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MEMORANDUM

DATE: September 6, 1995

REPLY TO
ATTN OF: ^{PA}
RDO/C/C/PDO, Paul Bisek

SUBJECT: PACR - Project 538-0176/538-K-605 - Dominica Agricultural Sector Support
(DASS)

TO: POL/CDIE/DI, Ms. Lee Clift

Attached is a conformed copy of the above subject PACR for your files.

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**DOMINICA AGRICULTURAL SECTOR SUPPORT (DASS) PROGRAM
PROGRAM NUMBER 538-0176/538-K-605**

PROGRAM ASSISTANCE COMPLETION REPORT (PACR)

The Dominica Agricultural Sector Support (DASS) Program was initiated on August 14, 1991. The purpose of the program was to increase the Dominican capacity to broaden the economic and export base of the economy by diversifying agricultural production. The program contributed towards the overall accomplishment of the RDO/C Mission's Strategic Objective No. 1, Increased and Diversified Trade. Under the original program A.I.D. provided the Government of the Commonwealth of Dominica (GOCD) an Economic Support Fund (ESF) grant of US \$1.0 million, disbursed in two tranches of US \$500,000. The program was amended September 25, 1992 to provide for a second ESF grant of US \$1.0 million, also disbursed in two US \$500,000 tranches. The disbursement of each tranche was initiated on the basis of specific actions (Conditions Precedent) taken by the GOCD to develop and implement an agricultural diversification strategy. The program was completed on March 31, 1995.

The original program was designed to promote the *development* and official GOCD *approval* of an agricultural diversification strategy which would help reduce the relative dependence of the economy on banana exports. The amendment to the program provided additional resources to support the *implementation* of the agricultural diversification strategy. As an ESF Cash Transfer Program, US\$ disbursements were made to the GOCD based on evidence that the agreed upon Conditions Precedent (CPs) had been met. The GOCD then made the US\$'s available for the importation of eligible goods and services, by the Dominican private and public sectors. These goods and services were to be of U.S. and/or Caribbean Community source and origin. Finally, the GOCD deposited an amount of local currency (EC\$'s) equal to the US\$'s to the Ministry of Agriculture's Diversification Budget. These host government owned local currency funds were programmed by the Ministries of Agriculture and Finance for various ongoing and new agricultural diversification activities in support of the overall agricultural diversification strategy developed and adopted by the GOCD as part of the CPs to disbursement of the US\$ resources.

Current Program Status: As of March 31, 1995, all USAID contributions to this program had been completed with the disbursement of the final US \$500,000 of the total grant of US \$2 million. The GOCD continues to implement the local currency funded activities that support the program goal and objective.

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These activities will continue to be carried out by the GOCD for approximately another 18 months. Likewise, the program will undergo one final recipient contracted audit to ensure continued compliance with the terms and conditions of the program grant agreement regarding use of US\$ grant resources. Currently, the program is in full compliance with all conditions and covenants of the grant, and there are no open audit findings or recommendations.

Summary of Contributions: Over the life of the program, USAID committed and disbursed US \$2 million to the GOCD. Of this amount, US \$1.5 million has to date been expended by the GOCD for agreed upon purposes. The remaining US \$500,000 is currently being drawn down from the special account, also for agreed upon purposes. The GOCD has made available the local currency (Eastern Caribbean Dollar - ECD 2.7 = USD 1) equivalent of the US \$1.5 million which has been programmed and used for crop diversification and agricultural development activities within the GOCD's Ministry of Agriculture Budget. The remaining local currency funds, equivalent to US \$500,000, will be programmed by the GOCD for the same uses as before. The GOCD will continue to report to USAID on the local currency funds until they are fully programmed and expended.

No other donors have directly participated in the Dominica Agricultural Sector Program. However, both the British and the European Union have contributed to and plan to continue support for agricultural diversification and development activities in Dominica. Both programs focus on banana industry restructuring and crop diversification.

Program Accomplishments: The original US \$1 million program was designed to promote the development and official approval of an agricultural diversification strategy which would reduce the relative dependence of the Dominican economy on banana exports. The US \$1 million amendment provided additional resources to support the implementation of the diversification strategy. These were very broad and ambitious objectives, which were only partially accomplished. The planned End of Project Status (EOPS) indicator for the first objective was the development and official approval by the GOCD of an agricultural diversification strategy. This was fully accomplished. The second EOPS was the actual implementation of the strategy, which was also accomplished and in fact, is still underway and is progressing well. Continued support for, and implementation of, the agricultural diversification strategy will determine to a great extent full accomplishment of the first objective, especially the part dealing with reduction of the relative dependence of the Dominican economy on banana exports.

The five planned major outputs of the program, all of which were accomplished in one form or another, were: establishment and implementation of joint public/private sector committees for diversification projects; passage and implementation of a decree allowing non-banana producers access to banana marketing facilities; passage and

implementation of a decree allowing private sector access to GOCD packing facilities; and evaluation of the diversification program. These are discussed in greater detail in the next section.

Progress Towards Achievement of the Initial/Revised Purpose: The original program purpose was to assist the country of Dominica to increase its capacity to broaden the export base of the economy through a private sector led program of expanded and diversified agricultural production. This has largely been accomplished. However, the recent evaluation of the program and a study of the regional banana industry funded by the British, both reveal that overdependence on banana exports is still a major flaw of the Dominican economy, and is likely to remain so at least until the end of this century. Diversification of the entire economy, including diversification of agricultural production for both the domestic and export markets, continues to be a major priority for the GOCD. Over the three year life of the DASS Program, the capacity of both the public and private sectors for analysing, planning and implementing policy reforms and project activities in support of the crop diversification/export promotion strategy was greatly expanded.

Since this was an ESF Cash Transfer Program with disbursements based on GOCD compliance with pre-agreed upon policy conditionality, all of the planned major outputs were related to the US\$ disbursement driven conditions precedent. That is, the conditions precedent and the planned major outputs were for the most part one and the same. The host country owned local currency generations and the activities financed by these funds were not included in either the program or mission monitoring and evaluation plans. However, they will be discussed here, although not in great detail.

The five planned major outputs of the DASS Program were as follows:

- (1) Development and implementation of a comprehensive agricultural diversification strategy. This was 100% accomplished during the life of the DASS Program, and in fact, is still being implemented by the GOCD and its' private sector partners.
- (2) Establishment of joint public/private sector steering committees for diversification projects. 100% accomplished. There is now one national level committee and a series of less formal working groups focused on specific crops or projects.
- (3) Passage of a decree allowing non-banana producers access to banana marketing infrastructure. 100% accomplished. In fact, the GOCD went farther and closed down and sold off or leased non-essential banana industry facilities to private processors and/or producers.
- (4) Passage of a decree allowing private sector access to GOCD packing facilities. 100% accomplished. Same results as no. 3 above.

(5) Evaluation of the diversification program. 100% accomplished.

The evaluation (which was in-house) made some important recommendations for the local currency funded activities which are being implemented by the GOCD.

The accomplishment of the major outputs listed above resulted in a more favorable climate for agricultural diversification and export promotion. Under the host country owned local currency funded activities, a series of complementary activities were developed which continue to be implemented beyond the closure of the ESF funded DASS Program. These are as follows:

(1) A Production Program focused on increasing both the acreage under production and per-unit productivity of seven selected crops over two years (since extended to three and one-half years).

CROP	TARGET	PROGRESS
Avocado	150 acres expansion/rehabed	115 acres new plantings
Mango	200 " " "	70 " " "
Cocoa	200 " " "	100 acres rehabilitated 75 acres new plantings
Passion fruit	200 acres expansion/rehabed	75 acres rehabilitated
Plantain	200 " " "	100 acres new plantings
Anthurium	200 " " "	60 acres new/rehabed
Hot Pepper	75 " " "	25 acres new plantings

(2) A Post Harvest/Marketing Support Program focused on reduction of post harvest losses, provision of market information and marketing services to farmers. To date quality standards have been developed for all seven of the selected crops, three post harvest/packhouse facilities were rehabilitated, and new/improved packaging for hot peppers, anthuriums and fruits were introduced.

Producers, marketers and public and private sector extension/services staff were provided training in post harvest loss reduction.

(3) A Livestock Development Program to reduce the high dependency on imported meat and meat products, as well as to incorporate small scale livestock production into the overall diversification strategy. Under this program a new national livestock farm is being established to serve as the central repository for technology and technical assistance, as well as breeding stock. Additional assistance provided to date has included: helping a farmers group with the construction and stocking of a new commercial swine operation; construction of a abattoir with the National Pig Producers Association; and assistance in the rehabilitation of facilities for a commercial sheep operation.

(4) A Farm Access Road Support Program to increase and improve farmers access to inputs, services and markets. The target was to rehabilitate 5 miles of farm roads by 1994. To date 7 miles have been repaired and the budget increased to take it up to a new target of 10 miles by the end of 1996. Over 200 farmers have benefited from the program to date.

Recommendations for Final Adjustments to Program Design and Implementation: On the US\$ side the GOCD must continue to comply with the findings and recommendations of the most recent (December 1994) audit of the DASS Program. Special attention should be given to the provisions of the Program Grant Agreement and the audit regarding adhering to the source/origin requirements for imports under the US\$ cash grant. RDO/C will continue to monitor this area until it closes its doors in 1996. At that point it will be up to USAID/Dominican Republic which is to take over RDO/C Controller and Financial Management functions to monitor and report on this area.

The GOCD will continue to report to USAID (first RDO/C and then USAID/Dom Rep) on the local currency generated under the program. However, as it is 100% host country owned local currency, they only have to report on its generation and programming, not secure USAID approval for its use.

For all intents and purposes, the program is finished, and no adjustments or revisions to the design or implementation arrangements are required.

USAID's Post-Program Monitoring Responsibilities: USAID will need to: (1) monitor and report on the use of the US\$ cash grant until it is fully expended; (2) monitor the generation and programming of the local currency generations until fully programmed; and (3) ensure that the final recipient contracted audit is contracted, carried out, reported to USAID, and any findings and recommendations are followed up on by the GOCD. The first two should be completed prior to the closure of RDO/C in 1996. The third will also occur before RDO/C closes.

Remaining Data Collection/Evaluations: A final recipient contracted audit is scheduled for October of 1995. No additional evaluations are planned.

Lessons Learned: The DASS Program was very similar in design and execution to numerous other programs designed to accomplish the same general objectives. Therefore, rather than any new lessons learned, the experience of the DASS Program reinforced several of the major lesson learned throughout the wider region with programs and projects of this type under the Caribbean Basin Initiative. First, if government policies and regulations are impediments to crop diversification and investment/export promotion activities, the program approach is best suited to removing government and other barriers to diversification and private sector

investment. **Second**, the program approach attacks the problem(s) from several directions and provides more than one type of resource (US\$ and local currency) for use in support of the program objectives. And **third**, well designed programs are easier to manage than projects, and require less staff and other resources to make them work than do the old style DA Projects.

Also, under this program one could clearly see all of the linkages and relationships between the various program activities and resources. CPs were met signifying that the GOCD had removed barriers to private sector led investment, resulting in disbursement of US\$ to the GOCD which in turn were bought by the private sector to import needed equipment and supplies from the U.S., which in turn generated local currency which was used to support crop diversification and export promotion activities by and for small farmers and private industry.

The remaining lesson learned relates to the value and importance of establishing and maintaining a comprehensive non-federal audit program. Well designed and managed non-federal audits are one of the most useful tools available to project officers and Mission Management. The lack of such a program early in the life of the DASS program resulted in compliance problems and delays in disbursements and overall program activities that should not have occurred. The introduction of such a program identified problems and allowed them to be resolved in a timely and effective manner.