PD-ACC-051

AGENCY FOR
INTERNATIONAL
DEVELOPMENT

DEVELOPMENT ASSISTANCE PROGRAM
FY 1974

DOMINICAN REPUBLIC

DEPARTMENT
OF
STATE

JULY 1972

AIRGRAM

DEPARTMENT OF STATE

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CLASSIFICATION

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I. INTRODUCTION AND SUMMARY

The FY 1974 AID guidelines for assistance suggested that a few countries would fall in a category defined as having programs concentrated in priority sectors, effective means of collaborating with the host government, and generally agreed sector/sub-sector analyses. All of the other countries were asked to submit a paper describing the steps necessary to conform to the new guidelines. The Dominican Republic belongs in a third category since in the ultimate analysis, we see no immediate prospect of its reaching the point where it will meet the guidelines. Assuming the logic of our conclusion is accepted, we recommend that the AID program in the Dominican Republic continue to be phased down. We also conclude that it is not possible to follow the letter of the guidance given in the references although we have followed its general thrust. Hence, we have not discussed future preparation of Sector Analysis Action Plans nor have we dwelt at length on the population problem, which was dealt with definitively in TOAID A-251 of 11/5/71.

OTHER AGENCY

We have already, since 1968, focused our efforts in three priority areas, agriculture, education, and family planning (as offering the most scope for U.S. help and as the most important) and eliminated activities in other fields as they reached agreed goals, or the U.S. commitment had been fulfilled. Increasingly, we have sought to shift responsibility to other donors, and to increase the role of the GODR. Other donors have come forth, but GODR performance remains disappointing.

Declassify July 3, 1978

DRAFTED BY	OFFICE	PHONE NO.	DATE	APPROVED BY:
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AID AND OTHER CLEARANCES

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Since 1969, we have also recommended that the U.S. be prepared to provide program lending, if the GODR adopts a more expansionary monetary and fiscal policy to increase employment and growth, as well as foreign exchange measures to contain the resulting pressure on the balance of payments. We continue to hold that view, although we recogni that the scope for expansionary policy has been reduced by the good performance of the Dominican economy in the last three years. We have also recommended that the door be kept open for assistance, possibly substantial, should political considerations require the overriding of purely economic criteria.

Under any circumstances we still recommend that the Dominican Republic receive a substantial basic sugar quota and Title I and II PL 480 at levels about the same as in the recent past. The opportunity cost of this assistance is low for the U.S., it is very valuable to the Dominican Republic, and diplomatically, it continues a long established working relationship and demonstrated U.S. support for its economic development.

In the sections that follow, the present AID program and its evolution in recent years are described. This description lays the basis for our recommended policy and FY 1974 program. In the brief sections that follow, the present state of AID-GODR collaboration is described, the limited scope for new implementation arrangements discussed, and the degree of multilateral coordination, reviewed. With no certain prospect of conforming to the new assistance guidelines, we are unable to lay out a work program or a timetable at this time. We would not expect to do so until the style of the GODR changes radically.

II. THE PRESENT PROGRAM AND ITS EVOLUTION

The U.S. Government has provided development assistance to the Dominican Republic since 1962. The program has passed through three distinct periods: the period prior to the Civil Conflict of 1965 (January 1962-April 1965); that of the Civil Conflict and Provisional Government (April 1965-July 1966); and that of President Balaguer's Administration (July 1966-June 1972). The table below shows the amounts involved throug June 1972.

See complete table on following page.

USAID PROGRAM IN THE DOMINICAN REPUBLIC 1/
(Obligations in Millions of Dollars)
(January 1, 1962 - June 30, 1972)

		1/1/62 4/24/65	4/24/65 7/1/66	7/1/66 6/30/72	Total 1/1/62 6/30/72
I.	SUPPORTING ASSISTANCE	$ 56.5	$ 94.3	$ 61.1	$211.9
II.	DEVELOPMENT LOANS	9.6	14.5	52.5 2/	76.6
III.	TECHNICAL ASSISTANCE GRANTS	6.8	8.4	24.2	39.4
	TOTAL AID DOLLAR ASSISTANCE	$ 72.9	$117.2	$137.8	$327.9
IV.	PL 480				
	Title I Sales	12.9	-0-	43.4	56.3
	Title II Grants	23.9	5.4	37.5	66.8
	TOTAL AID AND PL 480	$109.7	$122.6	$218.7	$451.0

1/ Does not include housing guarantees of approximately $11.1 million or investment guarantees with a combined coverage of approximately $400 million against a variety of risks.

2/ Includes two authorized but unsigned loans, the Education Sector Loan for $10.9 million and the Development Bank Loan for $5.1 million.

. . . .

The nature of the USAID assistance program in the Dominican Republic was overwhelmingly influenced by the Civil Conflict of 1965. The upheaval left the country without an effective government capable of meeting its payroll, maintaining public order, providing most routine public services, or fostering programs to revive the nation's economy. AID's objective was recovery. A broad range of activities and commensurate staff were called for. AID technicians were often cast in operating roles instead of traditional advisory ones. The transition to the latter has been slow and difficult, but is now largely completed. Starting in 1968, every attempt was made to transform the USAID program along much the same lines as the new programming policies and concepts set forth in AIDTO CIRCULARS A-543 and 641 of 1972 and the Administrator's memorandum of January 1972.

The new directions call for (a) concentration on a few priority development problems, (b) transferring of more responsibility for problem analysis, program planning, and project implementation to the GODR and (c) encouraging the GODR to seek and the multilateral agencies to provide more assistance. We have largely succeeded in (a) and (c) but the more collaborative assistance style in which the GODR would take the lead in planning, setting priorities, coordinating, implementing and monitoring its development program, remains elusive. The GODR went far in preparing an education sector analysis which then became the yardstick for rewriting the Education Loan, but a year after authorization the loan is still not signed. Only recently and at our urging did the GODR begin an appraisal of its family planning program, utilizing technical assistance from the U.N., IPPF and Population Council. Finally, the GODR in November 1971 prepared a 5 year Integrated Agricultural Development Project (PIDAGRO-- See TOAID A-93, 5/25/72) in collaboration with the IDB for proposed loan financing; the effort, however, was only partially successful and requires major revision. Moreover, the entire GODR planning effort is undermined by the extreme centralization of virtually every aspect of government operations.

USAID involvement in the Dominican Republic has been very broad. Over 100 separate local currency agreements were in effect in 1969. At present only 15 remain, and we expect to reduce them to eight by year end. Twenty-two dollar loans have been signed since 1962, but only seven still have substantial unspent balances; the loan pipeline now totals less than $18 million, of which $15 million is in three loans. Two loans amounting to $16 million have been authorized but are not yet signed. From a broad ranged grant technical assistance the only remaining substantial activity is in agriculture. The bulk of USAID's sharply reduced personnel is engaged in monitoring loans and PL 480 peso projects.

The principal program activities of the Mission in the Dominican Republic still active or recently closed out or reduced are:

(See listing starting on next page.)

1. Supporting Assistance

The Dominican balance of payments has improved to the point where the last Supporting Assistance loan was signed in 1968. The continuing need for balance of payments assistance is being met through access to the preferential U.S. sugar market and PL 480 Title I credit sales.

2. Development Loans

Development loans exceeding $70 million have been authorized to establish a system of savings and loan associations; improve irrigation systems; carry out feasibility studies for public and private development projects; create a private investment fund for relending to new and expanding industries and agri-business; supply managed credit for medium-sized farmers; develop community institutions and construct community facilities; establish a private development finance company; create a foundation to administer a student loan program; support a major program in teacher training, curriculum reform, and educational materials development, promote and finance agricultural cooperatives; and fund a comprehensive maternal and child health program.

In addition, USAID has offered to consider a development loan to foster the use of imported agricultural inputs through credit sales on attractive terms; however, the GODR has informally responded negatively. We judge that the GODR, for a variety of historical reasons, is extremely reluctant to incur new foreign debt, particularly when the loan requires substantial expenditures from its own resources. In addition, the IDB and World Bank have more than $100 million in loan proposals under study, thus lessening GODR interest in what AID has to offer.

3. Technical Assistance

A. The Agricultural Development project, the last remaining grant project in a priority field, has been narrowed and focused over a several year period on a set of defined activities to which the GODR appeared willing to provide at least the minimum needed support. They were intended to increase production of high protein pulses, oil crops, cacao, and livestock products; strengthen selected agricultural institutions and services; and train graduate level agriculturalists in the U.S. During the last year the necessary level of cooperative support has not been forthcoming and we have been reluctantly forced to recommend further reductions.

B. Activities to achieve eleven of USAID's fourteen original Public Safety goals were phased out in 1971 after having accomplished their most important objectives. We have sought to assist the National Police to improve its organization and services in order to enhance the GODR's law enforcement ability. The remaining three activities will be terminated in FY 1973, although we plan to continue funding needed training at the International Police Academy and occasional TDY advisors if requested.

C. The Tax Administration project was designed to improve the Dominican Government's tax assessment, collection, auditing, and enforcement procedures. It has achieved its main goals and is being phased out at the end of FY 1972, although we expect that the UN may provide some additional help on data processing.

D. Until FY 1971, when the Mission terminated them, grant technical assistance activities in Education were concentrated on secondary and higher education and on school administration. Future support to education will be limited to the Education Sector Loan, authorized in June 1971, when and if the GODR finally decides to sign the loan, with its various conditions.

E. The Industry program was closed out in December 1969 as we judged that only marginal results could be achieved.

4. PL 480

A. Title I Sales

PL 480 Title I credit sales at approximately current levels of $10-12 million per year have been continued in order to alleviate Dominican balance of payments pressures. These loans finance the import of a range of needed food supplies which it would not be economic to produce in country (wheat) or which cannot be produced in the short run in sufficient amount (edible oils, feed grains).

B. Title II Grants

Title II distributions under PL 480 have been donated at about the present level ($7 to $8 million) since 1966. Despite favorable climatic conditions since 1968, Title II donations for maternal/child welfare, school feeding and food for work activities to over a fifth of the population have been necessary to combat serious malnutrition. The long range solution is to create more jobs. With the rapidly growing population and high incidence of rural poverty, however, the nutrition problem will remain a severe burden for years to come.

5. Staffing

As a result of the phase down actions, the total U.S staff (direct hire, PASA and contract) on board will have been reduced from 158 as of 12/31/67 to 41 at the end of FY 1972. Both U.S. and local staff should continue to decline during FY 1973. The size of the reduction is contingent, however, upon (a) the GODR's response to certain outstanding offers of assistance; (b) the implementation of the Administrator's policy decision on accounting for and monitoring the expenditure of PL 480 generated local currency; and (c) completing certain current activities as scheduled.

III. USAID's ASSISTANCE STRATEGY

In the annual Country Field Submissions prepared since 1969 and in the corresponding CASPs, we stated our view that the Dominican Republic's most serious problem was unemployment. With little reliable data, we have used a figure (400,000) that President Balaguer had cited, providing the basis for the dramatic conclusion that one in three in the active labor force was unemployed. While that figure lacked precision, another had greater reliability and was more ominous; about half again as many (225,000) would be added to those seeking jobs between 1970 and 1975.

We recommended an expansionary monetary and fiscal policy and appropriate measures to reduce resulting pressures on the balance of payments. At the time the economy was still recovering from the Civil Conflict of 1965 and the severe drought of 1967/8. Almost all per capita measures of output remained far below peaks attained prior to 1965. In addition to unemployed labor, land and capital equipment were way underutilized. Exports in particular had failed to grow, reflecting various problems, many of which might well have been overcome if selling prices had been more attractive, as they would have been with a devalued exchange rate.

The GODR has in the following three years been unable to pursue as expansionary a monetary and fiscal policy as needed, because it remained frozen in its opposition to any form of devaluation. Nevertheless, export earnings, primarily based on improved markets for Dominican sugar, permitted the GODR to pursue a moderately expansionary policy, and weather has been good, so that, according to the inadequate national accounts data, real GNP grew by more than 5% in 1969, 1970, and 1971. How much additional growth might have been achieved can only be conjectured. It is probable, however, that unemployment has not been reduced much, if at all, partly because of additions to the labor force and partly because of the increasingly skewed income distribution in favor of skilled labor and the middle and upper classes. But it is also clear that less excess capacity exists and that now, less room exists to pursue expansionary policies without risk of serious inflation.

Our analysis concluded that program lending would be justified, were sufficiently expansionary policies pursued and appropriate measures taken to defend the balance of payments. Such lending would have been required to ease the social strains of expansion and to support a higher level of imports during the transition period while exports developed.

A corollary of our analysis was that project and sector loans had to be considered marginal since they were incapable of solving the nation's fundamental development problem -- how to use its own resources more fully. This conclusion was supported in great measure by the poor performance under previous project loans; they seldom lived up to our expectations, primarily because of GODR policy and administrative weaknesses. In response to Washington's policy guidance, last year's Country Field Submission softened this position by agreeing to support occasional project or sector loans, if the GODR requested them and they could achieve important, even though not highest priority, goals. On this basis, the second loan to Financiera Dominicana was justified, as the proposed Agricultural Inputs Loan would be.

Technical assistance other than that tied to loans was to be phased over wherever possible to other donors; focused in the highest priority areas - agriculture, education, and family planning; completed as soon as possible when it was not directed to a priority field; and eliminated when it was not given appropriate GODR support.

Our recommended assistance policy was carefully conditioned as being directed to economic and social development. It always recognized that political circumstances might arise which would justify exceptions or wholesale reversal.

We also recommended that the U.S. continue to provide access to the U.S. preferential market for Dominican sugar and to offer PL 480 Title I and II foodstuffs at historic levels. Our argument, much abbreviated, was that to reduce this assistance, which cost the U.S. little, would be to deprive the country of much needed balance of payments support without which social and political tensions could be expected to become rapidly exacerbated.

IV. RECOMMENDED POLICY AND PROGRAM FOR FY 1974

We have carefully reviewed our policy in light of the current economic situation. In particular, the consultant from the Rand Corporation who had previously analyzed economic performance for us returned for a month to go over recent developments. Our basic recommendations remain as before.

Without significant changes in Dominican economic policies to reduce unemployment, we should not seek to make new project or sector loans except for an occasional one which has a good chance to achieve important goals. Even here, we would first look to the multilateral agencies to make the loan, since the U.S. contributes so much to these agencies' resources and since it minimizes U.S. official involvement here. The proposed Agricultural Inputs Loan would qualify; it is a key step in expanding credit and the use of modern technology in the priority field of agriculture; it is designed to require only minimal GODR administrative support; and the multilateral agencies have a policy against making such a loan. The GODR, however, has shown only a flicker of interest in recent months, heavily engaged as it is in applying for loans from the IDB and the IBRD. Moreover, the objections it expressed to us before still remain; that credit may not increase the sales of imported inputs and thus use loan funds; that domestic credit will be expanded; and that the Agricultural Bank's monopoly of responsibility for farm lending would be broken.

With or without employment generating policy changes, the core of U.S. bilateral assistance would continue to be the sugar quota and PL 480, both Titles I and II.

The Sugar Act of 1971 covers the next three years. It provides the prospect of sales in the U.S. quota market of at least 650,000 tons a year. We believe this is a perfectly adequate minimum level of assured sales, particularly as the U.S. support price is likely to continue to rise with the index of prices U.S. farmers pay.

In addition we believe that a $10-12 million PL 480 Title I program should remain part of our assistance. Without such a program, balance of payments pressures would require the Dominican Government to restrict domestic economic activity seriously. In addition, Title I has been helpful in obtaining payment of overdue GODR debts and in demonstrating continued U.S. support for the country's economic development when project loans have not been available. By 1974, we expect a return to a more normal balance of payments position than the Dominicans are currently enjoying from sharply increased sugar earnings. Even now, the country's international financial position remains precarious. Its net international reserves are negative and it has had to engaged in extensive year-end window dressing in order to camouflage its problems. We expect the GODR to request wheat, vegetable oil, feed grains, tallow and tobacco in FY 1974: all have been provided in previous Title I programs. We believe all are appropriate but the most essential are wheat and feed grains. Feed grains, first included in the FY 1972 program, are playing a rapidly growing role in the country's production of broiler chickens and beef cattle.

Because balance of payments pressures eased somewhat through the greater than normal sugar earnings, the Mission reluctantly accepted the inclusion of CUP's and partialUMR's in the FY 72 agreement. The Mission expects Title I terms in FY 1973 to be roughly the same as those for FY 72. If market or weather conditions turn adverse, we would expect that in the FY 1974 program the CUP or UMR requirements would be softened, if the size of the agreement could not be increased.

(Continued on next page, No. 10)

Title II PL 480 foodstuffs should be made available at this year's level of $8 million, if not increased. We may subsequently recommend a modest increase, to reflect the ability of the voluntary agencies to expand their distribution to additional needy people under effective controls. We remain uncertain about ration sizes, in particular whether they are large enough, but in the absence of solid evidence that the rations should be increased, we are unable to recommend it. In any case, all of the available information points to the food's being eaten by the recipient which argues against cutting the ration. We regard the Title II program as of the highest priority. The GODR also seems to recognize the importance of this program, since its payments for inland transportation and program related local costs of the voluntary agencies have been prompt and full. Although its opportunity cost to the U.S. is small, the program is a large wager on future Dominican development. The major group of recipients are pre-school and school children whose physical and mental development would be severely affected without the program. To continue the program is, then, an investment in the sound minds and bodies of the next generation of adults. To cut the program is to add to the already large population of physically and mentally defective which this poor society would have to care for, compounding the already very difficult development problem.

It remains true, as in past years, that our recommendations are directed to achieving economic development. Were circumstances to change and other considerations to become overriding in the determination of assistance levels, a much different program would be submitted.

Grant technical assistance, we believe, should continue to be reduced. By the end of FY 73, this assistance, other than for monitoring loans and PL 480, will cover only agriculture, community development, and labor. The labor program is carried out through an AIFLD contract to provide worker education and improve welfare through credit unions and consumer cooperatives. The program is not in a priority sector and is unilateral. Its value is real, but modest, since it cannot succeed in establishing a system of free democratic unions, in our judgment, because severe unemployment gives the whip hand to management and because the present government will not tolerate the creation of significant political power beyond its control. AID/W has a proposal to finance the program regionally now under study, and in the meantime, we propose to continue it with our funds.

The project in community development is a small one in which a representative of the League of Women Voters' Overseas Education Fund works a few months each year to train women leaders and organize women in groups. This limited effort has been successful, so that until another source of financing can be found, such as the Interamerican Foundation, we propose to continue to fund it.

Technical assistance in agriculture remains a high priority. Weak GODR support, however, robs it of much effectiveness. Even though the multilateral agencies have greatly increased their help, we and they have been unable so far to get the GODR to choose particular priority sub-activities, to pick a course of action, to make the policy changes necessary for an activity to be effective, or to support the activity with men and money. We see no sign that this condition will change soon. Most of our remaining agricultural technical assistance is the contract with Texas A&M. The contract has been phased down to four technicians and training. We now propose to eliminate both at the end of FY 73. The only activity remaining would then be the agricultural statistics project, using a USDA PASA technician. This activity will probably not reach a natural terminating point until the end of FY 74.

IV. INCREASING COLLABORATION

GODR development decisions, commitments and fund releases are all made at the highest level of the Government. The lack of reliable data, integrated and coordinated planning and qualified technical staff, and the disproportionate weight given non-economic considerations in determining policy, make development planning extremely difficult. Even with formal project and loan agreements embodying mutually agreed policies, plans, implementation methods and targets, we have no assurance that the GODR funds will be released or that another of the frequent changes in key personnel will not seriously affect an activity.

The Mission has done what it could to encourage the GODR to modify its style, set its own priorities, and plan and manage its own development programs. Responsibility, which we had assumed, in large measure, in the period after the Civil conflict of 1965, has been clearly shifted back to the GODR, but it is now doing no effective planning and will not be able to until it is more decentralized. Under the circumstances, the opportunities for really fruitful collaboration as would be necessary in preparing SAAP's, etc., have been rare.

Our presentation to the President last year on macro economic policy clearly indicated a broad range of GODR alternatives and invited further study and exchanges of views. The response has been total silence.

Attempts at collaborative analysis of agricultural problems have failed, as the institutions responsible for implementing programs have fought among themselves while remaining powerless to acquire the resources to act. The latest program document (November 1971), the Integrated Project for Agricultural Development (PIDAGRO), would, despite its shortcomings, be of some utility if it were followed, but the President's February 27 speech outlined another set of priority actions which has generated a whole new set of uncertainties. PIDAGRO had itself undercut the report of the Commission for the Diversification of Agriculture made to the President in October. It becomes difficult to avoid the conclusion that the multiplicity of proposals becomes a way to avoid action.

In education, we worked closely with the Presidential Commission appointed two years ago to reformulate the Education Sector Loan that had been authorized but unsigned since 1968. The Commission went back to fundamentals and produced an analysis and a loan proposal which was basically sound, a good example of fruitful collaboration. The new loan was authorized in June 1971, but remains unsigned, because, we believe, the President is unwilling to supply the needed budget resources.

In family planning, a new, energetic, and more independent Secretary of Public Health provided the opportunity for another try at collaborative planning. A joint meeting with other donors (the UN, IPPF, and the Population Council) made clear to all that coordination was a problem, as was the absence of an agreed strategy. Such a strategy and specific plans have only now been formulated. We expect it to be carried out with the existing AID loan and funds committed by other donor agencies, mainly the UN, thus avoiding the need to seek substantial financing from the President. If not, the effort at collaboration would likely be much less successful.

V. NEW IMPLEMENTATION ARRANGEMENTS

The Mission has long sought means to improve its implementation arrangements and has had some success. Our ability to develop and apply them to old projects and loans, however, is virtually nil, while the limited number of new aid proposals makes a discussion of their implementation academic. Two exceptions exist, both relating to PL 480 generated local currency.

Perhaps the easiest and most successful past arrangement to use local currency was the Tavera Dam. The IDB made a large dollar loan for this project, and USAID agreed to the use of substantial PL 480 generated pesos. Early in the contract-letting stage the USAID agreed in writing to delegate almost all of its implementation and monitorship responsibilities to the IDB. Construction supervision has been highly effective and the project, a success. Similarly, USAID local currency was used as counterpart for an IDB loan to the Catholic University. The project has progressed without problems and is considered a success.

New procedures for handling PL 480 Title I host-government-owned local currencies were approved by Administrator Hannah on December 17, 1971. They provide for (1) discontinuance of special accounts for these currencies; (2) an exchange of letters or an amendment to the sales agreement, to enable the Dominican Republic to use the funds in broad mutually agreed budget sectors; and (3) GODR certification through its highest audit authority of receipts and expenditures.

We anticipate that the new arrangements will simplify the work and thus reduce the need for USAID staff. More important, it will almost eliminate a useless source of discord, since USAID monitoring of detailed local currency agreements has been contentious but has not significantly influenced either the GODR pattern of expenditure or the quality of implementation. We hope to include the new procedures in the FY 73 Title I sales agreement and also to apply them to any unspent generations from previous agreements.

VI. MULTILATERAL COORDINATION

A. Current Multilateral Agency Activities

The Dominican Republic has received assistance from a long list of sources. The UN counts the IBRD, the OAS, the IDB, eight of the UN family of technical agencies, West Germany, Israel, Japan, Taiwan, Spain, the U.K., Venezuela and Italy as donors.

Most of the bilateral assistance has consisted of training grants and technical advisors working on specific small projects in a wide variety of fields. Some of the OAS and UN agency activities have also included small commodity elements.

The IDB has recently become the most active donor in the Dominican Republic. Since 1962, the IDB has provided $70.5 million in loans for projects in livestock, water and sewerage, a multipurpose dam, industry, housing, rural electrification and last year, university expansion. Some $21.5 million of this was lent in the last year. It now has much more ambitious plans for activities in many fields, butp rincipally in agriculture.

The World Bank group has sent several sector survey teams recently and during 1971 loans totaling $9.0 million were signed for improving secondary education and for livestock development. Other projects in agriculture, infrastructure and tourism are under consideration, but the World Bank considers the Dominican Republic difficult to work in and lending risky, so that it is moving cautiously.

B. Status of Cooperation/Coordination

The problem of coordinating our aid with that of other donors has so far not proved difficult. Ours has been declining. The other donors have been increasing, particularly the IDB and the IBRD. Both, however, have found it difficult to move rapidly or with certainty, reflecting the GODR's difficulty in making firm collective decisions or in carrying them out.

Coordination efforts have, nevertheless, increased with the number of donors and the amount of their help. We meet regularly with policy officials and technical advisors of the UNDP, the IDB and the World Bank. Contacts with bilateral donors are primarily at the technical level. Several recent examples of effective cooperation and program coordination have previously been mentioned, including the Tavera Dam and the development of a population strategy and program.

For the future, the IDB and the GODR are developing agricultural loan proposals based on the GODR's Five Year Integrated Agricultural Development Project (PIDAGRO). We responded affirmatively when the IDB inquired as to whether we would be willing to provide some supporting technical assistance and whether the Agricultural Inputs Loan was still available.

While we recommend continuing a policy of being the assister of last resort, our attempts to get other donors to assess aid requirements more rigorously, to develop an overall aid strategy, and to evaluate economic policy and development performance have had little success. The small bilateral donors are of no concern, but the IDB, IBRD, OAS and UN are together providing substantial resources; since the U.S. has a large interest in the successful use of these resources for development and since it is a major contributor to those agencies, we expect to make growing efforts to improve their performance. Consultative groups, consortia and institutions like the Inter-American Committee of the Alliance for Progress (CIAP) are useful in the effort, but real influence will have to be exerted continuously and from a wide variety of sources, particularly on an informal basis by well informed specialists on the scene. We believe this work will occupy considerably more of our time in coming years.

MELOY