposed TPPI Project will follow these recommendations, focussing clearly on non-academic, short-term, largely in-country programs linked to the agro-industrial sectors. If the USAID designs and approves a follow on to the Development Training project it will likely continue masters level, short-term and in-country training to employees of private and public institutions with a broader focus than the specific one proposed for TPPI which will focus on training related to productivity and trade practices. TPPI's training will be most effective precisely because it is clearly focussed around a Productivity Enhancement Team (PET) to ensure maximum follow-up within specific sectors.

The TPPI Project conforms to the latest AID/Washington guidance on Section 599 of the FY 1993 Foreign Assistance Appropriations Act, relevant sections of the Bumpers and Lautenberg Amendments, and related changes in U.S. trade and labor policy. The Project description and implementation plans explain how adherence to these statutory provisions will be accomplished under the Project. The American Institute for Free Labor Development (AIFLD) and the GODR Ministry of Labor have been consulted about the general prospects and desirability of enhancing local productivity by improving workers' basic skills as well as their right to bargain collectively. An important objective of the proposed Project is to create an effective legal and regulatory business environment and remove administrative and structural distortions that disadvantage industries, agribusinesses and workers engaged in export.

3. Relationship to Other Donor Programs

The sustained implementation of sound economic policies and related implementing laws and regulations is a necessary condition to achieving expanded and diversified external trade. Toward that end, USAID's program is closely coordinated with, and heavily intertwined with those of the IMF, International Bank for Reconstruction and Development (IBRD), and the IDB. The 1992 ESF program, for example, is conditioned on continued GODR sustained implementation of the economic reform program, whose measures are complementary to the proposed TPPI Project. The USAID collaborates closely with many international donors and with their Dominican counterparts. During the past year, the USAID participated with expert consultant IBRD/IDB technical teams, conducted extensive policy dialogue, funded non-governmental efforts to prepare public opinion and provide indigenous expertise to the government, and through a variety of projects, helped foster a sound policy environment. Progress in achieving strategic objectives in the TPPI Project should be viewed against this broad context.

The donor community is a major supporter of the reforms that dramatically turned the economy around in the past two years. Their collective effort continues to push for broader and deeper reforms, such as those envisaged by the TPPI Project. At this time it is difficult to attribute future specific reform programs to specific donors. The customs area is a good example. The United Nations Development Programme

(UNDP) has worked actively with the Dominican Customs Service during the past several years, particularly in the unification of numerous tax laws and revisions in the Tariff Code, the adoption of the Harmonized Code for classification and the computerization of customs in major seaports and airports. The DR is considering further support to reform and restructure customs in many areas identified during the TPPI Project design, such as improvements in the valuation system and updating of the Tariff Regime (170/1971). If that UNDP project is implemented, it will complement, rather than compete with, the TPPI activities because TPPI Project is limited to fairly short-term interventions with immediate payback: revision of the Customs Law, and recommendations and development of workplans for improvements in the merchandise verification system, and in the administrative and personnel area.

In addition, the UNDP has an ongoing Industrial Restructuring project, under which certain discrete activities are carried out with individual firms, to increase their productivity and to enable them to compete in the international market place. The project interventions seek to induce a series of transformations in the production processes, with a view to develop the firms' abilities to respond to new determining factors of competitiveness in the international marketplace: quality, variety, flexibility and rapid response.

The Industrial Restructuring project will complement the activities contemplated under TPPI. Whereas the TPPI Project is aimed at increasing productivity through improvements at the macro level in the legal, regulatory and judicial reforms, and at the micro level, in providing training to improve industrial relations, institute modern management techniques, and train unskilled workers, the UNDP Industrial Restructuring project is aimed at the production processes, thus complementing the activities of TPPI.

Changing policies, laws, and rules to liberalize trade will only be the first step. Even if macroeconomic reforms continue successfully, Dominican entrepreneurs are reexamining their personal beliefs as how to best conduct their private business. Exporters, politicians and consumers are finding their particular beliefs about how business is conducted do not fit very well into a liberalized trade regime where predictability and consistency are keys to success. The reward for changing business "beliefs" promises to be great: recent trade liberalization measures of the Enterprise for the Americas Initiative (EAI) and the NAFTA are creating new opportunities for developing nations, such as the Dominican Republic, to improve their stability by bringing business rules and practices closer together.

The Dominican Republic is blessed with an ambitious, hard-working, entrepreneurial class in which many members recognize the advantages of full participation in liberalizing trade reforms. Becoming a free trade participant requires that the Dominican Republic successfully continues implementing its economic reform

program, undertakes a sector investment program (or otherwise make significant progress toward an open investment regime), and completes negotiations for debt rescheduling with commercial banks.

Such actions will enable the GODR to establish a favorable investment climate, modernizing the body of investment, customs, and commercial regulations that presently cause excessive trade delays, uncertainties and corruption. Business practices, focussed around the manner in which commercial regulations are enforced, will also have to be modernized so that arbitrary fees are neither solicited, nor paid, by businesses.

III. PROJECT DESCRIPTION

A. Goal and Purpose

The Project goal is increased and diversified external trade. The Project purpose is to support adoption and maintenance of legal, regulatory and judicial reforms and improvements in productivity to increase trade and investment. The Project will have a life of Project funding of \$7 million, and an anticipated duration of seven years, with a PACD of September 30, 2000.

B. Project Strategy

The TPPI Project will support BLRJL reforms through a series of short-term technical assistance interventions with GODR and/or private sector institutions. The Project will support reforms at several levels: 1) the adoption and/or implementation of new legislation and regulations which meet internationally accepted product, labor and phytosanitary standards; 2) improvements in operational systems and upgrading of technical capabilities of personnel in the implementing agencies; and 3) public education and technical training of individuals in both the GODR and the private sector in emerging, specialized areas such as intellectual property rights protection, arbitration, free trade agreements, labor relations and productivity enhancement.

The TPPI Project is a demand-driven Project which will respond to changes in the national and international trade and investment climate, and the proactiveness of both individual GODR and private sector institutions. This implies a need for a flexible design on two fronts: 1) to respond to peaks and valleys in terms of levels of effort, depending on the absorptive capacity of the implementing institution; and 2) to respond to changes in priority areas and activities based on changes in the national, regional and international trade and investment climate or other donor-funded support.

The Trade Practices component agenda of the Project was identified by Dominican public and private sectors, and specific Project activities are proposed for Years 1 to 4 in conjunction with counterpart GODR and private sector institutions willing to enter into cost-sharing arrangements to implement Project activities.

The trade and investment environment worldwide is changing rapidly, and at present both private and public sectors in the Dominican Republic are limited in their capacity to keep pace with these changes. It is essential that the Project provide limited support to strengthen the GODR's capability to: 1) systematically identify relevant changes in the international trade and investment environment, particularly with respect to bilateral and regional free trade agreements; 2) formulate and implement strategies to enhance the Dominican Republic's competitiveness and productivity; and 3) communicate and educate the business community as to the effects these changes will have on their businesses.

The TPPI Project is designed to address BLRJL areas of greatest common concern to both the public and private sectors in the Dominican Republic, and to encourage the level of public and private sector policy dialogue and exchange that was evidenced in the drafting of the new Labor Code. The Trade Practices Component of the Project will be implemented primarily by a public sector institution, the Technical Secretariat to the Presidency (STP), but that institution will coordinate with a number of other public sector and private institutions involved in establishing or carrying out trade and productivity activities in the Dominican Republic. The STP's efforts will be strongly complemented by a wide array of private sector institutions with special interests in trade or agro-industrial productivity. The proposed Project activities will focus on targets of opportunity for trade liberalization in situations where the public and private sectors are committed to work in concert to achieve common trade goals or improvements in productivity.

While the private sector indicates strong willingness to cooperate with GODR, experience from the consultative process used in this Project's design demonstrated a need for a more formal, long-term institutional mechanism for information sharing and consensus building. The USAID/Dominican Republic's proposed Administration of Justice project, scheduled to begin in FY 1995, will further support this important joint public/private sector approach to building consensus for reforms. As the TPPI Project takes root, Dominicans may develop a joint, public-private sector consultative body along the lines of Mexico's Coordinating Council for Business Organizations on Foreign Trade (COECE) which will support effective policy and regulatory reforms over the long-term. Meanwhile, this Project description indicates which governmental and private entities are expected to work together in the near-term to meet anticipated demands for reform during the first four years of the Project implementation (for the Trade Practices component) and for the entire seven years (for the Productivity Enhancement component).

The role of the public sector is key in the success of the TPPI Project. Although proposed Project activities may seek to upgrade systems and train personnel in specific GODR offices, comprehensive improvements in administrative systems, such as those proposed under the Civil Service Reform, must continue to be developed and implemented across GODR agencies. This important area will be addressed by a

USAID/Dominican Republic project, Civil Service Reform, scheduled to begin in FY 1995. To ensure progress in this reform in the interim the TPPI Project Agreement will contain conditionality clauses requiring the GODR to achieve certain reforms concurrent with Project implementation. This is necessary in order to overcome the historical administrative uncertainties associated with public administration in the Dominican Republic and to assure sufficient institutional independence and continuity to overcome the BLRJL obstacles described above. The implementation plan details reforms expected during Project implementation.

TPPI Project activities in the BLRJL area are discrete, delimited interventions as described herein, rather than open-ended programs. In each of the BLRJL areas, activities (i.e., legal reform, improvements in operations, and specialized training) will be periodically assessed as to their impact, based on annual targets mutually established between the GODR and A.I.D. Subsequent activities in any one area will not be approved if insufficient progress is made in meeting Project targets. To ensure that progress is well planned and tracked by the Project Management Unit and the USAID there will be annual planning sessions resulting in written work plans, as well as a review of accomplishments during the past year. If insufficient progress is made against annual goals the Project Management Unit, in conjunction with A.I.D., reserves the right to eliminate or terminate unsuccessful programs. Goals and specific objectives will be evolving to some extent, and will be set down by public and private organizations participating in the Project, so substantial self-evaluation is expected of each organization which has chosen to participate in the Project.

This kind of "pass-fail" monitoring will become critical during the third year of the Project because a comprehensive evaluation of progress in each of the trade practices areas will be conducted. This mid-term Project evaluation will take place approximately 18 months after the next elected government has been in place and the GODR, the private sector and A.I.D. will reach mutual agreement as to whether to continue the project. The "pass/fail" decision will then be made after reviewing progress against three criteria:

- 1. Commitment of participants measured by provision of counterpart funds, to complete the tasks and make the reforms they have chosen in their annual work plans, and within the general parameters of the Project Paper.**
- 2. Level of progress measured against the projections (outputs) described in the Project Agreement.**
- 3. Likely permanent sustainability of trade reform and productivity improvements, measured against public and private actions taken to institutionalize reforms. For example, the country may elect to adopt a public-private sector consultative body, like that of Mexico's Coordinating Council for Business Organizations on Foreign Trade, or a similar, less-complex type of organization to assure sustainability.**

The evaluation could even conclude such a body to be unnecessary if both criteria 1 and 2 are fully achieved, and

4. Increased real trade and productivity attained, measured against the Project Performance Indicators described herein on pages 42-45.

If sufficient progress has been made against these criteria, priority areas can be reevaluated, additional trade practices activities can be planned for Years 5 to 7. If the Project fails to pass the four criteria described above, the individual activity or component will be terminated.

The workplan for the first four years of the Trade Practices component reflects agreements growing out of discussions in some fourteen meetings of the Dominican Consultative Committee which worked on the Project design during the last year. Similar discussion led to the choice of activities within the Productivity component.

The TPPI Project will address productivity enhancement needs in the country primarily through firm-level support to solve specific needs as detailed below. The Dominican Republic's needs in the Productivity Enhancement area are varied: raising awareness of those firms still trying to ignore the inevitable competition, providing specific information, technical assistance and/or training to firms which recognize the need to invest in their future, and dealing with longer term underlying issues, such as efforts to improve basic educational skills of workers.

C. Project Assistance Elements by Component

In order to improve the competitiveness of Dominican firms in the external trade sector, the TPPI Project will address two areas: 1) Trade Practices and 2) Productivity Enhancement. The Trade Practices component focusses on improving the BLRJL environment in which firms operate, with an eye towards improving the environment in which to achieve internationally acceptable trade and investment standards. The Productivity Enhancement component will deal with improving competitiveness at the individual firm level by assisting firms and workers to identify and address their internal constraints to productivity.

The Technical Analysis VI-A, goes into considerable detail on how these two project components relate and interact. It also explains the rationale for providing funding for only four years for discrete interventions on trade practices, while a full seven years of funding for productivity enhancement, a longer-term effort which will achieve maximum success if BLRJL policy reforms are achieved early under the trade practices component.

Technical Assistance for Trade Practices

During implementation of the proposed Project, **Participating Agency Service Agreements (PASAs) or Resources Support Services Agreements (RSSAs) will be used, to the maximum extent possible**, for the provision of technical assistance under the Trade Practices component, in accordance with A.I.D. Handbook 12 requirements for implementation of PASA/RSSA services. This measure will assure that, to the maximum extent possible, technical assistance provided by the Project accurately reflect United States' trade policies and practices, except in cases where other federal agencies cannot participate with A.I.D. as a matter of policy or other limitation. This arrangement will also ensure that the best, most suitable, technical advice is provided by the Project to the GODR and to the Dominican private sector.

A.I.D. Handbook 12, "Use of Other Federal Agencies to Implement AID Programs," will provide the basic guidelines for ensuring that statutory and regulatory authorities are adhered to during Project implementation. The technical assistance services sought for the Trade Practices component of the Project are expected to be effectively available only from other U.S. federal agencies, those that have a clear and demonstrable suitability over private sources and an excess capacity to perform services desired by the Project, without unduly interfering with their domestic programs. OMB Circular A-76 will be used to justify A.I.D.'s decision to use other U.S. Government Agencies.

It is planned to have five U.S. federal agencies participate in the Trade Practices component of the Project. The table below indicates which participating agencies are expected to be called upon during Project implementation, but this list may vary slightly, depending upon the USG's future actions reassigning responsibilities under the "Trade Act of 1974," and related legislation linked to functions of the Office of the U.S. Trade Representative. PASA/RSSA Agreements may, therefore, be changed accordingly during Project implementation, although this is the design committee's current best estimate of participating agency assignments for providing technical assistance, by component. During negotiation of these PASAs/RSSAs the USAID will consult with AID/W to determine if all the proposed PASAs/RSSAs can be procured under the regional "Trade and Investment Development Project (598-0797).

TPPI PROPOSED PASA/RSSA ARRANGEMENTS		
Project Activity	PASA/RSSA	Services
Customs Standards/Administration	U.S. Customs	Laws and Procedures
Dispute Settlements: Re. Business Intellectual Property Rights	U.S. Commerce Patents & Trademarks ¹	Product/workplace Standards Laws and Enforcement
Copyrights	Library of Congress	Laws & Enforcement
Uniform Codes (Phytosanitary)	USDA/APHIS	Phytosanitary Standards
Dispute Settlements: Re. Labor and Labor Code	Department of Labor	Dispute Settlements

1. Trade Practices

Four BLRJL constraints will be addressed by Project activities during Years one to four, based on the following criteria: relative level of interest by the GODR, strength of the Dominican private sector and the USG in the area; availability of counterpart funding from relevant institutions; adequate level of support from specific constituents in either the public or private sector; generally agreed urgency to address the issue; and current or anticipated assistance from other donor agencies in the area. The four areas include:

- Customs Standards and Administration
- Intellectual Property Rights Protection
- Dispute Settlement Mechanisms (Business and Labor)
- Uniform Codes of Product and Workplace Standards

In accordance with the Project strategy of targeting limited assistance to a few key areas promising early success, these activities will focus on targets of opportunity for trade liberalization in situations where both a public sector organization and at least one private sector institution have been identified as being committed to work in concert to achieve common trade liberalization goals. The BLRJL agenda in the country currently driving the TPPI Project will change during the life of the Project in response to changes in the national, regional and international trade and investment environment.

¹The head of the international department of this "fee-based" agency indicated that they are unlikely to be able to provide services desired at this time because of limited resources, but because negotiations with A.I.D. continue and this is best source, it remains in the list. The World Intellectual Property Organization is a good alternative if U.S. Patents and Trademarks cannot participate. The latter would be directly contracted by the USAID.

At the present time there is no umbrella institutional arrangement in the Dominican Republic, similar to the Mexican model described above, which could serve as a forum for keeping abreast of changes and defining national priorities in the regional and international trade arena. This capacity to study changes, develop a national course of action and disseminate this information to a broad audience in the Dominican Republic is a critical "missing link" at the present time. Under this activity, technical assistance and training will be assumed by the Commission for Economic Integration Schemes (CEIS) to organize a series of seminars and workshops on national and regional trade issues and to improve skills of persons establishing and negotiating national and regional trade and investment agenda. No support to cover operating expenses will be provided to the CEIS.

CEIS will be provided assistance to organize: a) two national seminars, such as the recent NAFTA Seminar, and b) eight regional workshops. While national seminars will define broader national policy agendas, regional workshops will be important in educating entrepreneurs throughout the country regarding changes in the international trade and investment environment and implications and opportunities for Dominican businesses. The latter could be coordinated in conjunction with private sector organizations with country-wide membership, such as the Federation of Chambers of Commerce (FEDECAMARA) and the American Chamber of Commerce. Training will also be provided to a limited number of GODR and/or private sector representatives designated by the CEIS in the area of free trade agreements and related issues such as the Harmonized Customs Code. National and regional seminars, in conjunction with the mid-term evaluation, will provide useful input for redefining priority BLRJL areas for trade practices efforts, if any, to be started in Years 5-7 of the Project.

Because priorities and activities are clearly defined, along with implementing institutions for Years 1 to 4, they are described in detail below. (Descriptions of proposed activities under six areas originally endorsed by the Dominican Consultative Committee designing this Project also included Real Property Rights Associated with Investment and Legal Framework for Investment, Technology Transfer and Exports. These activities were eliminated to simplify the Project and ensure greater success with the limited governmental and private resources available.)

a. Customs Standards and Administration

Progress in bringing Dominican customs into compliance with international norms is noteworthy in recent years: the unification and simplification of numerous tax laws, the adoption of the Harmonized Code for classification, and the automation of many processes within the General Directorate of Customs and the duty collectic :ships are just few of the examples. Although these changes reduced delays for clearance of merchandise, clearance time for imported goods still averages six weeks, far longer than the international, and also the Dominican free trade zone standard, of three days.

A.I.D. will provide a Project contribution of \$330,000 for the provision of PASA/RSSA technical assistance and training to the Dominican Customs Service and private sector associations so they: (1) support Dominican initiatives associated with updating the Customs Law (3489/1953) and respective changes in related laws and regulations; (2) make recommendations regarding improved procedures for merchandise verification and release; and (3) recommend ways to improve the efficiency and productivity of customs through better administrative and personnel systems. When appropriate and feasible, expatriate technical assistance in this area will be provided through a PASA/RSSA arrangements with the U.S. Customs Service/ Department of Treasury, which is currently providing assistance to several Caribbean and Central American countries in areas such as inspection and control, commercial operations, and enforcement.

The Dominican Customs Law is outdated and must be revised if the next stages of Customs reform, particularly in the administrative area, are to occur. The most recent revision of the law took place in the early 1970's, but the Organization of American States (OAS) carried out a study of the law in the early 1980's in conjunction with the Dominican Tax Institute (INCAT) and made recommendations for further changes. Foreign and local technical assistance will be provided to work with Dominican Customs to carry out a comprehensive review of the Dominican Customs Law and related laws, and the previous studies, as well as updated customs laws from other Latin American countries which experienced similar reforms in recent years, including Chile, Costa Rica, Honduras and Mexico. Draft legislation will be presented and discussed in a workshop with related GODR and private sector agencies, and Dominican Customs and Port Authority officials will participate in site visits to Mexico and Costa Rica to observe how those systems operate.

In accordance with the Project Strategy encouraging public and private sector policy dialogue, once the final draft law is prepared ("Proyecto de Ley"), the Project will fund local technical assistance to a limited number of progressive private sector associations in Santo Domingo and Santiago to prepare position papers and to organize a workshop for their members and Customs officials to reach consensus on a new customs law.

Technical assistance in the area of verification and release of merchandise will be provided to Dominican Customs, in close coordination with the Port Authority, to develop recommendations and a workplan for improving the current verification and release system, with particular emphasis on random inspection. The recommendations and workplan will be presented and discussed at a workshop with members of the Committee for the Improvement of Efficiency in the Ports ("Comisión de Agilización de Puertos", which includes Customs, the Port Authority and private sector representatives). In addition, officials from Customs, the Port Authority and representatives from the Commission will participate in an observational trip to study procedures in the U.S. and Chile.

Although progress continues in Customs procedures in many areas, changes have been gradual and the agency is still burdened with a very poor public image because of its inefficient administrative structure and physical plant layout. The general public's attention remains focussed on improvements still needed, and few persons recognize the positive changes which have occurred. Customs realizes that an improved image will come from better trained personnel and more efficient systems, as well as a public campaign to tout progress made in recent years. The National Office of Administration and Personnel, which is charged with implementing the Dominican Civil Service Reform, conducted a personnel census of Customs and is beginning to work on designing personnel reforms. Limited PASA./RSSA technical assistance will be provided to Customs' one-person Organization and Management Office (O&M) to develop recommendations for improving administrative and personnel systems, improving human resource development, redefining organization structures and functions of personnel, restructuring the current physical plant layout and improving the image of Customs. Particular emphasis will be given to improving the image of Customs personnel at "points of contact" at airports and seaports through training and public relations efforts. If requested after year three, follow-on technical assistance could assist in implementing these recommendations.

b. Intellectual Property Rights Protection

To achieve U.S. levels of Intellectual Property Rights (IPR) protection, many recognize there is a need for legal and regulatory reform and implementation, as well as training of professionals in the IPR field in the Dominican Republic. A public campaign is also necessary to increase awareness and acceptance on the part of all sectors of the Dominican economy regarding IPR.

A.I.D. will provide a Project contribution of \$460,000 for the provision of PASA/RSSA or equivalent technical assistance, commodities and training to: (1) support Dominican initiatives associated with the drafting of new laws and implementation of corresponding regulations; (2) develop or improve systems for registration and filing of applications; (3) promote understanding of IPR issues; (4) develop capabilities to investigate and verify cases of IPR infringement; and (5) provide IPR-related training to judges. In accordance with the Project Strategy, Project support will be carried out in conjunction with both GODR and private sector institutions: the Office of Copyrights (ONDA), the Office of Industrial and Commercial Protection (OICP), and the Chamber of Commerce and Production of the National District. When feasible, technical assistance will be provided through a PASA/RSSA arrangement with the Patents and Trademarks Office of the U.S. Department of Commerce and the USG copyright office. All technical assistance provided will be coordinated through AID/W with appropriate USG offices to assure that advice provided is in line with U.S. accepted standards for IPR Protection.

The first IPR-related activity will be for copyrights. Activities will be carried out in conjunction with ONDA, a relatively new office which is responsible for assuring compliance with IPR law, providing advisory services regarding copyrights, and acting as a mediator in matters related to violations of IPR as per requests from the parties in conflict. The Project will provide technical assistance, training and commodities to ONDA to carry out activities in the five areas mentioned above. In particular, PASA/RSSA or equivalent technical assistance will assist in adapting U.S. and internationally accepted regulations for copyright protection under the Intellectual Property Rights Law (Law 3286) with respect to books, sound recordings and software to the Dominican milieu.

A second Project activity will provide assistance to the Office of Industrial and Commercial Protection/Secretary of Industry and Commerce, which is responsible for registering all patents of invention-discovery as well as trademarks and commercial names. PASA/RSSA or equivalent technical assistance and training will be provided to draft new Patent and Trademark Laws, and to design and implement filing and patent registration systems.

Given the technical nature of most patents, trademarks and copyrights, IPR-specific training of administrators, examiners and adjudicators is also required. ONDA and OICP staff will receive U.S. and in-country training through courses, seminars and conferences in the following areas: (a) techniques for identifying abuse and illegal use of international patents and trademarks registered with others, (b) matters related to the administration, enforcement and protection of patents, trade marks and the names of firms, and (c) implementation of new laws and regulations.

Many musicians, authors, publishers and recording studios representing the private sector will help ensure Project success in IPR, particularly with respect to public education and training of professionals for IPR enforcement. The Official Chamber of Commerce and Production of the National District will participate in the Project in the area of IPR. The Chamber is the only private sector member of the Commission for Copyright protection and it is also charged with the registration and publishing of all commercial names and trademarks first registered with the Secretariat of Industry and Commerce.

PASA/RSSA or equivalent technical assistance and training will be provided as appropriate to the Official Chamber of Commerce and Production of the National District, or another relevant private sector organization, to design and implement: 1) an educational and promotional campaign regarding IPR for academic and business sectors, and 2) a training program for business lawyers in IPR area. Training will be carried out in the Dominican Republic.

c. Dispute Settlement Mechanisms

Due to the general absence of effective judicial procedures for settling disputes in the country, this Project will strengthen existing arbitration mechanisms and encourage wider private sector use of arbitration for matters involving intellectual property, commercial contracts and labor matters. The Project will thus improve the Dominican business and investment climate.

A.I.D. will provide a Project contribution of \$590,000 for the provision of PASA/RSSA or equivalent technical assistance, commodities and training to strengthen: 1) the arbitration function for business matters through support to the Arbitration and Conciliation Council (CAC) of the Official Chamber of Commerce and Production of the National District (granted GODR authority under Law No. 3087 of June 4, 1987); 2) the arbitration function for labor-management disputes, established under the 1992 Labor Code, within the Ministry of Labor; and 3) provision for the international arbitration of disputes. Technical assistance will only be provided through a PASA/RSSA with offices within the U.S. Department of Labor, including the Office of Labor Management Standards, the Bureau of Labor Management Relations and Cooperative Programs, and the Bureau of Labor Statistics for matters dealing with labor-management relations. A.I.D. will contract with private entities, such as the American Arbitration Association, for technical assistance in matters dealing with commercial arbitration of disputes.

Project activities related to arbitration for business matters will be implemented through the CAC in Santo Domingo. Nevertheless, activities will have national coverage and include training and promotional support to further the use of arbitration to solve business controversies. PASA/RSSA or equivalent technical assistance, training and commodities will be provided to the CAC to: 1) strengthen the CAC as a permanent and full time entity through purchase of limited commodities and acquisition of pertinent technical publication/resources, 2) design and implement a training program for members of the CAC, and 3) design and implement an educational and promotional campaign to increase use of arbitration clauses in contracts and the use of arbitration courts as alternatives for conflict resolution.

The Office of Mediation and Arbitration and the Office of Inspection of the Ministry of Labor (MOL) will receive technical assistance, training and commodities (computers and software) to: (a) improve workplace inspection systems, (b) upgrade the skills of mediators and inspectors, (c) establish a more efficient and agile communication system with both labor and management, c) improve the collection of labor statistics related to mediation and arbitration, and d) improve procedures for registration, filing and follow-up of labor reports, and mediation and arbitration cases. Involvement of all the principal Dominican labor confederations is expected in the areas of industrial relations and labor matters during the course of Project implementation.

d. Uniform Codes of Product and Workplace Standards

Efforts to enhance understanding by concerned public and private officials of the precise nature of international sanitary, phytosanitary, manufacturing, labor safety, and environmental standards and how to assure compliance will lead to increased trade, especially in fresh and processed agricultural products. This will contribute to expanded employment in productive sectors of the economy. Standardization activities in the U.S. are broad, complex and decentralized. In the U.S., standardization includes specifications, codes, guidelines, recommended practices, and grading rules, and is based on standardization of products. European standards, however, such as ISO 9000, are based on standardization of processes and facilities. The Dominican Republic must be prepared for meeting standards in both these major export markets.

A.I.D. will provide a Project contribution of \$580,000 for the provision of PASA/RSSA or equivalent technical assistance, commodities and training to: (1) upgrade inspection facilities; (2) address constraints in meeting international sanitary and phytosanitary standards; (3) improve the local capability to verify compliance with health and safety standards in the workplace; and (4) train personnel in meeting industrial, food quality and occupational health standards accepted internationally. When appropriate and feasible, foreign technical assistance in this area will be provided through PASA/RSSA arrangements with appropriate USG agencies such as the National Institute of Standards/U.S. Department of Commerce, the Food Safety and Inspection Service/U.S. Department of Agriculture (USDA), the Animal and Plant Health Inspection Service/USDA, the Occupational Health and Safety Administration/U.S. Department of Labor and the Environmental Protection Agency.

A variety of GODR as well as private sector groups will be involved in the implementation of activities in this area: The Department of Plant Protection/SEA, the General Directorate of Norms and Standards (DIGENOR), the Ministry of Public Health and Social Assistance (SESPAS) and the Ministry of Labor, as well as JAD, which maintains a major private-sector-owned laboratory to measure compliance with plant and animal product standards.

Project funds will upgrade JAD's private-sector-managed-laboratory to provide in-country certification to Dominican beef exporters, according to current USDA sanitary and health standards. \$150,000 of U.S. purchased commodities, including a mass spectrometer system, UPS, and laboratory materials and accessories will be contributed by the Project on a cost-sharing basis to JAD to upgrade its facilities. The public sector will work with JAD to ensure compliance with these new rules. Project funds will also be provided for USDA to certify JAD personnel in the proper use of such equipment.

USDA/APHIS PASA/RSSA technical assistance and training will be provided to the Department of Plant Protection/SEA, primarily to organize a national

workshop for donor organizations, private and governmental institutions, and Private Voluntary Organizations (PVOs) currently working on/or sponsoring phytosanitary activities. The purpose of this workshop is: (1) To perform an activity inventory and identify sources of financing; (2) Define national priorities in phytosanitary protection needs; (3) Design an action plan and recommend means of implementation. Some training of SEA inspectors would also be conducted in-country and in the United States.

The General Directorate of Norms and Standards (DIGENOR) recognizes the importance of meeting international quality standards, such as ISO 9000. Technical assistance and training will be provided to assess the country's preparedness with respect to these and other international standards, and to prepare senior management and DIGENOR's ISO 9000 team on a variety of topics related to standards, quality system certification/registration, and audits.

The Department of Environmental Sanitation/SESPAS has also identified a need to better understand international standards for food quality and occupational health, as well as the GODR's need to adopt and enforce applicable codes. Assistance will be provided to develop a comprehensive training program for regional/local inspectors with respect to international codes related to food quality and occupational health.

The Office of Mediation and Arbitration of the Ministry of Labor will receive technical assistance to improve workplace inspection systems, in conjunction with Project Activities described under the Dispute Settlements Mechanism section. Such interventions will also be linked to productivity enhancement activities described within the training program of that component. Activities under this area will be coordinated closely with those of the Productivity Enhancement component, especially labor/management relations.

2. Productivity Enhancement

Summary: The objective of the Productivity Enhancement component is to provide focussed training and technical assistance in modern management methods and human resource development to the Dominican private and public sectors, and thereby improve the country's ability to compete in foreign trade. Project assistance will target particular employee groups and areas of emphasis, as described below, in order to improve productivity, labor-management relations, technology transfer and worker competency in basic skills. These training programs will generally improve the productivity, quality and competitiveness of Dominican export-oriented private enterprises. The proposed program will be small, highly focussed and complementary to the many institutions and donors working to improve productivity. The total estimated A.I.D. contribution of this component for subprograms and project management is \$3,780,000.

a. **The Dominican Environment for Increased Productivity**

During the last decade Dominicans increasingly realized they had to increase their productivity to remain competitive in world markets. This realization largely grew out of their experience trying to produce and market traditional Latin American agricultural products, including sugar, coffee and cocoa, crops in which state-owned Dominican corporations are no longer sufficiently productive to compete in the world economy. In the early 1980s Dominicans recognized they had to diversify agriculture into nontraditionals and they had to focus industrial production in assembly industries largely located in free trade zones (FTZs), which stimulated foreign investment. The Dominican Republic is also benefiting from the Caribbean Basin Initiative. The country's current economic growth stems from its adaptability to change, demonstrated by these actions, and its citizen's entrepreneurial spirit.

b. **Demand for Productivity Enhancement**

Dominicans also recognized there was a substantial need to upgrade the skills and welfare of their workforce to maintain productivity in agriculture and industry. Trade magazines, such as the Illustrated Industrialist [Industrial Ilustrado], currently dedicate about twenty percent of their space to articles appealing for industrial restructuring and worker improvement geared to preparing local businesses to compete internationally. In the January, 1993 issue, for example, the President of the Interamerican Businessmen Association stressed that new strategies were needed to help local business adapt to new standards in the European and U.S. markets and a major businessman in the La Romana district emphasized the need for "training workers, and developing human resources to meet the new era of global competitiveness." Another important business group, the American Chamber of Commerce, listed one of its major goals in 1993 as being support for strengthening basic education in the nation through the **Ten-Year-Education Plan**. The former President of the Industrial Association of Herrera also recently issued a national call for increasing national productive competitiveness by increasing worker efficiency. Nine universities also completed demand studies for programs (some at the regional level), to upgrade worker productivity; these included UNIBE, UTESA, UNPHU, IPL, ICDA, ITECO, IDT, UCE and UNNE. One leading business firm, CODETEL, which is noted for good service, has taken its human resources development program to the point of rating the efficiency of seven national universities engaged in improving productivity in seven technical areas. INFOTEP, a local organization dedicated to increased business productivity, also confirms they cannot meet business demands for their services, even though they assisted nearly four thousand businesses in 1992.

To assist in upgrading worker skills and productivity Dominicans obtained financial support from the Interamerican Development Bank for the "Technical Assistance Program to Strengthen Vocational-Technical Teaching in the Dominican Republic." This multi-year project completed a number of workforce demand-analyses,

culminating in the 1992 National Workforce Study (*Encuesta nacional de mano de obra*). This comprehensive national level survey formally began what its authors, FUNDAPEC, an NGO, referred to as an "educational revolution" in which, for the first time, national demands to improve worker productivity were described in detail in four areas: Free Trade Zones, hotels, restaurants and agroindustry. The study concluded that during the life of the proposed Project, from 1993 to 2000, more than 311,000 workers would enter the workforce for the first time or would have to be retrained, at a total cost approximating \$196 million. The average projected cost of training per worker over the seven years of the Project life would, according to BID/FUNDAPEC, be approximately \$630. Obviously it would cost more to train heads of factories than it would to train day-laborers. For details of this demand study refer to unattached annex H.3.

Because the proposed Project has only modest resources it can train only a relatively small portion of the country's total projected needs for 311,000 workers. No single donor will fill that need, in fact, and while both the IDB and the UNDP have programs in place to fill part of that need, there are several areas they do not plan to address. It is in these areas that the Project's Productivity component will be directed. Also, to ensure that U.S. legislative mandates associated with Section 599 of the FAA are observed, training to Free Trade Zones will not be included---leaving such training out reduces projected demand for training by about 160,000 workers and reduces total national cost by almost \$129 million. Omission of such employees is also appropriate in that businesses operating in the FTZs are those most likely to train their workers enough to remain competitive in the world market. Thus the USAID Project assistance in productivity will be directed to a target population of "new export businesses," such as those described in the Social Soundness Analysis. Using the IDB/FUNDAPEC data as the baseline projection for the life of the proposed project, and excluding FTZ projected demand, one can expect total remaining national demand from 1993-2000 to be for training approximately 152,000 people at a projected cost of \$67 million. The Project will further target productivity assistance for this group by carefully directing specific assistance, both to specific categories of workers and in certain subject areas that other donors do not plan to address.

Current demand projections for national labor are divided into six employee categories and four employment sectors. Employees are grouped either as (1) administrators/managers, (2) professionals & technicians, (3) office workers, (4) plant supervisors, (5) skilled laborers, and (6) unskilled laborers. The IDB/FUNDAPEC projections of training demands for these groups is subdivided among the sectors of (a) free trade zones, (b) hotels/tourism, (c) restaurants and (d) agroindustries. And in terms of foreign-exchange-earnings tourism (hotels and restaurants), leads the list of hard-currency earners. Agroindustrial nontraditional exports is significant and increasing in importance as a foreign exchange earner. While the assembly industries making up the Free Trade Zones are economically important they tend to serve the needs of "old businesses" as opposed to "new businesses" [ref. the Social Soundness analysis]. Most of

the new exporters referred to in the Social Soundness analysis are involved in non-FTZ businesses, and they tend to be smaller businesses.

c. Target Beneficiaries of the Productivity Component

At a minimum, during the life of the Project 3,050 workers will directly benefit from training under the productivity component, and that conservative estimate is used for the Economic Analysis. But, because non-FTZ workers can be trained more cheaply (average projected cost of FUNDAPEC study = \$440/intervention), the three million dollars budgeted for this component could directly train as many as 6,800 employees. A multiplier effect could also occur if companies elected to join forces for training or many employees from the same company could be trained at one time.

Companies would be eligible to have their employees receive productivity training provided they met the general criteria for participation, which are:

1) Currently exporting some goods or services, or with clear intention to do so during the twelve months subsequent to receiving productivity training. In meeting this criterion tourism activities are eligible. Eligible activities are only those that do not violate the Lautenberg and Bumpers Amendments and Section 599 of the Foreign Assistance Act.

2) Willingness to conform to workplace and/or product standards adopted as a result of business, legislative and regulatory changes adopted under the trade practices component of this Project.

3) Willingness to pay, either in-kind or in cash, for one-half the costs of training agreed to with the Productivity Enhancement Team (PET) which will manage this component (as described below).

4) Government offices implementing the trade practices component of this project will also be eligible to participate in productivity enhancement activities, subsequent to approval by the USAID of an annual plan for such training.

Additional criteria will be employed to ensure that productivity assistance is also targeted to particular groups of the workforce to achieve maximum economic benefits and to stimulate worker equity, as described below:

1) Professionals/Technicians

A wide range of modern management options will be provided to this group of workers, including the internship program described below. The focus of this training will be to enable this group to respond to changing standards engendered by

the BLRJI component of the project, such as quality control, labor, environmental or health reforms.

2) Plant Supervisors

This group of beneficiaries is being targeted to receive productivity training that will further industrial relations in the plants where they work. This activity will be closely tied to labor/management relations activities encompassed in the trade practices component of TPPI. Whenever possible AIFLD programs will be structured to complement these productivity interventions.

3) Skilled and Unskilled Workers

This group of workers, especially the unskilled ones, are expected to benefit most from assistance in basic education. The Economic Analysis points out that there is a 60 percent turnover in this group, partly because these, the "poorest of the poor" unskilled workforce, cannot advance. Workers are not promoted from unskilled to skilled or from skilled to supervisory largely because they lack basic education. Numerically this will be the largest group of beneficiaries under the Project---and they will be the poorest beneficiaries as well. It should be noted that Mexico focussed on this same group as being critical to attainment of NAFTA trade liberalization goals, and is also focussing on basic education as the key intervention to increase this group's productivity. It is estimated that seventy percent of those receiving productivity training will be from this group.

d. Special Implications for Women Beneficiaries

Among the thousands of new firms emerging in the Dominican Republic in recent years an impressive number of them are run and/or owned by women, as pointed out in the Social Soundness Analysis. Most of the "old" firms are still run by men, but as time passes women are becoming more visible as executives in Dominican firms. There they work as managers and administrators, in addition to the clerical jobs they traditionally performed. This is a recent phenomenon. Twenty five years ago it was not common to see women in executive positions, but in the last two decades Dominican universities have been graduating thousands of professional women, and many of them have been recruited as executive, managers and administrators by many firms. Women participation within the universities student population has consistently increased. With it has also increased women's incorporation to Dominican business life.

Many women are business owners. In a survey taken in 1992, Fonc Micro found 330,000 micro-enterprises in the Dominican Republic. This survey detected that 45 per cent of the owners of micro-enterprises were women. Women ownership decreases with the size of the firms, but there is evidence showing that some

exporting firms are owned and/or run by women. There is a dramatic case of a woman-micro-entrepreneur who became a small-to-medium-size exporter with the assistance of an NGO that specializes in granting credit to women.

Yet one must recognize that according to the FUNDAPEC study the working force in Agro-Industry, Free Zones and Tourism remains predominately masculine. In fact, 67.6% of the total is male, while only 32.4% is female. By prohibiting the Project from benefitting Free Trade Zones, as required by Section 599 of the FAA, the Project limits its access to the occupational group in which women predominate. One analysis notes that in Free Zones the female labor force represents 48.2% of all employees. The lowest concentration of female labor force is found in the Agricultural and Tourism industries with only 19.2% and 29.6% of the total, respectively.

According to the IDB/FUNDAPEC study, women increased their participation in the formal work market in such a considerable way during the last 5 years as to have a major impact on businesses and themselves. During the last 5 years booms in the free trade zones and in tourism and agricultural industries generally increased the role of women in business, doubling their participation compared to previous years. In the last two years more women in the Free Zones occupied secretarial jobs and slightly increased their participation in management, while their work in unskilled tasks actually declined. In the Agricultural Industry a very different pattern is observed, in the sense that male preference is predominant in all the occupational groups, except as office employees. This probably reflects specific needs in a sector traditionally characterized by concentration of males in its labor force. In recent years the increase of women participation in the Agricultural Industry has been as office labor, where they occupy between 40% to 62.7% of available jobs. In other occupational groups, female participation is also low. In Tourism, for example, businessmen prefer male workers more than do businessmen in all other sectors, but recent opinion polls reveal that tourism is more willing than before to hire females.

In the last two years, women entering the workforce are doing so more in technical, managerial or supervisory roles, whereas men tend to be unskilled workers. The rate of participation of women in the national workforce increased significantly in the last two decades, because of the population increase, adjustment processes and the economic crises of recent years, that forced females to enter the labor market to counteract declining family incomes.

Participation of women in the workplace does not depend, and has not been influenced by, how early they are involved in any type of occupational groups. FUNDAPEC figures show that men and women enter the work market, on a full-time basis, at approximately the same age (men 21.2 years of age) (women 21.4 years of age). There are many unmarried workers in the workforce. 50.5% of all workers are single--about the same proportion as married workers (49.5%). However, the working female population is predominantly single (60.9%) compared to men (45.5%), and single women

tend to look for work more than married ones. Education also gives women some employment advantage---in the tourism industry, hotels require a higher level of education and in the general population 62.7% of women have completed at least their secondary education compared to 47.1% of men.

It is obvious that an employee with a higher level of education is more flexible in the learning process and in the introduction of new methods and ideas in the productive process; moreover, they tend to do their work better, and generally with less supervision, which means that in this setting women tend to be more productive than men. In that sense women could be expected to benefit more from the Project, say in tourism, than do men, even though there are currently more men working in that sector, for example.

Taken all together these employment trends confirm that women are becoming more important in the workforce, but the Project will have to give special attention to assuring that women have equitable consideration during the Project's process of selecting workers for productivity training and other special programs, such as the internships. The Productivity Enhancement Team (PET) will be required to track gender, and to promote equal treatment, during implementation of the project to further stimulate general trends described above.

e. Description of Implementation Arrangements

The proposed implementation arrangement is simple and straightforward and does not envision any kind of institution building because four other donors [IDB, UNDP, GTZ & the OAS], twelve universities and numerous private companies already have programs designed to improve productivity to meet national needs described above. A Cooperative Agreement grant to implement the Productivity Enhancement component is intended to build on the strengths of one of these on-going programs. A member of the design team argued strongly that the PET needs to be a politically independent "neutral outfit which would appeal to all sectors and firms." [April 23 Memorandum in TIO files]. A number of universities meet those criteria and are ideal candidates to submit proposals for carrying out a Cooperative Grant Agreement with A.I.D. and the GODR (STP). Thus, A.I.D. funding will fill important gaps in existing programs, especially in the areas of labor relations, workplace environments and in building greater management understanding of how increased productivity goes hand-in-hand with trade liberalization.

To manage the productivity activity a Productivity Enhancement Team {PET} (not exceeding six full time national employees) will be created within one of the nation's educational institutions currently working to improve productivity. This will create a "lean and mean" productivity strike force which can rely on existing institutional support (such as building, vehicles and specialized staff) and thus maximize use of AID funds for project purposes. This PET will work, at the national level, out of a

Dominican Educational Institution (DEI) selected competitively to receive a HB 13 Cooperative Grant. A Cooperative Agreement was chosen because substantial involvement is anticipated between the USAID and the grant recipient (DEI) during performance of the Productivity Enhancement component. Such involvement will include development, with the STP, of annual work plans, performance targets and clear steps for involving other donors. Such a procedure will ensure rapid deployment of the PET for immediate, direct impact on the productivity of firms (beneficiaries of technical/training assistance).

The PET team's efforts will also produce indirect and longer term benefits through access to other donor and national programs and ensure wider diffusion of information about all such programs. PET will become a productivity clearinghouse, a broker of assistance, and a network center to ensure that the various national and international productivity programs complement each other. By the third year of the Project the PET may become, in fact, a productivity center with trappings of a continuing institution---but that decision depends upon its effectiveness in getting "buyers" and "sellers" of productivity improvement techniques to work together. A.I.D. will provide \$772,000 dollars in matching funds to support PET-specific Project operations, technical assistance and training during the seven years of the Project.

The PET, in turn, will concentrate most of its efforts on implementation of programs directed toward specific niche markets, or groups of workers, as described above. The primary task of the PET will be to assist firms in identifying productivity constraints and finding solutions among existing technical and managerial resources in the Dominican Republic or abroad and to track the impact of those interventions. A Cooperative Agreement will be signed directly by the USAID with the institution successfully responding to the USAID's Invitation for Applications (IA) which will be issued within three months of Project authorization. The Invitation for Applications will specifically state the public purpose to be stimulated or supported by USAID funds, i.e., "enhancing private and public productivity." The IA will also indicate that this Cooperative Agreement grant requires cost sharing/matching by the grantee and the businesses or individuals served by the grantee, the DEI. In this instance the DEI is expected to match USAID funding for the annual operating expenses of the PET, with the exception of auditing, evaluation and PPAS monitoring costs, which will be funded largely by the USAID. The DEI is also expected to ensure that private firms and public sector institutions receiving PET assistance share all productivity assistance costs on a fifty/fifty basis. Cost sharing will be further detailed in the IA, as prescribed in paragraphs 4H, 1J, 1K and 1L of A.I.D. Handbook 13.

The PET was selected as a delivery mechanism for this subactivity based on the Project's need for a flexible and cost-effective mechanism to assist Dominican firms to assess and solve constraints to increased productivity. Flexibility is key because this is a relatively new area in the Dominican Republic and the PET will need to be able to respond to a variety of specific and ever changing needs of firms.

The PET will begin small, and leverage A.I.D. resources by complementing the many resources which exist in the Productivity area in the Dominican Republic, both local and foreign (UNDP, GTZ, IDB & OAS). It is expected that USAID assistance will be used to create a greater awareness and increase demand for services in the productivity improvement area in the Dominican Republic, and assist the PET in developing a track record, reputation and fee-based service niche which will allow it to continue to serve a vital role after the Project's completion. Even if such continuity is not achieved the Project will have had considerable impact through its training programs and will have obtained an adequate return on investment in productivity. A key factor in the success of this subactivity will be to find a forward-looking implementing institution that has a long-term interest in carrying the "Productivity and Quality Improvement" banner in the Dominican Republic, and is willing to invest some of its own resources, find a niche, and develop a self-sufficiency plan.

Under the Productivity Enhancement component, A.I.D. will provide a Project contribution of \$3,780,000 to finance the four activities described below and related PET technical and managerial support. The PET will be responsible for programming, implementing, supervising and monitoring the progress of each of these activities. The PET will offer varied services to the Dominican private and public sectors and will have flexibility to respond to their needs in the most straightforward possible manner. Major PET tasks include: (1) manage the productivity subactivities, accounting for funds expended and ensuring they are used in conformity with the Cooperative Grant Agreement as detailed below; (2) oversee training, courses and workshops; and (3) provide information. A basic premise of the Project's productivity component is that demand for this service may need to be stimulated through (4) an innovative, continuous promotion and marketing campaign by the PET. The PET will also incorporate business associations so that they serve as institutional channels and permanent point of contact with the business community. With regard to business contacts, the PET staff will make presentations about its services during meetings and events taking place within the business community which are considered pertinent.

The management responsibility of the PET will include: (a) needs assessment, analysis and project design; (b) project implementation and results delivery; (c) management training; and (d) project follow-up, systems maintenance and tracking of project benefits. This Project management will focus on productivity improvement in response to demands of its client population. The most important management methodologies and techniques to be used include (see Annex G for a complete list with definitions):

- Productivity Definition and Measurement.
- Management Control Systems.
- Process Definition and Improvement.
- Work Simplification.

- Management of Change.
- Strategic Planning.
- Team Building/Problem Solving.
- Total Quality Management (TQM).
- Bench-Marking.
- Empowerment.
- Management Information Systems/Information Technology (MIS/IT).
- Quality Certification Systems (i.e., ISO-9000).
- Development of the Human Resources and Training.
- Employee Cross-Training and Cross-Utilization.

A focussed effort in management training and development will be directed to supervisors and middle management in the Dominican business sector. There was unanimous agreement among those interviewed during the Project Paper design phase that there is a great lack of expertise and capability in this managerial workforce of the local economy. The PET will help fill this gap by acting as a clearing house to provide access to local and global industrial and economic data bases and resources. It will also provide access to industry standards and statistics for bench-marking, business periodicals and on-line data-sharing systems, and will focus on modern management techniques and methodologies.

Details of Productivity Subcomponents:

1) \$660,000 A.I.D. contribution for an Internship and Training Program is directed primarily at **professional/technical employees best placed to serve as local management consultants on productivity.** The PET will co-finance non-academic internship training to address productivity constraints by participating firms, and as many as five government employees out of the twenty programmed for this activity.

Recognizing the need to develop local expertise in the productivity area, the Project incorporates a program of short-term internships to train 20 Dominican productivity consultants in the United States. Whenever possible, those candidates will be chosen from companies seeking PET's services (it is expected that this will ensure their return to the country upon completion of training). They will be chosen with regard to their active participation and knowledge about productivity.

Twenty international internships, having various lengths, will be provided to suit the particular needs of candidates. The specific areas of specialization will be determined by the PET, using demand surveys and program priorities identified under the Cooperative Grant Agreement. For budgeting purposes, it is assumed that the length of these internships will not be less than three months and no more than one year, with a probable average of six months. It is further assumed that productivity

internships will be generated primarily by business firms, but internships can also be within universities, research institutes or government providing that fifty/fifty cost sharing is adhered to by recipients.

Selection Criteria for Productivity Interns:

All short-term training activities under the TPPI Project will be subject to the selection criteria or minimum conditions outlined below:

- 1) The training requested and provided must be supportive of the Project objectives.
- 2) The participants should have the demonstrated ability to apply the knowledge and skills acquired.
- 3) The sponsoring public and private organizations and/or the participants will finance international travel costs, salaries of participants while being trained and training costs not exceeding a total of fifty percent of all costs for each participant.
- 4) The participants must satisfy the academic or technical admission requirements established by the training institutions.

The PET will work closely with relevant private and public sector organizations to ensure that the appropriate candidates are identified and recruited for productivity training. In the spirit of the Cooperative Agreement, the DEI/PET will jointly develop training plans, targets and objectives with A.I.D. and the STP Project Management Unit (PMU). Only those candidates who satisfy the aforementioned selection criteria will be considered. Candidates identified from both private and public organizations will require concurrence from their employers that they will be released for training if selected.

The PET will prepare, and submit to A.I.D. and the STP, a short list of candidates recommended for training. To the extent possible and practical, the list will comprise three candidates identified and ranked in order of preference for each area of specialization being proposed. A committee comprising STP, PET, USAID/Santo Domingo/TIO and Training staff will select two candidates for each training award, i.e., the preferred candidate and alternate. If the preferred candidate cannot take the internship, the PET will offer it to the alternate.

The PET will be responsible for notifying all candidates as to the status of their applications. The specific nature of the internships will depend largely on the areas of training chosen and will be described fully in the PIO/Ps. USAID/Santo Domingo Training Officer will process all approved off-shore training requests in

accordance with HB 10. These requests will require at least three months advance written notification in order to have a completed PIO/P with all the required information, before the start of each training program.

2) \$300,000 A.I.D. contribution is targeted for industrial relations training directed at plant supervisors. As indicated, this activity will be closely linked to the disputes settlement activities encompassed in the trade practices part of the Project. Whenever possible this training will be closely linked with AIFLD's modest ongoing programs in labor relations. Like other components, fifty percent of this activity will be co-funded by businesses sending supervisors for training.

Increased productivity under this sub-activity is expected at two levels:

- At the level of the firm, through the implementation of concepts and practices of modern management methods in the workplace and office with concentration on labor-management collaboration (industrial relations), and improvement of basic educational and productive skills of employed adult members of the labor force.
- At the production systems level, through access to current technology related to achievement of internationally accepted standards of product, workplace and environmental quality.

3) \$1,800,000 A.I.D. contribution is targeted for technical assistance to improve productivity of skilled workers and to support basic education for unskilled workers. An estimated 3,000 workers in 300 businesses will be trained under this component during the seven year project. Participating workers, especially those seeking basic education, will be enrolled in existing national programs, or any of the regional programs carried out by the twelve national universities supporting basic education training of one kind or another. Workers chosen for this program must be endorsed by the firms where they work, either through firm-level group programs or on a case-by-case basis. In either circumstance private sector firms will share costs equally with USAID funding.

Support to expand adult basic education in the workplace will be a key ingredient in this subactivity. Both formal and informal surveys point to low educational levels of the workforce as a major constraint to efficient production. In this subactivity priority will be given to training geared to cover the equivalent of grades 1 through 4, but other education to support increased productivity will also be accepted on a case-by-case basis. All educational activities will be coordinated with the Ministry of Education to assure official acceptability of curriculum, textbooks and certification.

4) \$248,000 A.I.D. contribution is allocated for an anti-gender bias program in the workplace. An attitudinal study will be carried out in selected firms and

factories to determine the level of gender bias prevalent in the average production facility in the Dominican Republic. Based on the results of this study, a program will be designed to counter the gender bias, and enlighten management in the potential to increase profits through increases in productivity resulting from the hiring of women with relevant skills.

D. End of Project Status (EOPS)

This Project is designed to remove major legal and operational obstacles faced by importers, exporters and foreign investors when doing business with or in the Dominican Republic. These constraints not only impede greater flows of trade and investment to and from the country, but also cause it to lag behind in its efforts to integrate into regional or hemispheric economic groups, which further limits economic growth.

Within Strategic Objective One of the currently approved USAID Action Plan, the USAID/Santo Domingo established a number of quantitative indicators to judge whether success is being obtained toward the objective of "Increased and Diversified External Trade." Unattached Annex J. 1, provides all measures for this USAID strategic objective, by year, and by each unit of measure. In summary readers should note that the proposed Project can, within its manageable interest, monitor eight of the seventeen measures of progress within the strategic objective. In addition, the Project will also monitor one additional indicator pertaining to workers' rights, i.e., the percentage increase in collective bargaining agreements. Such data can easily be tracked by the Labor Attache in the American Embassy, as all such agreements must be registered with the State Secretariat of Labor. Those to be monitored by this Project include:

- ✓ Increased national exports.
- ✓ Increased nontraditional exports.
- ✓ Increased imports from the United States.
- ✓ Decline in tax revenues generated by tariffs.
- ✓ Increase of total private investment.
- ✓ Increase of foreign investment.■
- ✓ Increase of output/unit of labor, and,■
- ✓ Increase the number of foreign firms investing in the country.■
- ✓ Increase the number of collective bargaining agreements.■

The year-by-year targets for each of these indicators is included in Unattached Annex J. 1., which is identical to the currently approved Action Plan. Indicators not

■ An independent study of these four indicators, for which reliable data does not exist, will be directly contracted by A.I.D. under this Project.

included in the above list will be monitored by other USAID projects. Monitoring of these indicators will primarily be a task of the Central Bank. \$250,000 of Project funds are reserved, under the evaluations line item, for purposes of monitoring PPAS progress in the nine areas above. After Project authorization the PMU, PET and USAID will meet with the Central Bank to agree on a monitoring action plan, to be directly contracted by the USAID from the \$250,000 set aside for PPAS activities. Although counterpart funds are not programmed from Central Bank sources, it is likely they will provide such counterpart funds as they agree to participate in the monitoring exercise. The following narrative provides a summary account of other indicators of project success, at the end of the Project, by component.

Trade Practices EOPS:

The Trade Practices component of the Project is designed to lead to recognizable changes in legal, and regulatory rules and practices, improved institutional capabilities for enforcement and administration of newly promulgated regulations, and higher levels of productivity and international competitiveness. These expected achievements will provide foreign and domestic trade-oriented businesses an economy open to the world and one in which market forces are allowed to operate. Improvement in these areas will most certainly pave the way for higher levels of foreign and domestic private sector investment and export-led growth.

Activities in the **Customs Standards and Administration** area will benefit all sectors of the economy through modernization and deregulation within Customs which will reduce clearance times and lower costs of importing and exporting. The established, larger-volume importers and exporters who export on a regular basis will realize the greatest savings in absolute terms but the increased efficiency of Customs will benefit all players involved in external trade. New-to-export companies and smaller firms will benefit in particular, since they often lack the experience, time and resources to succeed under the current system. In terms of specific targets, the Project will result in: a) the enactment and promulgation of a modern Customs Law which, apart from reflecting input from the private sector and related GODR institutions, meets international standards, b) established procedures for random checking, and reductions in merchandise clearance times from the current average of 6 weeks, and c) a more professional and expeditious Dominican Customs Service which will save importers and exporters both time and money. As indicated in the economic analysis, a reduction of clearance time from 33 to three days would, by itself, save Dominicans \$40 million per annum, for example.

The Project will significantly improve levels of effective protection for patents, trademarks, trade secrets and copyrights as a result of bringing the **Intellectual Property Rights regime** of the Dominican Republic into compliance with provisions of the Geneva and Berne Conventions, as well as requirements of the Generalized System of Preferences (GSP) and the Caribbean Basin Initiative (CBI). Project interventions will

create a more favorable investment climate in the Dominican Republic through improved IPR protection and enforcement, streamlined registration procedures and a better understanding of IPR by the general public. Specifically, Project Activities are expected to result in: a) the passage and implementation of a modern Patent and Trademark Law and implementation of copyright regulations, b) streamlined registration procedures, c) beginnings of IPR enforcement, d) more professionally trained administrators, examiners, lawyers and adjudicators in the IPR area, and e) a better educated general public.

To strengthen **Dispute Settlement Mechanisms**, both domestic and international, the Project will assist Dominican arbitration systems to become more effective and widely accepted for resolution of business and labor-management controversies. This will result in time and cost savings to the GODR, private companies and workers. Specifically, the Project will result in: a) an increased number of arbitration clauses in contracts, b) improved procedures for registration of arbitration cases and workplace inspections, c) improved ability of the GODR to work with labor and management, and d) more professionally trained lawyers, judges and mediators specializing in labor disputes.

Support for **Uniform Codes of Product and Workplace Standards** will enhance users' understanding of the nature of international sanitary/phytosanitary, manufacturing and quality control standards, as well as world-class standards related to working conditions, occupational safety and health, and the environment. Private companies, as well as the general public, will benefit from Project activities in this area. Exporters will benefit from increased sales once they are able to meet product standards in regional and international markets. Workers will benefit from improvements in their workplaces, while the general public will benefit from the improved capacity of the GODR to carry out health and safety inspections, particularly those regarding quality of food, meat and vegetables. Specifically, Project interventions will result in: a) upgrading of the only private pre-inspection laboratory for beef exports in the country, in order to comply with USDA/FDA standards, b) recommendations and a workplan for assisting the country to meet international phytosanitary standards, and c) training of phytosanitary, industrial, environmental, food quality and workplace standards inspectors.

Productivity Enhancement Component EOPS

By the end of the Project it is expected that approximately 300 firms and 3,000 workers will have benefitted directly from the PET's efforts to carry out firm-level productivity audits, develop technical assistance and training workplans, and assist in sourcing and co-financing the appropriate technical assistance and training. The implementation of improved management practices and human resource development programs will indirectly benefit many more employees in participating firms. In addition to technical assistance and training programs, many other firms will benefit from finding

answers to technical questions through the information resources referral service. Although it is not possible to provide more than an estimate of the number of actual beneficiaries, the funding provided to expand courses in basic education for adults will benefit hundreds of workers during the course of the Project.

It is expected that the Productivity Enhancement component will play an important role in raising the level of awareness of Dominican companies with respect to international workplace, quality, and productivity standards, and become a catalyst to assist firms expand beyond the current limited internal market by producing more internationally competitive products and services. To ensure that the PET is in full accord with trade practice reforms undertaken under that TPPI component, biweekly meetings with STP's management unit will take place. Records will be kept of those meetings.

IV. COST ESTIMATES AND FINANCIAL PLAN

A. Project Budget Summary

Two summary budgets are included for the Project: 1) one demonstrates the summary financial plan by component, and 2) the second is the summary financial plan by costs of inputs. Detailed Project budgets and cost estimates for all activities, by component and inputs for each year of Project obligation, are included at the end of the Financial Analysis, Annex F-5.

TRADE PRACTICES AND PRODUCTIVITY IMPROVEMENT PROJECT
SUMMARY FINANCIAL PLAN BY PROJECT ELEMENTS
(US\$000's)

ELEMENT	A.I.D.	%	Counterpart	%	Grand Total	%
A. TRADE PRACTICES	2,620	37.4%	2,980	44.5%	5,600	40.9%
1. Customs Standards	330	4.7%	810	12.1%	1,140	8.3%
2. Intellectual Property Rights	460	6.6%	880	13.2%	1,340	9.8%
3. Dispute Settlement Mechanisms	590	8.5%	200	3.0%	790	5.8%
4. Uniform Codes of Product and Workplace Standards	580	8.3%	640	9.5%	1,220	8.9%
5. Project Management Unit	660	9.3%	450	6.7%	1,110	8.1%
B. PRODUCTIVITY ENHANCEMENT	3,780	54.0%	3,710	55.5%	7,490	54.7%
1. Technical Assistance/Special Studies	320	4.6%	250	3.7%	570	4.2%
2. Productivity Improvement Training	2,760	39.4%	2,760	41.3%	5,520	40.3%
3. Commodities/Publications	110	1.6%	110	1.6%	220	1.6%
4. PET Managerial Support	590	8.4%	590	8.9%	1,180	8.6%
C. EVALUATIONS	350	5.0%	0	0.0%	350	2.6%
D. AUDITS	250	3.6%	0	0.0%	250	1.8%
TOTAL	7,000	100.0%	6,690	100.0%	13,690	100.0%

TRADE PRACTICES AND PRODUCTIVITY IMPROVEMENT PROJECT
SUMMARY FINANCIAL PLAN BY PROJECT INPUTS
(US\$000's)

INPUTS	A.I.D.	%	Counterpart	%	Grand Total	%
A. Technical Assistance	2,000	28.6%	310	4.6%	2,310	16.9%
B. Training	3,420	48.8%	2,860	42.8%	6,280	45.8%
C. Commodities/Publications	390	5.6%	220	3.3%	610	4.5%
D. Managerial Support	590	8.4%	3,300	49.3%	3,890	28.4%
E. Evaluations	350	5.0%	0	0.0%	350	2.6%
F. Audits	250	3.6%	0	0.0%	250	1.8%
TOTAL	7,000	100.0%	6,690	100.0%	13,690	100.0%

B. Methods of Implementation and Financing

The Methods of Implementation and Financing for the Project are shown in the table below.

Methods of Implementation and Financing				
PROJECT ELEMENTS	Type of Assistance	Method of Implementation	Method of Financing	Amount (US\$000's)
A. <u>TRADE PRACTICES</u>				2,620
1. BLRJL Technical Assistance	PASA/RSSA or A.I.D. Direct Contract	PASA/RSSA or IOs or Profit or Nonprofit Contractor	Direct Pay	1,030
2. BLRJL Training	A.I.D. Placement	Placed through Profit or Nonprofit Contractor	Direct Pay	660
3. Commodities/ Publications	A.I.D. Procurement	Contract for Commodities and Services	Direct Pay	280
4. Project Management/ Technical Support	A.I.D. Direct Contract	Personal Services Contractor (PSC)	Direct Pay	650
B. <u>PRODUCTIVITY ENHANCEMENT SUPPORT</u>				3,780
1. Technical Assistance/ Special Studies	Cooperative Agreement	Indigenous NGO/DEI	Direct Pay	320
2. Productivity Improvement Training	Cooperative Agreement	Indigenous NGO/DEI	Direct Pay	2,760
3. Commodities/ Publications	Cooperative Agreement	Indigenous NGO/DEI	Direct Pay	110
4. PET Managerial Support				
a. Advisory and Assistance Services	Cooperative Agreement	Indigenous NGO/DEI	Direct Pay	490
b. Project Support Staff	A.I.D. Direct Contract	Personal Services Contractor (PSC)	Direct Pay	100
C. <u>EVALUATIONS</u>	A.I.D. Direct Contract	Profit-making Contractor	Direct Pay	350
D. <u>AUDITS</u>	Recipient Contract	Profit-making Contractor	Direct Pay	250
TOTAL				\$7,000

V. PROJECT IMPLEMENTATION ARRANGEMENTS

A. Obligating Instrument

The Project will be obligated through a bilateral A.I.D.-Handbook 3 Project Grant Agreement (PROAG) with the Government of the Dominican Republic, represented by the Technical Secretariat of the Presidency (STP). The PROAG will include an amplified Project description, Annex 1, which will detail the activities, implementation responsibilities and financial requirements of the Project. The PROAG will also include the Project Grant Standard Provisions, Annex 2, which will detail the appropriate conditions which the STP will be required to meet under the PROAG.

B. Project Administration

1. STP Project Management Unit

The STP will establish a Project Management Unit (PMU) within the STP's Coordinating Department for External Resources (Departamento Coordinador de Recursos Externos [DCR]), responsible for general direction, management and coordination of the Project. This unit currently manages local currency previously generated by USAID project. Within the DCR, the Projects Division (División de Proyectos) is the entity best suited to manage the Project because it has qualified staff to do so. The Technical Secretary will appoint one of the subsecretaries of STP as the Project Coordinator to oversee the PMU and represent STP in Project implementation matters. This Coordinator will ensure the active participation of all GODR agencies involved in the Project.

The PMU will receive and evaluate all requests for Project assistance submitted by GODR agencies. These requests will be addressed to the STP through the Project Coordinator, and evaluated by the PMU, with technical support from a Personal Services Contractor (PSC), as indicated below, to make sure they conform to the terms of the PROAG and to Project objectives.

2. Trade Practices Technical Support

A Personal Services Contractor will be procured under an A.I.D. direct contract to provide support to the PMU in STP and will be called a PMU Technical Advisor. The PMU Technical Advisor (PMU/TA) will ensure full coordination and collaborative interaction among all private and public organizations implementing Project activities. The PMU/TA will thus make sure that the STP and other GODR implementing agencies coordinate their activities with the participating private sector organizations as required within the Project context.

The PMU/TA will be responsible for providing technical support to the PMU in the preparation and review of terms of reference and will assist all private and public implementing entities in developing annual implementation and financial plans, including planning for their technical needs. The PMU/TA will also assist participating agencies as required in Project management-related activities, such as arrangements for conferences, seminars and workshops.

The PMU/TA will oversee the Trade Practices component implementation and assist STP/DCR to manage this component. This individual will work with the DCR to ensure that activities undertaken contribute to project goals within the framework of the USAID/Santo Domingo Project Performance Assessment System (PPAS). They will also work closely with the DEI/PET unit carrying out the productivity enhancement component, so as to assure maximum coordination between these two project elements.

USAID/Santo Domingo will be responsible for approving and monitoring all workplans, and procuring all technical assistance (through PASAs/RSSAs or, if not feasible, through direct contracts), training (through PIO/Ps) and commodities (through PIO/Cs) for participating GODR and private sector associations under the Trade Practices component. Almost without exception, technical assistance will be procured from U.S. agencies through PASA/RSSA arrangements as detailed in the Project description, above. All Project Implementation Orders will be countersigned by STP.

USAID/Santo Domingo will also be responsible for all necessary arrangements for completing and signing Project subgrants to private sector implementing entities, as well as overseeing their administrative and financial activities, under the Trade Practices component. USAID/Santo Domingo and STP will approve each subgrant and respective conditions and covenants. Each subgrant agreement will comply with A.I.D. requirements for institutional management of project grant funds. Subgrant administration will include all aspects of competitive procurement, disbursement and monitoring of subgrantee activities, as defined by A.I.D. Handbook 13 rules and regulations.

The PMU, and the PSC advisor will monitor the Project to assure quality and timely delivery of technical assistance and training, and to guarantee that services provided by implementing organizations conform to Project objectives. Project monitoring will require regular fine-tuning in order to ensure focussed Project resource management and high-impact services on the target Project areas and client groups. This is true of the Productivity component as well as the Trade Practices one.

An important role of the PMU/TA will be to manage the gathering of data on Project impact, through PPAS, and to evaluate cost-effectiveness of Project inputs and activities on a continuing basis. This monitoring function will include gathering of business, trade and investment information useful to implementing organizations and to

USAID. The USAID/Project Advisor (USAID/PA) will provide status reports on Project progress, and financial reports as required by USAID/Santo Domingo. Project results and implementation progress will be reported to USAID/Santo Domingo on a semiannual basis, in accordance with the Semi-Annual Review (SAR) process.

3. Productivity Enhancement Services

Under a HB 13 Cooperative Agreement a Dominican educational institution (DEI) will be the principal implementing entity managing and coordinating the second Project component, which includes the establishment of a Productivity Enhancement Team (PET), as explained in Section III above. The Project is expected to work with a strong and financially sound DEI which has the resources needed to cover its core operating costs for the duration of the Project and beyond. During Project implementation, the selected DEI will coordinate fully with other private sector organizations implementing activities under the Project.

The Cooperative Agreement mode was chosen for this component because substantial A.I.D. involvement is expected in this component, mainly to ensure that training interventions are carefully coordinated with other donors and that wide participation of agricultural and industrial business associations is achieved during Project implementation. An unusual amount of A.I.D. oversight is required in this instance and A.I.D. is expected to:

- a. Review and approve one stage before work can begin on a subsequent stage during the period covered by the assistance instrument.
- b. Review and approve of substantive provisions of proposed subgrants or contracts. These would be provisions that go beyond existing policies on Federal review of grantee procurement standards and sole source procurement.
- c. Be involved in the selection of the personnel of the PET Unit.
- d. Emphasize recipient collaboration or joint participation, especially to assure full collaboration with the Trade Practices component.
- e. Monitor to permit specified kinds of direction or redirection of the work because of interrelationships with other projects, say, for example, with a Development Training Project.
- f. Have substantial, direct second phase operational involvement or participation during the assisted activity to insure compliance with such statutory requirements as the Lautenberg and Bumpers Amendments and Section 599 of the FAA as well as special provisions related to the project's Conditional Environmental Decision. The latter requires mitigating steps not ordinarily found in a project of this type.

There are several qualified local educational institutions (UNPHU, INTEC, UNAPEC and PUCMM), private associations and NGOs which could be the Project grantee (under A.I.D. Handbook 13) to serve as the focal point for management and control of Project activities dealing with productivity enhancement. These institutions are well established, and some of them have previous experience as A.I.D. project grantees.

An Invitation for Applications (IA) will be prepared by USAID/Santo Domingo announcing its interest in supporting the activities described under the Productivity Enhancement component. Competitive selection procedures will be used in the execution of the Cooperative Agreement to implement the Productivity Enhancement component. The Cooperative Agreement award will be made after selection of a winner from among applicants. The applications can include joint proposals with U.S. Universities, NGO/PVOs or subcontractors. The IA will specify the information required to be submitted to USAID/Santo Domingo and the selection criteria which will be used by the USAID. In accordance with A.I.D. Handbook 13 requirements for the Cooperative Agreements, the IA will include a statement indicating that the quality of the applicant's past performance will be a factor in grantee selection. The cost principles for determining the costs applicable to the corresponding Handbook 13 Cooperative Agreement will be established in accordance with OMB Circular A-21 titled "Cost Principles for Educational Institutions."

The selected DEI responsible for implementing the productivity improvement services under the Project may enter into sub-agreements with local non-governmental organizations or others, as appropriate, to carry out specific Project interventions and facilitate local access to technical and managerial assistance and training providing that A.I.D. concurs with such agreements. In addition, the DEI may directly contract training and technical assistance suppliers as needed to provide Dominican firms with Project support, subject to A.I.D. approval. All DEI subgrants and contracts for technical assistance and training will require approval of USAID/Santo Domingo prior to their execution. Competitive selection procedures will be used in the DEI's award of subgrants and contracts to implement Project activities. DEI decisions involving Project Grant funding levels, contract personnel and their salaries, and commodity procurement will also require prior approval of USAID/Santo Domingo unless otherwise agreed to in writing. Such A.I.D. oversight is consistent with the spirit and intentions of collaborative assistance grants.

4. A.I.D. Project Management

Overall TPPI Project management/supervisory responsibility will rest with the Trade and Investment Office (TIO). Nevertheless, the nature of the Project limits the extent to which existing TIO staff will be able to manage the Project directly. Therefore, while many of the day-to-day Project management tasks will be left with the implementing agencies, the size and complexity of the Project will require A.I.D. direct

contracting of two Project-funded TPPI Project Advisors. One Project Advisor will be located in the USAID, and will serve as control officer and principal contact person for all Project activities. The USAID Project Advisor (USAID/PA) will serve as a liaison between USAID/Santo Domingo/TIO and STP/PMU, the PMU Technical Advisor and the DEI/PET. A second advisor, located in the STP/PMU, will serve as a technical advisor to the PMU (PMU/TA).

The USAID/PA must have experience in Project administration and demonstrated background and knowledge of the Dominican Republic, specifically the business, political and social backgrounds of the country. The USAID/PA will supervise a Project Operations Manager, also contracted directly by A.I.D., who will be responsible for A.I.D. internal reporting, preparation of Project implementation documents, and administrative support services to the various implementing entities. This person will be required to work with minimum supervision. An Administrative Assistant/Secretary will provide office support services to both the USAID/PA and the Operations Manager. Both Project support staff will be funded under the Cooperative Agreement, but contracted directly by A.I.D.

All Project implementation entities will submit, for A.I.D. review and approval, detailed time-phased implementation plans and operational budgets that include projections for all proposed Project activities during the forthcoming year. Advisory and assistance services will be contracted directly by A.I.D. to provide short-term (up to 120 calendar days) Project start-up support to the STP/PMU and other participating GODR and private sector agencies. Such support will include technical assistance in the preparation of implementation and financial plans for the first year of Project operations. These implementation plans and budgets will be updated annually and will be reviewed and approved by A.I.D. accordingly. Plans done under the Productivity Cooperative Agreement will be done jointly with the USAID/PA to ensure they are fully consonant with plans under the Trade Practices component.

C. Monitoring, Evaluations and Audits

To achieve the goals described in the strategic objectives outlined in Section II.C.2 and IV.B.2 above, Project funds will be used to monitor, evaluate and report Project progress and accomplishments within the framework of the USAID Project Performance Assessment System (PPAS), with an established series of baseline indicators relevant to the Project and a defined monitoring plan.

The gathering of statistical data and other trade and investment information is contemplated within the Project, not as an independent activity of wide coverage but as a modest intervention to measure Project results. The PMU/TA and the PET will define and establish the institutional support and data collection mechanisms that are necessary

for such a purpose with regard to both Project components respectively. As indicated before, Project monitoring will consist of periodic fine-tuning to ensure focussed Project resource administration, implementation and high-impact services on the target Project areas and client groups.

The evaluation plan is designed both as a monitoring tool and as an evaluation tool which will enable mid-course project alterations should they be required. This section also explains the procedures and mechanisms to be used to implement the Project.

A mid-term evaluation will be conducted three years after Project start-up to assess the appropriateness of the Project implementation structure and progress made toward the expected Project achievements, in accordance with Section III.B above. A final evaluation, to assess the overall Project impact, will be conducted in FY 2000. An evaluation program will be established by USAID/Santo Domingo and PET during Project implementation. Such program will cover the following elements: 1) evaluation of progress toward attainment of the objectives of the Project; 2) identification and evaluation of problem areas or constraints which may inhibit such attainment; 3) assessment of how such information may be used to help overcome such problems; and 4) evaluation, to the degree feasible, of the overall development impact of the Project.

Annual financial reviews and audits of the Project to ensure Grant/Cooperative Agreement compliance and sound financial management of a Dominican Educational Institution (DEI), as principal recipient, subgrantees, as well as contractors and subcontractors will be conducted as prescribed by A.I.D. requirements (see Annex H). Most audits will be contracted for by the same institutions under the Recipient Contracted Audit Program (RCAP) and costs will be reimbursed by A.I.D. with Project funds, as specified in the budget.

The STP/Project Management Unit (PMU) in the Trade Practices component and the selected DEI in the Productivity component will have systems of financial management and internal controls adequate to account for and control A.I.D. funds in accordance with generally accepted accounting principles. A Pre-Award Survey to the prospective implementing entity will be conducted to ascertain these assumptions. Costs are included in the Project budget and payment will be made through A.I.D.'s direct payment mechanism. The PMU and the DEI will also have sufficient local accounting and management staff on site to monitor the flow of funds to other participating agencies and GODR institutions involved in Project implementation and will be responsible for the audit programs and monitoring results of those receiving \$25,000 or more in one year. These institutions will be required to furnish to A.I.D. in form and satisfactory substance, evidence that an adequate accounting and budgetary control system is established that will provide proper accountability of funds provided under the agreement, as well as of financial statements of the organization as a whole.

D. Procurement Arrangements

USAID/Santo Domingo will sign a PROAG with the GODR/STP to obligate the Project funds. The STP will establish a Project Management Unit (PMU) [likely the Projects Division within the Local Resources Coordinator Office (DCR) within the STP] responsible for general direction and coordination of the Project. The STP/PMU, building on its strong linkages with other GODR agencies, will play a crucial role in coordinating Project activities.

A.I.D.-direct contracting will include PASA/RSSA contracting and, if necessary, other competitive bidding for profit or nonprofit contractors in support of specific Project activities (e.g, Customs, IPR, Labor Relations and PET elements), commodity procurement, and PSC contracting for key Project implementation positions (e.g., Project Advisors and Operations Manager). A.I.D. direct contracting will also include competitive bidding for profit-making contractors as appropriate to carry out the Project evaluations and audits. All U.S.-based academic training will be arranged using the standard PIO/P mechanism for A.I.D. placement. But the bulk of training will be done in-country, and will be arranged and monitored by the PET.

A variety of possible implementing institutions have also been identified based on GODR legal mandate. This is the case for most of the GODR offices and the Arbitration and Conciliation Council, for example, in the private sector. Potential implementing institutions have also been identified based on experience or the presence of specialized personnel and facilities. The upgrading of the meat inspection facilities at the JAD is an example. Nevertheless, the actual award of subgrants to private sector associations and other contractual arrangements will be subject to A.I.D. regulations regarding competitive bidding and selection procedures.

Also, as specified in the PROAG, USAID/Santo Domingo will sign a Cooperative Grant Agreement with a Dominican Educational Institution (DEI), to manage and coordinate the Productivity Enhancement component. The DEI will be the recipient of a grant awarded and administered in accordance with A.I.D. Handbook 13. This Grant will be negotiated and managed by the USAID/Santo Domingo RCO, as described in detail in pages 50-51, above.

The selected DEI will enter into subagreements and/or contracts with other local or U.S. organizations, as appropriate, to carry out specific Project interventions and facilitate local access to technical and managerial assistance and training. The DEI will also contract training and technical assistance suppliers as needed to provide Dominican firms with Project support through a PET, as described above. All DEI procurement of goods and services financed with A.I.D. grant funds will be conducted in accordance with competitive procurement regulations and procedures. All DEI procurement must give

preference to procurement from U.S. sources unless otherwise agreed in writing by the USAID Grant Officer. As will be specified in the Cooperative Agreement, USAID/Santo Domingo retains the right to prior approval of key DEI procurement arrangements.

With respect to procurement, Project implementation procedures will take into account the grantee and sub-grantee contracting procedures to determine their appropriateness for Project implementation purposes. Grantees and sub-grantees will be required to furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence that a proper procurement system has been established that will assure the utilization of competitive selection procedures for the awarding of contracts. All grantees, subgrantees and contractors will also be required to follow, and provide periodic reports to USAID, certifying compliance with current Buy America Provisions of A.I.D. regulations. Careful consideration will be given to the use of 8-A firms for Project activities whenever feasible.

USAID/Santo Domingo will ensure that technical assistance and training in connection with the production of agricultural commodities for export does not directly compete with similar U.S. exports, and cannot reasonably be expected to have a significant impact on the export of similar U.S. commodities in compliance with the Bumpers and Lautenberg Amendments.

The Project as designed requires a large purchase of commodities. The aggregate cost of computer equipment and software procurement over the life of the Project is currently estimated at more than \$100,000. Therefore, FA/IRM clearance will be obtained for such a purpose, as necessary.

USAID/Santo Domingo will oversee the Trade Practices component implementation and manage a Project Implementation Information System, within the Framework of the USAID/Santo Domingo Project Performance Assessment System (PPAS).

E. Implementation Plan and Schedule

The following summary of the implementation plan includes a schedule of key events to be included during specific stages of Project implementation and a schedule of evaluation efforts to be carried out in accordance with Project design requirements and PID guidance. The schedule of events is indicative of target dates by the quarter in which the activities should begin. A more detailed implementation plan is included as Unattached Annex J-7.

Implementation Plan

Below is a summary of critical events for the Project. The schedule is a guide to target/tentative dates which will be subject to change according to the shifting requirements of the Project and the ability to meet previously scheduled events.

<u>Event</u>	<u>Target</u>	
a. Start-up Activities		
1) Sign PROAG with STP a) CPs met	Yr1	Q1
	"	"
2) STP designates counterpart PMU Staff	"	"
3) Recruit/Select/Contract AID Project Mgmt. Staff	"	"
4) Complete/Select/Sign Cooperative Agreement w/ DEI	"	Q2
5) Recruit/Select DEI Project Staff	"	Q2
6) Negotiation/PASA/RSSA Contracts	"	"
7) STP makes arrangements for inclusion of counterpart funding in National Budget	"	Q2
b. Implementation/Trade Practices Component		
1) STP/PMU solicits/reviews work plans from GODR institutions	"	Q2
2) USAID signs direct contracts for technical assistance to GODR	"	Q3
3) Implementation of activities by GODR institutions and private sector NGOs	Yr1	Q4
4) STP/PMU solicits/reviews private sector NGO proposals	Yr1	Q3
5) DEI signs sub-grant agreements or contracts with private sector NGOs	Yr1	Q4

6) Seminars/workshops on National/Regional Trade Agenda	Yr2	Q2
c. Implementation/Productivity Component		
1) PET Planning Tasks		
- Survey/productivity constraints	Yr1	Q2
- Survey/Productivity Technical Assistance Training Resources	"	"
- Develop Strategic Communication and Marketing Plans	"	"
- Establish guidelines/mechanisms for identification of local and foreign primary sources of technical information	Yr1	Q3
2) Implement PET Promotion & Marketing Strategy	Yr1	Q2
3) PET conducts productivity assessments and brokers/contracts technical assistance/training	Yr1	Q3
4) PET solicits/reviews/signs technical assistance contract for basic adult education in workplace	Yr1	Q3
5) Develops workplans and selects technical assistant in conjunction with implementing institutions	Yr1	Q4
d. Evaluations and Audits		
1) Mid-Term Evaluation	Yr3	Q3
Evaluate progress/establish new priorities		
2) Financial reviews/audits	Yrs1-7	Q3
3) Final evaluation	Yr7	Q2

VI. SUMMARIES OF PROJECT ANALYSES

A. Technical Analysis

The Technical Analysis summarizes findings about technical issues related to implementation of the proposed Project. This section describes: 1) the BLRJL and productivity constraints to competitiveness in the external trade sector as identified by

the GODR and Dominican private sector during meetings held through the past year, and the relationship of the TPPI Project strategy to reducing these constraints; 2) the relationship between the Trade Practices and Productivity components; 3) the timing of the proposed Project activities; and 4) the cost-effectiveness of the Project approach.

It is important to note that this Project was designed in collaboration with a Dominican Consultative Committee composed of trade and commercial leaders from throughout the nation, and the USAID design team. Fourteen national or regional meetings/workshops were held during the design process. Two of these workshops involved major research works by public and private institutions specializing in trade issues; CEDEMPRESA, a private non-profit legal firm and STP, focussing on current national laws and comparing them to provisions of NAFTA, both held lengthy public hearings on trade issues. The technical recommendations made in the Project thus reflect considerable consensus on the part of public and private leaders making up the Design Consultative Committee. Unfortunately, all of the Committee's suggestions for project activities could not be funded, either because of limited funds or statutory limitations on A.I.D.'s authority. The extensive design files and minutes of meetings kept in the TIO office, as well as attached and unattached annexes provide detailed information on a number of areas considered for inclusion in the final Project.

1. Constraints in Trade Practices and Productivity as they Relate to TPPI Project Activities

Trade Practices

The analysis of constraints in the Trade Practices area is based on several sources which are cited in the Technical Analysis (Annex F-1). During the Project design phase, legal, regulatory and judicial (LRJ) constraints were identified by both the private and public sectors. Although a study commissioned by AID (CEDEMPRESA report) addressed the concerns of the private sector primarily, its conclusions reflect the priorities indicated by the STP as well as those expressed in subsequent meetings and interviews with members of both the public and private sector. In the CEDEMPRESA study, constraints were grouped into four levels of priority, based on the level of consensus that existed among the private sector as to the importance of the several issues. The Technical Analysis Annex summarizes these constraints.

There is a high correlation between the most severe constraints identified and the activities outlined for Years 1 to 4 of the TPPI Project. Examples include: (a) updating of the Customs Law and Tariff Regime (including the elimination of consular invoices), and improving the customs valuation system; (b) legislative improvements in the protection of property rights, both intellectual as well as real property; (c) expanding education regarding the use of the judicial system for resolving business/management disputes, and the strengthening of the arbitration courts; and (d) legal and regulatory

changes to comply with requirements for the free trade and regional integration agreements. Revisions in export and investment legislation and systems were not included (despite requests from some members of the design Consultative Committee) to avoid duplication of current efforts underway by the Central Bank (foreign investment) and the National Industrial Restructuring Council (exports).

Productivity

Dominican businesses are at a crossroads. With a more stable economy, productivity improvement will provide the edge for the successful businesses who attempt to adapt to a more open economy. Although further improvements in the trade and investment environment remain a high Dominican priority, the progress in recent years has turned the attention of the more innovative companies to increasing productivity at the firm level.

Several constraints to improved productivity were identified during the Project design, including: (a) the need for education regarding the concept of "productivity" and what it means in today's global business environment; (b) the poor level of basic education among the workforce; (c) the need for skills training, particularly to develop supervisory and middle management skills; (d) the need for training and assistance in implementing modern management methods; and (e) the lack of statistics regarding productivity, including baseline data and benchmarks. The proposed Project attempts to address as many of these constraints as resources permit.

A major Dominican constraint to effective production (identified in the CEDEMPRESA report) is the very low educational level of the work force. Studies covering the educational sector reveal that the majority of students leave school with at best rudimentary qualifications acceptable for low-level skilled jobs or manual labor; 50% of the economically active population is functionally illiterate. In the age of high technology and global competition this is unsatisfactory if increased productivity is to be reached.

The poor quality of education seriously handicaps innovations in both the public and private sectors. Studies conducted by the Ministry of Education and the IDB reveal that the majority of students leave school with rudimentary skills which are inadequate for a productive labor force. At present there is a massive campaign to improve the educational sector but this long-term commitment to change will not have effect for some time. It will be necessary to introduce a different style of education in any new program in order to overcome the educational shortcomings of the present school system.

The proposed PET will address many of these constraints through its promotional/marketing campaign, technical assistance and training, and information resource activities. To address the basic education constraints, which represents a

longer-term concern to productivity, an educational institution will be selected through competitive processes to expand adult basic education programs in the workplace through correspondence.

2. Relationship between the Trade Practices and Productivity Components

The TPPI Project addresses issues of competitiveness for Dominican firms on two fronts: a) the "macro" environment in which they operate, over which they have very little control; and b) the "micro" environment of individual firm management and practices, over which they have 100% control in most cases.

In order to survive and grow in a more open economy, firms will have to restructure and invest in productivity. Some firms will refuse to invest in improving the "micro" environment, citing the poor "macro" environment as a rationale for not wanting to "waste" resources on what they view as a losing battle. Nevertheless, even under the most difficult BLRJL environment there are firms that continue to grow and expand through innovative management and improvements at the firm level, such as development of human resources and improvements in processes and technologies. The TPPI Project will support those firms in the latter group. Some in this group will prefer a gradual approach, and yet others will welcome competition and change wholeheartedly.

Given the timing of the TPPI Project, this two-pronged approach is crucial. The current GODR administration favors improvements the BLRJL environment which will be supported by the TPPI Project, but with the uncertainty which accompanies elections in 1994 and a new administration, the Project implementation will support companies to improve competitiveness regardless of events in the BLRJL environment. Use of the Cooperative Grant Agreement assures that productivity interventions fit well with BLRJL actions.

3. Timing of Project Activities

There is some general concern that the Dominican Republic might change course and slow down, or even reverse, the opening of the economy after the elections in 1994. If that were to take place, relations between the GODR and private sector, and among private sector interest groups, would be aggravated.

Regardless of whether this occurs or not, the flexible design of the Project allows adjustments to be made in the Trade Practices agenda to reflect areas of common interest between the GODR Administration and the private sector in 1994, based on the Project strategy of incremental, rather than comprehensive, improvements in the competitiveness of the Dominican Republic.

4. Cost-Effectiveness

The design of this Project will maximize A.I.D.'s investment by leveraging Project resources with counterpart funding, and building on existing programs and resources. In the Trade Practices component, activities will be matched 50/50 by the implementing institution, whether public or private.

Under the Productivity component, AID resources will be complemented (50/50) by the DEI which will be implementing the component, as well as individual companies utilizing the PET services. It is expected that the strategic plan developed by the PET will include options for income generation and self-sufficiency.

There are a limited number of companies with innovative, high quality human resource development and productivity improvement programs at the present time. Many of these have received or are receiving technical assistance through international donor assistance programs such as USAID's recently-terminated Industrial Linkages project, the UNDP (Industrial Restructuring) and the OAS (Hielos Cristal). The PET will draw on the lessons learned as well as the success stories under these efforts.

B. Economic Analysis

The objective of the TPPI Project is to increase the competitiveness and efficiency of Dominican firms by: 1) reducing the transactional costs of doing business in the Dominican Republic which are caused by excessive and poorly functioning regulatory mechanisms imposed by Government; and 2) increasing productivity at the firm level. In addition to the positive trade and investment benefits expected from regulatory reform, there are also benefits expected to trade, investment and employment from enhanced productivity. Nevertheless, attainment of internationally accepted standards of intellectual property rights, environmental standards and diminution of non-tariff import protection carry costs for those presently benefitting from the status quo.

Transactional costs will be reduced through assistance under the Trade Practices component in the following areas: customs standards and administration, intellectual property rights protection (IPR), dispute settlement mechanisms and development of uniform codes of product and workplace standards. Firm productivity will be enhanced through technical assistance, training, information and improvements in the basic education level of the work force supported under the Productivity Enhancement component.

The economic analysis for the Project calculated positive returns on the investment in economic terms for both the Trade Practices and Productivity Enhancement components. The economic analysis is summarized below separately for the two Project components. A more detailed analysis can be found in Annex F-2.

1. Trade Practices

The central objectives of trade and investment policy reform are to improve allocative and productive efficiency. No study exists to date measuring the precise quantitative impact of removing regulatory, legal and judiciary constraints to private investment. An incursion on this direction was done by Hernando de Soto who estimated some of the costs resulting from "red tape" in Peru.²

Nevertheless, there is a substantial body of evidence that documents cross section and time series correlations between economic growth and various economic, social, demographic, and political variables. Two strong conclusions emerge from these studies. First, investment is almost always the most important variable determining growth in such equations. The second is that some measure of openness, usually export growth, is correlated with growth as well. This analysis addresses two areas: (a) benefits of improving customs; and (b) other areas which may be addressed under the Trade Practices component.

Customs Standards and Administration

The benefits of improving customs can be measured in terms of reduction of time imported merchandise is held at customs. The average number of days for clearing non-free-zone merchandise has been estimated at 33. Internationally accepted standards average 3 days, a number which is similar to the average time frame for clearing free-zone merchandise in the Dominican Republic. The calculations show that for 1992 the opportunity cost of delays was US\$40 million per shipment, and the cost of delay per day was US\$1.3 million.

Other Priority Areas

There is no feasible and widely accepted method for measuring the cost of economic reform and liberalization. For purposes of this analysis, the benefits can be measured in the aggregate by inference with growth rates of countries that have undertaken such reforms. The benefits would result from increases in GDP produced by two factors affecting investment:

- Increase in total private investment.³
- Increase in efficiency resulting from a better combination of factors of production.

² De Soto, Hernando, El Otro Sendero. Editorial Oveja Negra, 1987. Bogota.

³ Romer concludes that the key determinant of the growth rate in less developed countries is the rate of expansion of investment opportunities. Opening a country to increased trade seems to be one way to increase these opportunities, in part because it allows for technology transfers. (Paul M. Romer, World Bank Working Paper WPS 279, Country Economics Department, Washington D.C., September 1989.)

The benefits under such an analysis are an increase in GDP of 28.7 million Dominican pesos by 1996, as a result of reduction or removal of regulatory constraints.

2. Productivity Enhancement

The economic analysis for this component was based solely on the technical assistance and training provided through the Productivity Enhancement Team (PET). It is estimated that 305 companies and approximately 3,050 workers will benefit directly from training and technical assistance over the 7-year period. In addition, there will be indirect or longer-term benefits from the Project's investment in: (a) raising awareness about the importance of productivity to international competitiveness; (b) facilitating access to information resources; and (c) improving the basic educational level of the work force.

The social rate of return as calculated here from the perspective of society is essentially the pooling together of benefits to the employer and to the worker, and similarly for costs. The internal rate of return (IRR) and benefit/cost ratio (B/C) for the Productivity Enhancement component was calculated under three scenarios.

The most probable, but conservative, scenario is to assume a 50% failure rate and 10 years of productive life of employees. Under this scheme, the assumption would be that newly introduced techniques would become obsolete in a ten-year period. This yields an IRR of 91.65%, a NPV of \$3.90 millions, and a B/C ratio of 7.28. The following table summarizes the results under this, and two more optimistic scenarios.

	<u>Assumption</u>	<u>IRR</u>	<u>NPV (US\$)</u>	<u>B/C</u>
1.	50% Failure Rate 10 Yr Productive Life	91.65%	3.90 million	7.26
2.	50% Failure Rate 20 Yr Productive Life	91.91%	4.51 million	8.25
3.	Zero Failure Rate 20 Yr Productive Life	2272.10%	13.11 million	282.10

The Project's impact on productivity improvement was measured by two yardsticks:

- For measuring increased labor productivity from training and technical assistance among workers directly involved in production: salary differentials. Incremental wage bill per firm would be \$5,615 per year.

- For measuring increased management productivity from training and technical assistance: profits. Average incremental return per company: \$24,312.

Under the assumptions of this analysis, entrepreneurs keep a larger share of increased benefits than labor.

3. Conclusions

The above analysis ascertains that this is an economically worthwhile Project even if some of the proposed results are obtained.

C. Administrative/Institutional Analysis

This Project will be implemented primarily by a public sector institution, the Technical Secretariat to the Presidency (STP), but that institution will coordinate a number of other public sector institutions involved in establishing or carrying out trade and productivity activities in the Dominican Republic. The STP's efforts will also be complemented by a wide array of private sector institutions with special interests in trade or agro-industrial productivity. The proposed Project activities will focus on targets of opportunity for trade liberalization in situations where the public and private sectors are committed to work in concert to achieve common trade goals or improvements in productivity. A neutral party, a Dominican Educational Institution (DEI) will also help assure private sector involvement in key Project activities.

Because several of the private sector institutions co-implementing this project must be identified competitively during the sub-grant selection process, they cannot be identified or described in this analysis. Nevertheless, in several cases, where predominant capabilities exist, or private institutions have an assigned legal responsibility not shared by others, some analysis of private sector organizations is provided along with a general rationale for the USAID's recent significant interaction with the Dominican private sector. Because of the large number of well established institutions, both public and private, the Project promises success during implementation.

1. The Technical Secretariat of the Presidency

The Technical Secretariat of the Presidency (STP) will be the Project Grantee to implement the Trade Practices and Productivity Improvement (TPPI) Project. The STP is the principal GODR policy-setting and policy-coordinating agency. It works closely with other government institutions to develop sound macroeconomic and sectoral policies.

The STP is a top Cabinet-level-institution of the GODR. The Technical Secretary (Minister) is appointed by the President for an unspecified time. He is directly

subordinate to the President. The Secretary has the authority to sign contracts and assistance agreements on behalf of the GODR without obtaining approval from any other government institution, except the President.

Among the most relevant permanent functions of the STP are:

- To coordinate macroeconomic policies with other Agencies of the GODR as well as elaborating budget plans and development programs;
- To propose policy measures on a whole range of economic issues, including trade and investment policies.
- To manage resources and formulate recommendations pertaining to foreign assistance programs;
- To coordinate credit programs, financial and technical assistance from donors;
- To contribute to the installation and function of program offices in ministries and autonomous institutions;
- To review policy recommendations made by other institutions, including private organizations.

The STP is authorized to operate its own bank accounts for specific transactions, including development assistance projects. It can also disburse funds appropriated by Law.

The staff directly under the Secretary is rather small, consisting of two Undersecretaries and a body of three or four economic advisers. Most administrative and technical support for STP's past and current activities come from branch offices or "dependencias," such as the National Planning Office (ONAPLAN). The National Planning Office has within its dependencies a Local Resources Coordination Office (DCR). That office has, for many years, planned and monitored the use of local currencies generated as a result of several USAID programs, including: PL-480, ESF, Sections 108 and 416 funds. While that unit is planned for phase out in 1997, because no new local currencies are likely to be generated, it can play a critical role in support of the Project Management Unit for TPPI. The Projects Division within the DCR is the ideal Project management office because of its mix of professional engineers and economists. Details of the DCR's management and financial controls are described in the November, 1991 Assessment of that unit.

As a dependency of ONAPLAN the DCR will assume day-to-day Project management responsibilities but ONAPLAN will also play a key role implementing the

Project. First, the Administrative Department will be the sole government institution in charge of channeling counterpart funds to other government agencies involved in implementation and in budgeting and disbursing, accounting and auditing of Project financial resources. Second, the Projects Department of ONAPLAN will support the DCR in managing implementation of Project activities. STP as a key GODR institution, has considerable experience managing projects with international donor/lending institutions. The DCR has such experience with A.I.D.

In the area of trade and investment, STP received a small grant from the USAID to implement a preliminary trade and investment project which not only provided a basic framework for some of the TPPI's activities, but also initiated a financial and administrative framework that could be used to implement the institutional and administrative management of the proposed Project.

At present, the STP ONAPLAN and the DCR use manual procedures to register accounting and financial transactions. Because of the numerous subprojects suggested for a number of public and private entities participating in this proposed Project, and because the present ONAPLAN Administrative Department has somewhat limited capabilities due to total reliance on manual accounting systems, this function will be reinforced as part of Project implementation.

STP will appoint a Project Coordinator to head the PMU within the DCR who will act on behalf of STP to conduct the management policies, including the coordination of institutional arrangements with other GODR agencies. The Project Coordinator will receive all requests for project funds and will evaluate each in accordance with the terms of the PROAG. The Project Coordinator, with assistance from two USAID provided PSCs, will examine and evaluate each public sector request for Project activities.

The management responsibilities given to the DCR's Projects Division will include:

- a. Budgetary and financial planning;
- b. Technical and financial supervision ;
- c. Preparing terms of reference, contracting and procurement;
- d. Ordering payment to suppliers;
- e. Processing reimbursement expenditures in local currency and procurement from foreign countries
- f. Keeping sound accounting records and financial reports (by DCR accounting office).

2. Other GODR Offices

Individual offices planned to implement project subcomponents include: the National Budget Office (NBO), the National Planning Office (ONAPLAN), the National Office of Personnel Administration, the Commission for Economic Integration Schemes (CEIS), the Ministry of Industry and Commerce (SEIC), the General Directorate of Norms and Standards (DIGENOR)/SEIC, the Office of Industrial and Commercial Property, the National Office of Copyrights/Ministry of Education (SEEBAC), the General Directorate of Customs/Ministry of Finance, the Central Bank, Department of Plant Protection/the Ministry of Agriculture, Department of Environmental Protection/The Ministry of Public Health and Social Assistance (SESPAS), The Supreme Court of Justice and the Judicial System, and the Ministry of Labor. Each of these offices is described in more detail in Annex F-3.

3. Private Sector Associations

Because many of the procurement or contractual mechanisms employed by A.I.D. require competitive procurement whenever possible, it is not feasible in this institutional analysis to discuss each and every private sector entity likely to be engaged in implementing the proposed project. The important point to keep in mind is that there is a wealth of strong and effective non-governmental organizations in the Dominican Republic that can be expected to effectively work with government on trade liberalization and increased productivity.

The following list includes only a few key examples of organizations with predominant capability, for which waivers may be sought, or organizations having specific responsibilities statutorily assigned by the GODR: the Dominican Agribusiness Board (JAD), Businessmen's Alliance (UNE), the National Council of Businessmen (CNHE), the Association of Industries of the Dominican Republic (AIRD), the Association of Industries of the Northern Region (AIREN), the Chamber of Commerce and Production of the National District (CC), Conciliation and Arbitration Council (CAC). Some of these institutions are described in more detail in Annex F-3.

4. Educational Institutions

For the productivity component, academic institutions are being considered as the most likely potential grantees to manage the proposed Productivity Enhancement Team. Preliminary research in this area concludes that at least four of the country's higher education institutions could successfully manage the PET. Among these institutions, four stand out as particularly promising based on the quality of their educational programs, and their neutrality on economic liberalization: INTEC, UNPHU, PUCMM and UNAPEC. These institutions will be invited by A.I.D. to submit applications to implement the Productivity Enhancement component of the Project and to receive a collaborative grant.

D. Social Soundness Analysis

The process of economic reform and modernization in the case of the Dominican Republic will be a gradual, incremental, long-term task. It is important to recognize that there has been progress in recent years, however minor or incomplete, in moving the Dominican Republic in the direction of a more open economy, with less arbitrariness in the application of trade and investment-related laws and regulations, and the alignment of these laws and regulations with more internationally acceptable norms and standards.

The TPPI Project seeks to contribute to the continued modernization of the GODR's administrative systems, and to reinforce the Dominican Republic's capacity to participate in the benefits of the new world economic order. The social scenario into which the TPPI will be carried out is scattered with complex potential obstacles that could pose serious risks to Project implementation. Having a better understanding of these risks, and of the important actors in both the GODR and the private sector is critical to Project success. By better understanding the socio-economic panorama described in the Social Soundness Analysis (Annex F-4), Project staff and participants will be more likely to identify: 1) the "agents of change" with whom the Project can work; and 2) the "pockets of opportunity," where discrete, short-term interventions can have a reasonable level of success, and continue to move the Dominican Republic toward a more effective trade regime and favorable investment climate.

In less than thirty years, the Dominican Republic has undergone a true capitalist revolution that, although incomplete, has structurally transformed the former traditional society. Economic growth, urbanization, emigration, and institutional pluralization have not occurred without conflicts. Today different economic and social groups argue over the preservation or change of the status quo. Some of these conflicts have recently been made public since the GODR announced implementation of a series of economic reforms in August 1990 to address serious economic problems.

As the process of reforms takes place, the conflicts within the Dominican private sector become more evident as the business community also appears divided between those favoring a continued protected market ("proteccionistas") and those favoring a more open economy ("aperturistas"). The "proteccionistas" began their operations during and immediately following the Trujillo era, and thrived under protection from foreign competition. The "aperturistas" are a diverse group of firms created after 1966, and their origin is directly related to the extraordinary process of economic growth of the past two decades. Many are industrialists, but most come from the commercial import, service and professional sectors.

1. Beneficiaries

There are three large groups of potential beneficiaries from the TPPI Project: a) Importers and exporters will benefit greatly from the modernization of customs; b) Firms favoring the opening of the economy will profit from PET programs and access to solutions to productivity constraints. This group includes many of the more than 6,000 exporters registered at CEDOPEX; and c) the GODR will benefit from the modernization of legal, regulatory and administrative systems, and from the expansion of revenues through increased trade.

Women will also be direct beneficiaries of the TPPI Project. Many women are owners and managers of thousands of new enterprises created in the last 25 years. In addition, women compose a substantial segment of the unskilled and semi-skilled labor force in Dominican businesses.

2. Participation

Some would argue that the majority of the traditional Dominican industrial sector would have little interest in a project such as the TPPI which supports actions to create a more open economy, when they can continue to dominate a protected internal market. Nevertheless, many industrialists favor the modernization of the GODR because it will reduce the extra costs of operating under an inefficient system which places them at a disadvantage in international markets. The business sectors which favor a more open economy, whether importers, merchants or service providers, support the TPPI Project because of its direct impact on the opening of the economy. Therefore, customs deregulation, diversification of production, and increases in productivity, are three elements of common interest for both "proteccionistas" and "aperturistas".

The GODR, at this point in time, can be an uncertain factor because of the upcoming elections in 1994. There is some concern that the Dominican Republic might change course and slow down, or even reverse, the opening of the economy after the elections in 1994. If that were to take place, relations between the GODR and the private sector, and among private sector interest groups, would be aggravated.

Regardless of the outcome of the elections, the TPPI Project should promote the institutionalization and automation of many administrative processes critical to the country's successful integration into the international economy. This may mean that some offices will lose power as the discretionary process gives way to more regulated practices. There are positive signs that the GODR is highly interested in the TPPI Project and perceives that it will reinforce the process of reform currently underway, as indicated in Annex E, GODR Request for Assistance. Nevertheless, it remains to be seen whether the sociocultural values and practices that remain as obstacles to reform can be overcome by the implementation of the TPPI Project alone.

3. Socio-Cultural Feasibility

The GODR will play a key role in the implementation of the TPPI Project as the principal facilitator. The project's activities should be considered as potential agents of change within the government structure and the bureaucracy's mentality and practices. The discretionary power of the bureaucracy in the Dominican Republic creates uncertainties within both the Dominican and foreign business community.

The modernization of the GODR is a difficult proposition to implement. It was only in 1991, after 30 years of efforts and 9 bills, that a Civil Service Law was passed, although its implementation is still pending. The implementation of the civil service reforms is crucial to the success of the TPPI, but will be made even more difficult due to the fact that all social groups, including the business sector, have learned to symbiotically relate with the bureaucracy to obtain convenient decisions, favors, concessions, and exceptions.

Although business associations in the Dominican Republic have traditionally been a vehicle for lobbying the GODR, many individuals also negotiate directly with the bureaucracy for special exceptions and concessions, which further reinforces the discretionary power of the bureaucracy, and divides the business community. This is one of the sociocultural factors that works against the creation of a new entrepreneurial mentality of transparency.

Modern management concepts such as worker empowerment will be difficult to realize during the time frame of this Project. Most Dominican firms are family enterprises, managed in an authoritarian manner by senior family members who are responsible only to their family interests. Labor organizations have finally come to terms with this reality and have opted for obtaining specific economic and social gains for their particular unions, leaving behind the old demands for workers' participation in the management of firms. Organized labor is still weak, and worker empowerment is not a priority in the business sector. It will continue to be like this as long as the labor force continues to be weakly organized.

4. Impact

Given the diverse constraints addressed by the TPPI Project, it is difficult to assess its overall impact on society, except to state that it should contribute to promote a sense of institutionalization within the GODR and should send a signal to the business community, as well as other social groups, that it is possible to achieve beneficial change which is to the advantage of all. The Social Soundness Analysis Annex F-4 describes the probable social effect of activities in each of the four priority areas identified for the first four years of the Project.

E. Financial Analysis

A.I.D. Handbook 3, Appendix 3.d., provides guidance of non-commercially operated projects, such as this Project, which states "the need for external support indicates that the 'worth' of a project cannot be measured by the user charges or other financial revenues it generates or collects. Rather, its 'worth' lies in the benefits it creates for the society as a whole; such public benefits, rather than financial worth, are the justification of the project."

USAID/Santo Domingo has given full consideration to all cost options and determined that the approach outlined for this Project is the most logical and most effective mechanism. The costs associated with this approach, detailed in the Costs Estimates and Financial Plan Section, have been thoroughly researched and are reasonably firm and consistent with Mission experience in this field and this country. The financial analyses conducted in connection with this project followed those requirements prescribed in A.I.D. Handbook 3.

The Project, as designed, has the flexibility to review or revise Project priorities and add new high priority activities which will be identified during Project implementation. The advantage of this approach is that it gives the Project the means to adapt to rapidly changing domestic, regional and international conditions. The implementation of the Trade Practices component will begin with specific activities which have been identified and described elsewhere in the Project Paper, and serve as the basis for budget estimates.

There are reasonable expectations in accordance with design phase meetings with potential implementors that host country public and private sector institutions participating in the Project can provide adequate counterpart funding for activities in their respective areas, on a 50/50 basis. During the design phase meetings, these institutions expressed interest in providing the required counterpart.

The financial viability analysis of Project activities under the Trade Practices component is based either on rough estimates of the financial rate of return (FROR) for society as a whole or partial present value break-even tests to show that even if the activity would affect only one or a few isolated cases, society would recover the amount of all the resources invested. The FROR is expected to be very high in all of the four priority areas identified for the first phase of the Project, even with a conservative estimate of benefits. (See Annex F-5 for discussion of FRORs for each of the areas).

In many areas, the investment would be recouped with a single beneficiary or transaction under the improved systems expected as a result of Project interventions. For example, even under the most conservative assumptions, a rough estimate of the FROR of solutions to the most widespread Customs inefficiencies would be very high. With respect to labor dispute settlements, by preventing as few as two or three major

conflicts or strikes in medium-size industrial plants during the seven-year period, the benefits of this activity would probably exceed by far the net present value of resources employed in this activity. Regarding the improvement in meat inspection facilities, a small increase in exports of a fraction of 1% would be sufficient to recover the cost of investment during the first year. With regard to the Productivity Enhancement component, A.I.D. grant funds are intended to finance up to an estimated fifty percent of the overall cost of firm-level technical assistance and training.

Only 15 percent of the operational costs needed to carry out the Project activities would be supported with A.I.D. funds. Other 85 percent would be contributed as counterpart by the implementing organizations. This shows public and private sector interest to meet financial obligation and to cover necessary recurrent costs. They will continue to allocate financial resources to the activity with little effort when A.I.D. terminates its financial contribution.

It is expected that the strategic plan developed by the PET will include options for income generation and self-sufficiency to cover necessary recurrent costs, not only for LOP during which A.I.D. provides assistance, but also for later years after A.I.D. contributions are terminated.

F. Environmental Analysis

Whenever a country modernizes its trade or productive capacity and increases trade or output there is serious risk of environmental pollution. Thus far, the Dominican Republic has generally avoided that pitfall. Several recent environmental studies demonstrate that industrial and agro-industrial pollution cannot be likened to more industrialized nations, such as Mexico, which dramatically liberalized and increased trade and production in the last few years. To make sure that trade liberalization and increased production do not attract "dirty industries" to the country, the Project will take several measures to mitigate any potential indirect environmental impacts from promoting and diversifying external trade.

This Project received a conditional negative determination based on the potential indirect environmental impacts of promoting and diversifying external trade (see Annex D). The Chief Environmental Officer for Latin America and the Caribbean determined, in the Environmental Threshold Decision (LAC-IEE-93-21) that, "To mitigate any environmental impacts, the Mission Environmental Officer shall be involved in design and implementation stages of all activities and shall recommend mitigative measures." The Mission Environmental Officer was heavily involved in project design and recommends the following mitigative measures be taken where activities may impact on the environment:

1. Implementing agencies for all project activities involving environmental standards, where changes are contemplated in the laws, regulations or practices of

enforcement in the Dominican Republic, must show written evidence of having considered adopting comparable environmental standards equivalent to those of the United States or appropriate world organizations setting such standards. The purpose of this provision is to assure that Dominican environmental standards are in compliance with those being adopted by worldwide legislation, such as ISO-9000 and/or regional or international treaties governing environmental hazards.

2. In each case, within the Productivity Improvement component, where technical assistance is provided at the "firm-level" of industry or agribusiness, the nongovernmental organization (NGO) associated with the Productivity Enhancement Team (PET) must prepare a written determination as to whether the proposed interventions will likely impact on the physical environment in any way. In cases where significant environmental impacts may result the DEI/PET must call the matter to the attention of the Mission Environmental Officer in a timely fashion. The Mission Environmental Officer will then refer the matter to the LAC Chief Environmental Officer for a determination of the need for an Environmental Assessment. Appropriate mitigative action will follow from that determination, if appropriate.

3. In all BLRJL actions involving the exchange, sale or exploitation of lands associated with the real property dispute settlement mechanisms of the Project, appropriate GODR agencies must provide a written determination that settlements of real property disputes will not result in improper land use, as defined by an agreed upon worldwide standard, such as the USDA eight-tier land-use-classification scheme, or the Holdridge life zone system, for example. Following such a mutually agreed upon procedure will ensure that real property settlements do not result in unanticipated adverse environmental impacts.

4. At the initiation of the Project the USAID/Santo Domingo will provide the Productivity Enhancement Team (PET) with the environmental guidelines developed and used by the PVO Co-Financing Project. If appropriate for any firm-level training undertaken, these guidelines can be used instead of the procedure specified in (2), above, if the Productivity Enhancement Team (PET) obtains written approval of the Mission Environmental Officer on a case-by-case basis.

The above measures are intended to ensure there are no indirect environmental impacts as a result of the Project. It should be noted that, in fact, several industries presently charged with pollution have registered a strong interest in receiving technical assistance from the Project to bring their industries into compliance with EPA or similarly accepted world-wide standards. This is especially important for industries seeking registrations certifying that they meet ISO-9000 standards (refer to Unattached Annex 6 for details). Because direct technical assistance to establish governmental environmental standards, and to help firms comply with those standards, is an integral part of the Project, the Project should have a favorable impact upon the environment, rather than an unfavorable one.

To ensure that Project actions with potential to have an impact on the environment are adequately documented, the DEI/PET must maintain adequate written records to demonstrate they have given consistent attention to potential environmental impact of all policy or firm-level interventions initiated under the Project. Annual work plans developed jointly with the USAID will specifically suggest mitigative measures responding to the conditional environmental determination given this Project by AID/W.

VII. SPECIAL PROVISIONS

A. Conditions Precedent to Initial Disbursement

Prior to the first disbursement of any funds under the Project, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

1. An opinion of the legal advisor to the Grantee or other counsel acceptable to A.I.D. that the Project Agreement has been duly authorized and executed on behalf of the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms; and
2. A statement of the name of the person holding or acting in the office of the Grantee, and of any additional representatives, together with a specimen signature of each person specified in such statement, one of whom shall be the Project Coordinator in the Technical Secretariat of the Presidency, Project Management Unit (STP/PMU).

B. Covenants

1. The Grantee agrees to undertake the necessary measures so that pertinent legislation essential for the success of this Project is passed by the Legislature.
2. The Project Grant Agreement will provide for the establishment of an adequate accounting and budgetary control system that will assure proper accountability of A.I.D. funds, in accordance with generally accepted accounting principles, including annual audits in accordance with recognized audit standards.
3. As a condition for participation of any public sector entity in the Trade Practices component of the Project, that entity will present to A.I.D., in form and substance satisfactory to A.I.D., a plan for assuring the sustainability of any improvements in the administration of its activities to be developed with Project resources. That plan should include measurable indicators of success and sustained success over a period of several years.

The entity will present to A.I.D., within one month of the conclusion of each year, a report on progress made to achieve and sustain success. The indicators of success will include information on client and employee satisfaction.

AGENCY FOR INTERNATIONAL DEVELOPMENT

Santo Domingo, Dominican Republic

Annex A
Page 1 of 3

UNITED STATES GOVERNMENT
ACTION MEMORANDUM FOR THE MISSION DIRECTOR

Date: April 5, 1993

From: Douglas Chiriboga, Chief, PDO 

To: Mr. Raymond Rifenburg, Mission Director

Subject: Trade Practices and Productivity Improvement (TPPI) Project No. 517-0267

Action Requested: Your approval is requested for further development of the Trade Practices and Productivity Improvement (TPPI) Project No. 517-0267.

Background: The Mission Issues Review of the Project Identification Document (PID) was held on March 17, 1993. It was determined at such Review that (1) the PID is adequate to judge the feasibility of the Project and (2) there are no substantive issues that need to be resolved prior to the preparation of the Project Paper. Mission Management comments and feedback provided at the Review have been incorporated in the revised PID (copy attached). In addition, the inputs of the local TPPI Consultative Committee established to participate in Project design have also been incorporated in the PID. After the PID Issues USAID Review, six separate meetings to discuss the Project Description were held with members of the TPPI Consultative Committee.

Discussion: The information supplied below establishes what goal and purpose are to be accomplished by the Project, describes its principal activities and implementation considerations, and provides preliminary financial data.

Project Description: The Trade Practices and Productivity Improvement Project (TPPI) (517-0267) is fully consonant with the objectives of the Bureau for Latin America and the Caribbean (LAC) to promote broad-based and sustainable economic growth within a democratic environment. The goal of the Project is increased and diversified external trade. The purpose of the Project is to support adoption and maintenance of legal, regulatory and judicial reforms and improvements in productivity to increase trade and investment.



The Project will contribute to the economic development of the Dominican Republic by: (a) focusing on business, legal, regulatory and judicial (BLRJ) reforms favorable to private enterprise development, investment and exports; and (b) providing specialized managerial and technical assistance to improve the efficiency and productivity of local firms.

The Project has two components: (1) **Trade Practices**, aimed at supporting BLRJ reforms for achieving internationally accepted standards related to trade and investment; and (2) **Productivity Improvement**, directed at expanding or upgrading basic education and productive skill levels of the Dominican labor force and strengthening the business administration and technology transfer capabilities of Dominican private enterprises.

To accomplish the goal and purpose, the Project will assist leading public and private organizations of the Dominican Republic to enable them to: (a) make BLRJ changes favorable to liberalization of international trade in the agribusiness and industrial sectors; and (b) encourage increased export production and employment and income generation in these two sectors. The planned life of the Project is seven (7) years.

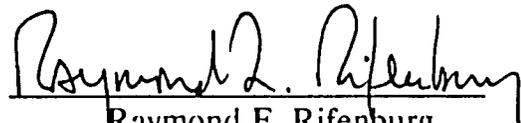
Implementation Arrangements: USAID/Santo Domingo will provide a grant to the Technical Secretariat of the Presidency (STP) to act as manager and coordinator of the first Project component. This grant will be awarded and administered in accordance with A.I.D. Handbook 3. A Dominican nongovernmental organization (NGO) will be the principal implementing entity to serve as manager and coordinator of the second Project component. The NGO will be the recipient of a grant awarded and administered in accordance with A.I.D. Handbook 13. The Project is expected to work with a strong and financially sound NGO which has the resources to cover its core operating costs for the duration of the Project and beyond. During Project Paper design, a mechanism will be established to ensure the selected NGO coordinates fully with all other private sector organizations implementing subprojects under the Productivity Improvement component.

Financial Requirements: The total A.I.D. cost of the proposed Project is estimated at \$17.5 million. An illustrative budget of A.I.D. contribution is broken down as follows:

1.	Technical Assistance	\$ 4,000,000
2.	Training	8,250,000
3.	Sectoral Research & Analysis/Special Studies	1,250,000
4.	Project Administration/Managerial Support	2,000,000
5.	Commodities	1,000,000
6.	Project Monitoring, Evaluations and Audits	<u>1,000,000</u>
	TOTAL	\$17,500,000

Delegation of Authority: State Cable 247181 ("Dominican Republic: FY 93-94 Action Plan Review") dated July 31, 1992 provided AID/Washington Delegation of Authority for Project development and authorization in the field.

Recommendation: That you approve the PID and further development of the Trade Practices and Productivity Improvement (TPPI) Project No. 517-0267, as described above, by signing below and the attached PID Facesheet.


Raymond F. Rifenburg
Mission Director
USAID/Santo Domingo

Date: 4/23/93

Attachment: Project Identification Document

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4/5/93

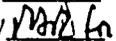
CON:WButler



Date:

4/14/93

DD:FJConway



Date:

4/23/93

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TPPI LOGICAL FRAMEWORK (PROJECT 517-0267)

GOAL	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS																												
Increased and diversified external trade.	<ul style="list-style-type: none"> *Increased total private investment. *Increased foreign investment and number of foreign firms investing. *Increased private sector productivity. *Policy environment that favors trade liberalization. 	<ul style="list-style-type: none"> *Country Statistics. *IMF and World Bank Reports. *Central Bank Reports. *Project Reports and Evaluations. 	Continued political and social stability.																												
PURPOSE	END OF PROJECT STATUS	MEANS OF VERIFICATION	ASSUMPTIONS																												
Support adoption and maintenance of legal, regulatory and judicial (LRJ) reforms and improvements in productivity to increase trade and investment.	<p>Active GODR and private sector participation in continual adjustment process leading to trade liberalization.</p> <p>Increased export production, sales and revenues of participating local firms.</p> <p>Improved quality and coverage of market-oriented productivity improvement technical services available for local firms.</p> <p>A core group of entrepreneurs and managers applying acquired know-how.</p> <p>Improved competitiveness and efficiency of the work force in the participating private and public organizations.</p>	<p>Project Implementation Information System.</p> <p>Project Reports and Evaluations.</p> <p>Records and activity reports of participating institutions.</p> <p>Feedback from Project beneficiaries.</p>	<p>Political will to adopt trade policy changes and make needed LRJ modifications or adjustments.</p> <p>Private and public organizations acknowledge the need to upgrade productivity and employee skills.</p> <p>Employees value training as an important factor in career enhancement.</p>																												
OUTPUTS	OUTPUT INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS																												
<p>1. Specific LRJ reforms in place which make the Dominican Republic a more attractive and easier place to undertake competitive business ventures for both domestic and foreign firms.</p> <p>2. Productivity increases experienced in local firms in the export sector.</p> <p>3. Short-term training: International Productivity Internship.</p>	<ul style="list-style-type: none"> •Improved trade and investment conditions. •A series of LRJ initiatives in place. •More efficient and responsive GODR agencies. •Higher business efficiency and labor productivity (output per man hour). •300 firms and 3,000 entrepreneurs and employees directly benefitted from productivity services. •An estimated 20 Dominicans trained at the certificate or technical level. 	<ul style="list-style-type: none"> •Project Implementation Information System. •Project reports and evaluations. •Grantee records and reports. •Case studies. •A.I.D. participant tracking system. •Feedback from participating institutions. 	<p>Public and private sectors support the proposed LRJ changes.</p> <p>Demand for technical assistance from appropriate enterprises.</p> <p>Local institutions have the capability to carry out necessary Project support services.</p> <p>A.I.D. funding is maintained at expected levels.</p>																												
INPUTS	Budget (US\$000's)	MEANS OF VERIFICATION	ASSUMPTION																												
	<table border="1"> <thead> <tr> <th></th> <th>A.I.D.</th> <th>GODR</th> <th>Private Sector</th> </tr> </thead> <tbody> <tr> <td>1. Technical Assistance</td> <td>1,763</td> <td>-</td> <td>60</td> </tr> <tr> <td>2. Training</td> <td>3,666</td> <td>229</td> <td>2,874</td> </tr> <tr> <td>3. Commodities</td> <td>383</td> <td>92</td> <td>127</td> </tr> <tr> <td>4. Project Management</td> <td>588</td> <td>2,430</td> <td>869</td> </tr> <tr> <td>5. Evaluations and Audits</td> <td>600</td> <td>-</td> <td>-</td> </tr> <tr> <td>TOTAL</td> <td>7,000</td> <td>2,751</td> <td>3,930</td> </tr> </tbody> </table>		A.I.D.	GODR	Private Sector	1. Technical Assistance	1,763	-	60	2. Training	3,666	229	2,874	3. Commodities	383	92	127	4. Project Management	588	2,430	869	5. Evaluations and Audits	600	-	-	TOTAL	7,000	2,751	3,930	<p>A.I.D. financial records.</p> <p>Grantee records.</p> <p>Annual Budgets.</p> <p>Financial reviews and audits.</p>	Availability of A.I.D. funds and counterpart contributions.
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STATUTORY CHECKLIST

5C(1) - COUNTRY CHECKLIST

Country Checklist was updated for FY 1993 and attached to the Project Paper (PP) of the Family Planning and Health Project (517-0259).

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 Efforts (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.

The Project is designed to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) have no direct effect on the use of cooperatives, credit unions and loan associations; (d) discourage monopolistic practices by improving the competitiveness of small and medium private enterprises; (e) improve the efficiency and productivity of local firms in the agribusiness and industrial sectors; and (f) improve labor-management collaboration (industrial relations) and the productive skills of the Dominican labor force.

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).

U.S. institutional and personal contractors are expected to play a significant role in implementing various technical assistance and training activities of this Project.

3. Congressional Notification

a. General requirement (FY 1993 Appropriations Act Sec. 522; 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 Appropriations Act notification requirement has been waived because of substantial risk to human health or welfare)?

Yes. A Congressional Notification was submitted to AID/W for transmittal to Congress. No obligation will be made until notification requirements have been met.

b. Notice of new account obligation (FY 1993 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 1993 Appropriations Act Sec. 571(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)

(a) and (b) Yes. A Project financial plan with reasonably firm estimates of the costs to A.I.D. is contained in this Project Paper.

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?

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

The Dominican institutions involved will propose necessary legislation to be presented to the legislature.

6. Water Resources (FAA Sec. 611(b); FY 1993 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 1993 Appropriations Act Sec. 571(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

See 5C(2)-A.1 above.

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.

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).

See 5C(2)-A.2 above.

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.

The GODR is expected to support the proposed Project activities with counterpart local currency financing necessary to achieve Project objectives.

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 1993 Appropriations Act Sec. 571). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

N/A.

(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

N/A.

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?

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA

N/A.

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?

(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

a. **Surplus Commodities (FY 1993 Appropriations Act Sec. 520(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?

N/A.

b. **Textiles (Lautenberg Amendment) (FY 1993 Appropriations Act Sec. 520(c)):** Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section

No.

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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 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)(as referenced in section 532(d) of the FY 1993 Appropriations Act): 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 1993 Appropriations Act Sec. 536): 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. The Project will be obligated through a bilateral A.I.D.-Handbook 3 Project Grant Agreement with the GODR. Institutional contractors and educational institutions will play significant roles implementing Project activities.

b. Funding sources (FY 1993 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

N/A.

(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 6G for agreements covered by this provision).

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): 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?

Yes.

17. Women in Development (FY 1993 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?

No. The Project is not susceptible to execution as a regional or multilateral Project. Coordination with A.I.D. regional projects will take place whenever feasible.

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If so, why is assistance not so provided?
Information and conclusions on whether
assistance will encourage developing countries
to cooperate in regional development
programs.

**19. Abortions (FY 1993
Appropriations Act, Title II, under heading
"Population, DA," and Sec. 524):**

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): No.
Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life?

21. U.S.-Owned Foreign Currencies

a. Use of currencies (FAA Secs. 612(b), 636(h); FY 1993 Appropriations Act Secs. 507, 509): Are steps being 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. N/A.

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 Yes.

U.S. small business to participate equitably in the furnishing of commodities and services financed?

b. U.S. procurement (FAA Sec. 604(a) as amended by section 597 of the FY 1993 Appropriations Act): Will all procurement be from the U.S., the recipient country, or developing countries except as otherwise determined in accordance with the criteria of this section? 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.) No.

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 No.



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?

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 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? **Yes.**

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 1993 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 1993 Appropriations Act Sec. 523): 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)? **Yes.**

k. Metric conversion (Omnibus Trade and Competitiveness Act of 1988, as **Yes.**

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 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

N/A.

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

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?

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?

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? **Yes.**

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 **Yes.**

to compensate foreign nationals in accordance with a land reform program certified by the President?

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.**

31. Military Personnel (FY 1993 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 1993 Appropriations Act Sec. 505): Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues? **Yes.**

33. Multilateral Organization Lending (FY 1993 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 1993 Appropriations Act Sec. 510): Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology? **Yes.**

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35. Repression of Population (FY 1993 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 Propaganda (FY 1993 Appropriations Act Sec. 516): Will assistance be used for publicity or propaganda 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 propaganda purposes not authorized by Congress?

No.

37. Marine Insurance (FY 1993 Appropriations Act Sec. 560): 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 1993 Appropriations Act Sec. 565): 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.

39. Commitment of Funds (FAA Sec. 635(h)): Does a contract or agreement entail a commitment for the expenditure of funds during a period in excess of 5 years from the date of the contract or agreement?

Yes.

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40. Impact on U.S. Jobs (FY 1993 Appropriations Act, Sec. 599):

(a) Will any financial incentive be provided to a business located in the U.S. for the purpose of inducing that business to relocate outside the U.S. in a manner that would likely reduce the number of U.S. employees of that business? No.

(b) Will assistance be provided for the purpose of establishing or developing an export processing zone or designated area in which the country's tax, tariff, labor, environment, and safety laws do not apply? If so, has the President determined and certified that such assistance is not likely to cause a loss of jobs within the U.S.? No.

(c) Will assistance be provided for a project or activity that contributes to the violation of internationally recognized workers rights, as defined in section 502(a)(4) of the Trade Act of 1974, of workers in the recipient country? No.

B. CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY

1. Agricultural Exports (Bumpers Amendment) (FY 1993 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 (1) and (2) No.

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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?

2. Tied Aid Credits (FY 1993 Appropriations Act, Title II, under heading "Economic Support Fund"): Will DA funds be used for tied aid credits?

No.

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)?

Yes.

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 recognizes the needs and desires of Dominicans to improve their country's standard of living through a more competitive private sector. The Project is heavily oriented to Dominican institutions and intellectual resources.

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?

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,

(a) the Project will help generate employment directly and indirectly; (b) the Project is designed to encourage greater employee participation and leadership in the decision-making process at the workplace; (c) the Project is a self-help effort in that private enterprise beneficiaries will raise their productivity standards through their own work assisted by technical support; (d) women entrepreneurs will benefit, as will men, by the

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

Project; and (e) the Project will encourage increased and diversified regional trade.

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. No waiver is required.

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.

9. Abortions (FAA Sec. 104(f); FY 1993 Appropriations Act, Title II, under heading "Population, DA," and Sec. 534):

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

No.

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which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

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 1993 Appropriations Act Sec. 563): 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 No funds will be available exclusively for such an organization. Nevertheless, these options will be used when feasible.

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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)?

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) as referenced in section 532(d) of the FY 1993 Appropriations Act):

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

N/A.

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 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

No.

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 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?

Yes.

14. Energy (FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act): 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.

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15. 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.

16. Deobligation/ Reobligation (FY 1993 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.

17. 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.

N/A.

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?

N/A.

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?

N/A.

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?

N/A.

18. 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 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?

See 5C(2)-B.6 above.

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

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

The Project will include activities to encourage increased export production and employment and income generation in the Dominican agribusiness sector.

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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.

N/A.

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.

20. 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.

21. Education and Human Resources Development (FAA Sec. 105): If assistance is being made available for

(a) The Project includes a component directed at improving the basic education needs of the Dominican labor force.

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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.

22. 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:

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

(b) Project assistance will contribute to improve managerial expertise by facilitating access to the theory and practice of modern management methods.

Project assistance will be made available through local nongovernmental organizations (NGOs) as appropriate to implement specific Project activities.

N/A.

The Project will complement the technical cooperation and development programs supported by other donors in the Dominican Republic.

The Project will include special studies to research into economic development processes and techniques related to international trade liberalization and productivity.

N/A.

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;

N/A.

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.

Small and medium labor-intensive enterprises are expected to be primary beneficiaries of the education and human resource development activities supported by the Project.

23. Capital Projects (Jobs Through Export Act of 1992, Secs. 303 and 306(d)): If assistance is being provided for a capital project, is the project developmentally sound and will the project measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the community level?

N/A.

C. 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 1993, this provision is superseded by the separate account

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requirements of FY 1993 Appropriations Act Sec. 571(a), see Sec. 571(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 1993, this provision is superseded by the separate account requirements of FY 1993 Appropriations Act Sec. 571(a), see Sec. 571(a)(5).)

5. Cash Transfer Requirements (FY 1993 Appropriations Act, Title II, under heading "Economic Support Fund," and Sec. 571(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?

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 made available to the U.S. government as the U.S. determines necessary for the requirements of the U.S. Government, or to carry out development assistance (including DFA) or ESF purposes?

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?

6. Capital Projects (Jobs Through Exports Act of 1992, Sec. 306, FY 1993 Appropriations Act, Sec. 595): If assistance is being provided for a capital project, will the project be developmentally-sound and sustainable, i.e., one that is (a) environmentally sustainable, (b) within the financial capacity of the government or recipient to maintain from its own resources, and (c) responsive to a significant development priority initiated by the country to which assistance is being provided. (Please note the definition of "capital project" contained in section 595 of the FY 1993 Appropriations Act.)

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U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

LAC-IEE-93-21

ENVIRONMENTAL THRESHOLD DECISION

Project Location : Dominican Republic

Project Title : Trade Practices and Productivity Improvement Project

Project Number : 517-0267

Funding : \$17,500,000

Life of Project : 7 years

IEE Prepared by : Ruben Mejia-Robleda, TIO/PDO

Recommended Threshold Decision: Categorical Exclusion

Bureau Threshold Decision : Conditional Negative Determination

Comments : Conditional negative determination based on the potential indirect environmental impacts of promoting and diversifying external trade. To mitigate any environmental impacts, Mission Environmental Officer (MEO) shall be involved in design and implementation stages of all activities and shall recommend mitigative measures. Where activity may have significant environmental impacts, MEO shall refer activity to LAC Chief Environmental Officer for a determination of the need for an Environmental Assessment.

ENVIRONMENTAL THRESHOLD
DECISION (cont'd.)

LAC-IEE-93-21

James S. Hester Date 5/3/93
James S. Hester
Chief Environmental Officer
Bureau for Latin America
and the Caribbean

Copy to : Raymond F. Rifenburg, USAID/DR
Mission Director

Copy to : Larry Laird, USAID/DR

Copy to : Ruben Mejia-Robleda, USAID/DR

Copy to : Gene Wilken, REA, R/DOC

Copy to : Joan Johnson, LAC/CAR

Copy to : James Hradsky, LAC/DR/CAR

Copy to : IEE File



República Dominicana

Secretariado Técnico de la Presidencia

Santo Domingo, D. N.

60697

12 MAY 1993

Señor
Raymond F. Rifenburg
Director de la Agencia para el
Desarrollo Internacional (A.I.D.)
Ciudad

Distinguido señor Rifenburg:

Muy cortésmente, por medio de la presente deseo formalizar nuestra solicitud para recibir la cooperación de esa Agencia para el Desarrollo Internacional (A.I.D.) para financiar un Proyecto para el Mejoramiento de las Prácticas Comerciales y Productividad a ser implementado por el Gobierno de la República Dominicana. Como es de su conocimiento, con la asistencia de la A.I.D., hemos venido elaborando el diseño del Proyecto conjuntamente con consultores locales y extranjeros. Además, algunas organizaciones privadas locales también han colaborado en el proceso de diseño.

Este Proyecto es de elevada prioridad para nuestro Gobierno, ya que está orientado al logro de mejoras permanentes en la capacidad para administrar los asuntos de comercio e inversión con eficiencia. Las prácticas adecuadas en el manejo del comercio internacional son esenciales para garantizar los bienes y servicios que generan un mayor bienestar social y económico a que aspira la sociedad y el Gobierno Dominicano. De hecho, estas prácticas son indispensables para mantener la confianza de los sectores empresariales e inversionistas locales y extranjeros.

El Proyecto para el Mejoramiento de las Prácticas Comerciales y de la Productividad incluye muchas áreas de operación gubernamental y está dirigido a una completa revisión del proceso de comercio exterior y la inversión. También, el Proyecto está diseñado para proveer asistencia técnica para el fortalecimiento en el área de recursos humanos e institucional, lo que derivará en un mejor posición competitiva de nuestro país. Por tanto, en virtud de la amplia incidencia y gran importancia que reviste el Proyecto para el desarrollo de la nación, consideramos pertinente que tanto el sector público como el sector privado participen activamente.

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República Dominicana

Secretariado Técnico de la Presidencia

Santo Domingo, D. N.

00007

12 MAY 1993

Con respecto a la coordinación con otros donantes que están colaborado con nuestro Gobierno y sector privado en las áreas de comercio exterior e inversión, me complace informarle que tomaremos todos aquellos pasos necesarios para asegurar la existencia de un ambiente positivo y constructivo para todas las partes envueltas.

Por último, me gustaría enfatizar la importancia que este Gobierno otorga al aumento de la productividad de las empresas localizadas en territorio nacional, por lo que encarecidamente le solicito a esa Agencia pondere la posibilidad de financiar lo que podría denominarse el "Centro de Recursos para la Productividad" incluido en el Proyecto. Es obvio que todo este nuevo ambiente internacional genere necesidades de transformación hacia lo interno de las empresas privadas, como también de las instituciones gubernamentales, que conlleven a un funcionamiento más competitivo y productivo.

En la espera de un acogimiento favorable a nuestra solicitud y de una relación beneficiosa en este importante Proyecto, con la más alta consideración y estima, le saluda,


Lic. Miguel Sang Ben, M.A., M.B.A.
Secretario Técnico de la Presidencia



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TECHNICAL ANALYSIS

This analysis addresses the issues related to the technical issues involved with Project implementation. This section will describe: 1) the LRJ and productivity constraints to competitiveness in the external trade sector as identified by the GODR and Dominican private sector, and the relationship of the proposed strategy to reducing these constraints; 2) the relationship between the Trade Practices and Productivity Components; 3) role of subgrant and subcontract program; 4) timing of activities; and 5) the cost effectiveness

This section will first review the constraints to increasing the competitiveness of businesses in the Dominican Republic, with respect to: 1) the business, legal, regulatory and judicial environment (Trade Practices); and 2) productivity of firms (Productivity Improvement).

A. Constraints in Trade Practices and Productivity and the Relationship of TPPI Project

Most sectors of Dominican society agree on the need of the country to adopt a development strategy focused on sustained economic growth based on exports, market forces and international competitiveness. Since 1990, the GODR has moved substantially in this direction through improved monetary and fiscal policies which have proven conducive to economic stability and economic growth.

This Project's task of building on the present economic base to expand Dominican industrial and agricultural production for trade is directed precisely at the problems presented by the inadequate business and investment climate and generally low worker productivity. The approach is to ameliorate those business, regulatory and labor constraints which negatively effect trade and to increase productivity and private sector competitiveness.

1. Trade Practices

The analysis of constraints in the Trade Practices area is based on several sources: a) a report on trade and investment priorities by CEDEMPRESA (a Dominican NGO which is closely associated with an international law firm specializing in trade and investment issues); b) a report prepared by the GODR's Technical Secretariat of the Presidency (STP) titled "Constraints to Trade and Investment;" c) a review of trade and

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investment laws and regulations prepared by a prominent Dominican law firm, Pellerano & Herrera, commissioned by STP; d) information gathered during the PID Consultative Committee meetings (which included representatives from GODR, the private sector and other international donor agencies); and e) interviews with potential implementing agencies during preparation of the Project Paper.

During the Project Design phase, legal/regulatory/judicial (LRJ) constraints were identified by both the private and public sectors. The private sector's opinions were solicited through a consultation process that covered LRJ issues and constraints. CEDEMPRESA, a Dominican NGO which is closely associated with an international law firm specializing in trade and investment issues, carried out this assessment which included a survey, interviews with business leaders and workshops. In the public sector, the lead role was taken by the Technical Secretariat of the Presidency and its coordinating office for trade and investment issues, with the assistance of Pellerano & Herrera law firm. They identified constraints through interviews with GODR institutions and through observational trips to Mexico and Chile.

Although the CEDEMPRESA report addressed the concerns of the private sector primarily, the conclusions reflect the priorities indicated in the STP report as well as those expressed in subsequent meetings and interviews with members of both the public and private sector. In the CEDEMPRESA report, constraints were grouped into four levels of priority, based on the level of consensus that existed among the private sector as to the issue's importance. The following table summarizes these constraints by level. Constraints listed in **bold** are areas which will be addressed during the initial phase of the project. Based on the Project's approach of focusing on discrete, short term (12-18 months) interventions, there is a high correlation between the most severe constraints identified and the activities outlined for the first phase of the TPPI Project.

**PRIORITY ISSUES/CONSTRAINTS AFFECTING TRADE PRACTICES
IDENTIFIED IN CEDEMPRESA REPORT**

Level 1: Supported by nearly all those consulted

- introduction of a reliable, expeditious and uniform valuation system in **Dominican Customs;**
- **elimination of consular invoices for importation (No. 3963/1954)**
- replacement of the **Foreign Investment and Technology Transfer Law (No. 861/1978)** with a flexible regime which is non-discriminatory with respect to foreign investment, and which maintains registration strictly for statistical purposes -one law would be best for both foreign and domestic business.
- **updating of the Customs Law (No. 3489/1953)**

Level 2: Supported by a large number of those consulted, but CEDEMPRESA believes that reform efforts would require some consensus building

- implementation of an **export promotion system**, including reforms in CEDOPEX
- **updating of the Tariff Regime (No. 170/1971)**, including gradual reduction of tariffs and the study of the provisional application of a zero level tariff for agricultural inputs.

Level 3: Universally recognized as important at a theoretical level, but for which further research and education are required for development of plans for action

- improvement in **protection of intellectual property.**
- education regarding the use of the judicial system for resolving business disputes, and the **strengthening of the arbitration courts.**
- legal and regulatory changes to **comply with requirements for free trade and regional integration agreements.**

Level 4: Not urgent, but viewed as important in the longer term

- guarantees for free competition, privatization of state enterprises and limitations on monopolistic activities.
- updating of regulations regarding international transportation of goods.

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The BLRJ constraints identified by the GODR study are summarized in the following table.

SUMMARY OF BLRJ CONSTRAINTS IDENTIFIED BY GODR STUDY

<p>I. Restrictions to Exports</p> <ul style="list-style-type: none">- cumbersome mechanisms for temporary admission system- delays in Customs and Ports- administrative taxes- delays in ports, financial and merchandise losses- high inspection cost- inefficient ports- poor packaging- unclear real property rights
<p>II. Restrictions to Imports</p> <ul style="list-style-type: none">- inconsistent application of laws- consular invoices- delays/retention of containers- non tariff barriers: permits, quota, certification, particularly agric.- additional charges on tax bill: multiplier, exchange rate, ITBIS- discriminatory taxes
<p>III. Restrictions to Investment</p> <ul style="list-style-type: none">- obligatory registration- limits on participation- restrict on repatriation- lack of dispute settlement mechanism- unclear real property rights
<p>IV. Intellectual Property Rights</p> <ul style="list-style-type: none">- inadequate protection of copyrights, patents and trademarks

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Six priority areas related to the legal, regulatory and judicial environment of the Dominican Republic were originally selected, in accordance with recommendations provided by the GODR and various Dominican private sector organizations involved in Project design, to be included in Project implementation during the first four years. These areas were:

- Customs Standards and Administration.
- Intellectual Property Rights Protection.
- Dispute Settlement Mechanisms.
- Uniform Codes of Product and Workplace Standards.
- Real Property Rights Associated with Investment.
- Legal Framework for Investment, Technology Transfer and Exports

This list was further prioritized based on the relative level of interest by both the GODR and the private sector in general, availability of counterpart funding from relevant institutions, level of support from specific constituents in either the public or private sector, urgency of the issue, and current or anticipated assistance from other donor agencies in the areas. Based on these criteria, the areas of Customs, Intellectual Property Rights and Dispute Settlement were selected for activities under the Trade Practices Component of the Project during the first phase, Years 1 to 4.

2. Productivity

The DR is at a crossroads. In the past many businesses felt that investments in productivity improvement would be ineffective because of the unfavorable business environment in which they operated. With a more stable economy, productivity will now provide the edge for the successful business who no longer hide behind this argument and attempt to adapt to a more open economy. In the words of one businessman interviewed, "competition is going to hit companies like a rainstorm if they don't adapt new practices", while another stated that companies are "going to go bankrupt if they don't adapt". Although further improvements in the trade and investment environment remain a high priority, the progress in recent years has turned the attention of the more innovative companies to increasing productivity at the firm level.

Several constraints to improved productivity were identified during the Project design, including: 1) the need for education regarding the concept of "productivity" and what it means in today's global business environment; 2) the need for training and assistance in implementing modern management practices; 3) the need for skills training, particularly to develop supervisory and middle management skills; 4) the poor level of basic education among the workforce; and 5) the lack of statistics regarding productivity, including baseline and benchmarks.

The Productivity Enhancement Team (PET) proposed will address many of these constraints through its promotional/marketing campaign, and technical/training and information resource activities. In addition, an educational institution will be selected through competitive processes to engage in a Cooperative Agreement Grant to carry out specific productivity interventions in four areas.

A major Dominican constraint to effective production (identified in the CEDEMPRESA report) is the very low educational level of the workforce. Studies by the educational sector reveal that the majority of students leave school with at best rudimentary qualifications acceptable for low level skilled jobs or manual labor; 50% of the economically active population (aged 15-44) is functionally illiterate. In the age of high technology and global competition this is unsatisfactory if the goals of productivity are to be reached.

The poor quality of education seriously handicaps the development of innovation in both the public and private sectors. Studies conducted by the Ministry of Education and the IDB reveal that the majority of students leave school with rudimentary skills which are inadequate for a productive labor force. At present there is a massive campaign to improve the educational sector but this long term commitment to change will not have effect for some time. It will be necessary to introduce a different style of education in any new program in order to overcome the entrenched habits of the graduates of the school system.

B. Relationship between the Trade Practices and Productivity Components

The TPPI Project addresses issues of competitiveness for Dominican firms on two fronts: 1) the "macro" environment in which they operate, over which they have little direct control, and 2) the "micro" environment of individual firm management and practices, over which they have 100% control in most cases.

Some firms will refuse to invest in improving the "micro" environment, citing the poor "macro" environment as an excuse for not wanting to "waste" resources on what they view as a losing battle. However, even under the most difficult LRJ environment there are firms that continue to grow and expand through innovative management and improvements at the firm level, such as development of human resources and improvements in processes and technology.

Given the timing of the TPPI Project, this two-pronged approach is crucial. The current GODR administration favors improvements the LRJ environment which will be supported by TPPI, but with the uncertainty which accompanies elections and a new administration, the Project Design will support companies to improve competitiveness regardless of events in the LRJ environment.

C. The Role of Subgrants and Subcontracts for GODR And Private Sector Institutions

The TPPI Project is a demand-driven project. The proactiveness of both individual GODR and private sector institutions will determine the actual agenda of the TPPI Project both in the short and the long term. During Project Design, potential activities were identified. However, these activities should be viewed as a starting point or framework for development of detailed plans of actions which will be submitted by GODR and private sector institutions upon Project authorization. These proposals will include detailed annual workplans.

A variety of possible implementing institutions have also been identified based on legal mandate. This is the case for most of the GODR offices and the Arbitration Council, for example, in the private sector. Potential implementing institutions have also been identified based on experience or the presence of specialized personnel and facilities. The upgrading of the meat inspection facilities at JAD is an example. However, the actual award of subgrants to private sector associations will be subject to AID regulations regarding competitive bidding.

D. Timing of Activities

There is some concern that the Dominican Republic might change course and slow down, or even reverse, the opening of the economy after the elections in 1994. If that were to take place, relations between the GODR and private sector, and among private sector interest groups, might be aggravated.

Regardless of whether this occurs or not, the flexible design of the Project would allow adjustments to be made in the Trade Practices agenda to reflect areas of common interest between the then GODR Administration and the private sector, based on the Project strategy of incremental, rather than comprehensive, improvements in the competitiveness of the DR.

E. Cost Effectiveness

The design of this Project will maximize AID's investment by leveraging Project resources with counterpart funding, and building on existing programs and resources. In the Trade Practices area, activities will be matched 50/50 by the implementing institution, whether public or private.

Under the Productivity Component, AID resources will be complemented (50/50) by the DEI which will be implementing the component, as well as individual companies utilizing PET services. It is expected that the Strategic Plan developed by the PET will include options for income generation and self-sufficiency.

There are a limited number of companies with innovative, high quality human resource development and productivity improvement programs at the present time. Many of these have received or are receiving technical assistance through international donor assistance programs such as USAID (Industrial Linkages), the UNDP (Industrial Restructuring) and the OAS (Hielos Cristal). The PET will draw on the lessons learned as well as the success stories under these efforts.

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ECONOMIC ANALYSIS

Benefit-Cost Analysis of Project Components

The objective of the TPPI Project is to increase the competitiveness of Dominican firms by: 1) reducing the transactional costs of doing business in the Dominican Republic which are caused by excessive and poorly functioning regulatory mechanisms imposed by Government; and 2) increasing productivity at the firm level. In addition to the positive trade and investment benefits expected from regulatory reform, there are also benefits expected to trade, investment and employment from enhanced productivity. Nevertheless, attainment of internationally accepted standards of intellectual property rights, product and workplace standards and diminution of nontariff import protection carry costs for those presently benefitting from the status quo.

Transactional costs will be reduced through assistance under the Trade Practices component in the following areas: customs standards and administration, intellectual property rights protection (ipr), dispute settlement mechanisms and development of uniform codes of product and workplace standards. Firm productivity will be enhanced through technical assistance, training, information and improvements in the basic education level of the workforce supported under the Productivity component.

The economic analysis for the Project calculated positive returns on the investment in economic terms for both the Trade Practices and Productivity components. The economic analysis is presented below separately for the two Project components.

I. Component 1: Trade Practices

This component intends to produce changes in Dominican trade practices to achieve internationally accepted standards related to:

- Customs Standards and Administration
- Intellectual Property Rights Protection
- Dispute Settlement Mechanism
- Development of Uniform Codes of Product and Workplace Standards

The central objectives of trade and investment policy reform are to improve allocative and productive efficiency, to put in place a set of relative prices that increases the economic efficiency with which countries allocate their resources, and to increase the competitive pressure on enterprises as a way of inducing firms progressively to increase their productivity.

Three complementary policy reforms have been identified to achieve these objectives: the promotion of import competition, the promotion of domestic competition, and the promotion of production for exports.

Those objectives need for their successful completion a legal and regulatory framework free of unnecessary constraints.

One of the most important aspects in developing exports is ensuring a continuing dialogue between policy formulators and those most affected by policy changes: the business community. In successful exporting nations business associations have been used to spearhead necessary changes.

Some international institutions with high financing potential have had the leverage to promote change. For example, Mexico, Tunisia, the Philippines and Ghana agreed on very extensive programs to move towards low and uniform tariffs in negotiations with the World Bank, and adopted and implemented essentially their entire program.

No study exists to date measuring the precise quantitative impact of removing regulatory, legal and judiciary constraints to private investment. The only incursion on this direction was done by Hernando de Soto who estimated some of the costs resulting from "red tape" in Peru.¹

Nevertheless, there is a substantial body of evidence that documents cross section and time series correlations between economic growth and various economic, social, demographic, and political variables. Some of the studies approaching this question from the point of view of development economics are summarized in Chapter 1 of Chenery, Robinson, and Syrquin, "Industrialization and Growth, (Oxford University Press: New York, 1986). Studies that have approached the question from the perspective of trade theory and the effects of liberalization are summarized in Edwards, "Openness, Outward Orientation, Trade Liberalization and Economic Performance in Developing countries" (NBER Working Paper No. 2908. March 1989).

¹ De Soto, Hernando, El Otro Sendero. Editorial Oveja Negra, 1987. Bogota.

Two strong conclusions emerge from these studies. First, investment is almost always the most important variable determining growth in such equations. The second is that some measure of openness, usually export growth, is correlated with growth as well.

In case of elimination of regulatory constraints, benefits would be represented by disappearance of "red tape" related costs (transactional costs) plus the increase in total investment that would result from an "investment-friendly" environment. A favorable business environment, generally down-played in the academic literature, is a factor to which investors in the real world seem to pay a lot of attention. Keynes referred to it as "the state of confidence, is a practical matter to which practical men always pay the closest and most anxious attention. But economists have not analyzed it carefully..."²

A. Customs Standards and Administration

The benefits of improving customs can be measured in terms of reduction of time imported merchandise is held at customs.

Assumptions for determining benefits:

- Three days is considered a reasonable average length of time for merchandise to be released from DR customs (counted from time of arrival of merchandise). This period is the average for merchandise entering the Itabo free-trade zone (FTZ) and also coincides with acceptable international averages.
- The average number of days, imports not related to FTZ are delayed is 33 days (This information is the result of data supplied verbally by several parties involved in trade, such as the President of the Exporter's Association, a customs broker, and others).
- Yearly Interest Rate: 29.2% (Commercial banks one-year active interest rate).
- Year used for calculations: 1992.

The following are the equations for the calculation:

$$\begin{aligned} \text{Iv. } i &= \text{DDC} \\ \text{DDC. } t &= \text{YDC} \end{aligned}$$

² Chapter 12. Keynes, J.M. (1936): The general Theory of Employment Interest and Money. A harvest BHJ Book, New York.

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Iv= FOB imports value net of: FTZ imports+Oil imports+ Coal imports+ Inespre Imports.³ There is no data on other Government imports. No CIF figures available.

It has been assumed that Government imports are not subject to delays.

i= daily interest rate
t= number of delay-days minus 3
DDC= Delay-day cost
YDC= Yearly delay cost= opportunity cost of delays

The calculations show that for 1992 the opportunity cost of delays was US\$40 million per shipment. Delay-day cost is US\$1.3 Million.

B. Other component goals

Regarding other factors of the component, there is no way of measuring the cost of moving a government in the direction of adopting appropriate policy changes. The benefits can be measured in the aggregate by inference with growth rates of countries that have undertaken such reforms.

The benefits would result from increases in GDP produced by two factors affecting investment:

- Increase in total private investment.⁴
- Increase in efficiency resulting from a better combination of factors of production.

In the Dominican Republic, the efficiency of capital as measured by the incremental capital output ratio (ICOR) for the period 1980-1989 was 14.0. as a result of the adoption of the economic stabilization program. The average level of GDP growth is estimated at 3.6% per annum for the period 1995-2000. The World Bank considers the rate

³ Total FOB value of imports: US\$2,178 Millions, minus imports of:

Oil 489.7M
Coal 14.6M
Inespre 11.3M

⁴ Romer concludes that the key determinant of the growth rate in less developed countries is the rate of expansion of investment opportunities. Opening a country to increased trade seems to be one way to increase these opportunities, in part because it allows for technology transfers (Paul M. Romer, World Bank Working Paper WPS279, Country Economics Department, Washington D.C., September 1989.

would be higher by 1.4 percentile points, to reach 5%,⁵ while the ICOR could improve to approximately 5.0 if private sector confidence and public sector efficiency improve, that is if liberalizing reforms and opening of the economy continue to progress. For cost/benefit analysis purposes it is assumed that half of the 1.4 percentile points can be attributed to increased efficiency in the use of capital resulting from the removal of regulatory constraints to private investment, while the other half corresponds to increased efficiency in the use of capital resulting from residual components.

The World Bank estimates are consistent with overall GDP growth rates observed in some of the countries that undertook radical reforms affecting their investment climate (Chile, Mexico, Korea). It is reasonable to assume that at least half the difference between the two GDP projections of the World Bank which amounts to 0.7 percentage points could be attributed to improved environment. Under that assumption the return to removal of private investment constraints would be producing full impact in 1996.⁶

Value of Benefits:	
1992 GDP (at 1970 prices)=	DR\$ 3.698 billion
1995 GDP(at 3.6 annual growth rate)=	DR\$ 4.102 billion

Benefit:	
GDP increase in 1996 from removal of regulatory and similar constraints =	DR\$ 28.7 million
1996 GDP (at 3.6% + 0.7%)	DR\$ 4.278 billion

II. Component 2: Productivity Improvement

This component includes human resources development activities to expand or upgrade productive skill levels, strengthen management capabilities of Dominican private enterprises. The component will also include technology transfer activities associated with trade and investment.

The term "productivity" may be defined as the ratio of output to any or all of the inputs employed in production.⁷ Output and input should be measured in physical volume terms since the purpose of productivity analysis is to get at the efficiency with which resources are utilized.

⁵ Figures from World Bank Report No. 10614-DO, Washington, D.C., May 22, 1992.

⁶ It has been assumed that the impact of the reforms operate with a three-year time lag.

⁷ For fuller discussion of concept and meaning see J.W. Kendrick, Productivity Trends: Capital and Labor, Occasional Paper 53 (National Bureau of Economic Research, 1956) and S. Fabricant, Basic Facts of Productivity Change, Occasional Paper 63 (N.B.E.R., 1959).

The productivity measure for labor is output per man-hour. In the US, output results from estimates of the current dollar value of output in the economy or its industrial segments, and physical volume estimates than can be made for some industries. Labor inputs, man-hours worked are usually obtained as the product of employment and average-hours-worked estimates. In the U.S. man-hours worked are weighted by base-period average hourly earnings in some industry groups of the private economy. The weighted measure is economically more meaningful since it does not make sense to count an hour worked by a highly-trained engineer the same as an hour worked by an unskilled laborer.

This is a "partial productivity" measure since it is a ratio of output to only one class of input, although labor is a very important input (combined with capital and technological innovation). Partial productivity ratios are useful in showing economies achieved over time in the use of particular inputs. Nevertheless they do not measure the efficiency of labor in the sense of the effort or skill of this factor alone, since they are influenced by substitution of capital for labor and by savings in materials as well as by technological change. They do show savings in labor input achieved over time. Changes in efficiency can occur because production workers work harder or are more skilled. It can also rise because more capital or more non-production workers are used per production worker. It can rise because of improved quality of purchased materials or because of an increase in the ratio of purchased materials to final output. And most likely of all, it can rise because of technological change. Depending on its source, a gain in output per man-hour may or may not imply that real wages should rise. Where output per man-hour rises most rapidly, we expect wages to lag behind it. Some of the productivity gains will go into lower relative prices, and thus be shared with the consumers of the product. Output per unit of capital and labor combined is a measure of the gains available for distribution or simply might indicate the company's place in the world of comparative advantage.

The productivity measure for capital output is output per unit of capital input. This index, while referred to less than output per man-hour, is of interest in its own right as well as a component of the total factor productivity ratio. It indicates economies achieved over time in the use of capital per unit of output. A third measure, total factor productivity, based on capital as well as labor input, although the best measure of changing productive efficiency, has received the least of attention.

Certain measures of output per man-hour, including some of those published in the U.S. by the Bureau of Labor Statistics, relate output to production worker man-hours only, rather than all employee man-hours or the still broader concept of all persons engaged including proprietors and unpaid family workers.

Since output results from the efforts of all persons engaged, output per production worker has an upward bias as an efficiency measure.

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Estimates of employee compensation should include all types of pay, including fringe benefits.

A. Benefit-Cost Analysis of Industrial Training and Technical Assistance in the Dominican Republic.

In appraising an activity one needs to specify whose perspective to take for the calculation of costs and benefits. In short, costs and benefits to whom?

This paper develops a simple direct approach -in line with data availability⁸ to measuring average returns to company training and technical assistance from the perspective of society. To simplify things the paper ignores the transfer role of government. The trainee will not be billed for the training.

Costs during training should be paid by the firm in terms of money outlays and other opportunity costs. Nevertheless, the possibility of high turnover rates of trained employees in the Dominican Republic, might make the alternative unfeasible. As an alternative to training unskilled workers, over 60 percent of firms hire trained workers from other firms. The practice varies according to type of industry and is higher among the firms in the apparel industry. The highest turnover was found among semi-skilled workers.⁹

Costs of technical assistance and training are funded partly by USAID (60%) and partly by the entrepreneur (40%). The Project would operate through two components:

- Supplying Technical Assistance
- Training those employees required by the technical assistance components

Under the assumptions of this paper, in the overall, entrepreneurs keep a larger share of increased benefits than labor.

⁸There is no financial nor economic data of local industries, except for micro enterprises. The difficulty in obtaining data is best described by the director of one of the important trade associations in the Dominican Republic, that has not been able to classify its members by sales volume, because of the companies reluctance to supply any financial data at all. There are no companies quoted in the stock market. All the companies are privately held and do not supply any information to outsiders, except for income tax purposes, a not very reliable source in the high tax evasion scenario of the Dominican Republic. Based on the wrong interpretation of secrecy regulations, the IRS does not supply any aggregate data for statistical collection.

⁹Page 45. Meeting Labor Needs of Industrial Free Zones in the Dominican Republic. Document prepared for USAID/Dominican Republic by ISTI. May 1988.

In terms of benefits, the firm earns a profit on its investment in training in the form of appropriating a part of the increase in the labor's marginal product and in increased productivity of complementary factors of production.

Benefits to the employer from human resource quality improvements, should be measured in terms of value added by the individual trainee-worker (t/w) to the firm, as distinct from the salary of the individual t/w. The same applies to the value added by the improved managerial skills of the administration. Nevertheless, measurement of value added is difficult, making necessary to substitute for a measure compatible with available data using several assumptions.

Indicator for Measuring training-related productivity increases and technical assistance

General assumptions regarding benefits to the entrepreneur:

- The entrepreneur takes up specific technical assistance (TA) and employee training (TR) in order to increase his company's profits or profit-related bonus.
- The returns to the entrepreneur are equal to the residual left after return to workers.

General assumptions regarding benefits to employees:

- The employee takes up specific training in order to increase his salary.
- The increase in employee salaries resulting from technical assistance and training remain at least constant in real terms during the rest of their work cycle.
- There are no costs to the employee in a scheme where his normal salary continues to be paid during the training period. Under the assumption of zero training costs, the return becomes infinite.

Scope of Data.

The approach requires the supply of the following minimum set of data: type and quantity of employees covered by training, average trainee age, duration of training courses, total cost, salary before and after training, productivity of capital, rate of interest, productive life-span of employees. No shadow-price estimates are necessary since the economy is operating under market-determined interest rates and foreign exchange.

Society's Perspective

The social rate of return (ros) as calculated here from the perspective of society is essentially the pooling together of benefits to the employer and to the individual, and similarly for costs.

The calculations¹⁰ do not take into account foregone earnings resulting from prior schooling that might have been undertaken by the trainee. There is no data available. A turnover rate, relevant from the employer's perspective, is not taken into consideration in this equation,¹¹

$$\sum_{t=1}^T \frac{COST_t + EDUR_t - P\Delta PVKLT_t}{(1+ros)^t} = \sum_{t=1}^T \frac{\Delta PVKLT_t}{(1+ros)^t}$$

Where COST: cost of training = \$7.42 million

EDUR: individual earnings during training

PVKLT: yearly productive value of all production factors

t: years of training and work

p: production rate of a trainee = 0.025

Discount rate or market interest rate used for the calculations: 29.2% per annum.

Assumption: calculations are made in dollars and inflation in consequence is not considered.

The calculations produce the following results:¹²

1. Results under the assumption of 50% failure rate and 10 years of productive life of employees.

¹⁰ Sensitivity exercises will be applied to test the stability of the resulting rates of return.

¹¹ In the present context, presentation of the results is made in terms of internal rates of return (IRR).

¹² Detailed cashflow tables are presented in the Appendix of this document.

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The same results would be obtained with a 25% failure rate and a lower return ratio, a 1:0.75 ratio of total cost to yearly returns, instead of the 1:1 ratio used.

IRR = 91.65%
NPV = \$3.9 million
Benefit/Cost = 7.26¹³

Under this scheme the assumption would be that newly introduced techniques would become obsolete in a ten year period.

This assumption is considered most probable, viewed from a rather conservative perspective. Two more optimistic assumptions are analyzed below.

2. Results under assumption of 50% failure rate and 20 years of productive life.

IRR = 91.91%
NPV = \$4.51 million
Benefit/Cost = 8.25

3. Results under assumption of zero failure rate and 20 years of productive life of employees.

IRR = 2272%
NPV = 13.11 million
Benefit/Cost = 282.10

Beneficiaries of the technical assistance (TA) and training (TR) components

Average characteristics of target company:¹⁴

1. Annual Sales: US\$300,000.

¹³ Calculated from a ratio in which the numerator is the addition of the negative cashflows to the NPV, while the denominator figure is represented by the same negative cashflows.

¹⁴ This assumption is based on data supplied by other members of the Nathan Associates design team in charge of determining the coverage and costs of the Project.

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This amount is about ten times larger than average sales by micro enterprises in the Dominican Republic, according to survey undertaken by the Association for the Development of Micro Enterprises (ADEMI).¹⁵

2. Number of employees: 55

This figure is consistent with a capital/employee ratio of \$4,000, under assumptions of Profit/Sales ratio of 0.15 and Profit/Capital Ratio of 0.2 and is within range of a domestic figure indicated in a local survey (Page 71, "Encuesta Nacional de Mano de Obra", FUNDAPEC).

Length of training period: 1.5 months

3. Employees to be trained: 10
Employee Level: Supervisor.

4. Total cost per company of technical assistance and training: US\$24,312
Total cost of the project US\$7.42 million

Total number of companies to benefit in a seven year period: 306

5. Minimum expected return to company: 1 time¹⁶ total cost or US\$24,312 minus salary increment of 45 production related employees plus 10 staff. It has been assumed that all the employees, on the average, will benefit in equal proportion from the benefits produced by the training of 10 or by the introduction of new methods of production, cost reduction schemes, increased exports or any other procedure increasing the return to factors of production.

6. It has been assumed that after technical assistance and training, the company will upgrade its efficiency level to the internationally competitive environment of companies in the FTZ. Therefore the average monthly salary in the company will increase from the average salary prevailing outside of the FTZ (US\$167) to the average salary in the FTZ (US\$176).¹⁷ Average monthly salary of staff (\$1,187) will increase by the same percentage (5.3%).

¹⁵ Regino E., Francisco Bernardo. Crecimiento de Microempresas. Asociación para el Desarrollo de la Microempresa, Inc. (ADEMI), 1990. Santo Domingo.

¹⁶ James Reynolds, Nathan's consultant and is based on his 20 years of experience as management consultant, considers the yearly return to be from 3 to 4 times costs.

¹⁷ Page 131, "Encuesta Nacional de Mano de Obra", FUNDAPEC, Santo Domingo, December 1992.

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7. A Profit/Sales (P/S) Ratio of 0.15 has been used for the calculations. This ratio is the ratio of a company operating in the Itabo FTZ that had the highest P/S ratio in its worldwide consolidated operations (Abbot) for 1992. It has been assumed that a company average would indicate the minimum rate acceptable for a company to operate outside of the US., taking the Dominican Republic operation as a profit center.

8. Productivity improvement from training and technical assistance. The yardstick would be:

a) For measuring increased labor productivity from training and technical assistance, among workers directly involved in production: salary differentials. The difference between the average wages currently paid in FTZ and wages paid in the rest of the economy.

$$W_t - W_m = PI$$

$$W_t/W_m = \text{Productivity multiplier}$$

Under described assumptions, the incremental wage bill would be:

$$\text{Production workers, } 45 \times 9 = 405 \times 12 \text{ months} = \$4,860$$

$$\text{Managerial staff, } 10 \times 62.9 = 629 \times 12 \text{ months} = \$ 755$$

$$\text{Total yearly increase in wage bill} \quad \$5,615$$

It is a well known regularity that industry-wide labor productivity performance is closely related to the real wage. In both the U.S. and Japan, close correlation between the two is observed. S. Nagakaoka ("Investment, Productivity and Comparative Advantage, The World Bank Industry and Energy Department Working Paper, Industry Series Paper No.25, Washington, D.C. April 1990.) has presented new evidence for the performance of labor productivity as a predictor of comparative advantage. Labor productivity can predict price and a fairly tight correlation exists between the two. Sectors with good labor productivity performance in Japan also improved their price competitiveness. Nagakaoka's paper supported and gave realism to Falvey's (R. Falvey, "Comparative Advantage in a Multifactor World," International Economic Review, Vol. 22, No.2, June 1981) demonstration that in a perfect competition model the labor productivity differential would serve as a useful predictor of a country's trade pattern even in a multi-factor world. Falvey's work had not dealt with the realistic setting of many goods and two factors nor had taken into account the technical efficiency differential as a source of comparative advantage.

Nevertheless, although labor productivity has been used often as a measure of industrial performance, there has been fundamental controversy about its economic rationale. At the theoretical level, labor productivity often has been identified with a Ricardian model of international trade, the key economic assumption of which (i.e. a single factor of production) is clearly wrong under many circumstances. At the empirical level, Bhagwati (J. Bhagwati, Trade, Tariffs and Growth, M.I.T. Press, 1969.) presented evidence showing that the labor productivity differential could not significantly predict price differentials across countries.

b) For measuring increased management productivity from training and technical assistance, the basic yardstick used are profits. Profit have been measured in this instance as the residual after paying increased salaries.

The beneficiaries of technical assistance would be mostly local companies. It is assumed that local companies are less efficient than FTZ companies, but their monopolistic position allows them to have the same profit/sales ratio for local sales and a lower one for international sales.

Incremental Return per Company.

Average yearly incremental return per company resulting from technical assistance and training activities: \$24,312 (Following experience of management consultant with experience in the field, indicated above).

Most manufacturing enterprises in developing countries are unaware of how far they lag behind the best current practices in advanced countries in systems engineering, productivity, quality control, and other aspects of production management.

This is graphically illustrated by the experience of the World Bank in determining the impact and returns from matching grant assistance provided by the Productivity Fund and Export Marketing Fund, which were set up in 1986 in India.¹⁸

One firm, with a large output even by world standards, was surprised when after an introductory plant visit, a foreign consultant said he could guarantee a 50% increase in output from the existing plant and equipment within one year with almost no new investment. Eight months later when the consultant returned to finalize the consultancy arrangement, the firm had achieved a 15% to 20% increase in output. After taking a more careful look at how production was organized the consultant said to the firm, "make that 100%".

¹⁸ Described by P.Hogan, D. Keesing and A. Singer in "The Role of Support Services in Expanding Manufactured Exports in Developing Countries," The World Bank, Washington, DC, 1991.

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In another enterprise with insufficient output to meet domestic demand and only a small volume of exports, a consultant zeroed in on the 20% to 25% rejection rate in the foundry. With the consultant's help, the rejection rate was reduced to 5% to 6%. This translated to a 20% percent increase in final output and resulted in a large saving in materials. The result was a dramatic reduction in the unit costs of production, making exports more competitive. Now the firm is meeting all its domestic demand and exporting half of its output, compared to 3% two years early. The firm now intends to establish a second production line just for exports. In this case, the cost to the Productivity Fund of the Japanese consultant was less than US\$25,000.

Probable Scenarios for Returns to Technical Assistance and Training.

For the calculation of the social returns three possibilities have been contemplated:

1. A scenario under which company profits would go down in face of external competition resulting from elimination of tariff protection. Technical assistance would keep those profits at the same level. The return on cost of technical assistance and training would be identical to profits otherwise foregone with a \$75,000 value.

2. A scenario under which company sales would increase. Sales would increase enough to increase profits by \$75,000 (under assumption of 3 times return).

3. A combination of the two possibilities described above.

APPENDIX

1) 10 year return and 50% Failure Rate

IRR Est. IRR Act.
0.9 0.916462
NPV 3897749 Interest: 0.292
B/C 7.257567

No.of Co	Accumul. No.of Co	Cost +	EDUR-pPVKLT	Benefit	Cashflows
43.57143	43.57143	1059286	46621.43	529642.9	-576264
43.57143	87.14286	1059286	46621.43	1059286	-46621.4
43.57143	130.7143	1059286	46621.43	1588929	483021.4
43.57143	174.2857	1059286	46621.43	2118571	1012664
43.57143	217.8571	1059286	46621.43	2648214	1542307
43.57143	261.4286	1059286	46621.43	3177857	2071950
43.57143	305	1059286	46621.43	3707500	2601593
	305	0	0	3707500	3707500
	305	0	0	3707500	3707500
	305	0	0	3707500	3707500
-43.5714	261.4286	0	0	3177857	3177857
-43.5714	217.8571	0	0	2648214	2648214
-43.5714	174.2857	0	0	2118571	2118571
-43.5714	130.7143	0	0	1588929	1588929
-43.5714	87.14286	0	0	1059286	1059286
-43.5714	43.57143	0	0	529642.9	529642.9
-43.5714	0	0	0	0	0

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ADMINISTRATIVE/INSTITUTIONAL ANALYSIS

This Project will be implemented primarily by a public sector institution, *the Technical Secretariat to the Presidency (STP)*, but that institution will coordinate a number of other public sector institutions involved in establishing or carrying out trade and productivity activities in the Dominican Republic. The STP's efforts will also be complemented by a wide array of private sector institutions with special interests in trade or agro-industrial productivity. The proposed Project activities will focus on targets of opportunity for trade liberalization in situations where the public and private sectors are committed to work in concert to achieve common trade goals or improvements in productivity. Because several of the private sector institutions co-implementing this project must be identified competitively during the granting process, they cannot be identified or described in this analysis. Yet, in several cases, where predominant capabilities exist, or private institutions have an assigned legal responsibility not shared by others, some analysis of private sector organizations is provided along with a general rationale for the USAID's recent significant interaction with the Dominican private sector. Because of the large number of well established institutions, both public and private, the Project promises success during implementation.

The Public Sector Implementing Agency:

The Technical Secretariat of the Presidency

The Technical Secretariat of the Presidency (STP) will be the Project grantee to implement the Trade Practices and Productivity Improvement (TPPI) Project. The STP is the principal GODR policy-setting and policy-coordinating agency. It works closely with other government institutions to develop sound macroeconomic and sectoral policies.

Organization: Legal Status---The STP is a top Cabinet-level-institution of the GODR. The Technical Secretary (Minister) is appointed by the President for an unspecified time. He is directly subordinate to the President. The Secretary has the authority to sign contracts and assistance agreements on behalf of the GODR without obtaining approval from any other government institution, except the President.

The STP was created by Law No. 10, of September 8, 1965. This Law eliminated the Secretaría de Estado de la Presidencia, creating an Administrative Secretariat and a Technical Secretariat directly under the President of the Republic. Law Number 55 of November 22, 1965 created the National Development Council and also assigned functions to the Technical Secretariat of the Presidency.

Among the most relevant permanent functions of the STP are:

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- To coordinate macroeconomic policies with other Agencies of the GODR, such as the Central Bank, Secretary of Finance, Industry and Commerce as well as elaborating budget plans and development programs;
- To propose policy measures on a whole range of economic issues, including trade and investment policies.
- To manage resources based on technical studies undertaken and formulate recommendations pertaining to foreign assistance programs as well as the institutional framework where public-private cooperation is developed;
- To coordinate credit programs, financial and technical assistance from donors, including identification of priority economic sectors and requirements;
- To contribute to the installation and function of program offices in ministries and autonomous institutions;
- To review policy recommendations made by other institutions, including private organizations.

Financial Status: The STP is authorized to operate its own bank accounts for specific transactions, including development assistance projects. It can also disburse funds appropriated by Law.

Pattern of Organization: The staff directly under the Secretary is rather small, consisting of two Undersecretaries and a body of three or four economic advisers. STP's own administrative department does not directly manage projects. Most administrative and technical support for STP's past and current activities come from branch offices or "dependencias," such as the National Planning Office (ONAPLAN), which has an additional dependency known as the Departamento Coordinador de Recursos (DCR). For the purpose of this analysis, we refer only to the administrative capabilities found in the DCR because it will be the part of STP actually housing the Project Management Unit (PMU).

While project management will be centered in the DCR, one department of ONAPLAN will play a significant role managing and implementing the Project: the Administrative Department will be the sole government institution in charge of channeling counterpart funds to other government agencies involved in implementation and in budgeting and disbursing, accounting and auditing of Project financial resources.

The institutional role played by the Departamento de Proyectos of the DCR in managing projects is generally confined to:

- a) Assisting in formulation of new projects associated with use of local currency;
- b) Receiving and evaluating progress reports submitted by other specialized implementing institutions; and in some cases,

- c) Supervising implementation of local-currency-funded projects (for example, the building of a dam or rural roads) and approving requests from implementing agencies (i.e., INDRHI, Public Works) for additional local currency funds or reimbursements.

Present Administrative System: At the present time, the STP uses manual procedures to register accounting and financial transactions. That is, all financial information, including requisition forms, checks, and accounts payable, is registered manually in books and ledgers. A simple filing system is used to store records.

For any project being implemented the following steps are required to complete transactions under a project:

- a) Request form is filled out and sent to the Administrative Department. Each request is accompanied by supporting documents such as purchase order, quotes (generally three) or letter from exclusive representative, invoice, copy of the contract or agreement on which request is based.
- b) Admission of request by the Administrative Department (Book of reception).
- c) Evaluation of request from an accounting point of view.
- d) Authorization by the Director of the Planning Office.
- e) Remittance of request authorized by Director back to the Administrative Department.
- f) Check is issued and sent back to the Director for signature. Always, more than one person has to sign the check. Additional signature is obtained.
- g) Registration of check on Ledgers/financial books.
- h) Receipt of the check by the supplier. Original documents are kept at the Administration Department of ONAPLAN.

Proposed Institutional Role for Project Management Unit (PMU): i) STP will appoint a Project Coordinator to head the PMU who will act on behalf of STP to conduct the management policies, including the coordination of institutional arrangements with other GODR agencies. This Coordinator will make sure that responsibilities assigned to STP will be effectively pursued and implementation of project activities are properly and timely accomplished.

ii) The Project Management Unit will receive all requests for project funds and will evaluate each in accordance with the terms of the PROAG. Such requests must include a form and annexes detailing necessary information in order to process. Government Ministers and agency directors will address all requests to the STP via the Project Coordinator.

iii) The Project Management Unit, with assistance from a Trade Practices Technical Advisor (PMU/TA), will examine and evaluate each request for public sector project activities and take one of the following decisions:

- a) Accept the request and submit it to the Administrative Department for proper proceedings.
- b) Return the request to the soliciting institution for correction if improperly documented. An explanatory notice of return will be included. Further meetings between PMU/TA and the requesting institution (Committee) may follow.
- c) Reject the proposal or request altogether due to inappropriate request not contemplated in the original agreement or other. An explanatory notice will be submitted to the requesting institution.

Because of the numerous subprojects proposed for a number of public and private entities participating in this proposed project and because present STP Administrative Departments have somewhat limited capabilities due to total reliance on manual accounting systems STP's administration will be reinforced as part of Project implementation. The assistance most needed is computerization of the Administrative Department. An improved system should have some or all of the following characteristics:

Single data entry system: the information will be digitated only once. The new computerized system will properly register and file debits and credits.

A Separate (Catalogue) Account System will be used to register each transaction under subheadings for each institution, area or activity, and budgetary specifications required.

The system should have the capacity to share and secure information according to guidelines from Coordinator, providing for different levels of access to users.

Backup copies to assure continuity and minimize losses due to electronic mishaps.

The new system should also be capable of producing systematic financial reports that fall under the responsibilities of STP. These financial reports would indicate number and type of transactions, funds used and available for both counterpart and grant funds, checks issued for each activity and institution, etc.

Management Responsibilities: Assuming that the STP will only be responsible for GODR-related activities, the management responsibilities given to the DCR will include:

- a) Budgetary and financial planning, including budgeting counterpart needs for every institution involved in project;
- b) Technical and financial supervision to assure project implementation and proper use of project funds, especially counterpart funds;

- c) Preparing terms of reference, contracting and procuring goods and services using counterpart funds;
- d) Ordering payment to suppliers when using counterpart funds ;
- e) Processing reimbursements expenditures in local currency and procurement from foreign countries as required by GODR institutions. In addition, it will request direct procurement from A.I.D. in the case of US suppliers of goods and services; including assuring compliance with the buy-America provisions in effect throughout grant implementation, and,
- f) Keeping sound accounting records and producing systematic financial reports to assure effective auditability.

Disbursement of A.I.D. Grant for GODR Activities. (a) GODR expenditures in local currency or U.S. dollar procurement will be reimbursed by A.I.D. on the basis of invoices submitted by the STP. The GODR will provide the STP with two revolving funds; one for procurement of goods and services that will be reimbursed or paid directly by A.I.D. and the other one for procurement with counterpart funds (which the DCR is used to handling); and (b) payment to U.S. suppliers may be done directly by the Mission as per purchase orders or contracts issued by the USAID. These Project elements would include minimum new equipment and training of personnel required to achieve proposed management arrangements.

Training will be aimed at familiarizing the current STP personnel and any other user of the system on Operating System, Word Processing and the Administrative System. Installation and training are expected to be completed during a six months period. The DCR's office of project development could develop such a system and provide self-training, thus minimizing need for technical assistance.

Other GODR Offices Expected to Implement Components of the Proposed Project:

The following pages offer a thumbnail sketch of individual offices planned to implement project subcomponents. They are included primarily to provide background on specific offices and programs. The list may be expanded or contracted, depending upon effective joint implementation of specific components by the public and private sector working together.

National Budget Office (NBO): Legal Status: It was created July 30, 1937 by Law No. 1363. In 1965 it was turned into a branch office of STP. Traditionally, the NBO works directly with the President to allocate resources. Its main tasks are; a) to estimate government total revenues in close collaboration with Customs, Internal Revenue Service, and other revenue collecting agencies; b) to estimate the level of GODR expenditures in collaboration with the National Planning Office; c) to review and prepare the annual programs of all GODR institutions; and d) to periodically manage the national budget.

The National Planning Office: Legal Status: ONAPLAN was created on november 22, 1965, when the then existing Junta Nacional de Planificación y Coordinación was integrated under the STP. Its main tasks are, a) to propose plans for economic and social development of the country; b) to promote and evaluate the elaboration and implementation of institutional programs and projects; c) to coordinate the annual budget requirements, including counterpart funds, to be submitted to the NBO by Secretariats, autonomous and decentralized agencies, and municipalities; and d) to assist STP in the elaboration of foreign assistance requirements.

National Office of Administration and Personnel (ONAP) Legal Status: Created on november 22, 1965, simultaneously with the STP and the Planning Office. Presidential Decree No. 878 of 1967 declares the training of Public Sector personnel a matter of national interest. In 1990, Law No. instituted a Civil Service Reform by gives ONAP the mandate for overall responsibility to design and implement the human resource system within the framework of regulations or norms that are approved by the President of the Republic. Therefore, ONAP will play an important role in the implementation of the human resource component of any reform or program aimed at eliminating or ameliorating trade barriers. However, ONAP itself will require technical assistance in the design and implementation of any reform to the human resource administration system of any organization within the GODR because it does not have the technical capabilities within its organization nor the funding that this undertaking requires. Among ONAP's main Personnel Administration functions are, a) to promote adoption of personnel management systems based on merit within the public sector; b) to establish norms and classification for each position to be filled by a civil servant; c) to establish homogeneous policies for personnel management, such as evaluation, promotions, vacations, training, salaries, discipline and retirement. Also, ONAP has responsibilities regarding training of public sector personnel where it is called to develop and implement training programs for those in the public sector as well as potential employees.

Lastly, ONAP is also instrumental for the development of new offices created by the GODR in providing assistance on specific areas such as organization, defining and confining the scope of the new entity. A good example of ONAP's role is the assistance it is currently providing the National Copyright Office in setting up its organization chart, salaries and personnel management policies.

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The Commission for Economic Integration Schemes: Legal Status and Organization: On November 27, 1992, by Presidential Decree No. 353-92 a Commission for Economic Integration Schemes (CEIS) was established. The main purpose of the Commission is to formulate policy reforms and strategies to bring the country into regional or Hemispheric economic pacts. The Commission is headed by the Vice-President and is composed of eight ministerial and private sector members, including the Technical Secretariat of the Presidency, the Secretary of Foreign Relations, the Secretary of Finance, the Lome Convention Coordinator and the Director of the Dominican Export Promotion Center. Members representing the private sector are George Arzeno Brugal, José Manuel Trullols, Maritza Amalia Guerrero and Miguel Ceara Hatton. Members of the private sector, in turn, come from different backgrounds, including a wealthy traditional businessman in the rum business, a former Secretary of Industry and Commerce, an experienced Central Bank official now acting as a consultant and the director of an economic research center with close links to Caribbean academics. This mixed composition gives the Commission the ability to consult on important matters regarding economic integration between public and private sectors. Also, being presided over by the Vice-president, it has sufficient leadership to promote the need of Dominican Republic to become integrated into regional/bilateral agreements. The main difficulty facing the Commission seems to be, from an institutional point of view, the lack of a permanent body of specialists who are able to formulate more complex integration policies. According to information provided by one of the members, the Commission is currently working on a plan to establish a permanent office to deal with core issues on the negotiating tables found in multilateral, regional and bilateral fora. Another handicap, from an institutional point of view, may be the fact that members of the private sector do not necessarily represent permanent business or academic institutions but rather were selected because of personal merit.

The Ministry of Industry and Commerce (SEIC): Legal Status and Organization: Formed by Law 290 of June 30, 1966, the SEIC is the main Dominican entity with overall responsibility for implementing GODR laws and policy in regard to industrial production in the country. In the last few months, it has played an active role in the development of new strategies to increase competitiveness within the industrial sector through the Industrial Restructuring Council (CNRI). Also, within SEIC's structure is a key department related to the protection of intellectual property rights in the areas of patents and trademarks. Under the SEIC's organizational structure is also found the General Directorate of Norms and Standards (DIGENOR) instituted to set quality standards for the production of national products.

The Office of Industrial and Commercial Property, which certifies and registers commercial trademark and commercial names and patents of invention and/or discoveries, and issues authorizations to begin commercial operations in the country is also under this Ministry. The Department keeps a register and updated file of all patents, trademarks, brand or commercial names and process all transactions related to the renewal, transfers, mergers, amendments, licenses, and whatever changes are subsequently introduced.

Since 1980 the GODR has been a member of the Paris International Convention for the Protection of Industrial and Commercial Property. Since signing this convention the GODR adhered to several modifications of the Convention's statutes, indicating a desire to adhere to international property standards. As a signatory member of the Convention the GODR is expected to enforce provisions requesting the protection of patents and trademarks. The present director of this office, a lawyer by training, is knowledgeable in the field of patent, trademark and commercial name protection. He has held this position for five years and attends workshops and conferences to remain informed about industrial property rights. He is capable of providing the leadership to carry out the reform of the overall system. The Department is composed of 33 persons and needs substantial additional training from the proposed project to ensure significant reform of the present system. This office would also be a good site for civil service reform, including the improvement of salaries to a standard where employees will have greater incentives to enforce provisions of the 1980 International Convention for the protection of Industrial and Commercial Property. It would also be desirable for the office's advisory, Consultative Committee on Trademark and Commercial Names; made up of the Secretary of Industry and Commerce, chairman, two members of the private sector, the Legal Counsel to the SEIC and the Director of the Office---to play a more active role promoting compliance with the Paris Convention. This Committee meets once a month to review controversies in the area of trademarks and commercial names.

General Directorate of Norms and Standards (Digenor): This General Directorate is responsible for the administration, supervision and control of norms and standards set for the production of national goods, both for local and foreign consumption. It is also responsible for issuing those resolutions that set all official norms and standards. Included under the mandate of DIGENOR are standards for the classification, production processes and packaging of goods. Due to its present level of expertise, DIGENOR concentrates on certifying a few products using a Dominican Norms System [known as NorDom] only for goods aimed at the local market level. International Standards, such as ISO 9000, are of great importance for future setting of standards, and the project proposes to assist this office in strengthening its impact on export goods.

Staff and Organization: DIGENOR is led by an Executive Director directly under the Secretary of Industry and Commerce. His/her functions are to implement plans and directions given by the interagency National Commission of Norms and Standards. The Director oversees the work of Digenor's technical departments: Norms, Quality Control, and Metrology. The Department of Norms is responsible for setting scientific and technically proven standards including terminology, quality standards, sizes, testing methodology and certification standards.

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The Department of Quality Control verifies quality of products to guarantee consumers that products meet set standards and then it issues certifications for products meeting such standards. The Department of Metrology is in charge of measures used to qualify goods. DIGENOR's Technical staff totals 40 employees.

The National Office of Copyrights: Legal Status: Recently formed by Presidential Decree No. 82-93 of March 28, 1993 as mandated by Law 32-86 of the year 1986. The Office is ascribed to the Ministry of Education (SEEBAC) and is directed by a person appointed by the President of the Dominican Republic.

Organization: Due to its recent formation, the Office is in the process of setting up its organizational chart, obtaining allocations of budget for the current year, planning activities and hiring personnel. Despite its recent origins this Office is important in achieving IPR objectives of TPPI and for developing the proper climate in the new era of liberalized trade and investment. For Project planning purposes we assume that the Office will be operational by the time the Project begins.

The Office is headed by the National Director appointed by the President. Its first director is a young Dominican lawyer with five years of experience as PR for the Supreme Court, making him familiar with every aspect of the intricate judicial system of the country. This is very advantageous because his responsibilities will be linked directly to solving problems within the justice system.

Budget allocations for the remainder of the year are expected to reach 2.4 million pesos, 30% of which is to be used for payroll expenditures. According to a chart prepared for the Office by the National Office of Administration and Personnel (ONAP), the salary structure conforms to the new Civil Service Law both for professionals and technical personnel employed by ONDA will earn salaries that are generally above those found in other GODR institutions. For example, salaries for heads of Department will be approximately RD\$6,000-6,500.00 a month. The Director is expected to earn salary of RD\$9,000.00. An expected staff of 22-25 employees is to be responsible for the work, of which 11 or 12 are expected to be professionals.

The main areas of involvement for the new office will be training of its own personnel and judges, who shall receive compensatory or punitive legal cases where violations of copyrights are believed to have occurred. This is the most crucial problem to be faced by the Copyright Office in the near future since enforcement capabilities within the judicial system are almost null in the country, mainly due to lack of knowledge on the whole subject of intellectual property. A total of 110 judges (65 judges of First Instance and 55 judges belonging to Courts of Appeals) represent those beneficiaries/targets who would benefit from training to be made available under the proposed project's judicial training activities. Another area of major importance to ONDA is the establishment of an efficient registration and filing system for all copyrights, including literary works, videograms, musical and other artistic works, etc.

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Although the ONDA is a new office, just being organized to meet responsibilities conferred by the new regulations, it can play an effective role in providing better protection for IPR in the area of copyrights. A key element will be availability of counterpart funds to set up the office and hire skilled personnel. Proposed high salary levels accorded by ONAP seem to point to a favorable future for personnel recruitment. Project funds will also prove essential, especially in the beginning stages, to provide technical assistance to set up the registration and filing system as well as building investigative capabilities. The Dominican Republic has little experience investigating fraudulent copyrights and trademarks, so technical assistance is proposed in this area.

The Ministry of Finance:

General Directorate of Customs

Legal Status: The responsibility to collect and regulate duties for all shipments, both incoming and outgoing, rests with the General Directorate of Customs, located within the Ministry of Finance. This agency's main task is to ensure that proper customs duties are levied and collected. Customs officers are present at all commercial points of entry, including the international airports of Santo Domingo and Puerto Plata, and the seaports of Santo Domingo, Haina, Boca Chica, San Pedro de Macoris and Puerto Plata. Import duties have historically been the chief revenue-producing-mechanism for the country and continue to be so today. Few citizens pay income tax and there is little property tax. As a result of this situation Customs has developed a "detective" mentality which sees revenue collection as its only goal, overlooking the effects their decisions may have on development of local industry, new investments, and exports.

Customs procedures are based on Law No. 3489, of february 14, 1953, a law now generally considered obsolete and notoriously complicated, time consuming and open to ad hoc or arbitrary application. For a long time, the Customs office was viewed by importers and exporters more as an obstacle than as a facilitator of trade. Since 1990, with the results of the application of Presidential Decrees No. 339 and 340 (now in Congress) that refer to a new tariff system, Customs has, in fact, streamlined and/or improved many of its procedures in many areas including valuation of goods. Also, with the assistance provided for by the UNDP-Harvard group, many Departments have been, or are being, computerized. Three Customs Collecturehips have been computerized (Haina Oriental, Haina Occidental and the International Airport).

The Harmonized System (HS) was adopted in 1990, generally bringing classification codes in line with those used internationally. Other problems remain, mainly those associated with procedures used to verify merchandise at ports and to assess values to goods because they have not yet been included in computerized programs. There is also a continuing need for technical assistance to customs to implement changes and reforms in the customs service bureaucracy.

Modifications in Law No. 3489 and related regulations, have been identified by customs as crucial to improving the overall functioning of the new system. For instance, despite

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use of total surveillance (theoretically there is 100 percent verification of merchandise compared to about 10 percent in U.S. Customs), violators are not severely punished. In most cases, penalties are minimal, usually only payment of taxes on merchandise not reported on bills of lading. If fines are levied, the maximum penalty allowed by Law No. 3489 cannot exceed RD\$2,000.00 (US\$160.00), a tiny amount by today's standards.

Some work has already been done in reviewing Law 3489 (one such work sponsored by the OAS in 1980), which was last modified in 1973, but due to lack of interest and/or political will this effort was halted in the early eighties. Today there is renewed interest in modifying the old law because of sharply increased imports (and numbers of importing firms) as well as major changes brought about by reforms of the tariff schedule.

Staff: The Director of Customs has broad experience, as do some of his subordinates. The Director now holds the record of being the government official, appointed directly by the President, having stayed the longest time (7 years) without being removed or changed to another position, a common practice in the country. This continuity has undoubtedly helped in assuring a successful first round of reforms involving the tariff schedule. Still, most Customs brokers and importers and exporters identify administration as the major problem of the Customs Service. Changing some the practices that have traditionally been associated with Customs administration may require a change in mentality that will only result from its personnel adopting a new set of values. Civil service reform in this area would help greatly.

The Civil Service Law recently enacted (1990-91) in the Dominican Republic is to be gradually implemented in the General Directorate of Customs. So far, the ONAP and the Customs Office finished a personnel census that concluding that Customs employ more than 3,000 people. Other results of this census are being slowly processed (one area they may need Project assistance) to then evaluate positions, salaries, and personnel needs. Much of the work done by the UNDP/Harvard group concentrated on improving technical aspects of Customs, with establishment of administrative and institutional reforms badly needed to make services agile and fair to both importers and exporters.

Some steps are being taken to implement the Civil Service reform and improve administrative procedures. For example, salaries of inspectors was raised from RD\$700.00 to RD\$2,500.00 monthly. A Subdirector of Customs earns RD\$9,000.00 and a Collector makes RD\$5,000.00. As a policy, new positions are being filled by young college graduates instead of political appointees without any training, as used to be the norm. The Instituto Capacitación Tributaria (INCAT) is currently the main trainer for Customs employees, providing several courses. Some of these courses are specialized in the technical areas of customs procedures, but the need for higher level management courses is noteworthy. The turnover rate for customs employees has apparently decreased as personnel policies and professionalism improve.

The TPPI will concentrate on improving Custom's legal structure (Law 3489 and related regulations), the verification process, and institutional strengthening. Present employees of the Custom's Directorate have gained sufficient experience and skill to use assistance in these three areas, although there is a clear need for further and highly specialized technical assistance, say, from the U.S. Customs Service. Dominican Customs may contribute training counterparts from among a group of two or three persons specialized in legal reform. With sound leadership

In the area of container verification, there is apparent improvement at the international airport. Lagging far behind is the inspection and verification processes at seaports, where 100% of shipments are inspected. Besides adopting a new system for verification of goods, cooperation with other related GODR agencies; such as the Drug Enforcement Agency, Port Authority and Secretariats of Agriculture and Public Health, should be improved substantially. Customs procedures, especially verification, is now being assisted by the Comisión de Agilización de Puertos, a working committee comprised of members of Customs at a technical level, a member of the Port Authority, a member of each of several business associations (AIRD, AIREN, UNE, Haina, ADOZONA and Herrera), a representative of the Shippers and customs brokers. This Committee meets regularly (once a week) to review problem areas and propose solutions. The Director of customs has indicated, verbally, that he would be willing to embark upon a "selective inspection" program with known reputable firms in the private sector, and seeks USAID assistance in jointly developing such a program with businessmen's groups such as UNE.

The Central Bank

While the major task of the Central Bank is resolving economic, monetary and fiscal policy matters, the bank keeps the Directory of Foreign Investment that records or registers all foreign investment and keeps track of legal restrictions and requirements on these business operations. A new Foreign Investment Law liberalizing the "rule of the game" for investors operating under the Central Bank's Directory is drafted, but awaits presidential and congressional approval. Once approved it should eliminate a number of restrictions and bureaucratic requirements.

The Ministry of Agriculture

Department of Plant Protection:

Although this Ministry has a broad range of responsibilities that affect investment/exports in the agribusiness sector, this analysis focuses on the one Department that plays a key role in phytosanitary measures applied to imports and exports.

This department is responsible for planning and executing work programs directed at improving phytosanitary protection. It issues Phytosanitary Certificates for agricultural goods that are imported and exported. This Department is also in charge of establishing and maintaining an effective quarantine system to avoid and prevent entry or expansion of plagues, especially agricultural diseases that could harm the agro-environment. At the moment, the Department keeps around 80 inspectors, most of which are agronomists. Most of this force works in the city of Santo Domingo and 50% of them are involved in quarantine services.

Because of widely-recognized deficiencies in government quarantine services the private sector laboratories, especially that of JAD, have assumed work task previously carried out only by Government. This trend is expected to continue.

The Ministry of Public Health and Social Assistance

Department of Environmental Protection

This ministry also has broad responsibilities related to assuring the public's health. One of its departments is the Department of Environmental Protection, whose main task is to improve standards related to food quality (especially milk and dairy products and meat) and to ensure safe working conditions. Also, its mandates include supervision of supermarkets and food production firms and slaughterhouses as well as drinking water supplies and other businesses involving sanitary concerns. It is generally believed that this department, although well intentioned and with experienced leadership, lacks enforcement capacity (trained inspectors) and equipment needed to effectively enforce health law. Presently, the Department has about 40 inspectors in the 8 regions the health ministry uses to divide the country. Most inspectors work in the city of Santo Domingo. One recent example of their work is the Department's national campaign to stop the sales of outdated foodstuffs in the supermarkets of the central city. Technical assistance and training would both be very effective Project contributions to this area.

The Supreme Court of Justice and the Judicial System

Legal Status and Organization: The Supreme Court of Justice is located in the Capital city of the Dominican Republic. It consists of nine judges that are elected by the Senate every years. The Senate also designates which Judge will act as Chairperson. Even substitutes are also appointed by the Senate to take over in case the chairperson cannot act. The Judicial System, as a whole, is completely subordinated to the Supreme Court and encompasses the following institutions: Appeals Courts, Trial Courts (Juzgados de Primera Instancia, de Instrucción y de Paz), and the Superior Land Tribunal. The Supreme Court of Justice is responsible for the following functions, among many others:

- To pass judgements on Special Appeals Recourses according to the Law;
- To determine, as a Special Appeals Court, if a Law has been well or ill applied.
- To judge, as the only instance, on matters concerning the President, the Vicepresident, Members of Congress and Cabinet members, members of the Supreme Court and other judges, Diplomats and Members of the Electoral Board .
- To transfer, provisionally or indefinitely from one jurisdiction to another, whenever it considers it appropriate, those judges and members of the Tribunals as set by the law.

The Ministry of Labor: Legal Status: The Ministry of Labor was created by Law No. 1312 of June 30, 1930. It is a Cabinet level ministry responsible for formulating labor policies while encouraging freedom to organize unions, collective bargaining, providing for adequate norms to protect worker's hygiene and safety in the workplace. Also, in case of controversies the Labor Secretariat is to provide mediation, conciliation and arbitration procedures, and often gets personally involved in settling worker/management disputes.

The GODR recently demonstrated interest in support of reforms and improvements in labor matters by giving support to the department of labor, currently under very dynamic leadership. For example, a more equitable labor law (Codigo Laboral of 1992) was issued. Salaries of personnel of key organizational units of the department were increased recently; the salaries of "inspectores auxiliares" were increased from \$78 per month to \$200, starting in May 1993. Traditionally this department of the central government has received very little support from the GODR. The department has suffered from the lack of sound recruiting and personnel management practices and lack of effective leadership. Only about ten percent of present inspectors are lawyers, while the new Code mandates that all inspectors should be lawyers and plan to increase the percentage of lawyers in the group of inspectors. No efforts have been made in the past to train and retain qualified personnel. The present Secretary of Labor is providing leadership to improve the department's performance and is interested in obtaining support from the TPPI project. The Secretary's judgement is that the GODR would be willing to provide counterpart funding of 50% with respect to total cost for project activities related to the department of labor.

There is a strong demand for the department's inspection services. There are 150 inspectors, including inspector supervisors, of which 65 are located in the capital area. Inspectors perform around 20 inspections per week in response to specific requests from individual workers and labor unions. A weekly report is to be completed by every inspector. Due to lack of transportation and to compensate for low wages, inspectors have been required to physically be present at the Secretariat only once a week. Effective mediation helps to reduce the number of cases that are submitted to the Mediation Office or the judicial branch of government. In addition to their inspection function, inspectors do provide some mediation services.

The Department of Mediation is basically a one-man department. The Director of the department has worked for the Secretariat for more than forty years. He has developed his knowledge on the subject of mediation and his skills on labor-management conflict resolution through his long term experience with the Secretariat. He admits candidly that most cases are personally taken on by him because his subordinates lack the maturity necessary for such tasks. The subdirector is a lawyer by training and seems to be well advanced in his training on the job process. The director, although enthusiastic and well intentioned about his department's role, seems preoccupied by the lack of interest of others to participate as labor mediators. He appears to be effective and credible among both workers and business management.

The Department participated in the resolution of 28 conflicts in 1992 and 24 in 1991. The number of cases might increase in the future as the number of labor unions increase. Therefore, it is expected that the department will have to rely more and more on junior mediators who, in turn, will need immediate training. This training should include supervisory roles for senior

There is an obvious need for improving the capacity of the department to communicate with firms, unions and individuals who seek its advice in the resolution of conflicts as the department has no vehicle, fax or resources to reach those in need. Failure of regular mail also makes routine communication difficult. It is historically interesting to note that the Department of Mediation and Arbitration was created in 1963 as part of a USAID efforts.

THE PRIVATE SECTOR---Because many of the procurement or contractual mechanisms employed by AID require competitive procurement whenever possible, it is not feasible in this institutional analysis to discuss each and every private sector entity likely to be engaged in implementing the proposed project. The following discussion includes only a few key examples of organizations with predominant capability for which waivers may be sought, or organizations having specific responsibilities statutorily assigned by the GODR. The important point to keep in mind is that there is a wealth of strong and effective non-governmental organizations in the Dominican Republic that can be expected to effectively work with government on trade liberalization and increased productivity.

During the past several years, the Dominican Republic undertook a policy reform program with the assistance of international donor organizations. Many reforms in the areas of trade and investment have not yet been concluded; largely because of their diversity and complexity. It is generally agreed that without the support and participation of the private sector, these reforms these reforms could falter or certainly have diminished impact.

The TPPI Project proposes to continue assistance in key areas to improve the legal and regulatory environment and thus contribute to growth of the economy. Although the GODR plays a crucial role in producing changes necessary to meet international standards to improve competitiveness of diverse productive sectors of the economy, private sector organization will, in most cases, greatly speed the implementation of such changes. In other cases the private sector will initiate dialogue or actions to keep the public sector focussed on trade issues.

One of the greatest obstacles to growth of industrial and agricultural production in the Dominican Republic is the weakness of public sector institutions. This weakness impacts on the availability of technology, information, sound regulations, and of course, enforcement capabilities. In general, inefficiency or absolute lack of services that normally would be provided by, or are expected of public sector institutions, is a difficulty private enterprises must deal with on a daily basis.

Because Civil Service Reform is only slowly and gradually being implemented, a basic problem in the public sector continues to be the high rate of personnel turnover due to extremely low salaries that do not compete with those offered by the private sector. Also, a system of political patronage still in existence make it hazardous to prevent corruption.

In order to compensate for this shortcoming and to fully realize the potential of the Project to improve the international trade and investment climate, the private sector can effectively close the gap in technical assistance and information as well as serve the Project by providing support

necessary for further reforms.

The private sector in the Dominican Republic is a heterogeneous mix of businesses organized under separate entities special interest groups. Although, no private sector institution can be singled out as the most representative for all business activities, several institutions stand out as representative of the different sectors of the economy; say for agriculture, importers, exporters, industry and services. Some of these organizations have become highly successful and specialized.

The disparity and specialization of organizations in the private sector offers one advantage for project implementation: areas of involvement can be easily defined and focussed, and appropriate private sector entities can be "paired" with their public counterparts. While less formal than the Mexican public/private sector bodies set up prior to negotiating NAFTA, these smaller, less-formal pairings are more suited to the size and complexity of smaller countries like the Dominican Republic. Private sector institutions have already identified constraints and opportunities for change for some time and are often better positioned than their government counterparts to offer practical solutions to problems. For example, resolving the land titling problem for agribusiness is an area within the Junta Agroempresarial Dominicana's (JAD) action plan, and thus will be able to attempt to resolve land titling problems jointly with Government. Another example is found in the case of private sector dispute settlements, which by Law is attributed to the private sector through the Chambers of Commerce. When private sector institutions follow good leadership and have a clear view of their interest, they can be very successful working with Government for common interests.

The other idea behind having the private sector play a key role in project implementation is because that conforms with the GODR's strategy to build consensus with many sectors prior to major policy changes. Such policy changes, more often than not, affect specific sectors of the economy in distinct ways. Including key private sector institutions, such as JAD, the Chamber of Commerce, UNE, AIRD and CNHE will, in this socio/political setting, provide the Project with the greatest likelihood of achieving success. It will assist the Project to achieve its goals of increased competitiveness and ability to deal with the international BLRJ environment in which rules of the game change rapidly. Below is a brief description of several of the organizations mentioned above; all are likely candidates to implement portions of the project associated with respective areas of their expertise. All will have to compete competitively to participate in implementation, unless specific waivers are issued in accordance with standard AID Procurement rules.

Junta Agroempresarial Dominicana (JAD):

The JAD was founded on December 12, 1984 and incorporated as a non-profit association on February 18, 1985. It is governed by a rotating 14 member Board of Directors, including a President, Vice President, Secretary and Treasurer. These officers (plus a Board Member appointed by the JAD President) constitute an Executive Committee. Day-to-day operations are managed by a salaried Executive Director assisted by three Department Heads. The Executive Director is a non-voting member of the Executive Committee.

The Board of Directors is elected for a 2-year period by the General Membership at its Ordinary Annual Meeting. Continuity is provided by annual reelection of at least five members who served the previous term. The Board as a whole establishes the general policies of the organization and the Executive Committee of the Board executes these policies.

The original Board of Directors was elected by JAD's founding members on December 12, 1984. Its composition changed little over the first three years. The 1989 election resulted in increased representation of agribusinesses as well as more members from Santiago.

JAD is the most important umbrella organization representing the Dominican Republic's private agricultural sector. JAD's membership is composed of 29 associations of farmers and over 1,000 individual farmers. JAD's members are a cohesive group that functions on the basis of specific agreed upon agendas. JAD is an agricultural sector advocacy group. It prepares studies and carries out lobbying activities aimed at policy reform. At present, it is lobbying for legislation to eliminate import duties on agricultural machinery and inputs. JAD also provides specific technical services to the agricultural sector, such as phytosanitary inspection of agricultural exports, integrated pest control and farm level technical assistance. In addition, it has an agroindustry unit within its organization which provides market intelligence and price information on foreign markets. JAD disseminates information through its own publication unit. JAD's revenues come from fees paid by its members and has been increasing in a steady, significant manner. Revenues covering costs. JAD's revenues from members' fees increased from RD\$0.5 million in 1989 to RD\$8.1 million in 1992. JAD is a success story. JAD has relevant experience managing technical assistance support for its own programs. Illustrations of JAD's capabilities to manage technical assistance include: the Integrated Pest Control Project" and the Phytosanitary Pre-inspection Project, both success experiences in co-management of public and private sector joint programs. A full time JAD staff member is one of four nationally recognized Dominican specialists in land titling (Derecho Agrario). JAD sponsored three workshops on land titling in the Dominican Republic since 1990.

The Chamber of Commerce and Production of the National District

Legal Status: The Chamber of Commerce and Production of the National District, once known as the Santo Domingo Chamber and later as the Official Chamber of Commerce, was founded shortly after independence in or around 1848. In 1987, a new law (No. 5087) was passed by Congress to ratify the Chamber's status and role.

Organization: The National District Chamber of Commerce has sound leadership and is eager to be more deeply involved in the areas of Dispute Settlement and Intellectual Property Rights, as they relate to trade and investment. The Chamber is presided over by a formidable council of business and academic professionals. Its Executive Director, an attorney by profession, has held the position for the last three years, after two years as the Chamber's legal counsel. She has shown a great deal of dedication to her job, resulting in a larger role for the Chamber in promoting Dominican products both locally and externally. A few years ago, the Chamber was only called on sporadically to identify parties who wished to participate in various trade shows and commercial missions. Today they offer much more to firms associated to the Chamber in these areas. Annually, the Chamber organizes several local trade shows for particular industries (footwear and metalmechanics are good examples) and coordinates participation of individual firms in international fairs, mainly in Europe. The Chamber now has a membership of 1300 individuals or firms.

Budget and Staff: The Chamber has an annual budget of RD\$3.8 million. Approximately 20% of the budgeted revenues come from annual fees paid by membership. Payroll expenditures reach around RD\$72,000.00 a month or roughly its fees revenues. Sales of services and other activities (trade shows) also produce income for the Chamber.

The Chamber staff of 25 persons is comprised as follows:

- 1 Executive Director
- 5 Administration Department
- 3 Professionals (1 economist, 1 lawyer and 1 marketing specialist)
- 16 secretaries and non skilled workers.

(A new staff member was added recently to organize and maintain a specialized library/resource department).

In the area of Dispute Settlement the Chamber of Commerce will participate as a major player in the TPPI Project. Law 50 of 1987 gives all Chambers of Commerce of the Dominican Republic the right to establish Conciliation and Arbitration Councils (CAC) to resolve amicably controversies of members of the Chambers. Non-members of the Chamber may only use this mechanism if at least one of the parties is a member. Members of the CAC are appointed by the Board of Directors of the Chamber for a term of two years with the possibility of being reelected or reappointed.

The CAC itself has a Directory formed as follows:

- 1 Chairperson
- 1 Vicepresident
- 1 Treasurer
- 1 Secretary
- 3 Members

The Legal Counsel to the Chamber acts as the CAC's Secretary. Arbiters are selected from a list by the CAC. In each case, two or more arbiters can be used but never exceeding five.

Institutional Strengthening of the CAC: The CAC now has no full time staff but depends mainly on volunteer Board members and part of the time of one staff member of the Chamber. Only some Chambers operations are currently done by computer, therefore, it is considered appropriate to provide office equipment (PCs, fax) for institutional strengthening to the CAC.

The Chamber will also participate in the Project in the area of IPR. The Chamber is the only private sector member of the Commission for Copyright protection and it is also involved in the registration and publishing of all commercial names and trademarks first registered with the Secretariat of Industry and Commerce. The strengthened marketing abilities shown by the Chamber in promoting trade shows and seminars seems completely adequate to meet the requirements in this area. No additional personnel is considered necessary to perform Projects activities but TA will be provided, if required, by the Productivity Enhancement Team.

An Academic institution is the most likely candidates to be a Cooperative Agreement grantee to manage the proposed Productivity Enhancement Team (PET) activities. Preliminary research in this area concludes that at least four of the country's higher education institutions could successfully manage the PET. These four stand out as particularly promising based on the quality of their educational programs and their neutrality on economic liberalization.

These institutions will be encouraged to submit on the applications to implement the Productivity Improvement component of the Project.

The Instituto Tecnologico de Santo Domingo (INTEC): INTEC is highly regarded as the most dynamic learning center specializing in Business Administration, Economics, Accounting and International Studies. INTEC not only offers a bachelor's degree in business administration, economics, finance, and industrial engineering, but also has a solid MBA program. INTEC also offers several specialized short courses in technical areas such as Production, Management and Total Quality.

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The Universidad Pedro Henríquez Ureña (UNPHU) is an independent, non-profit institution with a solid and diverse curriculum. It has the second largest enrollment after the Government funded Autonomous University (UASD). UNPHU, it is acknowledged, offers students a conservative environment, but it has a sustained, far-reaching institutional expansion program.

The Pontificia Universidad Catolica Madre y Maestra has an excellent reputation among higher education institutions in the country. It offers a wide range of career options and high quality teaching and research staff. Under the sponsorship of the Catholic Church, the University plays a key role providing advise and leadership to resolve high profile problems pertaining to Government and the community. No other national academic institution has the capacity to offer a high-quality-curriculum in two campuses simultaneously. Thus, territorial coverage is an asset PUCMM has to its advantage.

APEC University (UNAPEC) evolved from a business-oriented junior college initiated by the business community in the early sixties, into a highly competitive university. Its forte is still its business education programs at the bachelor degree level. Though, it remains independent from an educational point of view, its foundation is linked to Social Christian Party members. UNAPEC has the advantage of being sponsored by APEC, an umbrella organization with close ties to the business community, but highly regarded businessperson who comprise UNAPEC's Board of Directors are only marginally involved in institutional matters.

To carry out basic education a number of institutions may ultimately become involved. One of the leading proponents of such programs is the Centro de Educacion a Distancia CENAPEC

Legal Status: The Center for Educating at a Distance (CENAPEC) were constituted in 1972 by Acción Pro-Educación y Cultura (APEC) as a non profit organization. CENAPEC offers low cost education using the method known as "Education at a Distance", where the student learns at his own pace, in his own home. Textbooks are especially designed so that the student can follow without a teacher being present at all times. In this program textbooks and workbooks are distributed freely to all students.

CENAPEC now has 47 centers around the country. Periodically, students who are in the same program would meet at an assigned center to pick up additional homework and have Advisors assist them with their self-learning programs. There are an estimated 5,500 students being covered by the Program presently. During the last 20 years of CENAPEC, 33,207 students graduated either from intermediate or Secondary School.

Courses and curriculum used by CENAPEC are approved by the Secretariat of Education. Thus, students are certified as they complete their studies. CENAPEC offers intermediate (5th-8th) and high school programs. Also, microbusiness management, electronics repair and installation, computer courses and mechanical repair are part of their curriculum.

CENAPEC has a six members Board of Directors and an Executive Director. Ex-officio members include present Secretary of Education. A dynamic entrepreneur and business leader is CENAPEC's Chairman of the Board.

Other Private Sector Collaborators

Union Nacional de Empresarios (U.N.E.)

The U.N.E. is one of the most recent trade organizations to be created in the country. U.N.E. represents importers and trade liberals that were originally members of the Consejo Nacional de Hombres de Empresas. Chaired by Dr. Andres Dauhajre, also the President of the Importers Association, U.N.E. embodies that part of the traditional business community which is opposed to protectionism and government intervention. To a large extent, this group is one of the best advocates for tariff reductions and other measures to open the economy. U.N.E. membership consists of 12 commercial associations, 39 firms and individuals.

The Board of Directors of U.N.E. is represented by 16 members, including their President. A recent appointment of a new Executive Director, a former Central Bank economist and highly regarded expert, shows the highly professional orientation of the Union. Among members of U.N.E. are:

- Association of Supermarkets;
- Association of Importers
- Association of Shippers
- Association of Almacenistas
- Association of Duarte Avenue Commerce
- Association of Electrical material Suppliers
- Association of Imported Canned Milk

Membership also includes individuals such as: M. Cuesta Hardware & Toy Stores, Corripio, Mejía Alcalá, Repuestos "Caribe" and others.

Permanent staff consists of the Executive Director, a secretary and a messenger. Members of the Union also contribute personal time to the enterprise.

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SOCIAL SOUNDNESS ANALYSIS

SUMMARY

The process of economic reform and modernization in the case of the Dominican Republic will be a gradual, incremental, long-term task. It is important to recognize that there has been progress in recent years, however minor or incomplete, in moving the Dominican Republic in the direction of a more open economy, with less discretionality in the application of trade and investment-related laws and regulations, and the alignment of these laws and regulations with more internationally acceptable norms and standards.

The TPPI Project seeks to contribute to the continued modernization of the GODR's administrative systems, and to reinforce the Dominican Republic's capacity to participate in the benefits of the new world economic order. The social scenario into which the TPPI will be carried out is scattered with complex potential obstacles that could pose serious risks to Project implementation. Having a better understanding of these risks, and of the important actors in both the GODR and the private sector is critical to Project success. By better understanding the socio-economic panorama described in this Annex, Project staff and participants will be more likely to identify: 1) the "agents of change" with whom the Project can work, and 2) the "pockets of opportunity", where discrete, short term interventions can have a reasonable level of success, and continue to move the Dominican Republic down the right road, and in the right direction.

A. Introduction

After three decades of efforts to build a representative democracy supported by self-sustaining economic development, the Dominican Republic is today immersed in a process of reforms aimed at modernizing the Dominican economy. These reforms have been promoted by the international donor community (UNDP, IDB, USAID, IMF, IBRD), and have been supported by diverse local groups interested in accelerating socio-economic change.

To carry out these reforms the GODR has articulated several multi-sectoral consensuses on labor, electoral, and tax legislation, and has promulgated several laws called "codes" by Dominicans. Their implementation still faces some difficulties. In some cases there is a lack of willingness to implement them. In others, the main

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obstacles derive from the absence of appropriate statutes (reglamentos). Yet in others, the obstacles derive from the bureaucracy's traditional administrative practices, or from the citizenry's sociocultural values.

There are other legislative bills whose drafts are presently being discussed in order to obtain the necessary multi-sectoral consensus before becoming laws. These bills are the so-called "Financial and Banking Code", the "Customs Bill", the new Education Law, and the "Public Health Code". The new reform laws, either approved or pending approval, are necessary ingredients for the country's modernization, but they alone cannot eliminate important obstacles to Dominican economic development. Many observers think that the approval of these laws is an indicator of the fact that the Dominican authorities have finally committed themselves to institutional and economic modernization.

However, behind those laws there is still an immense set of social and cultural values, ideas, and practices that hinder the execution of projects aimed at economic and institutional change. These sociocultural factors should be considered as part of the scenario in which the "Trade Practices & Productivity Improvement (TPPI) Project" would be implemented. In the following pages we shall describe and analyze some of these ingredients and relate them to the other components of the Project.

B. Socio-Economic Change

In less than thirty years, the Dominican Republic has undergone a true capitalist revolution that, although incomplete, has structurally transformed the former traditional society. In 1963, almost all Dominicans defined their economy as being "eminently agricultural" while their cultural frame of reference was that of a mercantile and peasant society. Then the largest urban center, the capital city, contained less than 400,000 inhabitants while the rest of the so-called cities were nothing more than small towns with populations oscillating between 5,000 and 15,000 inhabitants. In 1960, only La Romana, San Pedro de Macorís, San Francisco de Macorís, Barahona and San Juan de la Maguana attained or surpassed the figure of 20,000 inhabitants, while Santiago, the second largest city of the country, barely had 85,000 inhabitants.

Today in 1993, these former towns have become flourishing medium-sized cities, much larger than most cities in the Caribbean, with the exception of San Juan, Puerto Rico, Havana and Santiago de Cuba, and Kingston, Jamaica. This fast urbanization process reflects accelerated demographic growth. In 1960, the country's total population was 2.0 million persons, while the urban population (0.9 million inhabitants) comprised only 37.1 per cent of the total. In 1993, the urban population is estimated to be 4.6 million (66 per cent of a total population of 7.0 million).

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Despite rapid urbanization, the rural population is still quantitatively important (around 3 million persons), but it has lost its value as a cultural frame of reference due to the growing disintegration of the former peasant society. Today, in 1993, no one speaks of Dominican society as being an "eminently agricultural" one. Now there is a generalized awareness that the economy has evolved from primary activities to industry and services. As a result, the values and organizational styles of urban life have been imposed on the rest of the country through the media, the arts and literature, the political discourse, and the educational system.

Recent studies emphasize the role that import substitution industrialization played in the acceleration of this structural change. These analyses also relate economic growth with investments in infrastructure in the nation's major cities of the country, particularly in Santo Domingo and Santiago. An additional factor of recent social change, accelerated economic growth, and the rapid creation of urban jobs has been the development of industrial free zones. When the first of this free zones began operations 24 years ago, only 614 direct jobs were created by 8 firms located in a single city. Today there are 27 industrial free zones parks, which contain 420 firms that give direct employment to 141,011 workers. This parks are distributed in 12 different cities.

The Dominican state passed special legislation to promote and protect import substitution industries (1968), tourism (1973), the merchant navy (1979), non-traditional exports (1979), agro-industries (1982), and industrial free trade zones (1990).

In order to finance industrial and tourism development, Dominican governments resorted to foreign debt and to inflationary policies, and adapted the fiscal and monetary systems in order to maintain an overvalued currency which ended up penalizing exports. Dominican governments also subsidized the imports of food products, and controlled the prices of basic consumer goods to maintain political tranquillity and avoid social unrest in the urban centers. They invested heavily in the cities neglecting investment in agriculture and the rural sector. In the end, these policies contributed to the impoverishment of the traditional peasantry and the rural population. In recent years, too, traditional agriculture (sugar cane, coffee, cacao, tobacco) has been replaced by tourism as the main source of foreign exchange.

Another result of these policies was to stimulate migration to the urban areas as well as migration abroad. Thus, great concentrations of Dominicans emerged in important foreign cities such as New York, San Juan (Puerto Rico), Miami, Boston, Caracas, and Madrid. The most visible example is New York, where presently 10 percent of the Dominican population currently resides. Due to the modern facilities of air travel, tens of thousands of these migrants visit their country every year following a

clear pattern of circulatory migration that is confused by some with return migration. About 10,000 of these migrants obtain their naturalization as citizens of the United States each year but continue to visit their country in summer and winter while their relatives travel continually in a never-ending flow of tourism and business.

This circulatory migration, as well as the return migration, have contributed to changing many traditional values. The migrants who travel back and forth between their country and the United States, Venezuela, Puerto Rico, and Spain learn in those societies new ways of life, a new labor discipline, political values, attitudes before the law, management styles, production techniques, and trade practices akin to advanced capitalist societies. Most of these migrants remain abroad, but many others return home and invest their savings in small and medium size enterprises, almost always in the service and trade sectors. By doing so, they have contributed to the modernization and growth of the Dominican economy and to the expansion of an entirely new entrepreneurial class dedicated to the trade of non-traditional goods and services.

The emigration of Dominicans abroad is also connected with the Haitian immigration since many jobs that would have been occupied by the migrants, particularly in the rural sectors have been filled by Haitians. The Haitian workers still concentrate mostly in the sugar areas, but lately they are becoming more visible as they spread into other jobs in the construction industry, rice fields, cattle ranches, and even in the tobacco areas. Previously, Haitians were only seen in the coffee zones when found outside of the sugar cane fields. The Haitians have still not been able to penetrate the import substitution industries and are still scarce in the tourist sector. These areas are jealously guarded by the Dominican workers organized in unions and labor organizations.

Organized workers and their trade unions have also changed much in the past two decades. Gradually they have left behind political activism to concentrate in a quest of purely labor goals. This does not mean that the unions and worker confederations have lost their connections to the national political parties. Rather, it means that the trade union leaders have learned that negotiation on concrete issues is of immediate advantage to their trade unions. Most of the trade unions are grouped within 6 large labor confederations that keep close connections with the country's principal political parties. But, in general, the trade unions linked to particular enterprises have learned to set their own goals and to attain them in accordance with their own methods.

Organized workers today constitute an elite within the Dominican labor classes. According to official statistics, there are only 447 company-specific unions registered at the Labor Ministry. In addition, there are other 1,753 independent unions. Recent estimates indicate that the labor force organized in those trade unions does not surpass the quantity of 150,000 individuals, that is, 5 per cent of the economically active population. Most workers of the industrial free zones are not organized in trade unions. Neither are organized most of the 761,000 workers employed by the 330,000 micro and

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small enterprises that have operate in the country. Nevertheless, due to their growing participation in the negotiation of labor disputes and in the elaboration of the labor law, Dominican labor leaders have managed to influence the writing of the recent "Labor Code" approved in 1992. Thus, they have been able to contribute to the stabilization of the Dominican labor environment, thereby improving the climate for investment.

All this process of economic growth, urbanization, emigration, and institutional pluralization has not occurred without conflicts between economic and social groups who argue over the preservation or change of the status quo. Some of these conflicts have recently been made public since the GODR announced the implementation of a series of economic reforms in August 1990 to contend with the virtual collapse of the economy.

As previously stated, these reforms are being carried out since then, and are supposed to be aimed at: a) opening up the economy and deregulating trade and investment; b) increasing the tax base which had been consistently eroding in previous years; c) improving labor relations; d) stabilizing the exchange rate; e) institutionalizing banking and financial practices; f) improving civil service; and g) modernizing and improving the educational system. The TPPI proposes to contribute to the deepening of this reform process through the modification of trade practices and the promotion of increased productivity of the firms and the workers. It is envisaged that the TPPI will contribute to removing obstacles to trade and investment in order to facilitate the opening up and competitiveness of the Dominican economy.

C. The Dominican Private Sector: Institutional Profile

In view of the previous descriptions, the TPPI will have to be implemented within a national context that features rapid socio-economic change. In the presence of this process of change, the different social and economic groups adjust in very different ways. Given that the TPPI will be aimed at achieving real transformations in the business climate promoting the competitiveness of the Dominican private sector, and alleviating or eliminating the present legal and institutional restrictions to the development of international trade, a description of the different interest groups that could be affected by the project is hereby presented.

Formally, the Dominican private sector is organized in an extended set of institutions that reflect their plurality of interests. Most of these organizations are independent and act with a clear corporate sense. Many of them are grouped into institutions that are said to represent the different economic sectors and activities. For example, the largest industrialists are assembled in the Asociación de Industrias de la República Dominicana (AIRD with 224 members), the Asociación de Empresas Industriales de Herrera (with 174 members), and in the Asociación de Industrias de la

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Región Norte (AIREN with 134 members), la Asociación de Empresas Industriales de Haina (with 60 members), as well as in numerous producer's associations (builders, rum producers, food producers, textile producers, etc.).

On the other hand, the importers are clustered in the Asociación Nacional de Importadores (ANI, with 159 members), the Unión Nacional de Empresarios (UNE, with 42 members, 30 individuals and 10 associations), and the Asociación de Almacenistas Importadores. Importers are also organized in many other particular associations according to activities and interests (for example the importers of motor vehicles, importers of gasoline, etc.). The merchants are also grouped in several important institutions, such as the Asociación de Comerciantes e Industriales de Santiago (ACIS, with 815 members, of which 195 are industrialists), the Asociación de Mayoristas del Distrito Nacional y la Asociación de Detallistas del Distrito Nacional, each with membership of several hundred. Their members also form part of other particular associations according to interests and activities (for example, the retailers of provisions, the hardware store owners, etc.).

In the agricultural and livestock sector, there is a similar situation: producers and intermediaries are organized in a great variety of institutions to represent and defend their interests, for example, the Asociación Dominicana de Hacendados y Agricultores (ADHA), the Asociación Dominicana de Productores de Leche (APROLECHE), the Junta Agroempresarial Dominicana (JAD), the Asociación de Colonos del CEA, the Asociación de Ganaderos de Nisibón, the Asociación de Productores y Dueños de Molinos de Arroz, etc.

In the sector of the micro and small enterprises, there are two types of organizations. On the one hand there are those institutions that claim to represent the micro and small entrepreneurs, such as the Asociación de la Pequeña y Mediana Empresa (APYME), la Confederación Dominicana de la Pequeña y Mediana Empresa (CODOPYME), and Mujeres Aplicadas a la Industria (MAI), all of them with limited membership. On the other hand, there are the Non Governmental Organizations (NGOs) that channel funds or give loans to the country's micro and small enterprises. These NGOs serve almost 18,000 active clients. The most visible NGOs are: the Asociación para el Desarrollo de Microempresas (ADEMI), with 14,000 active clients; the Asociación Dominicana para el Desarrollo de la Mujer (ADOPEM, with almost 2,000 active clients; la Fundación Dominicana de Desarrollo (FDD), with almost 1,000 active clients; the Asociación para el Desarrollo de la Provincia Espaillat (ADEPE), with 185 active clients; the Asociación para la Inversión y el Empleo (ASPIRE), with 200 active clients; the Fondo para el Desarrollo de Santiago (FONDESA), with 340 clients; and the Cooperative Nuestra Señora de la Candelaria, with 210 active clients.

Almost all these associations in the private sector are legal institutions by virtue of Law No 520, of 26 July 1920, which regulates the formation of non profit

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entities. This high degree of juridical incorporation indicates the institutional maturity of the private sector in contrast to the situation existing thirty years ago. Today, almost all the country's economic activities are represented by some sort of institution organized in accordance with this law. Dominicans have learned to use these institutions to articulate their demands through the political system, and continually use them for this purpose. This can be easily perceived by simply opening the pages of any major newspaper where their activities are daily recorded

In recent years, the formation of NGOs has become almost a daily occurrence in the Dominican Republic. Some of these are business associations, but many are not. A common trait to almost all of them is that their organizers know that they can use them to convey and project their interests and points of view to the rest of the society. These organizations only present a formal institutional profile of the business sector, and do not allow a view of other sociological and cultural profiles that should be considered in evaluating the possible adequacy of the TPPI to the Dominican setting.

D. The Dominican Business Sector: Socio-Cultural Profile

A functional perspective of the Dominican business sector allows its division into two broad categories of business persons: the "old ones," and the "new ones". Obviously these categories are only indicative, and are not supported by a quantitative analysis, but experience shows that the business community of the Dominican Republic presents to the observer the following traits:

The "old ones" are those Dominican entrepreneurs who began their operations during the Era of Trujillo and in the years immediately following the fall of the dictatorship between 1962 and 1965. Given the relative antiquity of their businesses and their close linkage to most governments that the country has had since then, this group was able to influence the formation of several incentive laws and was able to obtain a continuous and considerable transfer of resources from the State and from international organizations both through credit mechanisms and through instruments of compensation, fiscal incentives, or customs protection.

Due to state protection and their commitment to expansion, the "old ones" expanded their firms, modernized their plants, improved their administrative systems, increased their productivity, and multiplied their fortunes, all of which allowed them to educate or reeducate themselves and, most importantly, to educate their children in universities and academic centers abroad. Many of the "old ones" began as import merchants, but as the internal market broadened they became import substitution industrialists without having to abandon their commercial and import businesses. Others became entrepreneurs after having entered into politics, public administration, or the armed forces.

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The import merchants who became industrialists continued importing raw materials, equipment, and machinery from abroad. Thus the "old ones" used their experience as importers to efficiently handle affairs with the customs houses. This is an important element to take into account since each industrialist was also an importer who knew perfectly well how customs operate and how to navigate through its bureaucracy. For many of those who underwent the transition from merchant to industrialists what changed was the composition and the type of their imports, as well as their managerial performance as producers rather than as intermediaries. Among the "old ones" there are some who began as merchants, but many began as children of industrialists or as children of importers without having previously passed through a phase of industrial experience. Almost 40 years after the formation of this group, their profile has been defined more clearly since today almost all the "old ones" present the following characteristics:

They are no more than third generation, at times second generation descendants of foreigners. They have received a formal university education, generally abroad, and many founders of businesses have been replaced or are preparing for their succession by their children who have greater academic education than they do. Those who did not attend university, took administration and management courses, and updated their knowledge at some time. Their formal education has prepared them to understand the function of technology for the modernization of their firms. They know how to assimilate new styles of management appropriate to the new technologies that they must use. As such the "old ones" turned out to be quite innovative given their willingness to adopt new technologies.

In the past decade the "old ones" have taken a new organizational and cultural leap. As they have learned the importance of influencing or controlling the sources of credit, many of them participated in the formation of banks and financial groups which today have considerable importance. In these financial institutions, "the old ones" take turns representing different activities. No branch of production controls the others. It is common to see the industrialists, the merchants, the agricultural and livestock producers, and the importers grouped together in the founding and administration of banks and other financial institutions. Many times their partners are "new" entrepreneurs who also need to have access and/or control over the sources of credit.

The "new ones", on the other hand, are those entrepreneurs who have become such after the death of Trujillo, particularly after 1966. The origin of their firms is very diverse, but is directly related to the extraordinary process of economic growth of the past two decades. There are many "new ones" who are industrialists like, for example, the members of the associations of industrialists of Haina and Herrera in Santo Domingo, and the Asociación de Comerciantes e Industriales de Santiago (ACIS), but most of the "new ones" are not industrialists and are spread out in the commercial and service sectors, and the professions.

Most "new ones" have come into business in response to the explosion in demand that has taken place over the last 25 years which opened up space for new entrepreneurs. The extraordinary material growth of the Dominican Republic in the past two decades strongly suggests that the GDP has normally grown more than has always been indicated by official figures. Until very recently, the methodologies for calculating GDP underestimated the figures of the informal sector. This suggests that during the past 25 years the gross internal investment should have also grown faster than reported since the official figures either do not reflect or underestimate the flows of private capital from abroad that have been incorporated to the economy, formally or informally.

Thus an additional feature of the "new ones" is the high degree of informality in the registration of their firms. An industrial survey conducted in the northern part of the city of Santo Domingo in 1984 found that 32 percent of those interviewed were not registered with the Ministry of Industry and Commerce nor at the Chamber of Commerce and Industry, and operated informally. Informality seems to be greater in the commercial and in the service sectors, not only in regard to the registration of the firms, but also in the forms of financing and access to credit, as well as in their visibility within the country's fiscal system.

Many of the new firms are extremely dynamic and present high rates of growth in sales, assets, and employment. Many of these firms are important clients of the banks and other financial institutions. Many of these "new" firms are bigger than some well known big firms belonging to the "old ones". Most of the owners of these firms, however have little visibility. Most possess neither the education of the "old ones", nor the family tradition, nor enjoy permanent political connections. In many cases, these firms have emerged, as did the "old ones," supported by some particular administration in power at some time, but not all the owners of these firms have been able to maintain a permanent continuity in their relationships with the State as the "old ones" have.

The "new ones" then, still have a long way to go in the social, political, and educational arenas. However, they represent a wealth of a creative and dynamic entrepreneurial energy that seeks to take root once and for all in the country's economic life. For this reason, numerous "new" entrepreneurs put forth enormous efforts to educate, train, and adapt themselves technologically. Many of them have taken management and administration courses or have participated in seminars or workshops. Many are also inducing their children to study business administration and management or to take up technological studies related to their firms. They are part of the enormous clientele of the new universities and schools which offer training and courses in these areas, even when many are aware that the quality of the education that they are buying is not always good. Meanwhile, almost all try to be competitive in order to grow and keep expanding. As the "old ones", many "new ones" try to establish some type of connection with the State that could facilitate their businesses.

There are common features between the old ones and the new ones. For example, all the firms are family entities ruled according to family-based patterns of authority. As a result, almost all keep a closed administration to which only the heads of family and a few, very selected individuals of absolute confidence, have access. Many owners of new and old firms adopt a strategy of passivity towards the State and allow the business leaders to be the ones to negotiate the legal decisions. But many others prefer to operate through the quiet use of intermediaries and brokers who have access to the politicians and State administrators and try to resolve their problems directly negotiating with the ministers and the President of the Republic, independently of what is done or resolved by the associations and institutions to which they belong.

E. The Private Sector Before the Reform Process

The rapid pace of social change in recent decades has intensified the process of political participation in the discussion of public policies, particularly on economic issues. The reforms undertaken in the last three years have created great expectations within the private sector. These expectations vary according to the perceptions each group has in regard to the reforms' probable impact. Thus, there are clear signs of confrontation and cooperation with the proposed reforms which show the entire business community acting through independent individuals or through their leaders as well as through the different business associations and interest groups.

There are visible signs of nonconformity on the part of some traditional entrepreneurs regarding the opening of the economy. Some of these opposing signs range from the most radical demonstrations of intolerance to the most subtle expressions of gradualism. Some "gradualist" business persons are simply trying to buy time to adapt themselves to an approaching process of structural change which they already perceive as unavoidable. They understand that the liberalization of the Dominican economy is necessarily linked to the present process of world economic globalization, and are willing to innovate and adapt themselves to confront the challenges posed by a more competitive and open economy. Others, however, are trying to block reforms and economic liberalization. Others, too, are preparing themselves for a change of administration in government in 1994, and have started supplying funds to possible candidates who could revert the liberalization reforms and support protectionism.

To understand how the TPPI could affect the Dominican business groups who are more directly interested in trade and investment promotion, it is convenient to refine the former typology based on the "new" and the "old," and make an effort to show a certain correspondence of this two basic types with another typology that also reflects the Dominican entrepreneurial community. This second typology divides the entrepreneurs into "oligopolists" and "competitive ones". This categorization is based on the fact that the Dominican economy is dominated by a small group of oligopolic firms visibly distinct in size and functions to the rest of the businesses in the country. This

approach is reinforced by the fact that the oligopolic firms are normally "old ones" which are generally industrial enterprises.

In the design and implementation of the TPPI it is important to take this fact into account since the owners of oligopolistic firms also happen to have a considerable decision making power in the Dominican industrial and business associations. Their owners are normally the public leaders of these organizations and, as such, frequently demand to be recognized as the legal spokesmen for the national industrial and business community before the State.

During the recent reform process the "oligopolists" have tried to lead the discussions and debates, and have demanded to be recognized as an essential party of the negotiations between the labor sector, the business sector and the State. They carry such weight in the Dominican economy that the State, the labor sector and the international donor community have had to recognize their leading role in the negotiations of the reforms. But their persistent effort to make them gradual, or to postpone them, or block them has produced several institutional and political movements and realignments within the business community.

As the process of reform takes place, the public debate between "proteccionistas" and "aperturistas" becomes more evident. This debate connects the "proteccionistas" with 3 groups: 1) the "old ones," 2) the industrialists (old and new), and 3) the "oligopolists." On the other hand, the "aperturistas" seem to be connected with: 1) the "new ones," 2) the importers, 3) the merchants, and 4) the "competitive ones." The "aperturistas" compose a heterogenous group of entrepreneurs who want greater liberalization of trade, less participation by the State in the regulation of their businesses, firmer protection against monopolies and oligopolies, wider access to credit, and larger opportunities to be heard by the State. Among the "aperturistas" there are, as in other groups, those who prefer gradual change and those wanting a quicker, more radical transformation. Their differences, obviously, depend on the type of connections their businesses may have with the external trade sector, and on their capacity to adapt to the new market conditions.

F. Potential Beneficiaries of the TPPI

When approached regarding a project such as TPPI, it is unlikely that many entrepreneurs will openly declare their opposition to the reforms or the goals and objectives of the project. Some (presumably the "new ones") will support the Project because they are convinced that it is useful and necessary, and that it will serve them to increase the productivity of their firms and improve the business climate of the Dominican Republic. Others will support it because the simple modernization of customs will also serve to increase the profitability of their businesses whether they be importers or exporters. Others, in exchange, will support it because they would want to

utilize the resources of the Productivity Enhancement Team to make themselves more efficient and perhaps reconvert or restructure their firms to make themselves more competitive in a more open economy.

The motivations will be very different. Each one will support the TPPI in their own way. There will not be unrestricted overall support. There will not be a single clientele. This possible diversity of clients is important for the feasibility of the project since the services offered by the Productivity Enhancement Team should entail the most ample range possible within the Dominican industrial and business sector. There is no way to calculate today the possible number of clients that would make use of the services of the Productivity Enhancement Team, but an educated guess would point out that among the "new" firms should be concentrated the greatest number of clients. It should be expected to find among them a significant number of "new" industrial firms which need to modernize and/or reconvert to become more competitive. Some of these firms have a clear exporting orientation, and it is convenient to detect them early as example for the others.

The identification of those firms is not too difficult. As an example, the list of persons and firms that have obtained licenses as exporters at the Center for the Promotion of Exports (CEDOPEX) reaches today 6,674 names. This registry contains another list composed of 2,694 "special exporters" classified as such to be able to export under the regulations of Law Nº 69 for the Promotion of Non Traditional Exports, which was passed in 1979. These two lists point out to a potential group of clients that would want to improve their management and administrative systems to make themselves more efficient in the handling of the export markets.

Many of those firms are not oligopolic, they are competitive and want to remain competing and growing in the domestic market. There should be some 10,000 firms of different sizes (whether there are exporters or not, it does not matter now) that could be targeted for an advertising campaign designed to publicize the existence and services of the Productivity Enhancement Team. Once it is known that the PET is available for helping firms to increase their productivity, and to modernize their executive, managerial and administrative cadres, it is to be expected that many firms will request the PET services. There must be also some industrial firms with an interest in reconverting to take advantage of the regional market, as it has been done for years by a group of business people who export Dominican goods all throughout the Caribbean, that is Cuba, Puerto Rico, and the Lesser Antilles.

Among the thousands of new firms that have emerged in the Dominican Republic in recent years, there is an impressive number of them run and/or owned by women. Most of the "old" firms are still run by men, but as time passes by women are becoming more visible as executive cadres in Dominican firms. There they work as managers and administrators, in addition to the clerical jobs traditionally performed by

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women. This is a recent phenomenon. Twenty five years ago it was not common to see women in executive positions, but in the last two decades Dominican universities have been graduating thousands of professional women, and many of them have been recruited as executive, managers and administrators by many firms. Women participation within the universities student population has consistently increased. With it has also increased women's incorporation to Dominican business life.

Many women are business owners. In a survey taken in 1992, FondoMicro found 330,000 micro enterprises in the Dominican Republic. This survey detected that 45 per cent of the owners of micro enterprises were women. Women ownership decreases with the size of the firms, but there is evidence showing that some exporting firms are owned and/or run by women. There is a dramatic case of a woman-microentrepreneur who became a small-to-medium-size exporter with the assistance of a NGO that specializes in granting credit to women. It is clear that whatever the objectives attained by the TPPI, they will favorably affect a growing number of women as their participation in the country's economic life is increasingly more active and visible.

Another potential direct beneficiary of the project will be the State. The TPPI should contribute to the modernization of several administrative systems at the Dirección General de Aduanas to help the State to eliminate the red tape that hampers external trade. It should also contribute to perfect the legal framework that regulates exports, and will promote the adoption of more transparent norms of quality control and intellectual rights. This accomplishment should improve the commercial and investment environment. Yet, when one considers the State as a potential beneficiary of the TPPI, it is important to weight also its potential dual role as agent of change and as an obstacle to the reforms process.

G. Sociocultural Feasibility

The State will play a key role in the implementation of the TPPI. The internal reforms of the State administrative apparatus will in great measure influence the permanence of the changes that can be promoted through the Project. Since the State will be the principal facilitator of the Project the TPPI components should be examined in the light of State performance and bureaucratic behavior.

One must approach this examination from two perspectives: 1) that of the State's internal dynamics, and 2) that of the relations between the State and the business community. It is important to consider these two perspectives because there is a common sociocultural ground between them. This common ground encompasses ideas, values, attitudes and practices which are related to notions Dominicans have about the State, their government, their Constitution, their laws and the bureaucracy. The implementation of a project like the TPPI will necessarily have to take these

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sociocultural factors into account because many times they will hamper the realization of the proposed goals and objectives. The following analysis will alert those in charge of the implementation of the TPPI on the possible causes of some obstacles.

It is necessary to make some generalizations in order to explain these concepts. For example, Dominicans consider that the State has more rights than the citizenry, and do not have a very clear notion about the idea that the government should be the main defender of the commonwealth. The colonial tradition did not allow these ideas to have enough room in the national political culture. So the authoritarian patrimonialist model of the colonial State was perpetuated in the new national State after independence. The breakdown of the colonial order produced a great social, political, administrative and military fragmentation that led to a never-ending chain of civil wars, revolution, and coup de états that prevented the development of a democratic State despite the aspirations of some of the social groups, and despite the adoption of constitutional texts that imitated the Constitution of the United States.

More than 150 years of caudillismo, political instability, and authoritarianism gave shape to a political tradition marked by a clear norm of illegality and institutional precariousness. The society as a whole learned to live in political instability and learned to depend on the will of the Executive Power for making policy decisions. The bureaucracy was built upon norms of personal ascription to the nation's rulers. Thus, merit became a secondary element in the selection of the public officials and employees. With a basic level of administrative efficiency anyone could then be a public employee, and reach the highest positions if he/she was recognized as personally loyal to the ruler and enjoyed the proper political connections.

This is one of the most powerful causes that explain why a national professional civil service has not been established in the Dominican Republic: as an ideal the Dominicans wish it, but reject it in practice. During its history, the Dominican society has developed numerous strategies for manipulating the state apparatus to obtain exceptions and concessions, avoid the law, pay less taxes, and escape legal sanctions.

The State is organized to first serve the ruling elites, before satisfying the needs of the nation, although to achieve a minimum of legitimacy the governments have had to execute works and projects of some social content. The bureaucracy and the elites have learned to forge and keep permanent alliances to sustain an entire legal and institutional apparatus for obtaining benefits, privileges and sinecures. Hence the difficulty to modify certain legal and institutional practices with policies that serve to modernize the State. The modernization of the State is a proposition that confronts great obstacles. The establishment of a national civil service and the creation of a professional bureaucracy that equally serves all is also a proposition of very difficult implementation.

The simple rationalization of the administrative systems means the possible loss of power for the traditional elites and the authoritarian rulers. The administrative disorganization of the Dominican State favors the accumulation of power of the rulers and their allies. As the civil society is incapable of automatically processing their demands throughout the State's dependencies, it seeks then the special intervention of the bureaucrats to resolve its problems

It can be said that bureaucrats have privatized the State and dispose of it according to the patrimonial models of the old monarchies. The result has been the development of politically symbiotic relationship between the bureaucrats and the different social groups that approach the State seeking solutions to their problems. In exchange for the protection it can dispense, the bureaucracy receives the support of the organized social groups that, in turn, become political clients of the central government. In spite of it, the civil society demands answers and actions from the State. It demands services. It pays taxes, performs paperwork, formalizes documents, satisfies legal requirements, etc. Before these demands the bureaucracy responds, but in its own way.

Instead of being an organization of the civil society to satisfy the needs of the citizenry, the bureaucracy has become an intermediary with its own life, and has "privatized" the entire governmental apparatus for its own benefit. When the bureaucracy collects taxes, it retains for itself part of what the State should receive, or demands extra surcharges before letting the citizen to comply with fiscal requirements. The bureaucracy also charges for the facilities that it grants to the citizenry when this requires any governmental service. As a result, government efficiency is an overpriced luxury. The extra price to be paid for government efficiency, is paid according to the informal tariffs that have been imposed by the bureaucracy itself, while it has been "privatizing" the State services for its own benefit.

The Dominican State, then has been "privatized" from top to bottom, by the bureaucrats and public employees charged with serving the citizenry. The cost of this "privatization" is extremely high for all. To pay the taxes costs much more than the established rates. To obtain State services is equally costly. The bureaucracy has become a gigantic apparatus for collection of private funds that are not accrued to the State but to the bureaucrats' pockets. Thus the Dominicans have created a bureaucracy that first serves itself while operating within a State that also serves itself and its rulers.

The citizenry protests continuously against the lack of rules each time it suffers the inconveniences that go with this "privatization" of the State. The bureaucracy's discretionary power is enormous in all its instances. There exists an impressive set of laws and statutes on almost all economic matters. Many of those laws and statutes have been well written and designed. However, the bureaucracy has

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demonstrated a great independence from the law to grant all sort of exceptions in favor of certain groups and individuals. In the economic area, this system of exceptions produces obvious and continuous irritations among those who are forced to comply with the law while others are granted exemptions, favors, and privileges.

This system of exceptions generates a climate of instability. Many firms complain and protest against the bureaucracy's arbitrariness, but most have learned to navigate this labyrinth of obstacles and already know how to pay for the State services they need. Many Dominican firms have discovered that they can obtain comparative advantages by recruiting key members of the State bureaucracy. Thus, any attempt at reforming this system will require a great deal of innovation. A simple point to prove this argument is the difficulties and obstacles that are presently found for reforming the Dominican civil service despite the law of reorganization of the civil service passed in 1991. The first bill for the reform of the Dominican civil service was written in 1962 following the model of the Costa Rican law. It took 30 years of efforts, and 9 other bills to obtain the passage of the 1991 law.

H. The Business Sector and the State

Dominican entrepreneurs generally try to comply with legal formalities, but are always willing to accept concessions from the government. Many are permanently acting to obtain concessions and privileges from the State. As the State cannot satisfy everyone all the time, each business association requests the solution to their problems before the Executive Power or before the bureaucracy, according to the importance the questions to be resolved.

The entrepreneurial associations fulfill the role of formal intermediaries through the established channels for the articulation of their demands. The business people hire professional lobbyists and use the media extensively to let the State know what their interests and positions are. Thus the government always knows what the business people formally think and demand. Information flows continuously and unequivocally from the business community toward the State, many times publicly, but also confidentially. The business associations fully perform their expected function of brokerage and lobbying. Today, political tolerance favors them. Many of their discussions are open, and many of their debates are made public. In this process, the style of the entrepreneurial discourse is always formal as representing more or less encompassing corporate and group interests.

Despite this corporate formality, Dominican business people act many times separate from their institutions, and end up negotiating with the State on a personal basis on behalf of their firms in order to obtain exemptions and concessions that the State does not grant to their particular business associations as such. These practices enormously increase the State's discretionary power and generate a system exemptions

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that many times invalidates rationally adopted economic policies. State selectivity in favor of particular individuals and groups necessarily creates a wide system of injustices and privileges that favors those who have access to the government's higher ranks. The rest remain outside the game.

Thus, many efforts and energies that the business people could use to improve the functioning of their firms and increase their productivity, are lost in this unending political game. These factors truly affect the firms' performance and will to modernize because in many instances the most productive are the least modern, although the most politically efficient. This is one of the sociocultural factors that operate against the creation of a new entrepreneurial mentality based on the use of modern systems of administration, management, and production.

Many entrepreneurs do not want to make too many efforts to increase production when they can increase their profit margins by obtaining concessions, contracts, and tax exemptions. The Dominican political tradition says that it is always possible to approach the State for these purposes, and that with tact and persistence what is sought is generally obtained. Dominican political culture accepts that the entrepreneurs use the State in this way.

I. Impact of the TPPI According to its Components

From the preceding analysis it becomes clear that the TPPI will have to be implemented within a sociocultural environment that does not wholeheartedly favor the institutionalization of modern administrative systems unless: 1) the users of those systems perceive a real advantage in changing their operational ways, or 2) the bureaucracy was forced to accept them by virtue of a superior political will, as has been the case in many other Latin American countries in recent years. The key to successful implementation of the Project will be to find the "targets of opportunity" within the risks posed by the sociocultural environment.

1. Customs Standards and Administration.

There is an extended argument that says that the Dominican industrialists have been for such a long time operating in a protected, captive internal market that very few of them are interested in restructuring their firms to compete in the international market. This argument also insists that the Dominican industrialists operate within a market of prices and not of quality, and to them it would be undesirable to incur into the costs of plant restructuring to adequate their productive processes to norms and standards of international quality, when in reality the scale of their firms is such that it does not make sense to venture out of the national market. This argument concludes by saying that while the industrialists could compete in prices, they would not have too much interest in incurring into new costs to improve their productivity and

devote themselves to exportation. It is important to consider this argument because the best positioned industrialists to devote themselves to exportation are also those best positioned to control the internal market. Their oligopolies share the market among themselves, fix the prices, control the business associations, and powerfully influence the media and the State.

Why then should they be expected to support this component of the Project?

The response to this question could be the following: because the industrialists, "old" and "new" want and demand the modernization of most customs systems as well as the improvement of the valuation process, and the elimination of paperwork obstacles (such as consular invoices) to the importation of merchandise, machinery, equipment, and raw materials. The rents that the private sector (both importers and industrialists) has to pay to the bureaucracy to expedite their paperwork, increase costs and tend to make industrialists less competitive in an opening economy.

The goal of the project is to increase and diversify the external trade of the Dominican Republic, while the objective is to support the adoption and the maintenance of legal, regulatory and judicial reforms, as well as to improve productivity of the firms in order to increase trade and investment. The goal of the project is of high interest for the industrialists since they are the producers of goods to whom it is desirable the expansion of the market through the diversification and expansion of exports. This goal will be reached through customs deregulation, diversification of production and increases in productivity, three elements of great interest for the industrial sector. It is precisely on this point where all the business people have a common interest, and it is here where emphasis should be applied to obtain support from all sectors.

In this regard, very radical opposition to the project from the industrial sector should not be expected as long as the customs deregulation component is not perceived by them as an additional instrument of tariff reform that would result in a greater reduction in tariffs.

As described in the PID, this component of customs standards and administration does not presents conflictive elements with the interests of the industrial sector. Besides seeking to facilitate the exports, the modernization of the customs would equally facilitate the importation of raw materials, equipment, and machinery that are of interest to them. In a few words, great opposition from the industrial sector should not be expected for the area of the project that concerns the standards and customs administration.

On the other hand, it can be argued that the "competitive ones" whether they are importers, merchants, or entrepreneurs from the service sector, should logically be the most interested in supporting this component of the project, and so it is. However, one cannot lose sight of the fact that what matters most in customs reform for this group is bureaucratic deregulation and tariff reform which would make them even more competitive. They are not producers of goods, they are not exporters, and they do not have an export mentality.

In sum, when the industrial entrepreneurs speak of their interest that the TPPI promote the adoption of customs reforms that contribute to increasing and diversifying trade and investment, they are basically speaking of promoting exports or of creating a legal, regulatory, and administrative climate that would permit some of them to export if they had the need or the interest to do so. In the same way, when the import, merchant, or service business people speak of these reforms what they are saying is that they want an economy open to the world with the lowest possible tariffs and a customs free of administrative red tape and/or policies to increase and diversify their imports.

2. Intellectual Property Rights Protection

The respect for the rights to intellectual property is a notion of very recent consideration in the Dominican Republic. The Dominican academic tradition is not based on the notion of intellectual property. For decades, school and university life promoted the belief that property only referred to tangible things (for example, lands, money, houses, animals, furniture, etc.). During the Era of Trujillo, and even later, the majority of the university theses were copied from text books and treatises deposited in the library. Professors still give their lectures copying and reading points from the texts of others and ask their students to do "research papers" which are simple summaries of the chapters of others. Today it is common to see books, articles, discourses, declarations, songs and poems that are true cases of plagiarism that go unnoticed thanks to the lack of culture of the population or of the benevolence of the critics. There are individuals today who exercise an active presence in the intellectual, political, and economic life of the country that are habitual plagiarists. No one denounces them or points them out. Plagiarism is accepted or simply ignored. The impunity of the plagiarist is based on the ignorance of an illiterate society that exalts form over content, and style over substance.

The radio and the television reproduce songs, films and TV programs without recognizing the author's rights and even less, without paying for them. There are industrialists, on the other hand, who copy designs of packaging, factory brands, chemical formulas, market slogans, etc., without paying the corresponding royalties. Some advertising agencies also copy slogans, announcements, drawings, and company designs without recognizing the sources and without paying royalties. The printers publish books

of all types (school texts, literature, technical, university manuals, and treatises of law and medicine) fully knowing that they are pirated editions. Editorial piracy has become a great industry in the Dominican Republic, and is so popular in the editorial industry that is defended even politically as a remedy to cultural backwardness.

The Dominican courts do not treat suits against pirates with sympathy. Lawyers and judges know how to delay decisions until the aggravated party gives up and renounces to dispute due to a lack of attention in the courts. The judges themselves do not have the notion of intellectual rights. Many of them obtained their university degrees after having plagiarized their thesis, and for this reason they see nothing wrong in others doing the same. There is a need for writing a new law of patents and improving even more the law of intellectual property rights, probably increasing the sanctions and forcing the tribunals to work with more dedication in the disputes they receive. This area of the TPPI will address a need felt by many sectors, and will help to create a better citizen consciousness on the implications of the problem. The pirates and the plagiarists are not yet organized in powerful interests groups. The strongest operate relatively isolated, and direct opposition to this part of the project is not foreseen. If some obstacle could be foreseen, it would be the state of consciousness of the population that still does not have any notion of the equality of the intellectual rights with the other property rights. Hence, the project should emphasize the aspect of the education of the judges and the population.

3. Dispute Settlement Mechanisms

Facing the recent collapse of the Dominican judicial system, the persons and firms who negotiate contracts are discovering that they can resolve their differences and disputes before one or various private arbitrators chosen by themselves. Thus they can save substantial resources in time and money without having to recur to the ordinary courts. The development of an informal and private system of arbitration has led to the creation of a Council of Arbitration adjoined to the Chamber of Commerce and Industry of the National District which has had satisfactory results.

By means of arbitration, the disputes are resolved with less cost and mortification for the parties involved. A good system of arbitration surrounded by the legitimacy granted by its users should be an instrument for facilitating investment and trade, and should be supported. Experience indicates that as soon as the business people, the firms, and the citizenry find out about the advantages of arbitration, most of those who act in good faith will feel favorably willing to put their lawsuits in the hands of private arbitrators.

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In consequence, this is another of the activities of the TPPI that will receive wide acceptance by the citizenry. In the short run, no obstacles to its execution are foreseen. It is convenient to explore if Dominican law permits business/labor disputes to be dealt with by private arbitrators..

4. Development of Uniform Codes of Product and Workplace Standards

This project's component faces several cultural obstacles that should be taken into account. On one hand, it should consider the educational level of the workers used by Dominican agro-industrial and industrial establishments. Workers usually ignore the importance of quality standards and norms due to their low cultural level. Numerous histories and anecdotes circulate among Dominican business people, and among foreign managers and administrators of the industrial free zones, about the lack of understanding of the workers toward cleanliness, norms of hygiene, uniformity of standards, and quality norms. Many Dominican workers do not know what is a bacteria, and most do not understand the fundamentals of chemical contamination, or the connection existing between microorganisms and their vectors regarding the quality of food, meat, and vegetables.

Dominican workers do not function isolated from their society, and they only reflect their community's general state of conscience. The Dominican people's level of education, estimated to contain 54% of functional illiteracy, generates among the public the tendency to consume and accept any type of products without verifying the quality standards used in their manufacture. This includes consumers as well as the government officers and bureaucrats in charge of supervising the enforcement of laws and regulations of the Public Health Department. For example: during the 1979's campaign to exterminate pigs in order to eradicate a swine fever epidemics, it was usual to see the same authorities in charge of controlling the epidemics helping the peasants to hide their animals to evade the slaughtering.

On the other hand, the generalized poverty of the population predisposes it to consume anything without questioning too much for its origin or quality. Certain regions where vegetables and food products are produced have such levels of chemical contamination that their products would be unsuitable for human consumption in other parts of the world. Nevertheless, the authorities do not regulate this situation as they believe that the population does not demand higher standards of quality. Consequently, many affected products find their way to the markets where they are consumed in great quantities. It is important to remember that the Dominican internal market is one based on prices, not on quality.

This component of the TPPI should be implemented taking into account these socioeconomic and cultural factors. It is important that the competent authorities of the Secretaría de Agricultura and other government departments, as well as the

Secretaría de Salud Pública, be thoroughly informed and trained about these aspects. The competitiveness of Dominican products abroad and the dynamics of the Dominican exports will heavily depend upon the establishment of an adequate program of quality norms and standards.

5. Real Property Rights Associated with Investment

Just as occurred in customs and the majority of the systems of the Dominican State, the system of registration and protection over territorial property has been privatized by the bureaucracy. The consistency that existed previously between the offices of Official Land Register, Register of Land Titles, and the Land Tribunal has been lost and the result has been a permanent state of disorganization which promotes the inefficiency and corruption.

To obtain a clear title to a property or the expedition of a property title or a sentence in the Land Tribunal, citizens and the firms employ great resources and time and the result is the postponement of possible investment. It is very difficult today that the common citizen or the firms receive the services of these departments without paying the aforementioned additional costs that the bureaucracy is accustomed to collect to expedite administrative procedures that should be automatically executed.

It is important to point out that the system of land register functioned automatically and efficiently for 46 years, from 1920 to 1966. The law that instituted it based on the famous Torrens System had already been experimented with in Australia, Philippines and Puerto Rico at the beginning of the century, and the lawyers who work in it during the North American military occupation did an excellent job. Today the system functions under the same principles of the Torrens System and the law is applied according to a jurisprudence clearly established and accepted. However, the administrative process in each one of the three offices mentioned is continually hindered by an insufficient bureaucracy that serves itself taking advantage of the disorganization of the files, the delay of sentences and the lateness in the expedition of the titles.

There cannot be an overall favorable investment climate if the real property regime does not function quickly and transparently. The creation of such climate requires the modernization of the system of registering territorial property. This is an area of the project that refers to a need universally felt, and any effort made to modernize it should be supported by all the sectors of Dominican society.

This case is different from the customs and other State departments where there are powerful interest groups allied to the bureaucracy to hinder the reforms. In this case the bureaucracy is isolated and its power only resides in the physical control of the files and in its capacity for adopting decisions and issuing judicial sentences. For its importance, this activity of the TPPI should have a greater priority and should be

supported with as many resources as possible. This part of the project will receive a warm support from all the sectors of the population, from the biggest corporation to the most modest citizen.

6. Legal Framework for Investment and Technology Transfer, and Exports

It is too early to analyze these components as we do not know yet which would be the final result of the negotiations that are currently being conducted to modify or replace Law No. 861 which regulates foreign investment in the country as well as Law No. 69 on promotion of non-traditional exports. Several business groups are participating in these negotiations with Dominican government via the Secretaría de Industria y Comercio and the Central Bank of the Dominican Republic.

7. Productivity Enhancement Team (PET)

During the last two years many industrialists have expressed their interest in modernizing their firms to become exporters and take advantage of foreign markets. The TPPI should succeed in locating a strong "clientele" for the PET if it directs a good campaign at the heart of the industrial sector showing the benefits that their firms could derive from the modernization and transformation of their administrative and managerial systems. As mentioned above, there are in the country enough "new" firms with a potential for exports. They should be interested in participating as clients of the PET as long as they could be traced and explained the benefits of modernization and managerial transformation.

This transformation means a change of mentality, not only of administrative procedures. For this reason those in charge of the search for clients should always keep in mind the fundamentals of the Dominican business culture described in the previous pages, and should not forget the sociocultural environment in which the State bureaucracy operates. It is important to insist that an exclusive clientele can not be expected. The clientele will be diverse, and that's desirable. The fundamental requisite to sustain that diversity is that the institution handling the TPPI must not be linked to any entrepreneurial association or interest group.

a. Issues

Two issues remain to be discussed: Briefly, the challenge posed by a changing world economic order will no doubt force many Dominican entrepreneurs to transform their business practices both in relation with the State, and within their own firms. There are some people concerned with the possibility that the Dominican Republic might change course and slow down the opening of its economy, perhaps by reversing some recent liberalization policies. If that could be the case, there will certainly be an aggravation of conflicts within the business sector for there are already

too many "new" firms and young entrepreneurs who are demanding a more open economic environment. The debates surrounding the reforms process have served to articulate ideological responses to the formerly all-powerful traditional protectionist sectors. This is not to say that this ingredient will be enough to overcome established systems of privileges or entrenched benefits. The bureaucracy's mentality will change slowly even if new administration took over in 1994. Therefore, what is to be expected is a continuation of the present process of accommodation within the business sector, each group pushing ahead its own interest, and trying to influence government bureaucrat to act in their favor.

Second, and finally, there is no reason to suppose that business culture can change quickly to allow for the further worker empowerment. At this point, it should be remembered that almost the totality of Dominican firms are family enterprises run in a rather authoritarian manner by senior family members who are responsible only to their family interests. Labor organizations have finally come to terms with this reality and have opted for obtaining specific economic and social gains for their particular unions, leaving behind the old demands for workers' participation in the management of firms. Organized labor is still weak. There are only 447 labor unions which operate as company-level unions. The rest, some 1,800 unions represent a very fragmented labor sector composed by independent unions with less leverage to promote worker's empowerment within the firms than the firm-level unions. Among the latter, only 96 have been able to sign collective bargain agreements with their respective firms. In conclusion to this point, worker empowerment is not a priority in the business sector. It will continue to be like this as long as the labor force continues to be weakly organized.

FINANCIAL ANALYSIS

A. Introduction

The Trade Practices and Productivity Improvement Project is a BLRJL/competitiveness-oriented initiative. The Project itself, as a nonprofit activity, will not generate sufficient revenues to become financially self-sustaining in the trade practices area. Nevertheless, the Project will produce significant benefits for society as a whole and is expected to generate a high return on investment considering all the benefits it will generate and the resources employed in the generation of these benefits. Nevertheless, cash flows for society as a whole are not possible to estimate for this Project with any credible accuracy. Therefore, the Project's financial viability from the point of view of society as a whole is estimated through indirect means of analysis showing that even under extremely conservative assumptions or impact tests on a few isolated cases, the individual Project activities under the Trade Practices component are financially viable.

The Trade Practices component of this Project will provide support to trade and investment liberalization both by removing specific bureaucratic inefficiencies which have an adverse impact on trade and investment and by enforcing adequate protection to the local and international business community against unfair business practices.

There are reasonable expectations, in accordance with design phase meetings with potential implementing entities, that host country public and private sector institutions participating in the Project can provide adequate counterpart funding for activities in their respective areas, on an estimated 50/50 basis.

B. Financial Benefits

The implementation of the Trade Practices component will begin with specific activities which have been identified and described elsewhere in the Project Paper, and serve as the basis for budget estimates for the first four years of the Project.

Project design flexibility to review or revise project priorities and add new high priority activities which will be identified during project implementation. New

Project activities will be added during the course of project implementation on the basis of: (1) new insights regarding existing problems; (2) identification of new priority areas as the country progresses toward trade and investment liberalization; and (3) identification of new areas that will arise as a consequence of changes in the regional and/or global trade environment.

The financial viability analysis of Project activities under the Trade Practices component is based either on rough estimates of the financial rate of return (FROR) for society as a whole or partial present value break-even tests to show that even if the activity would affect only one or a few isolated cases, society would recover the amount of all the resources invested. The FROR is expected to be very high in all of the four priority areas identified on the Project, even with a conservative estimate of benefits.

In many areas, the investment would be recouped with a single beneficiary or transaction under the improved systems expected as a result of Project interventions. For example, even under the most conservative assumptions, a rough estimate of the FROR of solutions to the most widespread custom inefficiencies would be very high. With respect to labor dispute settlements, by preventing as few as two or three major conflicts or strikes in medium-size industrial plants during the seven-year period, the benefits of this activity would probably exceed by far the net present value of resources employed in this activity. Regarding the JAD meat inspection facilities, a small increase in exports of a fraction of 1% would be sufficient to recover the cost of investment during the first year.

1. Custom Standards and Administration

The overall cost of custom inefficiencies for businesses and government is generated in various and simultaneous manners such as the following:

- (a) Inaccurate or arbitrary valuations;
- (b) Inaccurate or arbitrary determination of import duties and taxes;
- (c) Significant delays in getting merchandise out of custom producing liquidity problems and higher financial costs for businesses due to the need to maintain higher inventory levels;
- (d) Higher demand of foreign exchange since businesses operate with higher inventory levels of imported raw materials or merchandise and probably import larger lots to reduce the number of shipments;

- (e) Quality deterioration of certain import and exports due to poor storage conditions and material handling practices in crowded warehouses;
- (f) Lower productivity of business due to the opportunity cost of time of management and staff having to deal with custom problems;
- (g) Increased government investment in physical facilities and operating cost caused by long storage periods of merchandise in custom; and
- (h) Loss of international and national credibility in the government and country which affects businesses investment decisions and the ranking of the country among countries of the regions as a place to invest.

Even under the most conservative assumptions, a rough estimate of the financial rate of return (FROR) of solutions to the most known or widespread custom inefficiencies would be very high. For example, if all the resources employed would amount \$1.0 million per year during a period of four years and the benefits were equivalent to only 1% of a correctly valued constant trading value (excluding the free trade zone) of \$1.5 billion per year during a period of 16 years beginning the fifth year of the project, the FROR would be 100%. (Even if the benefits are only 0.5% instead of 1%, the FROR would still be very high at 70%). The total trading value of the Dominican Republic's private sector was over \$2.2 billion in 1992 excluding both government imports and trading within the framework of the free trade zone legislation.

The actual FROR would be much higher. To begin with, an estimate based on benefits equivalent to only 1% of trading value is extremely conservative. People would probably not even complain if the present inefficiencies would have a cost to traders equivalent to only 1% of their trading value. (1% means that a business that gets a shipment of \$50,000 worth of imports would incur a cost of only \$500 due to these inefficiencies).

2. Intellectual Property Rights Protection

The need to enforce protection for intellectual property is not based only moral and ethical principles, but also on practical reasons. As the world makes progress toward trade liberalization and the countries become more and more interdependent, this issue is becoming the subject of more and more attention on the part of governments all over the world. Countries that do not enforce adequate protection will probably suffer from trade sanctions determined by countries whose citizens or businesses have suffered from economic and moral damage caused by violators of

intellectual property rights. Moreover, lack of intellectual property rights protection has an adverse impact on the countries' technological and cultural progress by discouraging both the lawful transfer of foreign technology and the creative intellectual production of local citizens.

Assuming an initial investment of \$0.4 million dollars during a period of two years in strengthening the means to provide protection, plus a government increase in operating cost of \$300,000 per year increasing at a rate of 5% per year during seven years, the overall cost and investment would be recovered if the country obtains net benefits with a present value of only \$2.3 million (assuming cost of money of only 10% and discounting operating cost during a period of 7 years). The activity's FROR is expected to be very high taking into consideration that \$2.3 million represent only 0.4% with respect to total exports in 1992 excluding the free trade zone (exports from the Dominican Republic amounted to \$562 million in 1992 excluding the free trade zone). Just a minor one time sanction for a short period of time could easily have an impact of more than \$2.3 million in increased cost of exports for instance or lost opportunity to export. In addition, sanctions could also affect exports from the free trade zone and have an impact on the value added generated by the zone.

3. Dispute Settlement Mechanisms

Activities related to mechanisms for the settlement of business disputes will improve the investment and general business climate. This improvement in the business climate will increase the country's ranking among countries of the region as a good place to invest. It will also increase the benefits and decrease the cost of present businesses associated with the extremely cautious or conservative ways in which they have to make their business decisions and carry out their transactions due to the lack of effective and smooth mechanisms to solve business disputes.

If the overall cost financed with project funds for Conciliation and Arbitration Council (CAC) is \$98,000 during the first two years and the operating cost of the dispute settlement mechanism is \$50,000 per year increasing at a rate of 5% per year, the present value of benefits to society as a whole net of the direct cost of businesses that used the arbitration mechanism would have to be only around \$0.5 million to break-even (assuming cost of money of only 10% and using a discounting period of only seven years). The activity's FROR is expected to be very high. Just one single business with an internal rate of return of 20% and a net cash flow of \$140,000 per year, generates a present value of around \$0.5 million in a period of seven years.

Effective mediation, conciliation and arbitration of labor disputes helps to increase the enterprises's productivity by resolving conflicts which can lead to strikes and bad will and antagonism in management and labor relations.

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If the overall cost financed with project funds for the Ministry of Labor is \$517,000. during the first two years and the increase in operating cost of the Ministry of Labor offices associated with this Project is \$20,000 per year with a rate of increase of 5% per year, the present value of benefits to society as a whole net of direct cost incurred by business and labor in their negotiations would have to be only around \$370,000 to break-even (assuming a cost of money of only 10% and using a discounting period of only seven years).

5. Uniform Code of Product and Workplace Standards

JAD's plan to enhance its capability to provide beef quality certification to Dominican beef exporters can be expected increase exports of beef in a significant manner. One of the principal causes of the decrease in exports of beef from \$34.4 million in 1991 to only \$12 million in 1992 was the country's inability to comply with standards established by the Food and Drug Administration of the United States. An overall investment of \$150,000 to enable JAD to perform accurate pre-inspection analysis could ensure that beef exports FDA standards and substantial losses to beef exporters. Just a small increase in exports of a fraction of 1% would be sufficient to recover the cost of investment during the first year.

6. Productivity Enhancement Component

The Productivity Enhancement component of the Project is viewed as a new activity in the Dominican Republic, within a scheme aimed at improving the competitive strength of business enterprises, through the establishment of a Productivity Enhancement Team (PET). This PET will serve as a productivity broker to make productivity improvement expertise and technology available to companies in the external trade sector. With regard to this component, A.I.D. funds are intended to finance an estimated fifty percent of the overall cost of technical assistance and training.

C. Cost-Effectiveness Analysis

Project cost-effectiveness will be achieved through the use of sound planning and monitoring systems, and an effective Project management system. This will ensure adequate funding levels, as well as the timely availability of funds and other inputs to implement Project activities.

BUDGET ESTIMATE WORKSHEETS

TRADE PRACTICES AND PRODUCTIVITY IMPROVEMENT PROJECT FINANCIAL PLAN AND COST ESTIMATES SUMMARY (US\$000s)							
Description	AID FX	AID LC	TOTAL AID	COUNTER LC		TOTAL COUNTERPART	PROJECT TOTAL
				GODR	PRIVATE		
A. TRADE PRACTICES	2570	50	2620	2585	395	2980	5600
1. Customs Standards	320	10	330	810	0	810	1145
2. Intellectual Property Rights	455	5	460	845	35	880	1335
3. Dispute Settlement Mechanisms	580	10	590	10	190	200	795
4. Uniform Codes of Product and Workplace Standards	580		580	470	170	640	1215
5. Project Management Unit	635	25	660	450	0	450	1110
B. PRODUCTIVITY ENHANCEMENT	1208	2572	3780	165	3545	3710	7490
1. Technical Assistance/Special Studies	248	72	320	0	250	250	570
2. Productivity Improvement Training	760	2000	2760	165	2595	2760	5520
3. Commodities/Publications	110		110	0	110	110	220
4. PET Managerial Support	90	500	590	0	590	590	1180
C. EVALUATIONS	350	0	350	0	0	0	350
D. AUDITS	0	250	250	0	0	0	250
PROJECT TOTAL	4128	2872	7000	2750	3940	6690	13690

TRADE PRACTICES AND PRODUCTIVITY IMPROVEMENT PROJECT
FINANCIAL PLAN AND COST ESTIMATES
(US\$000s)

Description	AID FX	AID LC	TOTAL AID	COUNTER GODR	LC PRIVAT	TOTAL COUNT	PROJECT TOTAL
<u>I. TRADE PRACTICES COMPONENT</u>	<u>2575</u>	<u>45</u>	<u>2620</u>	<u>2581</u>	<u>393</u>	<u>2974</u>	<u>5594</u>
A. CUSTOM STANDARDS							
1. Customs							
a. Technical Assistance	260		260			0	260
b. Training	44	8	52			0	52
c. Operational Costs			0	808		808	808
2. Private Sector Associat.							
a. Technical Assistance	15		15			0	15
b. Operational Costs					5	5	5
B. INTELLECTUAL PROPERTY							
1. Depart. Prop Ind. & Com.							
a. Technical Assistance	170		170			0	170
b. Training	24	2	26			0	26
c. Nonexpendable Property	23		23	12		12	35
d. Operational Costs			0	168		168	168
2. Oficina Derechos Autor							
a. Technical Assistance	70		70			0	70
b. Training	74		74			0	74
c. Nonexpendable Property	8		8	41		41	49
d. Operational Costs			0	624		624	624
3. Camara de Comercio, D.N.							
a. Technical Assistance	30		30			0	30
b. Training	2		2		22	22	24
c. Publications	10		10		10	10	20
C. DISPUTE SETTLEM MECHANIS							
1. Secretaria de Trabajo							
a. Technical Assistance	350		350			0	350
b. Training	84		84			0	84
c. Nonexpendable Property	27		27			0	27
d. Operational Costs			0	12		12	12
2. Camara de Comercio, D.N.							
a. Technical Assistance	60		60			0	60
b. Training	48		48			0	48
c. Publications	10	10	20			0	20
d. Nonexpendable Property	4		4		4	4	8
e. Operational Costs			0		186	186	186
D. UNIFORM CODE OF PRODUCT AND W.P. STANDARDS							
1. Secretaria de Trabajo	40		40			0	40
a. Technical Assistance			0	12		12	12
b. Operational Costs							
2. DIGENOR							
a. Technical Assistance	70		70			0	70
b. Training	74		74			0	74
c. Nonexpendable Property	8		8			0	8
d. Operational Costs			0	128		128	128
3. SEA-Sanidad Vegetal							
a. Technical Assistance	20		20			0	20
b. Training	74		74			0	74
c. Nonexpendable Property	4		4			0	4
d. Operational Costs			0	160		160	160
4. Dir Nac Sancam Ambiental							
a. Technical Assistance	60		60			0	60
b. Training	74		74			0	74
c. Nonexpendable Property	8		8			0	8
c. Operational Costs			0	168		168	168

Description	AID FX	AID LC	TOTAL AID	COUNTER GODR	LC PRIVAT	TOTAL COUNT	PROJECT TOTAL
5. JAD							
a. Technical Assistance			0		60	60	60
b. Training			0		10	10	10
c. Nonexpendable property	150		150			0	150
d. Operational Costs			0		96	96	96
E. STP/PROJECT MANAG UNIT							
1. STP							
a. Technical Assistance	546		546			0	546
b. Training	75	25	100	64		64	164
c. Nonexpendable Property	9		9	39		39	48
d. Operational Costs			0	345		345	345
<u>II. PRODUCTIVITY COMPONENT</u>	<u>3780</u>		<u>3780</u>	<u>165</u>	<u>3542</u>	<u>3707</u>	<u>7487</u>
I. DEI							
a. Technical Assistance	320		320		247	247	567
b. Training	2760		2760	165	2595	2760	5520
c. Operational Costs	588		588		587	587	1175
d. Nonexpendable Property	15		15		15	15	30
e. Publications	97		97		98	98	195
<u>II. EVALUATION</u>	<u>350</u>	<u>0</u>	<u>350</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>350</u>
<u>III. AUDIT</u>	<u>0</u>	<u>250</u>	<u>250</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>250</u>
PROJECT TOTAL	6705	295	7000	2746	3935	6681	13681

TRADE PRACTICES AND PRODUCTIVITY IMPROVEMENT PROJECT
COST BY COMPONENT AND YEARS OF OBLIGATION
 (US\$000s DOLLARS)

COMPONENT	YEAR 1		YEAR 2		YEAR 3		YEAR 4		YEAR 5		YEAR 6		YEAR 7		TOTAL		PROJEC
	A.I.D.	COUNT	A.I.D.	COUNT	A.I.D.	COUNT	A.I.D.	COUNTER	A.I.D.	COUNT	A.I.D.	COUNT	A.I.D.	COUNT	A.I.D.	COUN	TOTAL
I. TRADE PRACTICES	1634	866	407	705	283	702	76	701	0	0	0	0	0	0	2620	2974	5594
A. CUSTOM STANDARDS	288	204	13	203	13	203	13	203	0	0	0	0	0	0	327	813	1140
1. Customs	273	202	13	202	13	202	13	202	0	0	0	0	0	0	312	808	1120
a. Technical Assistance	260														260	0	260
b. Training	13		13		13		13								52	0	52
c. Operational Costs		202		202		202		202							0	808	808
2. Private Sector Associat.	15	2	0	1	0	1	0	1	0	0	0	0	0	0	15	5	20
a. Technical Assistance	15														15	0	15
b. Operational Costs		2		1		1		1							0	5	5
B. INTELLECTUAL PROPER	346	259	35	205	47	207	35	206	0	0	0	0	0	0	463	877	1340
1. Depart. Prop Ind. & Com.	199	54	7	42	7	42	6	42	0	0	0	0	0	0	219	180	399
a. Technical Assistance	170														170	0	170
b. Training	6		7		7		6								26	0	26
c. Nonexpendable Property	23	12													23	12	35
d. Operational Costs		42		42		42		42							0	168	168
2. Oficina Derechos Autor	109	197	6	156	31	156	6	156	0	0	0	0	0	0	152	665	817
a. Technical Assistance	70														70	0	70
b. Training	31		6		31		6								74	0	74
c. Nonexpendable Property	8	41													8	41	49
d. Operational Costs		156		156		156		156							0	624	624
3. Camara de Comercio, D.N.	38	8	22	7	9	9	23	8	0	0	0	0	0	0	92	32	124
a. Technical Assistance	30														30	0	30
b. Training	6	6	20	5	6	6	20	5							52	22	74
c. Publications	2	2	2	2	3	3	3	3							10	10	20
C. DISPUTE SETTLEM MEC	404	55	113	49	38	49	38	49	0	0	0	0	0	0	593	202	795
1. Secretaria de Trabajo	323	3	96	3	21	3	21	3	0	0	0	0	0	0	461	12	473
a. Technical Assistance	275		75												350	0	350
b. Training	21		21		21		21								84	0	84
c. Nonexpendable Property	27														27	0	27
d. Operational Costs		3		3		3		3							0	12	12
2. Camara de Comercio, D.N.	81	52	17	46	17	46	17	46	0	0	0	0	0	0	132	190	322
a. Technical Assistance	60														60	0	60
b. Training	12		12		12		12								48	0	48
c. Publications	5		5		5		5								20	0	20
d. Nonexpendable Property	4	4													4	4	8
e. Operational Costs		48		46		46		46							0	186	186

COMPONENT	YEAR 1		YEAR 2		YEAR 3		YEAR 4		YEAR 5		YEAR 6		YEAR 7		TOTAL		PROJEC
	A.I.D.	COUNT	A.I.D.	COUNT	A.I.D.	COUNT	A.I.D.	COUNTER	A.I.D.	COUNT	A.I.D.	COUNT	A.I.D.	COUNT	A.I.D.	COUN	TOTAL
D. UNIFORM CODE OF PRODUCT																	
AND W.P. STANDARDS	378	206	93	146	18	141	93	141	0	0	0	0	0	0	582	634	1216
1. Secretaria de Trabajo	40	3	0	3	0	3	0	3	0	0	0	0	0	0	40	12	52
a. Technical Assistance	40														40	0	40
b. Operational Costs		3		3		3		3							0	12	12
2. DIGENOR	84	32	31	32	6	32	31	32	0	0	0	0	0	0	152	128	280
a. Technical Assistance	70														70	0	70
b. Training	6		31		6		31								74	0	74
c. Nonexpendable Property	8														8	0	8
d. Operational Costs		32		32		32		32							0	128	128
3. SEA-Sanidad Vegetal	30	40	31	40	6	40	31	40	0	0	0	0	0	0	98	160	258
a. Technical Assistance	20														20	0	20
b. Training	6		31		6		31								74	0	74
c. Nonexpendable Property	4														4	0	4
d. Operational Costs		40		40		40		40							0	160	160
4. Dir Nac Saneam Ambiental	74	42	31	42	6	42	31	42	0	0	0	0	0	0	142	168	310
a. Technical Assistance	60														60	0	60
b. Training	6		31		6		31								74	0	74
c. Nonexpendable Property	8														8	0	8
d. Operational Costs		42		42		42		42							0	168	168
5. JAD	150	89	0	29	0	24	0	24	0	0	0	0	0	0	150	166	316
a. Technical Assistance		60													0	60	60
b. Training		5		5											0	10	10
c. Nonexpendable property	150														150	0	150
d. Operational Costs		24		24		24		24							0	96	96
E. STP/PROJECT MANAG U	218	142	153	102	167	102	117	102	0	0	0	0	0	0	655	448	1103
1. STP	218	142	153	102	167	102	117	102	0	0	0	0	0	0	655	448	1103
a. Technical Assistance	159		153		117		117								546	0	546
b. Training	50	16		16	50	16		16							100	64	164
c. Nonexpendable Property	9	39													9	39	48
d. Operational Costs		87		86		86		86							0	345	345
II. PRODUCTIVITY	565	528	553	518	522	521	527	526	532	532	538	538	543	544	3780	3707	7487
1. DEI	565	528	553	518	522	521	527	526	532	532	538	538	543	544	3780	3707	7487
a. Technical Assistance	71	35	71	35	35	35	35	35	36	36	36	35	36	36	320	247	567
b. Training	394	394	394	394	394	394	394	394	394	394	395	395	395	395	2760	2760	5520
c. Operational Costs	73	72	76	76	80	79	84	83	87	88	92	92	96	97	588	587	1175
d. Nonexpendable Property	15	15													15	15	30
e. Publications	12	12	12	13	13	13	14	14	15	14	15	16	16	16	97	98	195
III. EVALUATION	90	0	35	0	85	0	35	0	35	0	35	0	35	0	350	0	350
IV. AUDIT	40	0	35	0	35	0	35	0	35	0	35	0	35	0	250	0	250
PROJECT TOTAL	2329	1394	1030	1223	925	1223	893	1227	602	532	608	538	613	544	7000	6681	13681

TRADE PRACTICES AND PRODUCTIVITY IMPROVEMENT PROJECT
COST BY INPUTS AND YEARS OF OBLIGATION
 (US\$000s DOLLARS)

COMPONENT	YEAR 1		YEAR 2		YEAR 3		YEAR 4		YEAR 5		YEAR 6		YEAR 7		TOTAL		PROJEC TOTAL
	A.I.D.	COUNT	A.I.D.	COUNT	A.I.D.	COUNT	A.I.D.	COUNTER	A.I.D.	COUNT	A.I.D.	COUNT	A.I.D.	COUNT	A.I.D.	COUN	
I. TRADE PRACTICES																	
A. CUSTOM STANDARDS																	
a. Technical Assistance	275	0	0	0	0	0	0	0	0	0	0	0	0	0	275	0	275
b. Training	13	0	13	0	13	0	13	0	0	0	0	0	0	0	52	0	52
c. Operational Costs	0	204	0	203	0	203	0	203	0	0	0	0	0	0	0	813	813
B. INTELLECTUAL PROP.																	
a. Technical Assistance	270	0	0	0	0	0	0	0	0	0	0	0	0	0	270	0	270
b. Training	43	6	33	5	44	6	32	5	0	0	0	0	0	0	152	22	174
c. Nonexpendable Property	31	53	0	0	0	0	0	0	0	0	0	0	0	0	31	53	84
d. Publications	2	2	2	2	3	3	3	3	0	0	0	0	0	0	10	10	20
e. Operational Costs	0	198	0	198	0	198	0	198	0	0	0	0	0	0	0	792	792
C. DISPUTE SETTLEMENT M.																	
a. Technical Assistance	335	0	75	0	0	0	0	0	0	0	0	0	0	0	410	0	410
b. Training	33	0	33	0	33	0	33	0	0	0	0	0	0	0	132	0	132
c. Nonexpendable Property	31	4	0	0	0	0	0	0	0	0	0	0	0	0	31	4	35
d. Publications	5	0	5	0	5	0	5	0	0	0	0	0	0	0	20	0	20
e. Operational Costs	0	51	0	49	0	49	0	49	0	0	0	0	0	0	0	198	198
D. UNIF CODE OF PROD & WP STAND																	
a. Technical Assistance	190	60	0	0	0	0	0	0	0	0	0	0	0	0	190	60	250
b. Training	18	5	93	5	18	0	93	0	0	0	0	0	0	0	222	10	232
c. Nonexpendable Property	170	0	0	0	0	0	0	0	0	0	0	0	0	0	170	0	170
e. Operational Costs	0	141	0	141	0	141	0	141	0	0	0	0	0	0	0	564	564
E. STP/PROJ MGT UNIT																	
a. Technical Assistance	159	0	153	0	117	0	117	0	0	0	0	0	0	0	546	0	546
b. Training	50	16	0	16	50	16	0	16	0	0	0	0	0	0	100	64	164
c. Nonexpendable Property	9	39	0	0	0	0	0	0	0	0	0	0	0	0	9	39	48
e. Operational Costs	0	87	0	86	0	86	0	86	0	0	0	0	0	0	0	345	345
II. PRODUCTIVITY																	
a. Technical Assistance	71	35	71	35	35	35	35	35	36	36	36	35	36	36	320	247	567
b. Training	394	394	394	394	394	394	394	394	394	394	395	395	395	395	2760	2760	5520
c. Nonexpendable Property	15	15	0	0	0	0	0	0	0	0	0	0	0	0	15	15	30
d. Publications	12	12	12	13	13	13	14	14	15	14	15	16	16	16	97	98	195
e. Operational Costs	73	72	76	76	80	79	84	83	87	88	92	92	96	97	588	587	1175
III. EVALUATION																	
	90	0	35	0	85	0	35	0	35	0	35	0	35	0	350	0	350
IV. AUDIT																	
	40	0	35	0	35	0	35	0	35	0	35	0	35	0	250	0	250
PROJECT TOTALS BY INPU	2329	1394	1030	1223	925	1223	893	1227	602	532	608	538	613	544	7000	6690	13690

Table 1. DETAILED BUDGET OF TRADE PRACTICES ACTIVITY
Years 1 through 4
(US\$000s)

DESCRIPTION	UNIT	UNIT		DESTIN OF FOND		ORIGIN OF FUNDS		PROJECT TOTAL	
		COST	AMOU	GODR	PRIVATE	AID	GODR		PRIVATE
A. CUSTOM STANDARDS									
1. Customs									
T.A. Expatriate Consults.	person-months	20	10	200		200		200	
T.A. DR Contractor	person-months	5	12	60		60		60	
Subtotal T.A.				260					
Overseas Training	activity	4	11	44		44		44	
In-Country Workshops on Law Reform Concensus Build	activity	1	8	8		8		8	
SubTotal Training				52					
Civil Service Reform (CSR) applied to 150 inspect	person-year	1	600	600			600	600	
CSR applied to 5 legal advisor (legal services)	person-year	1	20	20			20	20	
CSR applied to 40 Account/Audit emp.	person-year	1	120	120			120	120	
CSR 5 employees (Mgt)	person-year	1	20	20			20	20	
Local Transportation	activity-year	12	4	48			48	48	
SubTotal Operat Costs				808					
Subtotal (A.1.)				1120					
2. Private Sector Asso									
T.A. DR Contractor	person-months	5	3		15	15		15	
Ass. personnel working w/ cons, meet, invit, space	activity	5	1		5		5	5	
SubTotal (A.2.)					20				
SUBTOTAL CUSTOM (A)				1120	20	327	813	0	1140
B. INTELLECTUAL PROPERTY									
1. Departamento Propiedad Industrial y Comercial									
T.A. Expatriate Consultants	person-months	20	8	160		160		160	
T.A. DR EDP	person-months	5	2	10		10		10	
Subtotal T.A.				170					
Overseas Training	particip-months	6	4	24		24		24	
In-Country workshops	Activity	1	2	2		2		2	
Subtotal training				26					
Computer/Scanners Package	units	5	3	15		15		15	
Desk Top Computers	units	2	9	18		6	12	18	
Printers	units	2	1	2		2		2	
Subtotal Non Expendable				35					
CSR applied to 30 inspect in Patent & Trade-Mark Dpt	person-year	1	120	120			120	120	
Local Transportation	activity-year	12	4	48			48	48	
Subtotal Operat. Costs				168					
SubTotal (B.1.)				399					
2. Oficina de Derechos de Autor									
T.A. Expatriate Consultants	person-months	20	3	60		60		60	
T.A. DR EDP	person-months	5	2	10		10		10	
Subtotal T.A.				70					
Overseas Training	particip.-months	6	4	24		24		24	
In-country Seminars	units	25	2	50		50		50	
Subtotal training				74					
Desk top Computers	units	2	10	20		6	14	20	
Printers	units	2	3	6		2	4	6	
Electronic typewriter	units	1	3	3			3	3	
Office Mob (Desks, chairs)	off-LOP	20	1	20			20	20	
SubTotal Nonexpendable				49					
Add staff (25 emp) hired in new off to draft/enforce new copyright regulations	staff-year	156	4	624			624	624	
Subtotal (B.2)				817					

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DESCRIPTION	UNIT	UNIT		DESTIN OF FOND		ORIGIN OF FUNDS			PROJECT	
		COST	AMOU	GODR	PRJVATE	AID	GODR	PRIVATE	TOTAL	
3. Camara de Comercio D.N.										
T.A. Expatriate Consultants	person-months	20	1		20	20			20	
T.A. D.R. Contractors	person-months	5	2		10	10			10	
SubTotal T.A.					30					
Overseas Training	participant-mon	6	4		24	12		12	24	
In-country Seminars	units	25	2		50	40		10	50	
SubTotal Training					74					
Dissemination of Informa- tion, Publications, Subs.	cost	20	1		20	10		10	20	
Subtotal (B.3)					124					
SUBTOTAL INTELLECTUAL PROPERTY (B)					1216	124	463	845	32	1340
C. DISPUTE SETTLEMENT MECHANISMS										
1. Secretaria del Trabajo										
T.A. Expatriate Consults.	person-months	20	10	200		200			200	
T.A. D.R. EDP Contractors	person-months	5	30	150		150			150	
Subtotal T.A.				350						
CRS applied to 3 legal Adv Mediat & Arbit Dpt	person-year	1	12	12			12		12	
Overseas Training	partici-months	6	14	84		84			84	
Desk Top Computers		2	9	18		18			18	
Fax machines	units	1	5	5		5			5	
Printers	units	2	2	4		4			4	
SubTotal Nonexpendable				27						
Subtotal (C.1)				473						
2. Camara de Comercio D.N.										
T.A. Expatriate Consultants	person-months	20	2		40	40			40	
T.A. D.R. Contractors	person-months	5	4		20	20			20	
Subtotal T.A.					60					
Overseas Training	particip-month	6	8		48	48			48	
Dissemination of Informa- tion, Publications, Subs.	cost	20	1		20	20			20	
Desk Top Computers	units	2	3		6	2		4	6	
Printers	units	2	1		2	2			2	
Subtotal Nonexpendable					8					
Director CAC	Year	2	4		8			8	8	
permanent CAC staff	person-year	6	4		24			24	24	
temporary staff	person-month	2	48		96			96	96	
Facilities	-	1	10		10			10	10	
Local Transportation	activity-year	12	4		48			48	48	
Subtotal Operat. Costs					186					
Subtotal (C.2)					322					
SUBTOTAL DISPUTE SETTLEMENT MECHANISM (C)					473	322	593	12	190	795
D. UNIFORM CODE OF PRODUCT AND W.P. STANDARDS										
1. Secretaria del Trabajo										
T.A. Expatriate Consults.	person-months	20	2	40		40			40	
CRS applied to 120 inspect Mediation & Arbit Dpt	person-year	1	12	12			12		12	
Subtotal (D.1)				52	0					
2. DIGENOR										
T.A. Expatriate Consults.	person-months	20	3	60		60			60	
T.A. D.R. EDP Contractors	person-months	5	2	10		10			10	
Subtotal T.A.				70						
Overseas Training	particip-months	6	4	24		24			24	
In-country seminar	particip-months	25	2	50		50			50	
Subtotal Training				74						
Desk Top Computer	units	2	3	6		6			6	
Printers	units	2	1	2		2			2	
Subtotal Nonexpendable				8						
CRS applied to 20 QC Insp	person-year	1	80	80			80		80	
Local Transportation	activity-year	12	4	48			48		48	
Subtotal Operat Costs				128						
Subtotal (D.2)				280						

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DESCRIPTION	UNIT	UNIT		DESTIN OF FOND		ORIGIN OF FUNDS			PROJECT TOTAL
		COST	AMOU	GODR	PRIVATE	AID	GODR	PRIVATE	
3. Secretaria de Agricultura Sanidad Vegetal									
T.A. Expatriate Consults.	person-months	20	1	20		20			20
Overseas Training	person-months	6	4	24		24			24
In-country Conference	particip-months	50	1	50		50			50
Subtotal Training				74					
Desk top Computers	units	2	1	2		2			2
Printers	units	2	1	2		2			2
Subtotal Nonexpendable				4					
CRS applied to 40 Plant Protection Inspectors	person-year	1	160	160			160		160
Subtotal (D.3)				258					
4. Direccion Nacional de Saneamiento Ambiental									
TA Expatriate Consults.	person-month	20	3	60		60			60
Overseas Training		6	4	24		24			24
In-country Seminars		25	2	50		50			50
Subtotal Training				74					
Desk Top Computers	units	2	3	6		6			6
Printers		2	1	2		2			2
Subtotal Nonexpendable				8					
CSR applied to 30 Inspect	person-year	1	120	120			120		120
Local transportation	activity-year	12	4	48			48		48
Subtotal Operat. Costs				168					
Subtotal (D.4)				310					
5. JAD									
Equipment (cromatograpber)	units	150	1		150	150			150
TA Expatriate	person-month	20	3	60				60	60
In-Country Training	particip-month	2	5	10				10	10
Local transportation	activity-year	12	4	48				48	48
Electricity	activity-year	12	4	48				48	48
Subtotal Operat. Costs				96					
Subtotal (D.5)				316					
SUBTOTAL UNIFORM CODE OF PROD AND W. P. STANDAR				900	316	582	468	166	1216
E. STP/PROJECT MANA. UNIT									
PMU Technical Advisor	person-months	13	36	468		468			468
T.A. D.R. EDP Contractors	person-months	2	3	6		6			6
PSC Local	person-month	4	18	72		72			72
Subtotal T.A.				546					
Regional Meet/Conference	activity	50	2	100		100			100
National Workshops	activity	2	8	16			16		16
Overseas Training	particip-months	6	8	48			48		48
Subtotal training				164					
Vehicle	units	1	10	10			10		10
Desk Top Computers	units	2	5	10		4	6		10
Printers	units	2	3	6		4	2		6
Fax	units	1	2	2		1	1		2
Other off equip for LOP	-	1	20	20			20		20
Subtotal Nonexpendable				48					
D.R. Project Coordinator	person-months	2	36	72			72		72
Permanent staff (5 emp) for new PMU off.	off-month	5	48	240			240		240
CSR applied to 5 perm staff	person-year	1	20	20			20		20
Non-Permanent staff	person-year	3	1	3			3		3
Facilities	-	1	10	10			10		10
Subtotal Operat. Costs				345					
SUBTOTAL STP/PROG. MANAG. (E)				1103	0	655	448	0	1103
TOTAL COST TRADE PRACTICES (A THROUGH E)				4812	782	2620	2586	388	5594

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Table 2. DETAILED BUDGET OF PRODUCTIVITY COMPONENT
Years 1 through 7
(US\$000s)

DESCRIPTION	UNIT	UNIT		DESTIN OF FUND		ORIGIN OF FUNDS		PROJECT	
		COST	AMOU	GODR	PRIVATE	AID	GODR	PRIVATE	TOTAL
PRODUCTIVITY ENHANCEMENT TEAM (A)									
GRANT TO DOMINICAN EDUCATION INSTITUTE (DEI) FOR 7 YEARS									
1. PET IMPLEMENTING UNI unit/year (*)									
Nonexpendable Property	(*)	1	30		30	15		15	30
Information Resources & Marketing Campaign	(*)	1	195		195	98		98	195
Local Off Oper Costs	(*)	1	1175		1175	588		588	1175
Subtotal PET (*)					1400				
PSC Local	person-month	4	18		72	72			72
Subtotal (A.1)			18	0	1472				
2. ACTIVITIES									
2.1 Anti-Gender Bias Progr	activity	495	1		495	248		247	495
2.2 Internship & Training Prog & a counterpart contribution of salaries, international travel costs, etc.	interns	66	20	330	990	660	165	495	1320
2.3 Industrial relations training directed at Plant Supervisors linked to disputes settlement	trainees	2	300		600	300		300	600
2.4 Support basic education for unskilled workers and improve productivity of skilled ones (300 enterpr)	trainees	1.2	3000		3600	1800		1800	3600
Subtotal training				330	5685				
Subtotal (A.2)				330	5685				
TOTAL PRODUCTIVITY ENHANCEMENT TEAM (A)				-----	-----	-----	-----	-----	-----
				330	5685	3780	165	3542	7487
				=====	=====	=====	=====	=====	=====

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