

PD-ABK-410
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**DOMINICAN REPUBLIC
FY 1994-1995 ANNUAL BUDGET SUBMISSION**

MISSION DIRECTOR'S STATEMENT

OVERVIEW - SUPPORT FOR FOUR POLICY AREAS, AND EXPECTED RESULTS

The USAID Dominican Republic economic assistance program for FY 1994-1995 is sharply focused in support of A.I.D.'s four policy areas. A detailed presentation of the mission's strategic objectives, program output indicators, and monitoring-evaluation-reporting system is included in our Action Plan which was reviewed in AID/W in May 1993. Following are highlights of our planned program as they relate to the four policy areas and the key results or program outputs which we expect to achieve:

Economic Growth -- In support of this policy area, the Mission is concentrating on helping the Dominican's to stay the course with their economic reform program initiated in 1990, increase and diversify external trade, and develop the human resources necessary to sustain economic development. The major program components in support of this policy objective are:

- Maintenance and reform of GODR market-oriented economic policies -- market interest and exchange rate policies, a balanced GODR budget, debt restructuring, and greater public education and awareness of the benefits of these economic policies.

- Increased export productivity and improved trade policy, particularly through our new Trade Practices and Productivity project. We expect to see national exports increase from \$558 million in FY 1992 to \$927 million in FY 1997, with non-traditional exports (mainly from the agribusiness sector) increasing from 20.7% of exports to 25% of exports over the same period. Private investment is expected to increase from about \$1.3 billion in 1992 to \$1.8 billion in 1997. Imports from the United States are projected to increase by \$300 million by 1997. Through our micro-enterprise program, we hope to see at least 28,000 new jobs created annually by 1997.

- Increased availability and reliability and competitively priced energy. Together with other donors, we are providing support to the GODR strategy to privatize the provision of electric energy. We expect that a comprehensive electric energy strategy will be completed, and that private generation of electric power will increase by at least five-fold over the next four years. This represents an opportunity for U.S. private investment of about \$1 billion.

- Improved quality of primary educational services -- including improved curricula, training of teachers, and textbook

development. Improved standardized text scores, greater efficiency, and institutional improvements throughout the primary education system are expected to result from these efforts. A ten-year plan for the education system has been developed with USAID support to guide these efforts over the coming years.

Population/Health -- In support of this policy area, we plan to expand our efforts in family planning services, child survival, and AIDS control and prevention. Through our integrated project activities in these areas, we expect to see the contraceptive prevalence rate increase from 33.9% (1991) to 46% (1997); the total fertility rate decrease from 3.3 (1991) to 2.9 (1997); the infant mortality rate decrease from 43 (1991) to 38.5 (1997); and exclusive breast feeding during the first four months increase from 9.5% (1991) to 35% (1997). We are planning to greatly increase our AIDS prevention and control activities and thereby help to significantly reduce the incidence of HIV.

Democracy -- In this policy area, our efforts are focused on strengthening democratic institutions, and bringing greater transparency and accountability to government. An important element of this objectives is electoral reform which we are currently supporting. We believe this is critical to increasing the number of citizens who register and vote, and to assuring free and fair elections in May 1994. Our democracy objective includes a significant democratic education component which is seeking to increase citizen awareness of the advantages of participatory democracy and the importance of political consensus. Throughout our portfolio, we are emphasizing empowerment and participation of community-based democratic organizations and institutions.

In FY 1995, we plan to start two new projects in the Democracy Policy area -- an Administration of Justice project as described in our new Project Description, and a Modernization of the State project which will, inter alia, help the GODR to implement a new civil service system.

Environment -- In support of this policy area, we plan to concentrate on increasing the availability of water needed for sustained economic development. Our project activities will support Dominican efforts in reforming national water use policies and improving the enforcement climate to manage water resources on a sustainable and environmentally sound basis. We expect to see new environmental and reforestation laws, expanded environmental education, and greater reliance on user-managed community water systems. These efforts should result in a significant increase of the base flow of water available for urban water systems and irrigation.

FY 1994 PROGRAM/OE/STAFFING

At the straight-lined OE level, for FY 1994 the mission would be able to support the full \$16.94 million program (CP level) in the four A.I.D. policy areas.

With a 25% reduction of OE in FY 1994, we would be forced to eliminate entirely our environmental strategic objective which focuses on increasing the availability of water. At this reduced OE level, we would not start our proposed Sustaining Water Policy project (see new project description); eliminate all community-based water systems from our PVO Co-financing project; and, eliminate environmental education from our Developing Training project.

At the 25% OE reduction level, we would be forced to eliminate three USDH positions (Program Officer, Deputy Controller, and Economist), and 18 FSN positions throughout the mission. This reduced staff would be sufficient to manage the reduced program (75%).

With a 25% OE reduction in FY 1994, we would also do some re-organization within the mission to parallel the reduced staffing level. We expect that at the reduced staffing level, we would consolidate our three technical offices into two offices and restructure the Deputy Mission Director functions to include some of the responsibilities involving program strategy and planning which are now being done by the Program Officer.

FY 1995 PROGRAM/OE/STAFFING

At the straight-lined OE level for FY 1995, we would be able to support a full \$16.94 million straight-lined program. We would eliminate one USDH position (Economist) to accommodate a reduced USDH ceiling of 14.

With a 25% OE reduction in FY 1995, we would continue the program reductions initiated in FY 1994. In addition, we would have to reduce our project activities in the Democracy Policy area, and eliminate the new Modernization of the State project (see new project description). Our project activities in support of economic growth would have to be cut back 10%-20% in most areas. Staffing at the 25% reduction level in FY 1995, would be held at the reduced level established in FY 1994.

A 50% program reduction in FY 1995, would force us to make radical changes in our program structure. In addition to the elimination of our environmental objective, we would reduce our program as follows:

- Terminate the ongoing University Agribusiness project, and scale back all other projects in support of the economic growth policy area by about 30%.
- Eliminate two new project starts in support of the Democracy policy area (Administration of Justice, and Modernization of the State). These new projects are described in the new project descriptions which are part of this ABS.

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FY 1994 NEW PROJECT NARRATIVE
SUSTAINING WATER POLICY (517-0266)

A.I.D. OBJECTIVE: The Environment: Promotion of Environmentally-sound Policies.

MISSION STRATEGIC OBJECTIVE: Increased Availability of Water Needed for Sustained Economic Development

FISCAL YEARS: FY 1994 - 2003

LOP FUNDING: \$3,000,000

A. CONSISTENCY OF PROJECT WITH MISSION STRATEGY. The goal of the project is to increase the availability of water needed for sustained economic development. The purpose of the project is to support Dominican initiatives to develop the knowledge, programs and institutions, public and private, to achieve water self-sufficiency. The project will help to: (1) improve the capacities of PVOs/NGOs to promote environmentally sound water management policies and practices; and (2) improve policy and enforcement climates needed to manage water resources efficiently.

B. RELATIONSHIP TO A.I.D. AND OTHER DONOR ACTIVITIES: The project complements several USAID projects as well as those of other donors. It will build on successes of the On Farm Water Management and PVO Co-Financing projects which have established community-controlled irrigation boards and promoted PVO participation in natural resource management, respectively. Other donors are supporting environmental activities (especially reforestation), but none is proposing significant work in water policy reform. The project will provide a much-needed common thread to promote environmentally-sound national water policies.

C. RELATIONSHIP OF PROJECT TO OVERALL A.I.D. POLICY OBJECTIVES: The Sustaining Water Policy Project directly addresses the targets of Sections 118 and 119 of the Foreign Assistance Act and A.I.D.'s Environment Policy Area by encouraging policy reforms which will improve protection of the country's tropical forests, ecosystems and biodiversity. The project will emphasize public and private sector collaboration in policy reform and will be developed in close coordination with other donors.

D. PROJECT DESCRIPTION: The project will focus on policy and institutional problems affecting watersheds and coastal zones. Major project components will include policy analysis and reform, long-term planning, education and public awareness activities. Particular efforts will be made to reform national water policies and to increase public

and private sector understanding of how to better coordinate economic development and water management. A coordinating PVO/NGO will work with leaders of industry, agriculture and the public sector to promote policy changes governing the quality, production, distribution and pricing of water. This organization will work with a wide variety of groups, including the State Electric Corporation, private hydro-electrical firms, the National Water Authority (INDRHI) and municipal governments.

E. SUSTAINABILITY OF PROPOSED ACTIVITY: The project will use a highly participatory approach to establish water sustainability policies that are appropriate to the ecological, economic and social conditions. Self-financing mechanisms will be developed to support institutions and ensure continuing water supplies. The reforestation law, for example, will be revised to make investments in forestry both effective and financially sustainable.

F. EXPECTED OUTPUTS AND INDICATORS: The expected project outputs are: environmentally sound national water policies and an increased base flow of water available to irrigation and water systems. Indicators used to measure performance include increased availability of water as measured at catchment points such as reservoirs, rivers and aquifers.

FY 1994 NEW PROJECT DESCRIPTION

DEVELOPMENT TRAINING II (517-0268)

A.I.D. POLICY AREA: Economic Growth – Development of Human Resources

MISSION STRATEGIC OBJECTIVES:

1. Increased and Diversified External Trade
2. Increased Socio-economic Participation of the Lower Income Groups
3. Increased Availability of Water Needed for Sustained Economic Development
4. Participatory Democratic Reform

FISCAL YEARS: 1994-2002

LOP FUNDING: \$18,000,000

A. CONSISTENCY OF PROJECT WITH MISSION STRATEGY: The project will support the Mission's strategic objectives through the provision of long-term, short-term, U.S. and in-country training in areas that are key to the attainment of the objectives. The project goal is to improve the human resource base required for broad-based and sustainable economic growth within a democratic environment. The goal fully supports LAC Bureau Objectives, and over-arches the four Mission Strategic Objectives. The project purpose is to improve the efficiency and productivity of the private and public institutions supportive of USAID's strategy by providing training to their personnel.

B. RELATIONSHIP TO A.I.D. AND OTHER DONOR ACTIVITIES: The project supports A.I.D.'s Economic Growth Policy Area in that it will train the human resources needed for sustained economic development. The project is a follow-on to the Development Training project (517-0216) which ends in FY 1995. It is not related to other donor activities.

C. PROJECT DESCRIPTION: The project will provide Masters level, short-term and in-country training to employees of private and public institutions supportive of USAID's Strategic Objectives. Participant training will be offered primarily in the United States with a limited amount of training in-country and in third countries. The Mission has recently completed an impact evaluation of the project's predecessor, the Development Training project. The evaluation found that training has resulted in important positive impacts on employment opportunities of individual participants, on their employer institutions, and on overall project objectives. The Mission has also recently completed its Country Training Plan (CTP) which identifies constraints to achieving the Mission's Strategic Objectives. The impact evaluation and the CTP will be

used extensively in the design of the new project. The project will include elements of CLASP II, including Experience America Programs, as well as training cost analysis and follow-on activities for returning trainees. The project will be implemented through a local PVO which will be responsible for publicity, assessing the demand for training, selecting courses and candidates, and preparing preliminary documentation. The USAID Training Office will be responsible for the processing, placement and monitoring of participants.

D. SUSTAINABILITY OF PROPOSED ACTIVITIES: Training for employed professionals constitutes one of the most sustainable activities in which A.I.D. engages. The Dominican Republic has a participant return rate of over 98 percent. Participants are required to return to their home country to work for a period of two years, but the great majority remain in the country for the rest of their working lives.

E. EXPECTED OUTPUTS AND INDICATORS: The expected project outputs will be trained professionals who will return to Dominican Republic and contribute to the economic growth of the country. Indicators of performance progress will be the long-term contributions made by the participants, as measured in the project's follow-up activities.

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FY 1995 NEW PROJECT NARRATIVE

ADMINISTRATION OF JUSTICE (517-0272)

A.I.D. POLICY AREA

Democracy: Strengthening Democratic Institutions and Greater Transparency and Accountability in Government

MISSION STRATEGIC OBJECTIVES:

- 1) Participatory Democratic Reform
- 2) Increased and Diversified External Trade

FISCAL YEARS:

1995-2002

LOP FUNDING:

\$5,000,000

A. CONSISTENCY OF PROJECT WITH MISSION STRATEGY: The project contributes directly to the Mission strategic objective of Participatory Democratic Reform by supporting the efforts of Dominican private and public sector citizens to identify problems and plan reforms of the judicial structure in their society. The project also supports increased and diversified external trade through evolution of more productive private businesses better able to resolve disputes through an improved justice system. The purpose of the project is to enhance the independence, professionalism and efficiency of the judiciary and related institutions.

B. RELATIONSHIP TO A.I.D. AND OTHER DONOR ACTIVITIES: The project relates directly to A.I.D.'s efforts to strengthen democratic institutions in the region and in the Dominican Republic in particular. It complements the Mission's Democratic Initiatives project and builds on institutional strengthening efforts carried out with ILANUD under the Regional Administration of Justice project. The project will be developed in close collaboration with other donors.

C. RELATIONSHIP OF PROJECT TO OVERALL A.I.D. POLICY OBJECTIVES: The project supports A.I.D.'s Democracy Policy Area of seeking to bring greater transparency and accountability to Government, and increase the independence, professionalism and effectiveness of the judiciary, within the framework of strengthening democratic institutions.

D. PROJECT DESCRIPTION: The project will focus on institutional reforms needed to improve judicial system functions. Areas identified include: 1) Improving the organization and administration of the court system, 2) reforming the judicial civil service, including the method by which judges are appointed and tenured, and 3) increasing judicial efficiency.

Technical assistance will be provided through long and short-term advisors working with Dominican public and private sector entities such as law school faculties and legal foundations, to analyze deficiencies in the existing legal framework and recommend changes to improve the administration of justice. Short-term training and seminars aimed at upgrading the quality of legal skills will be provided in the United States, third countries and in-country for judges, prosecutors, public defenders, and other legal personnel. Counterpart contributions will provide half the cost of such training. A public education and awareness component will provide support for the development of educational materials to inform Dominicans of their rights and responsibilities as individuals under the Dominican Constitution, and to develop support for judicial reform efforts. Technical assistance and training will be provided to GODR judicial institutions as well as private entities such as law school faculties, legal foundations, the Dominican Association of Human Rights, the Bar Association (ADOMA), and the Lawyer's Professional Association.

E. SUSTAINABILITY OF PROPOSED ACTIVITIES: Training will result in a cadre of legal professionals seeking sustained reforms in the judicial sector. The involvement of concerned non-governmental groups in development and support of reform of judicial institutions and systems will be a key factor in assuring the activities will be sustained in the long-term. A constitutional amendment will probably be required to fully implement the reforms.

F. EXPECTED OUTPUTS AND INDICATORS: The expected project output is a vastly improved judicial system which is independent, fair, and efficient -- and responsive to the democratic rights of the people. Specific indicators to measure performance progress include trained and more highly qualified personnel, greater public confidence in the judicial system, and transparent/independent decisions made by judicial institutions.

FY 1995 NEW PROJECT NARRATIVE

MODERNIZATION OF THE STATE (517-0273)

A.I.D. POLICY AREA	Democracy -- Greater Transparency and Accountability in Government.
MISSION STRATEGIC OBJECTIVES:	Participatory democratic reform
FISCAL YEARS:	1995-2002
LOP FUNDING:	\$3,000,000

A. CONSISTENCY OF PROJECT WITH MISSION STRATEGY. The project fully supports the Mission Strategic Objective of Participatory Democratic Reform. The project goal is to improve Government competence and responsiveness by reforming the current GODR personnel system and instituting a professional corps of government employees. The purpose of the project is to support Dominican efforts to fully implement the Framework Law passed in 1991, establishing a civil service.

B. RELATIONSHIP TO A.I.D. AND OTHER DONOR ACTIVITIES: The project conforms to the Agency's Democracy Policy Area, which commits A.I.D. to support effective, responsive and publicly accountable government institutions. The project complements USAID's Democratic Initiatives project 517-0265, and draws upon the expertise of the School of Public Administration of the Catholic University (PUCMM), beneficiary of the Graduate Management Training project 517-0157. Other donors have recognized the importance of this activity and their support to the GODR may require implementation of the civil service reform law in ministries where they provide financing.

C. RELATIONSHIP OF PROJECT TO OVERALL A.I.D. POLICY OBJECTIVES: The Civil Service Reform project addresses A.I.D. policy objectives of making government more responsive to the needs of the people. As citizens' views are better represented in government, the needs of the people will be better identified and addressed. The project supports the LAC Bureau's five-year strategy for meeting democracy objectives in the region. It will seek to foster and maintain professionalism, honesty and continuity in public service.

D. PROJECT DESCRIPTION: The project will support the efforts of the National Planning Office (ONAP) to reform the Civil Service System, including personnel policies and directives, staffing patterns for various government agencies, and job descriptions,

with the requisite qualifications and salary scales. A personnel system will be developed that will recruit, retain, promote and dismiss public sector employees on the basis of merit and performance. Within this system, a distinction will be made between policy level appointees, and a career service which should be free of patronage. Initially, the project will focus on the key ministries of Finance, Education and Health, as well as the Congress. Certain semi-autonomous agencies may also participate. It is anticipated that more than 80% of eligible employees of these ministries will be incorporated into a reformed civil service system by the end of the project. Ultimately, all government ministries would be staffed by employees fully integrated into the new Civil Service system. U.S. and in-country training will be provided to ONAP and key personnel in other ministries. The project will provide technical assistance to ONAP and collaborate with the Pontifical University (PUCMM) School of Public Administration in carrying out the technical tasks involved in establishing directives, guidelines and personnel policies.

E. SUSTAINABILITY OF PROPOSED ACTIVITY: The project will support basic structural reforms in the government which would probably require a constitutional amendment. Once the benefits of a restructured civil service become apparent, support for continued reforms, both within and outside of government, should help to sustain the new civil service system.

F. EXPECTED OUTPUTS AND INDICATORS: The major output will be a fully functioning civil service system. Progress in achieving performance progress will be measured by the percent or number of public employees that are fully integrated into the new Civil Service System.

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ATTACHMENT 1
USAID/DR ABS FY 1994-1995
FY 1994 PROGRAM BY STRATEGIC OBJECTIVE (\$000)

Strategic Objective	Policy Area	FY 1994 Congressional Presentation Level	
		100%	75%
1. Increased and Diversified External Trade			
	Economic Growth	5,084	4,300
2. Increased Socio-Economic Participation of the Lower Income Groups			
	Population/Health	5,269	4,748
	Economic Growth	1,787	2,207
3. Increased Availability of Water Needed for Sustained Economic Development			
	Environment	3,350	0
4. Participatory Democracy			
	Democracy	1,450	1,450
Total		16,940	12,705

ATTACHMENT 2
USAID/DR ABS FY 1994/1995
FY 1995 PROGRAM BY STRATEGIC OBJECTIVE (\$000)

Strategic Objective	Policy Area	BASE: 100% FY 1994 CP Level					
		50% of BASE		75 % of BASE		100% of BASE	
		Ongoing	New	Ongoing	New	Ongoing	New
1. Increased and Diversified External Trade							
	Economic Growth	2,200	0	4,500	0	5,456	0
2. Increased Socio-Economic Participation of the Lower Income Groups							
	Population/Health	4,950		5,755	0	5,347	0
3. Increased Availability of Water Needed for Sustained Economic Development							
	Environment	0	0	0		2,937	
4. Participatory Democracy							
	Democracy	1,320	0	1,750	700	1,700	1,500
Total:		8,470	0	12,005	700	15,440	1,500

**DOMINICAN REPUBLIC (517)
FY 1994-1995 ANNUAL BUDGET SUBMISSION**

TABLE V: PROPOSED PROGRAM RANKING

PROJECT	TITLE	FY 94 PROGRAM FUNDING (000)
<u>MCC LEVEL</u>		
517-0000	PROGRAM DEVELOPMENT AND SUPPORT	748
517-0247	PVO CO-FINANCING	1,020
517-0251	PRIVATE PRIMARY EDUCATION	1,337
517-0259	FAMILY PLANNING AND HEALTH	4,000
517-0262	ECONOMIC POLICY AND PRACTICE	1,000
517-0265	DEMOCRATIC INITIATIVES	1,000
517-0268	DEVELOPMENT TRAINING II	1,500
517-0267	TRADE PRACTICE AND PRODUCTIVITY	1,000
517-0243	UNIVERSITY AGRIBUSINESS PARTNERSHIP	1,100
	TOTAL MCC REQUEST	<u>12,705</u>
<u>INCREMENT LEVEL</u>		
RANK		
1	517-0259 FAMILY PLANNING AND HEALTH	420
2	517-0247 PVO CO-FINANCING	1,080
3	517-0266 SUSTAINING WATER POLICY	500
4	517-0268 DEVELOPMENT TRAINING II	1,200
5	517-0267 TRADE PRACTICES AND PRODUCTIVITY	539
6	517-0243 UNIVERSITY AGRIBUSINESS PARTNERSHIP	110
7	517-0000 PROGRAM DEVELOPMENT AND SUPPORT	<u>386</u>
	TOTAL INCREMENT REQUEST	4,235
	TOTAL REQUEST	16,940