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BUILDING RESOURCES FOR  
INDUSTRIAL DEVELOPMENT IN  
THE DOMINICAN REPUBLIC

A REPORT TO

CORPORACION DE FOMENTO INDUSTRIAL  
SANTO DOMINGO, R. D.

AND

U. S. AGENCY FOR INTERNATIONAL DEVELOPMENT

*Arthur D. Little, Inc.*  
CAMBRIDGE, MASSACHUSETTS

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*Arthur D. Little, Inc.*

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## CHAPTER I

### INTRODUCTION

The principal feature of this project was "doing the job" rather than study and recommendations. The main results of our work can therefore best be seen in the improved operations and institutional strength of the Corporación de Fomento Industrial, in the support CFI receives from the Government, and in the growing commitment of Dominican business leaders to economic development.

Working closely with CFI staff both on their day-to-day problems and on medium and long-term policy, our training, suggestions and recommendations have become an organic part of the organization's operation and thinking. In the same way, our interaction with Dominican decision-makers through interviews and group meetings on concepts of economic development, has generated a new awareness of their role which can only be appreciated by comparing previous with present attitudes. Perhaps the most tangible results in this area are the emergence of vigorous support for CFI on the part of the private sector and increased interest in tourism on the part of decision-makers in the public sector.

Our work with the leaders of the Dominican community, designed to spark an autonomous movement towards greater participation in the process of development, probably constitutes an entirely new approach to economic growth. The evidence of this short-term project strongly suggests that the approach may be effective and that a break-through in the techniques of technical assistance may be in sight.

The present report has a double purpose:

- a. To serve as a manual for the continuation of CFI's work. Rather than repeat the multiple comments, suggestions, and recommendations which have since been adopted, we have chosen the more important aspects of operational policy and describe the practical and theoretical reasons for which they were recommended.
- b. To present a brief record of our work including its origin, scope, and achievements.

## CHAPTER II

### ORIGIN AND PURPOSE OF THE PROJECT

Our work on this project started on July 1, 1968 and terminated on June 30, 1969. The project was based on a contract between Arthur D. Little, Inc. and USAID in the Dominican Republic (Contract No. 517-263T) which required us to provide technical assistance services to the Corporación de Fomento Industrial in Santo Domingo.

Previously and under a separate contract with USAID, we had studied export opportunities in the Dominican Republic and practical ways for their implementation. In connection with the latter aspect, we recommended a strengthening and functional re-organization of the CFI to provide the necessary investment promotion services. Contract No. 517-263T was designed to help CFI in the implementation of our recommendations, but in addition had wider implications in terms of industrial development. In particular, we were to:

1. Help in the emergence of an industrial policy by "encouraging, guiding, and assisting Dominican leaders, particularly in the private sector, in a broad consideration of the problems and the opportunities inherent in a dynamic acceleration of the rate of industrialization of the Dominican economy, the determination of a suitable national priority to be assigned to industrial development, and the formulation and adoption of a firm, clear industrialization policy."
2. Provide continuous counselling in day-to-day and longer term problems as well as cooperation in the implementation of the functional re-organization of CFI.
3. Cooperate with and train CFI personnel in their investment promotion activities including carrying out one complete feasibility study; moreover, "instituting a program of data collection and research related to such fields as identification of investment opportunities, priorities, feasibility studies and others; developing methods and training CFI staff in procedures for investment promotion including selection and contact with potential investors." Particular attention was to be paid to possible cooperation with Puerto Rican entities in accordance with the "twin-plant" concept.
4. Assist in developing rapid but efficient methods for the evaluation of industrial credit applications as well as for the control of outstanding loans.

5. Assist CFI in recruiting suitable professional staff to supplement the skills of existing CFI personnel (without, however, taking responsibility for their contracting supervisory performance).

It should be pointed out that, whereas our original contract called for completion of the work by December 31st, 1968, certain aspects of our technical assistance services to CFI were delayed for reasons beyond our control. For almost half the period of our contract, the Corporation was not receiving the funds allotted to it in the Dominican Republic's budget. As a consequence, the functional re-organization recommended by us was delayed for five months, the Corporation was unable to contract the professional personnel required for some of the specialized functions, and a great deal of effort was devoted to survival rather than to strengthening the organization and expanding operations. Our own work was affected by these conditions in that the Corporation was not ready to accept and absorb at the specified times, some parts of our program of training and cooperation. The inevitable result was that the whole program was retarded. When this became evident, in September last year, we requested and obtained from AID an extension of time of completion to April 30th, 1969, later extended to June 30th, 1969.

## CHAPTER III

### SUMMARY AND RECOMMENDATIONS

#### THE SETTING OF THE PROJECT

The project described in this report was carried out along two parallel but interwoven lines of action:

- The strengthening of the Corporación de Fomento Industrial as a focal point for industrial growth (described in Part Two "Organization Building"); and
- The creation of a favorable climate for development among the decision-makers of the Dominican Republic (described in Part Three "Creating a Climate for Development").

The rationale of this growth can be summarized as follows (see Chapters IV, V, and VI): The level of investment in the Dominican Republic is insufficient to attain the goals of economic growth and the levels of employment consistent with the aspirations of an increasing population. Moreover, well over half the investment goes into public and private construction, which tends to have a less immediate impact on the economy than investment in agricultural or industrial plant. Industrial investment has been lagging behind despite the fact that job creation and improvement of the balance of payments are among the most pressing problems of the country. It is recognized that, in addition to the obstacles to industrial development which the Dominican Republic shares with other developing countries (such as limited understanding of the economic growth process, lack of industrial initiative, unwillingness to take risks and face competition, and scarcity of capital), the Dominican Republic has to deal with special problems created by 30 years of ruthless dictatorship, which left the leadership of the community fragmented and reluctant to cooperate.

Thus, in a geographical area where its neighbors are making determined efforts to develop and to attract capital, the Dominican Republic is faced on the one hand, with the need for increased investment to accelerate growth and, on the other, with a number of formidable obstacles which stand in the way of its achievement.

This situation can only be overcome by a dynamic and coherent industrial policy. An analysis of the four essential elements of such a policy i.e., a favorable institutional climate, adequate financing, a continuous process of project generation, and forceful promotion, suggests that:

- The Dominican industrial climate is not especially favorable, indicating that the institutional framework may be inadequate for development and that industrialization is not one of the top priorities of the country.

Symptomatic of this situation, is the present Industrial Incentive Law which protects existing industry rather than stimulating new investment.

- ° Industrial financing is available, but is based on traditional banking criteria. Development financing is partly provided by CFI, but is severely hampered by the Corporation's shortage of funds.
- ° Project Generation as a systematic search for and study of investment opportunities was lacking until our company started work with CFI.
- ° Promotion as a deliberate intent to attract industrial investment was chiefly carried on by the Industrial Division of USAID and, to a lesser extent, by CFI. The latter effort, however, was once again handicapped by lack of funds.

The above analysis led to the conclusion that the effort of building-up and strengthening the organization of CFI could not, by itself, bring about the urgently needed growth of industrial investment. It was necessary to stimulate a fundamental change in the attitudes of Dominican decision-makers toward development. After extensive consultation among the parties involved in the present contract, it was decided to apply to the problem, on an experimental basis, certain new sociological approaches based on the principles of group dynamics. The objective was to produce a change in attitudes and behavior, but with the full recognition that change only occurs through people's own discoveries. The consultant's role was conceived as creating or inventing conditions for such discoveries to take place.

This part of the program, called "Creating a Climate for Development" was sponsored by CFI at the request of a group of Dominican businessmen. It was designed to stimulate, among the leaders of the Dominican community, not only an awareness of their role in development, but also their active participation in it. At the same time, it would create a "constituency" of supporters of CFI's effort.

#### ORGANIZATION BUILDING

Our advisory services to CFI were designed as a program of training and participation: our task was to train the Corporation's staff and to participate actively in "doing-the-job." Our work fell into four principal areas: Continual Counselling, Credit Analysis, Project Generation, and Promotion.

Through Continual Counselling, we provided the services of a senior ADL professional. Apart from coordinating the different aspects of the work and providing day-to-day counsel to CFI's management, he was especially concerned with the implementation of the functional organization plan, based on our earlier recommendations; the preparation of plans for financial self-sufficiency of CFI, and assistance in the promotion of specific projects. Among the latter were investments in the textile industry and the implementation of the METALDOM project in a way that would protect the interests of CFI. The resident representative was also in day-to-day charge of the "Development Climate" program.

Our consulting services relating to the evaluation of industrial credit applications were based on a thorough analysis of methods, reports, and procedures used by CFI, followed by discussions, intensive seminars, recommendations, and on-the-job assistance. Detailed guidelines on credit analysis were given and adopted by the Corporation.

CFI loan contracts were reviewed and suggestions made to safeguard the Corporation and assist the borrower. It was also considered pertinent to analyze FIDE operations as FIDE provides the majority of funds for CFI industrial loans. At the same time, it was established that CFI is the largest user of FIDE funds for industrial development loans.

The process of project generation as presented to CFI, is described in the report; it is a successive screening of multiple approaches resulting in prefeasibility or feasibility studies which in turn, are the raw material for promotion. As a training project in feasibility study work, the manufacture of machetes was selected, and carried to the point where interested investors were identified. Moreover, suggestions were made for negotiating with the investors in order to accelerate the establishment of the plant and safeguard Dominican interests.

A systematic approach to promotion as presented in seminars and "on-the-job" training, is described in the report, distinguishing between internal, external, general, and specific promotion. As part of our advisory services, we collaborated with CFI in the creation of closer ties with Puerto Rico to obtain the agreement and help of the authorities in twin-plant promotion. In line with CFI's budget restrictions, we suggested a minimum program for the promotion section including the establishment of a simple, but effective record-keeping system.

The results of our organization building work with CFI can be summarized as follows:

- The structure of CFI was changed in accordance with our recommendations. As a consequence, the organization is strengthened, functions are more clearly defined, and operations are accelerated.

- A plan for financial self-sufficiency of CFI was submitted to and accepted by the Government.
- An agreement for mutual cooperation was reached between CFI and its Puerto Rican counterpart, the Economic Development Administration.
- Operating efficiency of the Credit Analysis Department of CFI has improved as has the quality of the evaluations.
- Loan contracts were amended to provide greater safeguards for CFI and the borrower.
- A feasibility study on the manufacture of machetes, started as a training and promotion project, was completed.
- The above feasibility study was successfully promoted and is now in process of implementation by foreign and Dominican investors.
- An average of two to three Puerto Rican company representatives per month are visiting the Dominican Republic to investigate the desirability of setting up plants there.
- Formal and on-the-job training was given to CFI staff in the principal functions of the Corporation i.e., credit analysis, project generation, and promotion.

#### CREATING A CLIMATE FOR DEVELOPMENT

Meaningful change in the pace and direction of national economic development can occur only when the other parts of the social system, which shape behavior, permit this change. What this means is that the cultural patterns of attitudes and beliefs which shape behavior and relationships within a society must change. In effect, a new culture must be created in which people will set new goals and priorities, and establish new means for their achievement. In this process, there is a hard core of necessary voluntarism --people will not change patterns that have acted as stabilizing and conserving forces unless they themselves see alternative patterns as significantly more desirable than the status quo and themselves see the first concrete, practical steps that they can take toward achieving this alternative.

Our primary goal in the Dominican Republic was to launch, together with an initial and small number of Dominicans, in an out of CFI, and with the AID Mission, a process of voluntary change --to assist the Dominicans to discover for themselves the changes they believe to be necessary and to find ways of building consensus as to the nature of these changes, the establishment of priorities, the definition of means for realizing them, and to link the

foregoing to specific projects of economic development. Direct involvement of the Dominicans in this process provides an opportunity for them to test their own needs for and commitments to change. As the Dominicans explore and evaluate, with each other, their own beliefs and behaviors and the alternatives which might better serve their interests, they are themselves in a process of change that they themselves are directing, and which, therefore, leads to voluntary commitment to some of the alternatives that they themselves are developing.

The "product" of this process, the criterion against which its success must be measured, is the degree to which the Dominicans see it relevant for themselves --their desire to take a leading role in extending it and their ability to use it as a means not only for achieving the consensual definition of development objectives, but as a means for developing ways for achieving these objectives.

By the end of the contract period, we saw the emergence, from the body of Dominican participants, of a group committed to the project and to following through on a process that had become important to them. Specifically, they made a commitment to take a leading role in:

1. Fully involving the other influential Dominicans who had participated in the project thus far.
2. Extending the process beyond this larger group (which was itself seen as too narrow and conventionally limited to "influyentes" in one sector of Dominican Society) into other sectors such as the church, the military, the young, the "marginados".
3. Building a broad base for collaborative effort for national development that cuts across traditional social and political lines to focus on specific tasks and projects.
4. Using ADL consultants as a resource for continuing this work.

## RECOMMENDATIONS

Many of our recommendations have been accepted and incorporated into CFI's regular practice; others, while accepted, have not yet or only partially been implemented. In the following paragraphs, we are restating the most important recommendations where additional action is considered necessary. Some of these recommendations are pending from previous reports; others, though not directly pertaining to CFI, affect the institution's operations and, therefore, require action on its part.

### 1. Organization

Our plan for the functional reorganization of CFI has been implemented in most of the important aspects. Nevertheless, certain elements of the new structure still need to be put into effect. In particular:

- a. Create the post of Deputy Director to run all internal operations of the institution, thus freeing the Director General to pursue his increasingly active and diverse role in promoting the economic development of the country through his participation in such bodies as the Development Commission, the Tourism Action Group, Airport Management, etc.
- b. Establish the Technical Assistance and the Administrative Section in the Promotion Division and complete the staffing of the Division.
- c. Reassign excess administrative personnel to the two operational divisions. Expansion of the activities of the Financing Division and the Promotion and Studies Division, will increase the volume of work permitting absorption of additional personnel.
- d. Establish a private Promotion Committee to provide better relations and institutional contact with the private sector, both national and foreign; to promote CFI projects, suggest possible new projects, facilitate access to established industry, etc.
- e. Establish a time accounting system principally in the Promotion and Studies Division, to control the time spent on each project and to distinguish between internal division work and "external" work for the Financing Division and outside institutions.
- f. Use the professional capacity CFI has helped to create through scholarships, by using some of the scholars as trainees upon their return to the country.

- g. Transfer to the Financial Division, the legal counsel concerned with the revision of loan contracts and execution of defaulted debts. In this way, the Financial Division will have control over all operations connected with credits.

## 2. Finances

- a. Make an all-out effort to convert government approval into action with regard to CFI's plan for financial self-sufficiency.
- b. Continue efforts to increase CFI's use of FIDE funds. In view of the fact that CFI has contracted the largest number and the second largest amount of industrial loans with FIDE funds, that it is an official development bank, and that its credit evaluations are far superior to those presented by private institutions, we recommend that CFI press for preferential treatment in the use of FIDE funds. This preferential treatment could consist especially in: reduced interest rates; more expeditious handling and quicker decisions.
- c. Reduce overdue loan portfolio. It is urgent to review the portfolio of overdue loans. Delinquent debtors should be identified and not allowed to obtain credit from any entity using state funds. We also recommend the formation of an internal 'ad hoc' committee for the recovery of the overdue loan portfolio.
- d. Reduce CFI's financial commitments to specific projects such as Industrial Popular del Coco, Camer, and others in order to increase funds for industrial financing. In particular, CFI's financial obligations to the airport terminal should be transferred back to the primary lender, i.e., the Banco de Reserva. All such obligations and the contingent liabilities mentioned below, reduce or eliminate CFI's ability to contract loans for industrial and tourist development from international sources.
- e. Analyze contingent liabilities. Where CFI is required or chooses to guarantee loans of third parties, the practice should be adopted of evaluating the respective loans and guarantees in the same manner as direct loans granted by CFI. The respective charges must reflect the risk taken by the institution.
- f. Avoid project management in those cases where CFI acts as agent for the government in the financing of certain projects (e.g., airport terminal), it should avoid being made the administrator of such projects. Project management requires considerable effort and time, thus reducing the effectiveness of the institution as an industrial promotion agency.

- g. Give consideration to the development of more diversified banking activities in CFI such as rediscounting and issuing of bonds. The tapping of international funds such as FIDE to be administered by CFI, should also be studied. Such operations would not only increase resources available to CFI for industrial financing, but would increase the institution's revenue and working capital.

### 3. Credit Analysis

- a. The procedures of the credit supervision and loan administration sections in the Financial Division of CFI need to be refined and strengthened. Further training of personnel is advisable.
- b. The evaluation of non-industrial loans such as tourism projects must be studied, procedures developed, and personnel trained.
- c. Refine credit analysis procedures as described in Chapter VII-B, especially those relating to teamwork, independent verification of data, working capital requirements and safety margins.
- d. Continue advanced training of credit analysis personnel.

### 4. Promotion

- a. Initiate continuing, systematic search for industrial opportunities and train personnel in the respective techniques.
- b. Continue, expand and refine record-keeping systems in promotion section.
- c. Expand and train staff of promotion section.
- d. Follow-up contacts with Puerto Rico in view of the change in administration in that country, and consider installing a CFI representative in EDA.
- e. Start limited program of external promotion in Puerto Rico and New York.
- f. Initiate industrial visit program to existing manufacturing plants.
- g. Prepare brief but attractive Industrial Facts brochure.

- h. Select specific projects for export promotion. In particular, renew efforts to promote the manufacture and export of hard candy from the Dominican Republic to the United States (see Export Opportunities in Light Industries, Arthur D. Little, Inc., June 26, 1968).
- i. Select and obtain management approval for several industrial projects for immediate promotion; in particular, the textile, yucca flour, and animal feed projects prepared by ADELATEC.

#### 5. Policy

We recommend that CFI exert its influence to introduce modifications in the Industrial Incentive Law so as to make it more effective as an instrument of investment attraction.

#### 6. FIDE Operations

While the operation of FIDE is not under the control of CFI, we believe that the Corporation, as the largest user of industrial FIDE funds and as an official institution, should exert its influence to make the use of FIDE funds more effective for development.

The proportion of health and education projects in the use of FIDE funds should be significantly reduced. A maximum ratio for the use of these funds by any given bank or institution could be fixed; e.g., health and/or education projects to represent no more than 25% of the FIDE portfolio of any bank.

#### 7. Creating a Climate for Development

Our recommendation is that we follow the Dominicans' own commitment, that together with the Dominicans, we work to:

1. Fully involve other Dominicans who have participated in the project to date.
2. Extend the process to include other significant sectors of Dominican society.
3. Build a broad base for collaborative effort for national development.
4. Orient the process toward the formation of a national organization that will:
  - a. Provide for the continued engagement and participation of a broad representation of Dominican leadership in the process of change.

- b. Provide a structured forum for the consideration and implementation of major development issues by men who are committed to seeking progressive resolutions of these issues.
- c. Provide a responsible resource to future governments in the evaluation of action and policy alternatives.

PART ONE: THE SETTING OF THE PROJECT

## CHAPTER IV

### THE CASE FOR INDUSTRIALIZATION

#### THE NEED FOR INVESTMENT

There is strong evidence to suggest that investment in the Dominican economy is insufficient to attain the goals of economic growth and levels of employment consistent with the aspirations of an increasing population. These goals were given expression in the basic planning document of the country,<sup>1/</sup> which stipulates an annual growth rate of the GNP of 7.1% and 4.2% increase in employment. Neither the rate of economic growth nor that of employment has as yet been achieved although unemployment, especially urban unemployment, is stated to be the most pressing problem of the Dominican Republic.

Gross investment which is the prime mover of economic growth has been fluctuating between 11.4% of GNP in 1962 and 16.3% in 1964, during the period 1962 to 1966 (excluding 1965 with 10% as untypical). In 1966, gross investment was 13.4% of GNP. Moreover, well over half the investment was in public and private construction which tends to have a less immediate impact on the economy than investment in agricultural or industrial plant.

If the country is to grow faster and provide employment for most of its active population, the rate of investment must be made to increase not only in physical and social infrastructure, but also in agriculture, industry, mining, and tourism. Without neglecting the other sectors, the Dominican Republic has many good reasons to industrialize:

Job Creation: Every year new jobs must be found for some 30,000 Dominicans.

Balance of Payments: Though greatly improved recently, the balance of payments will continue to be a delicate problem, as ever more capital and intermediate goods must be imported. Industry can provide some of the necessary foreign exchange by reasonable import substitution and exports.

Stability: Industry, especially in an economy dependent on sugar, acts as a shock absorber against the effects of violent fluctuations in world markets.

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<sup>1/</sup> "Plataforma para el Desarrollo Económico y Social de la República Dominicana, 1968 a 1985".

Productivity: Productivity per worker in manufacturing industry is many times that of agriculture. Therefore, every worker transferred from agriculture to industry represents an increase in productivity and in the national product.

Mentality: Industry is a channel for change; through it, new ways of thinking and an acceptance of new technology spread rapidly throughout the community.

Generally, manufacturing industry can be expected to provide employment at a faster rate, if not in great numbers, than other sectors of the economy. However, let us assume that industrial employment will rise only at the stipulated rate of 4.2%. The present industrial labor force is about 100,000; if, over the next five years, it were to grow by 4.2% a year, there would be an average addition of 4,600 workers per year. If we assume that \$7,500 Dominican pesos of investment are needed to create one industrial job,<sup>2/</sup> then we arrive at a figure of \$35 million pesos which represents the required annual average, new investment in industry. This compares with an actual figure of \$22.7 million of gross investment in 1966.

Another symptom of the reluctance to invest in industry is that "FIDE", the most attractive source of development financing in the Dominican Republic, has only been able to generate investment of about \$12.5 million per year --not all of it in industry. There is thus a separation between the need for investment and the willingness to invest, and there is not enough industrial initiative to fill the gap.

Under such circumstances, there is a prima facie case for a systematic effort to attract private investment to industry. The emphasis must necessarily be on private investment: for historical reasons, about 70% of existing industrial investment in the Dominican Republic is owned by the State; however, the funds generated by the profitable State enterprises are used to support the less successful ones. For this reason, and because entrepreneurship is more likely to be found among private businessmen, it is the private sector which must be helped and stimulated to undertake the expansion and diversification of industry.

#### OBSTACLES

There are, nevertheless, obstacles to an accelerated growth of manufacturing industry, many of which the Dominican Republic shares with other developing countries.

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<sup>2/</sup> Latin American average: US\$8,000 per job. CORDE state-owned industries average \$15,000 Dominican pesos per job.

There is little understanding of the development process: the experience of economic development is so new and so diverse, that it has not yet become a part of the conventional wisdom of the Dominican community. This lack of understanding of what happens in development, and of the techniques needed to achieve it, makes the risks to be faced appear greater than the rewards to be reaped.

A similar set of attitudes results in a lack of industrial initiative. The risks involved in a relatively unknown activity such as manufacturing are seen to be greater than in the traditional enterprises of agriculture, commerce, real estate, and so forth.

Then again, frequently, when the first step into industry has been taken, confidence is still lacking and the vision of development is still so ill-defined that competition, and especially foreign competition, is fiercely resisted. Lastly, there is indeed the classic want of capital when considering all the country's diverse investment needs; yet, it is symptomatic that for demonstrably profitable projects (within certain limits of size), capital can always be found in the Dominican private sector. Its availability is in inverse proportion to the risk that is rightly or wrongly envisaged.

#### SPECIAL CASE OF THE DOMINICAN REPUBLIC

All the above obstacles the Dominican Republic shares with many other newly industrializing countries; but in addition, it has a unique situation which sets it apart and creates a special problem.

At a time when other similar countries such as Guatemala, El Salvador, Nicaragua or Ecuador were developing a small but dynamic industrial class, industrial entrepreneurship in the Dominican Republic was monopolized by one man (hence, even today, 70% of industrial ownership is still in the hands of the State). Any kind of initiative, unless it was officially sponsored, was looked upon with suspicion. Playing it safe was the best policy for survival. By creating an atmosphere in which no man could trust another, the Trujillo regime successfully fragmented that layer of society from which, in other countries, the entrepreneurs had sprung.

When initiative is consistently punished it wilts. Thus, 30 years of relentless authoritarianism in the D. R. have destroyed a whole generation of leadership. The potential leaders are there, but while the habits of suspicion and isolation persist, and the fear of risk and decision-making remains, these individuals will not merge into an entrepreneurial elite.

Such elites exist in many developing regions. They are easily identified in Venezuela as the "Asociación de Empresarios"; in Medellín, Colombia as the "Group of the 1920's", in northern Mexico as the "Monterrey Group"; in Honduras as the "San Pedro Sula Group"; and so forth. Even in Nicaragua, where the authoritarian regime was less rigorous than in the Dominican

Republic, it is not difficult to identify a small entrepreneurial elite. Its principal characteristics are:

1. That there is a strong sense between members of belonging to the group.
2. That members collaborate with each other not only in defense of their interests, but also in initiating and promoting new ventures.
3. That they take risk and responsibility.

Such an entrepreneurial class, as a class, does not exist in the Dominican Republic. It has been stifled by thirty years of dictatorship.

\* \* \* \* \*

Thus, the Dominican Republic is faced, on the one hand, with a need for increased investment to accelerate development and, on the other, with a number of formidable obstacles which stand in the way of its achievement. A special challenge to the Dominican Republic is presented by the determined efforts of other Caribbean countries such as Jamaica, Trinidad-Tobago, Barbados, and Puerto Rico to develop industry and tourism, while the performance of the Dominican Republic in these fields threatens to leave the country far behind in the highly competitive race for investment attraction.

## CHAPTER V

### NEED FOR A DYNAMIC INDUSTRIAL DEVELOPMENT POLICY

Most developing countries today, at least those in the Western Hemisphere can expect some industrial growth to occur. But accelerated industrialization can only be achieved by means of a consistent industrial development policy.

An industrial policy must be dynamic and coherent. "Dynamic" means that it must continuously strive to remove obstacles and provide positive incentives. "Coherent" means that there must be continuous and smooth interaction between the institutions providing the four principal elements of industrial policy.

An effective industrial policy must be thought of as a living system; that is, an organism formed by a number of elements, each of which depends on and acts upon the other. The system cannot be effective as a whole unless all its parts work effectively.

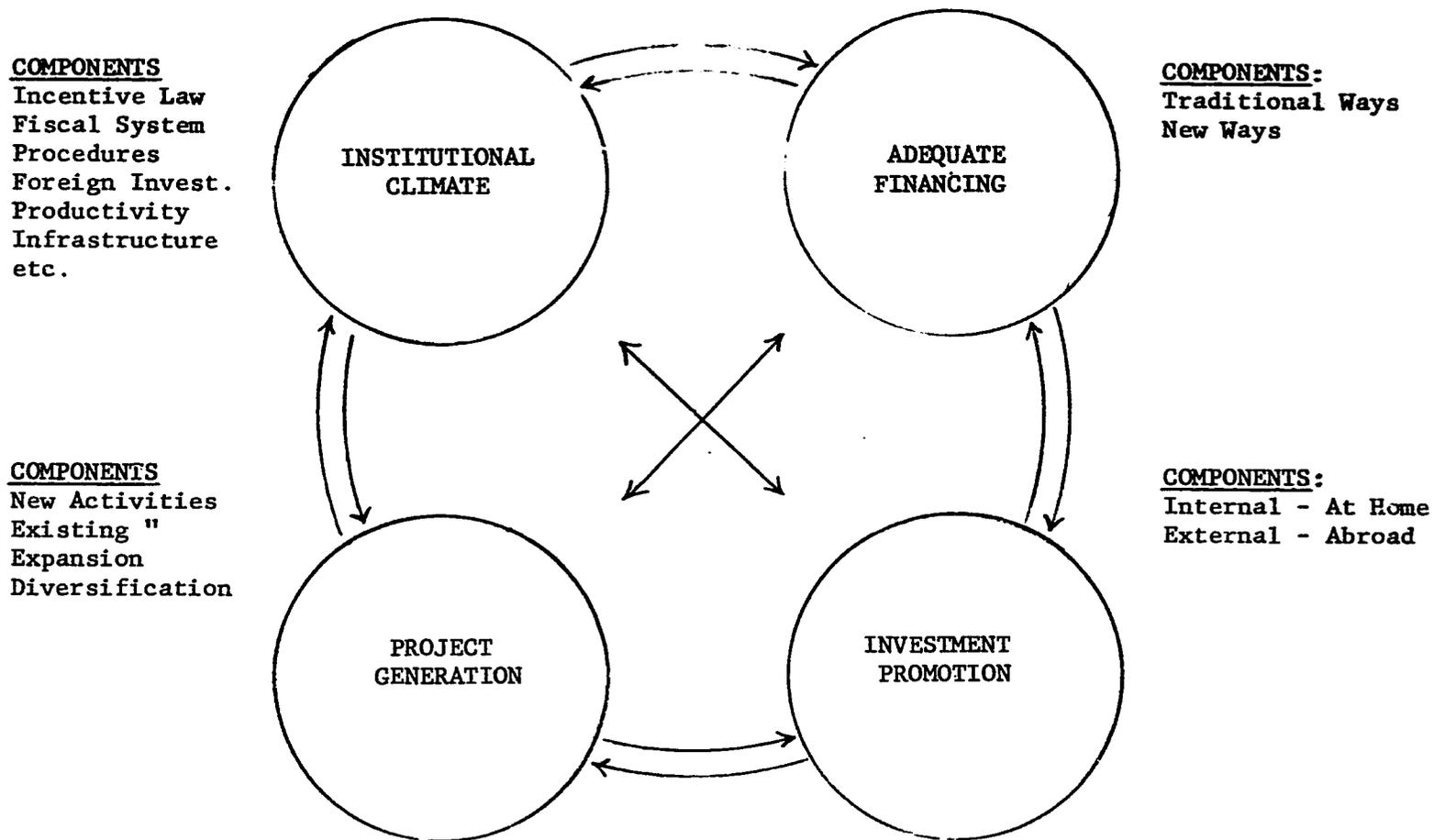
A simple model of an industrial policy (see Table I) consists of four essential elements:

- A. A favorable institutional climate, or the sum total of laws, measures, and publicly provided facilities which affect and help manufacturing industry.
- B. Adequate financing, or the provision of capital for industrial investment and of credit for operations, under the most favorable conditions.
- C. A continuous process of project generation resulting in a reservoir of new projects, both for the creation of new industries, and for expansion and rationalization of existing ones.
- D. Forceful promotion which translates the projects into the businessmen's language; it provides the bridge between the plan and the plant.

When we observed the Dominican industrial scene in the light of the above model of industrial policy, we had to conclude that there was no consistent development policy in the Dominican Republic. While many of the component parts of an industrial policy were in existence, they were not coordinated institutionally or inspired by clear guidelines. This situation is not untypical of other developing countries, but is particularly acute in the Dominican Republic. This indicates that the institutional framework may be inadequate for development and that industrialization is not one of the top priorities of the country.

TABLE I

4 ELEMENTS OF INDUSTRIAL POLICY



The Industrial Climate. The creation of a favorable institutional climate is the job of the government. The climate cannot be established once and for all, but must be re-created continuously with changing conditions. Existing laws and regulations may have to be modified or eliminated and replaced with others more responsive to the need of industry. The infrastructure for industrial development may have to be expanded. Old services such as vocational schools may have to be improved the better to adapt them to the demand for skilled workers; new services may have to be established such as those providing technical assistance to industry. Incentives and restrictions on foreign investment may have to be introduced to obtain the best possible benefits from foreign technology and capital.

A pre-condition for the creation of a favorable institutional climate is a clear commitment from the government to accelerate the growth of the industrial sector. This commitment usually takes the form of a widely diffused declaration or policy statement and serves as a guideline for government officials and as an assurance of support for industrial investors.

Apart from declaring that industrial development is among the country's top priorities, the statement clarifies the government's attitudes towards certain fundamental problems of industrial growth; so that there should be no doubt as to the criteria which will be adopted when decisions are made relative to these problems.

Under the conditions prevailing in the Dominican Republic, it would seem that an Industrial Policy Statement would have to define criteria relating to such matters as:

- The recognition of the need to industrialize
- The role of state-owned and private industry
- The role of official institutions in fostering industrialization
- Export industries
- Industrial incentives
- Foreign investment

If tourism is considered an "industry", as it is in some countries, then the government's criteria regarding this activity should form part of the Industrial Policy Statement.

An important component of the Institutional Climate is legislation which provides incentives to industry. In the Dominican Republic, the "Industrial Incentive Law" has been severely criticized. Yet, it should be recognized that it constitutes the first modern industrial encouragement law in the country. There is no reason why now, in the light of experience of actual operations, the law should not be modified to bring it more into line with the

requirements of industrialization and the Dominican Republic's need to compete with its Caribbean neighbors. In fact, we have recommended in another report<sup>1/</sup> that after operating for one year, the law be reviewed and modified if necessary to make it as competitive and functional as possible.

The principal weakness of the present law is that, rather than stimulating new investment (see Chapter IV), it protects existing industry. This tends to freeze the existing industrial structure, whereas the need is for expansion i.e.: for increased investment to create new jobs and increased modernization to create new skills.

Other aspects of the law, which might be usefully reviewed are:

- a. The limitation of location within a Free Industrial Zone (Art. 7, Par. II).
- b. The impossibility of obtaining foreign currency from the Central Bank, in the case of export industries "whose principal business is abroad" (presumably this refers to branches or subsidiaries of foreign firms). (Art. 12, Categoría A, Par. f.)
- c. For Dominican or local export industry, the limitation on income tax benefits to 75% during the first five years and to 50% during the remainder of the period (Art. 12, Categoría A, Par. d.). This compares with 100% exemption for the whole period for firms "whose principal business is abroad".

The procedures which a prospective industrialist has to follow to obtain the benefits of various industrial incentives should be simple and fast. Hopefully, a single procedure and evaluation should enable the new entrepreneur to obtain all benefits to which he is entitled; e.g., those referring to tax exemption, exemptions from import duties on capital equipment and/or raw materials, accelerated depreciation, etc. The most attractive incentives lose their stimulating effect if the procedures needed to obtain them are long and complicated.

Finally, it would appear that a clear definition of the criteria to be applied to foreign investment is highly desirable. Foreign capital, but especially foreign know-how are indispensable to accelerated industrial development. While there is uncertainty regarding the treatment it will receive, foreign capital will be wary of establishing itself in the Dominican Republic.

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<sup>1/</sup> "Export Opportunities in Light Industries", report to Corporación de Fomento Industrial and U. S. Agency for International Development, Dominican Republic, ADL, June 1968.

The advantages and disadvantages of foreign investment should be carefully and openly weighed and a policy established which will allow the prospective foreign investor to assess, from the beginning, his risks and rewards.

Financing. Adequate financing means financing adapted to the needs of industry. Traditionally, methods of financing were developed to suit the needs of commerce, agriculture and banking. Manufacturing industry has very different requirements and yet, in many countries, has to make do with financing systems designed for other activities. In addition to the adaptation of traditional methods of financing to the needs of industry, there is also a need for new kinds of financing such as equipment leasing, sale and lease-back of buildings, receivables financing, etc.

In the Dominican Republic, industrial financing of the traditional kind is available on reasonably favorable terms. An important comment which needs to be made however, is that the commercial banks, as in other countries, are more concerned with the applicant's solidity (i.e. the guarantees he offers for repayment) than with the prospects and economic impact of his industry. On the other hand, the public industrial development institution, CFI, designed to consider the aspects of "fomento" is desperately short of funds. This makes it probable that many dynamic industries which do not have sufficient property to satisfy the quite severe collateral guarantee requirements, do not get established or expanded.

There is little doubt that "FIDE" in part fills this gap; although here also, after several years of practical experience, it would be advisable to review FIDE's operation to determine whether its impact on industrial development could not be increased. Our work with CFI necessarily brought us into contact with FIDE and, while it was not part of our terms of reference, we have briefly reviewed the Fund's operations. The result of this analysis and our comments appear in Appendix A.

Project Generation. Project generation is an indispensable element of industrial policy. Its purpose is to supplement the scarcity of industrial initiative. It is axiomatic that developing countries lack capital; but, it is rarely mentioned that, another scarce factor is industrial initiative. Drive and entrepreneurship seem to be channeled into the traditional activities of commerce, agriculture, real estate, etc., where the techniques and risks are better known. To accelerate industrial development it is necessary, therefore, for official organizations to supply as far as is necessary, the missing elements of industrial initiative.

Until our company started work with CFI, there was no program of systematic industrial project generation in the Dominican Republic.

Promotion. Finally, promotion translates projects into reality. Experience in many developing countries has shown that without promotion, the most attractive projects remain in the files of official institutions. It is necessary to translate the language of planning into the language of the businessman who, after all, is the one who puts up his money.

In July 1968, when our project started, the only deliberate and major efforts to promote industrial investment in the Dominican Republic were being made by the Industrial Division of USAID and, to a lesser extent, by CFI. Yet, it must be recognized that industrial promotion ought to be the responsibility of a Dominican institution, especially when delicate problems of foreign investment are involved. On the other hand, CFI, the Dominican entity specifically charged with promotion, was so occupied with problems of survival that it neither had the necessary organization nor the necessary funds or personnel to undertake this activity.

## CHAPTER VI

### THE FORMULATION OF INDUSTRIAL DEVELOPMENT POLICY

#### THE ROLE OF CFI

The objectives of CFI, the only public industrial development agency in the Dominican Republic are: "to promote the industrial development of the country, excluding livestock and sugar sectors, promoting new industries in order to achieve larger diversification and systematization of the economic activities of the country, and raise the standard of living." These objectives are to be attained by investment attraction, on the one hand, and financing on the other. It was based on these two functions that we recommended and helped to implement the restructuring of CFI. This process is now completed with two autonomous operating divisions: one specializing in industrial investment promotion, the other in industrial credit.

With its new structure, CFI is the most appropriate instrument to provide some of the scarce resources without which industrial development cannot be accelerated and to help in eliminating some of the obstacles that bar the way.

But, while CFI can provide some of the missing elements, it cannot on its own formulate an industrial policy for the country or obtain its acceptance by the Government and the industrial community. Another way of saying this is that, while an organization such as CFI is essential for the implementation of industrial policy, it cannot by itself generate it. The lack of support from the Government and the industrialists which CFI experienced during the first months of our mission, emphasized this inability; this fact was precisely a symptom of the absence of an industrial development policy.

#### THE PROBLEM OF POLICY FORMULATION

How then is an industrial development policy established? In many developing countries an industrial policy emerges either through the initiative of the Government, later molded by the pressures of existing industry; or, it starts as a pressure from industry and is adapted by the Government to the needs of the country. In the final analysis, an industrial policy is part of the general attitude of the country's decision-makers in the public and private sectors, towards economic and social development.

In the Dominican Republic, due to its special historical circumstances (see Chapter IV), the private sector was taking no action to participate in the formulation of industrial policy; and for similar reasons, the Government did not seem to include industrialization among its chief priorities.

We were thus faced with a question of how to carry out that part of our program related to industrial policy. Seeing that an industrial development policy is the outcome of general attitudes on the part of a country's public and private leaders, it was clear that such a policy could not be effective when formulated and imposed from outside; nor could a single national agency such as CFI successfully do so. An industrial policy can only be acceptable and successful if it arises from within the community which must put it into practice.

#### AN EXPERIMENTAL APPROACH

In a wider context, the problem was one of Dominican attitudes to economic change; but, how can change be stimulated in a community?

After extensive consultation between CFI, USAID, some Dominican business leaders and ourselves, the conclusion was reached that certain new social approaches could be applied to this problem, on an experimental basis.

ADL has acquired considerable experience in two fields involving fundamental changes of attitudes. Our work in "ghetto" areas dealt with the problems of getting people of different races, cultural standards and ethnic and social backgrounds to participate in the improvement of the community; and our advisory services to large corporations were concerned with the achievement of better communication, creativity, and innovation of the firm.

The techniques used are based on principles of Group Dynamics, where the aim is not to produce a survey of attitudes or a report; or to impose a particular point of view, but to energize a group of individuals into awareness of their role and a commitment to action. Schematically, this process can be described as follows:

Objective: To produce change in attitudes and behavior.

Assumption: Change only occurs through people's own discoveries.

The Consultant's Role: To create or invent conditions for these discoveries to take place.

Thus, the key factor of the technique is that the consultant has no control of the process. The emphasis is on discovery and experience rather than "control."

Whether this technique, which has frequently proved successful in urban communities and large corporations, could be applied to the problem of economic growth in a developing country remained to be seen; to our knowledge, this was a novel approach to development. Nevertheless, the

possibility of the leaders of the Dominican community not only becoming aware of their role in development, but also participating actively in it, was sufficiently intriguing that a decision was made to proceed with an experimental program called, for want of a better name, "Inquiry into Concepts of Economic Development in the Dominican Republic." In the light of our later experience, it would have perhaps been more appropriately called "Creating a Climate for Development," and this is how we shall refer to the program in this report. It was designed to run parallel, but with numerous links, to our direct advisory services to strengthen CFI as an effective development organization. For better coordination of these two principal courses of action, the ADL resident representative in the Dominican Republic was in day-to-day charge of both activities.

#### THE LINKS BETWEEN CFI AND THE "DEVELOPMENT CLIMATE" PROGRAM

An organization for industrial promotion, however efficient, cannot work in a vacuum. In our past work, we had sought to help in strengthening CFI by defining specific projects of economic feasibility, attractiveness and relevance to the nation's growth, and by seeking to mobilize domestic and foreign resources. Such efforts are necessary and must be continued; they are, nevertheless, dependent for their success on the extent to which CFI represents the relevant, high priority national and personal commitments of precisely those Dominicans (in business, government, and other institutions) whose active participation is required for the projects to be implemented.

When this participation is lacking or sporadic, efforts to promote industrial development are bound to be erratic. It is only when the organization becomes rooted in the community and expresses the community's will to develop that it becomes a significant economic institution. Then, what CFI does or does not do will influence the behavior, attitudes, opinion, and feelings of a considerable number of people in the nation so that they pay attention to its operations as a factor that meaningfully affects their day-to-day interests and aspirations. When this comes about, CFI will be an institution, not merely an organization.

In order to create conditions for CFI to grow roots in the community, it was decided that the "Development Climate" program, requested by a group of Dominican businessmen, was to be sponsored by CFI. The CFI thus became the focal point of the program which was designed to make the community leaders aware of the challenges of economic growth and appreciate CFI's role in promoting development. At the same time, CFI was creating a market for its services and a "constituency" of supporters for its efforts.

By the time the project was nearing completion, there were unmistakable signs that these aims were being achieved.

PART TWO: ORGANIZATION BUILDING

## CHAPTER VII

### STRENGTHENING THE CORPORACION DE FOMENTO INDUSTRIAL

As mentioned in the Introduction, our advisory services to CFI were designed as a program of training and participation: our task was to train the Corporation's staff and to participate actively in "doing the job." In this chapter we will describe the different aspects of this work, indicate accomplishments, and whenever appropriate, outline the theoretical background for our recommendations; this should permit the report to be used as a manual for the Corporation's future operations.

#### A. CONTINUAL COUNSELLING

During the period of this contract, that is to say, from 1 July 1968 until the present, Arthur D. Little has maintained a resident representative in the Dominican Republic. His tasks were: to coordinate the different aspects of the work; to provide continuous liaison between members of the CFI and ADL; and, in addition, to give technical assistance in the areas of his professional skill, in order to further the development of the Corporation's programs.

The advisory services of our resident representative (apart from being in day-to-day charge of the "Development Climate" program), fell mainly into two fields:

1. Assistance in organization building, and
2. Assistance in the promotion of specific projects.

In addition, our resident representative has acted increasingly as a link between USAID and CFI in relation to various areas of mutual interest.

#### 1. Assistance in Organization Building

When we started our work with CFI, the Corporation was in the midst of a serious financial and institutional crisis basically caused by the lack of budget support on the part of the Government and with the result that the relatively small equity of the Corporation was rapidly being decapitalized. CFI's efforts to overcome this situation had not been successful, despite the active support of USAID. In the top circles of the Government, it was considered that a financial institution such as the Corporation ought to be self-sufficient; there was no recognition of the fact that investment promotion is an important function, separate from credit operations, and requiring direct budgetary support. Promotion cannot be directly remunerative<sup>1/</sup>, nor

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<sup>1/</sup> See report on "Reorganization of the Corporación de Fomento Industrial" June 26, 1968, Arthur D. Little, Inc.

can a new organization like the CFI be expected to cover its cost from financial operations; especially since it was separated from its original source of revenue as the managing organization of state enterprises.

Under these circumstances, a large part of our efforts was devoted to cooperation with CFI's management in devising means of survival and growth for the Corporation as an autonomous institution. The aim was, and is, to convert CFI into a "focal point and catalyst of private sector participation in industrial development." The first step was to assure proper financing for CFI. With this in mind, we designed a five-year plan for the Corporation which would allow it to reach a position of self-sufficiency. The plan was presented to the Government and approved in principle.

In the course of our previous work<sup>2/</sup>, we found that among the most promising candidates for industrial investment promotion were some companies established in Puerto Rico that had originally been attracted to the island by the low cost of labor and fiscal incentives provided there. As labor costs tended to increase and the tax holidays were coming to an end, many of these firms were in danger of extinction. By transferring the labor-intensive parts of the process to the Dominican Republic under what has been called the "twin plant" concept, some of these firms might benefit the Dominican Republic and, at the same time, not be forced to close down in Puerto Rico. In line with this reasoning, we suggested that CFI and the Economic Development Administration of Puerto Rico, negotiate a formal agreement of interchange and collaboration. We assisted in the drafting of the agreement which was reached between the two institutions<sup>3/</sup>. In this connection, we also collaborated with the Promotion Division of CFI in the interpretation and application of the twin-plant concept.

One of the principal instruments for the attraction of private investment to the industrial sector in most developing countries, but more especially in those of Latin America, are laws that provide incentives to industry; we therefore worked closely with CFI in the drafting and study of the Industrial Incentive Law (Ley No. 299, April 23, 1968). On various occasions, we prepared comparative analyses and reviews of the law and its regulations, and have recommended the preparation of data which would permit a review and modifications of the law after the first year of its operation. The present law suffers from serious weaknesses and, its continued application in the present form, threatens to introduce undesirable distortions in the Dominican economy.

Another aspect of Continual Counselling was concerned with the study of applications for industrial classification in connection with the above

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<sup>2/</sup> See report "Export Opportunities for Light Industry" June 26, 1968, Arthur D. Little, Inc.

<sup>3/</sup> See progress report for the period July 1 to October 30, 1968, Arthur D. Little, Inc.

law. These applications are sent to the Corporación de Fomento Industrial for evaluation. Our resident representative reviewed and discussed many of these applications with staff of the Promotion Division, whose reports are used by the Director General of CFI, in the Directorate of Industrial Development which decides on the industrial classifications.

After the Governing Board of CFI had approved our recommendations on the restructuring of the organization which we had recommended as part of our previous contract<sup>4/</sup>, our resident representative worked closely with the executives of CFI in the implementation of the new structure. Several months experience with the new organizational structure has shown that there is increased efficiency in operations, greater specialization in professional work, and possibly lower operational cost per task. In this connection, we have also assisted in the selection of new professional staff for the Promotion Division as well as in the preparation of job descriptions for some of the operating units.

## 2. Assistance in the Promotion of Specific Projects

The textile industry represents one of the most promising opportunities in the Dominican Republic. Due to his special experience in this industry, our resident representative took an active part in the promotion efforts of the Corporation in the textile field. So, for example, he traveled to the United States in representation of CFI to discuss with potential investors, the opportunities offered by the Dominican textile market. At the present time, there are three interested groups of investors in this field (American, Colombian and Venezuelan) who are actively studying the establishment of plants in the country.

Our resident representative also worked closely with the Promotion Division and with the Management of CFI in the identification, analysis, and discussion of specific industrial opportunities in the Dominican Republic, and more recently in connection with CFI's new role in tourism investment promotion.

The most important project in which CFI participated as a promoting and financing agency was the "Complejo Metalúrgico Dominicano." There is no need here to go into the reasons why the development of this project, from its initiation, was beset by difficulties of a technical, financial, and political nature. To complete the installation and start-up of the plant, CFI with financial and technical help from USAID (a loan of US\$3 million), invested a large amount of its own capital, thus imposing a heavy burden on the institution. The financial commitments undertaken by CFI to get this important industry started, continue weighing dangerously on the small equity of the Corporation. In order to find a solution to this situation, while

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<sup>4/</sup> See report on "Organization of the Corporación de Fomento Industrial" June 26, 1968, Arthur D. Little, Inc.

at the same time, assuring the smooth functioning of the project under the management of the private group which had acquired it, the Corporation sought intensively to re-finance the respective commitments through other institutions, on similar terms which the industrial project was receiving from CFI. Our resident representative has worked closely with CFI and USAID in the formulation of the respective financial plans and, more recently, took part in the negotiations on the possible re-financing of CFI's debt with the suppliers of plant and services for the metallurgical project.

It also should be noted that the high degree of acceptance which the Corporation has achieved among the leaders of the Dominican private sector, compared to its original rather poor public image, is chiefly due to the dynamic and competent management of the Institution; at the same time, this change was favored by the CFI's sponsorship of the "Development Climate" program of collaboration with the private sector and search for common guidelines in industrial development policy. This program was in day-to-day charge of the ADL resident representative and is described in detail in a later chapter.

## B. CREDIT ANALYSIS

Our review of the procedures used by the Corporación de Fomento Industrial for the evaluation of industrial credit applications started with a detailed analysis of methods, reports, and supporting material followed by discussions, intensive seminars, recommendations, and on-the-job assistance. Our comments and recommendations were communicated to the Director General of the Corporation and, through him, to the respective sections of the Institution. It is not considered necessary to reproduce here the complete material presented on various occasions; the reports and memoranda referring to multiple aspects of credit analysis, are now incorporated in the operating procedures of CFI. A recent review of the work done by the Credit Analysis section, confirms that not only have our recommendations been adopted, but that operating efficiency and the quality of the analysis have improved.

Some of our recommendations in the field of industrial financing are nevertheless of such a nature that we wish to include them in this report, for the practical and theoretical guidance of future operations of credit analysis.

### 1. Evaluation Through Team Work

The evaluation of applications should be made by a team: i.e. through the coordinated efforts of a market analyst, an engineer, and a financial analyst; one of them acting as group leader.

In order to produce a report without conflicting data or criteria and without unnecessary repetitions, there must be a continuous exchange of ideas among the participants in each study.

## 2. Assignment of Functions According to Professional Ability

A rational division of functions should be established among economists, engineers and accountants, by assigning to each technician the responsibilities which best suit his profession. This will prevent the accountants, not specialized in this field, from carrying out market analyses which rightly belong to economists, or doing work which is appropriate for the engineer. The latter should cover the following aspects of evaluation: a) technological factors of location; b) requirements, availability and estimated cost of materials, power, and skilled plant personnel; c) adequacy of constructions, machinery and industrial equipment and their production capacity; d) plant layout and manufacturing processes in use or contemplated; e) estimates of probable shrinkage and waste during process; f) estimates of useful life, and repair and maintenance of depreciable fixed assets; g) revision of cost of fixed assets reported or estimated by the applicant; h) technical specifications of finished products; i) plant assets, risks and amounts to be insured; j) any other essential aspects of a technical nature which should be analyzed in accordance with each specific case.

## 3. Concise Editing of Report

The evaluation reports should be more concise. This can be accomplished by eliminating superfluous data, transferring detailed calculations or analyses to annexes, and by grouping pertinent data in tables.

## 4. Verification of Data Provided by Applicants

In order to verify the information received from the applicants, an independent investigation should be carried out and included in the report. In addition, the independent sources contacted such as suppliers, competitors, consumers, etc., as well as bibliographies, should be listed in an annex.

## 5. Capability of Administrative and Technical Staff

In each evaluation report, the applicants should be requested to specify the names, present and/or future position and previous knowledge and experience of the persons who will be in charge of the principal technical or administrative functions in the enterprise to be financed.

## 6. Sales Record

A record of sales effected by the applicant during the last few years (checked against their books, if possible), should also be included in the evaluation report. This is an important factor in estimating future sales of the project.

## 7. Market Analysis and Competitive Position

In addition to price data, information from applicants and third parties should be obtained relating to: a) competitive firms and their importance in the market; b) realistic assessment of present and future competition in terms of prices, quality, product presentation, prestige trade marks, additional services; and c) other circumstances which, in certain cases, might determine the consumer's preference or distributor's interest.

The report should also include total present and future demand estimates and the basis for their calculation together with the proportion of the market which the applicant expects to cover; also, a description and critique of his distribution methods and sales terms.

## 8. Financial Statements and Their Analysis

Whenever pertinent and possible, historical financial statements should be prepared and attached to the evaluation report together with pro-forma statements in tabulated form to indicate variations and percentages; such a presentation is helpful in making comparisons and for future reference. The consideration of basic aspects of the firm's past development and policies should not be omitted from the financial analysis nor should the use of indices and ratios (which are frequently enlightening) be consistently discarded.

## 9. Development and Financial Position of Existing Firms

A study of the development and financial situation of the applicant is necessary in expansion or modernization projects, taking into account the financial statements and other historical data provided by the applicant.

## 10. Future Working Capital Requirements

When expansion projects of already established firms are analyzed, their future current assets must be estimated only on the basis of the additional cash funds required for the increased volume of operation, while taking account of the possible financing of working capital by suppliers and commercial banks. Once these estimates of future current assets and liabilities are made, they should be compared with the company's resources and present current outstanding commitments in order to establish the increase in working capital which needs to be financed. The respective method has been fully explained to CFI credit analysts.

## 11. Payment Capacity and Safety Margin

A system which quantifies the ratio between the cash available for debt servicing, and the sum total of payments for principal and interests on all medium and long-term loans, should be consistently used to determine

payment capacity of the project. In addition, annual amortization of principal of all loans should be included in the break-even estimate. In this manner, a uniform system for estimating safety margins will be established. Full explanations on this subject were given to CFI's credit analysis staff.

12. Safety Margin between Guarantee and Loan

Every report should include the pertinent ratio between estimated value of guarantee and the total of all medium and long-term loans which will finance the project.

13. National or Regional Benefits

The aspect of regional and/or national benefits should receive more attention in evaluations, and a cumulative record of financed projects and their benefits should be kept separately. Such a record could become especially useful when it is decided to publish an annual report with descriptions of the principal loans granted, similar to that of the Comisión de Valores-Corporación Financiera Nacional of Ecuador.

14. Pre-Conditions for Implementation and/or Expenditures

Whenever necessary, and depending on the specific circumstances of each case, pre-conditions should be established for implementation and/or expenditures as a means to: a) safeguard the interests of CFI; b) effectively promote its financing operations and public image; c) encourage project promoters to supply all required data for the evaluation study and/or facilitate the implementation of the applicants' plans.

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In order to accelerate the practical application of the above recommendations, our specialist held an intensive 18-hour seminar with CFI officials in charge of evaluation and credit administration, in which the more advanced evaluation techniques were widely discussed. Finally, detailed guidelines for evaluation reports were presented, as well as standard forms for "Pro-Forma Profit and Loss Statements," "Estimated Production Cost," "Estimated Sales Expenses," "Estimated General and Administrative Expenses," "Estimated Increase in Net Working Capital," "Estimate of Payment Capacity," and "Summary of Recommended Financing."

Our resident representative has been advising the respective section on the implementation of these recommendations.

Loan Contracts

Contracts for medium and long-term loans need to be more elaborate than those for short-term credits. This is because the former involve greater risk, mainly due to the nature of the financing and the longer term. The more

elaborate contract is designed to safeguard more securely the financing institution's interest in the event that at any time during the period of the loan, difficulties arise endangering the operation and/or the financial position of the borrower and, thereby, the recovery of the loan. In order to achieve this objective, the contract clauses must cover a range of possible adverse circumstances and their negative effects, including the risk of a change in the entrepreneur's attitude who, at the time the project was evaluated, may have been rated as capable, honest and prudent.

At the request of the Director General of CFI, a careful review was made of present loan contracts between the Institution and the borrowers, as well as of the document which regulates the relationships between the Institution and the Central Bank whenever loans are granted from FIDE funds. For obvious reasons, this review only covered the financial and not the legal aspects.

In our view, the loan contracts between CFI and the borrowers should include the clauses listed in Appendix B of the present report. In this way, the contract will not only protect the interests of the Institution, but will also contribute to a better execution and operation of the project.

While it is unlikely that the restrictions and commitments imposed on the borrowers will require to be changed in the future, it is preferable to establish the possibility of such a change by using the sentence "previous written authorization from the Corporation". In this way, the loan document is made more flexible. In contracts of this kind, the following sentence is also frequently added: "previous written authorization... which will not be denied without reason..."

The clauses in Appendix B are classified according to their principal objective and accompanied by explanations which were considered pertinent. It will be seen, nevertheless, that some of the clauses also have other objectives in addition to those presented in Appendix A.

It should be emphasized that the possibility of better safeguarding its interest through protection against certain risks by the use of an appropriate contract, gives the financing institution the opportunity of becoming more liberal in other aspects. So, for example, it is widely recognized that the task of a loan officer is not to reject systematically credit applications in cases where the risk may be somewhat greater than normal. Such an attitude would deprive, even a commercial enterprise or a private bank, of a certain amount of business; but in the case of a development bank, it obstructs the principal objective: the promotion of certain projects which might greatly benefit the country. Thus, the generally desired attitude is that the loan officer, with his skill, experience, and imagination, endeavor to find the means to establish such safety measures as would satisfactorily eliminate or reduce the risks. In medium and long-term loans, most of these measures will be contained in the pre-conditions for implementation and/or expenditure of the loans, and in longer term clauses included in the contract.

We understand that the Director General of CFI presented our recommendations (as contained in Appendix A) to the Board of Directors, which approved them in principle for incorporation in the Institution's loan contracts.

#### The Use of FIDE Funds

While a review of FIDE was not included in the scope of this phase of our work, it was considered useful to examine the operations of this fund in greater detail; especially so, as it is the major source of CFI's lending operations. The results of this analysis appear in Appendix A. Here, it is of interest to outline the principal conclusions, which are:

1. 37% of the loans go to "Health" and "Education" projects in private profit-making institutions quite capable of obtaining ordinary bank credit. It may be questioned whether this is the best use for low-interest development funds.
2. When considering industrial loans only, CFI shows the best performance with 47 approved loans.
3. The average size of industrial projects financed by CFI is smaller (and thus, presumably more labor-intensive), than that of the other two chief users of FIDE. Hence, a greater development effect of CFI loans.
4. The credit analysis carried out by CFI appears to be more thorough than that of other FIDE users who tend to rely on collateral guarantees.

## C. PROJECT GENERATION

It was already mentioned in Chapter V that project generation is an essential element of industrial policy. Through project generation, a reserve of new projects is built-up; without such a reserve of projects, the promotion function has nothing to promote.

### 1. Approach

Project generation is a process; this means that it is not a one-time effort, but a continuing movement. (See Table II.) Even the most thorough one-time identification of new industrial opportunities cannot be exhaustive; in addition, the growth of sectors other than the industrial and the very establishment of some of the opportunities, create further opportunities for manufacturing. The search for opportunities must, therefore, be repeated periodically and systematically.

Project generation is a complicated process; its aim is the systematic search for industrial opportunities by scanning the whole range of economic activities. It is a technique for casting the net so widely and in such a way that only a very few fish can escape.

The process begins with an analysis of multiple approaches in each of which some opportunities for new industrial projects may be identified. In this way, each approach results in a list of preliminary opportunities.

Here are some suggested approaches:

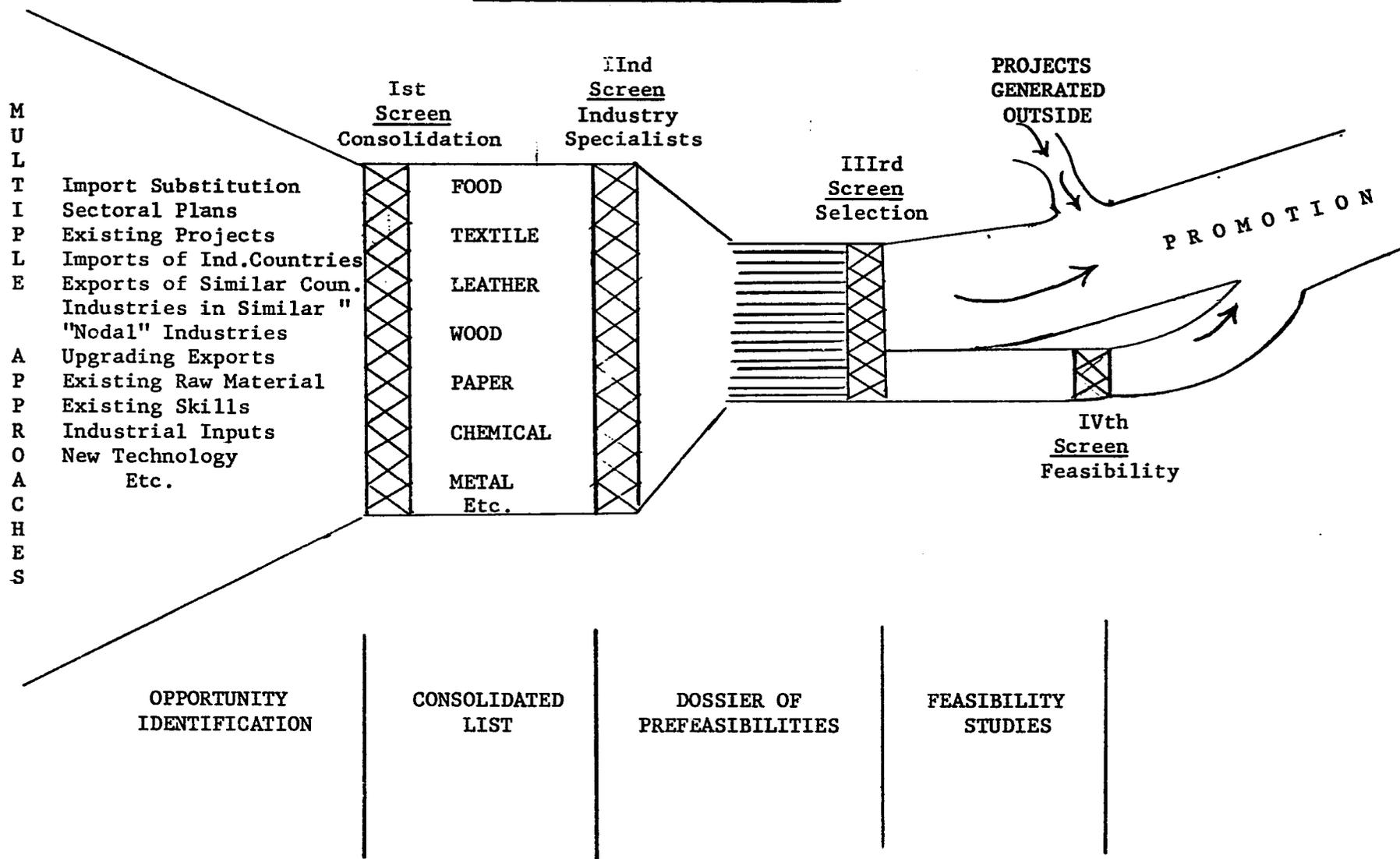
a. Import substitution. Listing of all imports above, say, half a million dollars in the most recent statistics, over the last five years, with a view to substitution.

b. Traditional exports. Study of exports over, say, half a million dollars to determine whether additional value can be added by better industrial production methods or upgrading.

c. Imports of industrialized countries. The highly industrialized countries import ever-larger proportions of industrial products whose manufacture is no longer economical for them. These products tend to be characterized by: a) high labor intensity; b) low transport costs; and c) low tariff barriers in the importing country.

TABLE II

PROCESS OF PROJECT GENERATION



d. Exports of countries with similar economic conditions. The study of exports of other countries in a similar stage of industrial development as the Dominican Republic, might reveal many manufactured products which are sold to the highly industrialized countries. This would provide clues on the types of product that the Dominican Republic might also manufacture and export.

e. Raw materials and natural resources. Study of the principal national raw materials of agricultural, mineral or industrial origin as well as the present and/or potential electric power surplus, in order to determine possible industries based on the above.

f. Intermediate products. Study the physical inputs of existing industries especially those that are imported. A study of the import statistics might not reveal such products if the import classifications are not sufficiently detailed.

g. Analysis of existing industries. The principal sub-branches should be reviewed and the feasible expansion of the demand for their products should be established, taking into account idle capacity and the present technological level. In this way, possibilities of expansion, modernization, and diversification can be identified.

h. Nodal industries. These are certain kinds of service industries without which other manufacturing industries cannot develop; but which, on the other hand, are rarely established until the demand from these manufacturing industries has become evident. It is frequently necessary for an official organization to promote the setting up of such service industries in order to accelerate the expansion of the respective manufacturing industries. For example, in order to allow a smooth expansion of the metal-mechanical industries, there is a need for such nodal industries as electro-plating, forging, centrifugal casting, die-casting, tool and die making, etc.

i. Sectoral and sub-sectoral programs. A study of specific development programs for public welfare, power, agriculture, transport, education, etc., should be examined to reveal future demand of manufactured products. So, for example, plans for the expansion of the water system in the capital might point to a considerable demand for cast iron pipe and a school building program might indicate a demand for desks. Preferably, only those programs for which financing is available should be considered.

j. Family budgets. On the basis of the probable growth of family income, it is possible to estimate the probable consumption of manufactured goods within the next five to ten years and indications might be obtained on the future consumption of new products not presently consumed.

k. Available skills. Certain traditional manual or organizational skills can sometimes be used for certain industrial activities which require similar skills. E.g., a traditional skill in embroidery might be applied in the assembly of small electronic parts.

1. Industrialization pattern of similar countries. This is a particularly useful approach. Industries that have shown to be successful in countries with similar economic conditions have also a probability of success in the Dominican Republic. An additional advantage of this approach is that the industries which are successful in such countries have adapted modern technology to the conditions prevailing in developing areas. If this adapted technology could be transferred, relatively little additional adaptation would be required. The difficulty of the method lies in the fact that it is most effective when field work is carried out in the particular countries; working on the basis of statistics alone is not likely to be productive.

m. Existing projects. In every country, there are large number of reports, credit applications, feasibility studies, etc. for projects which were never carried into practice. It is important to centralize and classify this information, to find out why the projects or ideas have not been implemented, and to determine which are feasible at the present time.

n. New technologies. Every year brings a crop of new technological innovations some of which are applicable in developing countries. The new technologies, relating to the processing of national raw materials, should be continually reviewed. There are also new technologies which make it possible to substitute certain types of imports; so, for example, many countries are now substituting jute imports by locally extruded polypropylene fiber.

o. Interviews with representatives of foreign industry. The agents of large foreign industries frequently have ideas on new industrial possibilities in the country. They should be asked what new industries, or what kind of improvements, could be based on the equipment or products which they are selling.

p. Industrial classifications. The analysis of different industrial classifications such as the U.N. International Classification of Economic Activities; the Standard Industrial Classification Manual, Bureau of the Budget, Washington, U.S.A.; the Commodity Index, etc., may serve as a check list to make sure that no possible industrial opportunity has been omitted.

It should be emphasized that each of these approaches should result in a preliminary list of industrial opportunities. This means that it is not sufficient, for example, to describe a sectoral development program; it is necessary to extract from it the possible industrial activities which might become viable when the plans are carried into effect.

The end product of opportunity identification, through multiple approaches, will be a large number of lists. These must now pass through a first screening which is designed to:

- i. Classify the opportunities by industrial branches such as food, textile, leather, wood, chemicals, etc.

ii. Eliminate duplications.

iii. Group together those products which would normally be manufactured in one and the same plant.

The consolidated list, classified by industry branches, must now be submitted to a second screening in which the potentially feasible projects are separated from those which are not. The quickest and most reliable method for doing this consists in calling upon specialists with thorough-going experience of a particular industry branch. It will be the industry specialist's task to select those industries which, on the basis of his experience, and of his knowledge of the country (the latter supplied by counterparts if the specialist is a foreigner), appear to be most attractive. For each of those selected projects, the industry specialist must prepare a prefeasibility study.

A prefeasibility study is a document of five to ten pages which describes the reasons for the selection of the project, the market conditions, the recommended process, the estimated investment, the probable number of employed people, the suggested capacity of the plant, and the key factors relating to technological, location, distribution, or other aspects which must be considered. The prefeasibility study should also indicate the steps which need to be taken in order to implement the project.

Having passed the second screening, we now have a dossier of prefeasibility studies. In all probability, most of these will be appropriate for promotion. Some others, however, may require further more detailed study leading, in fact, to a full feasibility study. The division between projects ready for promotion and those requiring further study, constitutes the third screening.

Eventually, the projects for which full feasibility studies have been made, will join the stream of promotable projects. This stream is also fed from the outside by projects generated mostly in the private sector which are brought to the promoting organization because they require help in the form of financing, technical advice, foreign partners, etc.

## 2. Opportunity Study

The process and the elements of project generation were explained to the staff of CFI's Promotion Division both in formal meetings and in numerous discussions. For reasons elsewhere explained, but chiefly due to lack of funds and personnel, CFI was not able to initiate the full process during the period of our contract. In order not to delay unduly the creation of a new project reservoir, it was decided jointly between CFI and USAID, that ADL should undertake a separately financed study which would represent a limited approach to the "opportunity identification" and "consolidated list" stages of the project generation process (see Table II), including some specialist screening.

The opportunity report<sup>5/</sup> identified 28 possibilities for new industries (see Table III). Throughout the project, ADL specialists worked together with CFI counterparts and the final selection was made only after each opportunity was discussed at length with the Promotion Division.

It was also decided to proceed with training of CFI personnel in feasibility study work, by selecting one opportunity which appeared to have good prospects of being implemented, and carrying it to the point where it was promotable. In fact, as will be shown below, this study was carried even one step further: interested local and foreign investors were identified and the study was tailored to their needs.

### 3. Feasibility Study

The manufacture of machetes was selected for the feasibility study as showing high probabilities of being "promotable" and requiring most of the usual investigations, calculations, and judgments of a "typical" feasibility study. We also agreed, on principle, that there is no standard degree of length or detail for a feasibility study, but that a good study should contain only that amount of elaboration needed to attract investment. At the time of writing, the present study appears to have done just that.

As this was a training program, it was considered essential that the entire work be done by CFI personnel, with an ADL specialist acting only as advisor, instructor, and coordinator. In the course of the project, it appeared that one of the foreign manufacturers who were approached for quotations of plant and machinery, showed interest in establishing an operation in the Dominican Republic on a joint venture basis. This firm was also considered the most suitable due to its extensive experience in other Latin American countries, and its substantial share of the Dominican market. At the same time, interested Dominican investors were found among the principal machete distributors. As the ultimate purpose of a feasibility study is to attract investment and initiate manufacture, it was decided to tailor the study so as to take account of the interest of this group of investors; considering, at the same time, the interest of CFI as the promotion and partially financing organization. In this way, the study went beyond the feasibility stage and became a promotional prospectus.

The report on the manufacture of machetes in the Dominican Republic which appears in Appendix C was prepared by CFI's Promotion Division.

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<sup>5/</sup> See report "Examen de Oportunidades Industriales", December 20, 1968, Arthur D. Little, Inc.

TABLE III

SELECTED INDUSTRIAL OPPORTUNITIES FOR THE DOMINICAN REPUBLIC

<u>INDUSTRY</u>	<u>PREFEASIBILITY STUDY RECOMMENDED</u>	<u>PROJECTS FOR RESEARCH AND DIRECT PROMOTION BY CFI</u>	<u>PROJECTS FOR INDUSTRY OR GOVERNMENT ACTION</u>
FOOD	<ol style="list-style-type: none"> <li>1. Rice Bran Oil</li> <li>2. Salted Shark Filets</li> <li>3. Salt Refinery</li> <li>4. Multipurpose Food Processing Plant</li> <li>5. Bulk Export of Pickles</li> </ol>		
TEXTILES & APPAREL	<ol style="list-style-type: none"> <li>6. Integrated Weaving Mill</li> <li>7. Apparel Twin-Plants Foundation garments, Women's dresses &amp; sports- wear, Men's shirts &amp; sports- wear, Children's wear</li> <li>8. Spinning Mill</li> <li>9. Texturizing Plant</li> </ol>	<ol style="list-style-type: none"> <li>1. Sewing thread</li> <li>2. Narrow woven fabrics</li> <li>3. Woven labels</li> <li>4. Medical textiles</li> </ol>	
PROCESS INDUSTRIES		<ol style="list-style-type: none"> <li>5. Rubber tire market study of quantities by size</li> <li>6. Charcoal from bagasse process</li> <li>7. Bagasse pulp market study</li> <li>8. Bagasse board from present stalled project</li> <li>9. Plastic dolls and toys - twin plant promotion</li> <li>10. Citric acid-contact world producers</li> </ol>	<ol style="list-style-type: none"> <li>1. Specialty chemical compounding: Adhesives, Paper sizes, Textile sizes, PVC resin, Water base paints</li> <li>2. Detergent alkylate when market sufficient</li> <li>3. Glycerine from existing soap manufacture</li> <li>4. Fertilizers when market doubles or triples</li> </ol>
PHARMACEUTICALS & COSMETICS			<ol style="list-style-type: none"> <li>5. Raise tariff on carefully selected finished products at the same time reducing tariff on bulk raw materials &amp; machinery &amp; equipment</li> <li>6. Improve government quality control inspection</li> </ol>
LEATHER	<ol style="list-style-type: none"> <li>10. Export shoes and/or shoe components</li> </ol>		<ol style="list-style-type: none"> <li>7. Establish a high grading system</li> <li>8. Reduce tariffs on tanning chemicals or declare present factories in Free Zones so exports of hides may be possible</li> <li>9. Develop leather items for tourists</li> </ol>
CONSTRUCTION MATERIALS		<ol style="list-style-type: none"> <li>11. Marble for export; assemble information, contact market and producers</li> <li>12. Gypsum for export; assemble information, contact market and producers</li> <li>13. Pharmaceutical vials &amp; ampoules; evaluate market &amp; contact producers</li> </ol>	<ol style="list-style-type: none"> <li>10. Pressed &amp; blown glassware when present plant expands</li> <li>11. Polystyrene insulation board when air conditioning market warrants</li> </ol>
METAL FABRICATION	<ol style="list-style-type: none"> <li>11. Machetes/cutlery/ hand tools</li> <li>12. Steel windows &amp; doors</li> <li>13. Electric fans</li> <li>14. Lighting fixtures</li> <li>15. Pumps</li> <li>16. Welding rods</li> <li>17. Aluminum sheet rolling</li> <li>18. Bicycles/motorbikes</li> <li>19. Fishing rod hardware</li> <li>20. Portable electric tools</li> <li>21. Small electric appliances</li> <li>22. Small electric motors</li> <li>23. Water and gas meters</li> <li>24. LB gas bottle valves</li> </ol>	<ol style="list-style-type: none"> <li>14. Kerosene stoves - follow present project to be sure it is carried out if feasible</li> </ol>	<ol style="list-style-type: none"> <li>12. Air conditioners as expansion of present refrigerator plant</li> </ol>
ELECTRICAL/ ELECTRONICS	<ol style="list-style-type: none"> <li>25. Domestic Radios</li> <li>26. Wire harness for automobiles</li> <li>27. Manufactured electronic components, ceramic capacitors, toroidal coils, ganged switches, electric relays</li> <li>28. Simple electronic assemblies, circuit breakers, thermostatic elements, electrical contacts, light dimmers, light meters for cameras, ammeters, voltmeters, telephones</li> </ol>		

## Procedure Used

As the machetes project was to be carried out by personnel of the Promotion Division of CFI, special care was taken to explain two important aspects of feasibility work.

### 1. Decisions to be Made by Corporación de Fomento Industrial

In this respect, the different financing alternatives were discussed in detail as well as price policy to be followed, taking into account the price basis of import substitution and the repercussions which any increase would have among the final users --the farmers-- who represent the weakest economic sector in the country.

The need for tariff protection and import controls was emphasized to assure that local production survive without being subject to "dumping" pressures of other manufacturers now in the market.

The basis for the selection of the foreign manufacturer was also discussed, considering local market and brand preferences. The possibility of producing hand tools, as an additional product line, in the Dominican Republic, was also considered. It was pointed out, however, that this was an additional possibility and not the principal objective of the enterprise.

### 2. Data and Format for a Promotional Prospect

In discussing the data that should be included in a promotional prospect, emphasis was placed on the manner of their presentation, the kind of information to be included, and the degree of detail required. A work program was also outlined in which the duration of the study and the deadlines for certain phases of the work were stressed. The objective was to ascertain whether the study was developing as planned, or whether it was behind or in advance of the deadlines.

Bi-weekly progress reports were submitted by CFI staff based on the above scheduling, and a final meeting was held with the ADL specialist to review the degree to which the plan had been complied with, and establish whether the data necessary for an attractive project presentation to an investor was available. The revision of the draft, and the preparation of various chapters was carried out in the Dominican Republic with ADL professionals present who assisted in the presentation of a formal report to the management of CFI.

From a promotional standpoint, this prospectus can be submitted in its present scope. In view of the fact that investors were few and had already been identified, there was no special need to prepare an additional summarized prospect for potential stockholders with less technical knowledge; nevertheless, for training reasons, it was decided that the Promotion Division would produce a 2-3 page simplified prospectus.

During the course of the project, stress was laid on the need for a practical orientation of a feasibility study, and on the fact that the ultimate

object is the realization of the project and not a further addition to the multitude of information which the Corporation already has in its files.

It is our view that the machete study has served its training purpose and will lead to a new investment in the Dominican Republic. At the same time, it should be recognized that CFI staff will need to continue refining its skills in feasibility study work.

#### D. PROMOTION

The main function of promotion is to use the feasibility and pre-feasibility studies produced by Project Generation, as a raw material and to convert them into operating manufacturing plants. Without promotion, Project Generation remains sterile.

##### 1. Approach

In the broadest of terms, promotion falls into two distinct categories: specific promotion, which always refers to particular projects, and general promotion, which pertains to the dissemination of general information on the industrial climate, but also may be used for the promotion of certain kinds of projects.

Specific promotion is the effort directed towards a limited number of investors who have been previously identified as potentially interested in a particular project. Experience in many countries has shown that medium and large-scale projects, especially those requiring a sophisticated technology, cannot be promoted by announcing to the whole world that a certain opportunity exists in the country, and that the respective prefeasibility studies are available. This is an expensive and inefficient manner of promotion. It is more purposeful to determine in advance which national or international investors, due to their previous experience or interests, might be attracted to the project. In the case of polyethylene, for example, it is well known that there are no more than perhaps 10 to 15 firms in the world who have the necessary know-how. It is wasteful to approach a large number of other investors to interest them in such a project.

General promotion consists in disseminating information both within the country and abroad regarding the industrial climate, the encouragements provided by the government, and the types of services which are available to investors, as well as production cost data of interest to potential manufacturers, such as the cost of labor, land, power, buildings, etc.

Certain types of projects, especially those which are small and of which several can be established in the country, lend themselves to general promotion through advertising, radio, television, etc. For example, CFI might determine that the country could use a number of small modern sawmills; or, CFI might wish to announce that, according to its studies, an expansion or modernization of the soap industry is desirable, and special credit facilities can be made available for such purposes.

Superimposed on the fundamental division of promotion into specific and general is another division: into promotion directed towards the foreign investor and that orientated toward the national investor.

## 2. Internal Promotion

Internal promotion includes the promotion of specific projects through direct contact with previously identified potential investors and through liaison with government departments and committees in which leaders of industry participate.

The identification of potentially interested investors who ought to be approached with specific projects is equivalent to a market survey which identifies the potential customers or groups of customers for a particular product. In most cases, it is not difficult, by discussing the project with knowledgeable people in the industry, to draw up a short list of investors to be approached, and frequently, such a list is approved or modified by the board of the development organization, to avoid all suspicion of preferential treatment of any particular person or investor.

General internal promotion is, of course, concerned with the dissemination of the benefits and facilities granted to new projects and of information regarding particular new projects for which CFI has prepared studies and is willing to grant credits.

The principal component of general internal promotion is a systematic industry visit program. This is a medium-term program designed in such a way that every industrial establishment in the country of a size, say, over five workers, is visited by CFI personnel over a period of one to three years. The visits are carried out by small teams, generally of two people, one of whom should be conversant with manufacturing industry and the other with its economic and financial aspects. These teams are specially trained to carry out a "mini-diagnosis" which allows them, on the basis of a relatively short visit to the industrial establishment, to identify its principal strengths and weaknesses. The purpose of the visits is: to offer the services of CFI to the entrepreneurs; to discover any new projects in whose realization CFI might assist; to diagnose the strengths and weaknesses of the enterprise; but chiefly, to establish a permanent dialogue between the industrial entrepreneur and CFI and convey to him the feeling that CFI's doors are always open to him,

An important aspect of general promotion is what has been called "the promotion of promotion." It is not only essential that the other departments of the development organization should know what the promotion department is doing, but also that other official organizations and government entities should be kept informed and sympathetic to the promotional effort. Unless there is a consensus in official circles and, particularly in the different departments concerned with industry, that the promotional effort should be encouraged, it may well happen that the promoting organization finds itself isolated from the main stream of government action and therefore, ineffective.

### 3. External Promotion

The external promotion function is again divided into specific and general. Direct contact with previously identified individual investors is usually started by means of a letter signed by a high official or the Director General of the institution, and then followed up by personal visits if the first response is positive. It is also possible to ask foreign or international financing institutions such as the International Finance Corporation or the large commercial banks in foreign countries, to assist in contacting possibly interested firms. Experience has shown, however, that direct contact with manufacturing firms who are the principal investors in foreign countries is far more effective.

The external promotion function also includes special assistance to the foreign investor who arrives in the Dominican Republic. This "client service" is used to receive the investor at the airport, to arrange for reservations at the hotel, to take him to lunch or dinner whenever appropriate, and generally, to make him feel that the country is especially interested in having his particular firm invest in industry. The "client service" will also facilitate the foreign visitor's contact with other foreign investors in the Dominican Republic with potential partners in a joint venture, with potential suppliers of services and raw materials, etc. The foreign visitor may also wish to see some possible locations for his industry, be introduced to government departments who will deal with his registrations, etc., etc. At the same time, personal relationships between promotion staff and individual investors must always remain sufficiently formal so that the professional integrity of the personnel and the independence of the institution are always maintained. Too close and familiar personal relations might result in conflict of interest.

General promotion abroad consists chiefly of prudent dissemination of material regarding the industrial climate and any spectacular successes that foreign firms have achieved in the country. In time, it may be necessary to contract the services of a public relations firm.

A useful instrument of general promotion abroad is the organization of seminars or luncheons of selected business leaders who are addressed either by officials of CFI or by reputable consultants who have worked in the Dominican Republic or, better still, by successful foreign entrepreneurs, on subjects of interest to the group.

Information is an important function of an industrial promotion activity; it consists in collecting data and disseminating them in an organized fashion.

Data collection includes the gathering of statistics, the organization of a library on industrial subjects (including card files of literature available in the general library and other libraries such as that of AID, the Central Bank, etc.). Data collection also includes the preparation and updating in regular periods of an attractive "Industrial Facts Brochure" with particular emphasis on data of interest to potential foreign investors.

The dissemination of information involves the channeling through appropriate media such as mail, press, radio, TV, and so forth, of the information on the industrial climate and of information on general promotion projects as supplied by the promotion section.

Another important aspect of dissemination is the "internal client service" i.e., the personal service to the national investor who approaches CFI in search of information. Whenever available, this information should be promptly supplied. In cases where CFI does not dispose of the necessary information, the client should be re-directed reliably (that is to say, having made sure that the information is available elsewhere) to other institutions or organizations such as the Ministry of Industry, the Central Bank, USAID, or private consultants.

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As in the case of Project Generation, the financial situation of CFI prevented it from launching a full-scale promotion program. ADL and CFI, therefore, had to devise selected promotion measures, both viable and effective, under the circumstances. The principal actions decided upon were:

- ° The day-to-day activities of our resident representative, already described;
- ° Closer and formal relations with Puerto Rico based on further exploration of the twin-plant concept;
- ° A minimum program, budget, and record-keeping system for the promotion function.

#### 4. Relations with Puerto Rico

As Puerto Rico is both the most immediate export market for the Dominican Republic, and the location of most twin-plant candidates<sup>6/</sup>, our earliest efforts for CFI were directed towards Puerto Rico. Particular attention was paid to possible cooperation with Puerto Rican authorities to obtain their agreement and help in twin-plant promotion. We began by acquainting the Dominican members of the Comisión Conjunta Dominico-Puerto Riqueña with the opportunities which presented themselves and the need for a policy agreement at the level of this Commission. Support having been obtained from the Dominican members, a visit in Puerto Rico was paid to the Director of the office of Economic Research of the Economic Development Administration (EDA). As a result of these discussions and later contact

<sup>6/</sup> See report "Export Opportunities in Light Industries", June 26, 1968, Arthur D. Little, Inc.

with the head of EDA, the Puerto Ricans offered free office space and secretarial assistance in EDA for a CFI representative. Later, a similar offer was made by CFI to allow a representative of EDA to reside in Santo Domingo. This arrangement opened the door to much closer cooperation, but to our knowledge, it has not yet been implemented.

Nevertheless, the EDA officials contacted by us at the same time, indicated that EDA had studied the advantages of twin-plants, and come to the conclusion that this was indeed a way in which Puerto Rico could keep at least part of the manufacturing operations of some weight-sensitive industries which might otherwise be lost to the Far East. As a result of this preoccupation and interest, the two Fomentos (i.e. EDA and CFI) arrived at the agreement for mutual cooperation mentioned earlier in this report (see Chapter VII, Continual Counseling).

Since that time, an average of two to three Puerto Rican company representatives per month have been visiting the Dominican Republic to investigate the desirability of setting up plants here. Unfortunately, some of these plants, in accordance with the Industrial Incentive Law, would have to be located in free zones (zonas francas) to obtain the necessary export benefits. Yet, no free zones were established at the time. (At the time of writing, the free zone at La Romana is being organized.) This restriction created by the Industrial Incentive Law, prevented the establishment of several important enterprises.

Other interested investors required suitable buildings for their operations and needed all kinds of information about laws, regulations, and operating costs in the Dominican Republic. CFI's one-man promotion section was hard pressed to take care of all these clients. We therefore recommended an addition to the staff of two Industry Promotion Officers (IPOs).

##### 5. A Minimum Program for the Promotion Section

Together with the chief of the Promotion Section, we reviewed the Section's functions, both in their present scope, and looking into the immediate future. The results of this analysis are briefly presented below:

Unsolicited Leads. Currently, the Promotion Section receives five to six unsolicited letters a month from outside the Dominican Republic and the same number of visits from foreigners. In addition, the Section handles 10 visits from Dominican citizens a month. With only slightly expanded promotion efforts, and judging by conditions in similar countries, we assume that this may increase by the end of 1969 to about 50 letters a month from foreigners, 15 foreign visitors a month, and 15 local visitors per month.

a. Letters

We expect that some 30 letters can be answered routinely each month by a standard letter to be typed individually to each correspondent, and enclosing a general brochure which is in preparation. This should take a secretary about five hours a month, but should be done under the Section chief's supervision and he should sign the letters personally. An additional 20 letters are expected to require individual treatment each month in the form of about two hours of research to answer special questions, and one hour each of the Section chief's time to compose an appropriate answer. Thus, the total demand on the Promotion Section to answer such letters would be about five days of research staff time and three days of the Section chief's time.

b. Foreign Visitors

The typical foreign visitor stays about three days in the Dominican Republic and has a two-hour conversation with CFI on the first day, followed by one-hour conversations on each of the following two days thus requiring a total of four hours of contact time per visitor. In addition, he should be taken by an Industrial Promotion Officer to visit the Industrial Park or other potential plant sites, thus requiring another half day of IPO time. Usually, visitors do not insist on being met at the airport, although it may later be desirable to institute a program of meeting them there as this gives an excellent impression of CFI's interest in potential investors. However, we have budgeted only the time suggested above which requires 13 days of IPO time each month, and about three days of the Section chief's time.

c. Local Inquiries

The average visit of the Dominican investor has been about one-half hour and, if he is interested, he usually returns for a one and a half hour discussion. Accounting for two hours per visitor, we have budgeted two days of IPO and two days of the Section chief's time for this purpose.

Thus, the total monthly commitment of the Promotion Section to unsolicited inquiries would be about five days of research effort, 15 days of new IPO time, and eight days of the Section chief's time by the end of 1969.

External Promotion. We decided that specialist promotion of highly technical projects such as the texturizing plant should not be undertaken by CFI directly at this time. It is much better for a specialist in the field to undertake promotion under contract to CFI. There are a number of areas in which we believe that external promotion, based on a program of visits to Puerto Rico and New York, will be desirable, particularly in garments and electronics. We suggest that an average of five days per month be spent in Puerto Rico and two days per month in New York, in the form of one-week visits. The objective will be to make direct follow-up of yearly lists of

of pre-selected target companies. Expenses for travel, hotel and meals, and limited entertainment are \$3,000 dollars for the Puerto Rico program, and \$2,000 dollars for the New York program. The seven days per month should be divided between the Section chief and an IPO. Thus, the total divisional commitment to target companies would be about four days of the Section chief's time per month and three days of IPO time.

Other Time Commitments. In addition to the above, we budgeted four days of the Section chief's time per month for the administration of the promotion contact program including planning, maintenance of good case files on each project (as described below), and general administrative activities. One day per week spent in this way will more than pay for itself in the form of promoted plants.

An additional four days per month of the Section chief's time is required for internal government liaison purposes related to promotion of new industry. This includes attendance at meetings on tourism, coordination meetings with other CFI staff, meetings with consultants, coordination with promotional efforts of the Central Bank, liaison with the Manufacturers Association, the Chamber of Commerce and others.

Conclusions. The above minimum program would take up all the time of the chief of the Promotion Section and of one Industry Promotion Officer. We nevertheless recommend the employment of two IPOs who would be trained together. If it should be found that there is only sufficient work for one of them, a well-trained IPO can always be effectively used in some of the other sections of the Promotion Division. The IPOs should be eager, intelligent, and have a good command of English. The nature of their academic background is less important than their ability to communicate with the visiting entrepreneur, to give him the general information he requires, and to take him to people or institutions who can solve his problems.

The Promotion Section will require an increased budget to cover the cost of the two IPOs. In addition, an expense budget is required of a yearly \$1,000 dollars for promotion in the Dominican Republic, and \$5,000 dollars in New York and Puerto Rico.

Record-Keeping. The most useful record-keeping system for the Promotion Section will be a Project Case File. This file enables rapid follow-up of a lead through maintenance of pertinent information involving a company's interest in readily accessible form. In addition, the Project Case File can be a valuable source of information about an industry, and a way of saving time and cost in following up on new prospects in the same industry. (E.g., the interest of one apparel manufacturer is quite similar to that of another apparel manufacturer, and keeping a file on the first will help with the second.) There is little point, however, in unnecessarily keeping special files on everyone who happens to contact CFI. The following are some of the rules which are suggested:

- a. Routine letters of inquiry and a copy of the response letter should be stapled together and filed alphabetically by company; or, in the case of individuals, by last name.
- b. Foreign visitors - Letters announcing an intended visit, or visitors who appear unannounced, should be made the subject of a more detailed record. This record starts with the preparation of a manila folder with the company name and the letter in response (or memorandum on the visit) as the first papers in the file. It should be the responsibility of the secretary concerned to obtain basic information on the company from a source such as the Dun & Bradstreet Million Dollar Directory, and to photocopy the information and routinely place it in the file.
- c. Target companies in Puerto Rico and New York which it is planned to see in connection with special visit programs should be subjected to the same treatment as b., above.
- d. A system of logging follow-up commitments should be established by the secretary. This can consist of separate 3 x 5 cards on which the company name is written and the nature of the follow-up. These cards can be then filed in a monthly log to be reviewed on the first day of every month. A copy of this 3 x 5 card should be placed in the file at the same time it is put into the log.
- e. There should be no more than one folder on each company and this should be guarded closely and let out only to authorized individuals (and then only after signing for the file). Having a single file has the advantage that no one connected with the project can be uninformed about all written details of the case as might happen if separate files were kept.
- f. All filing should be completed by the close of each business day.
- g. As soon as possible, all data covering visits in 1967 and 1968 by interested prospects should be placed in such a file system and a follow-up program initiated. Also, existing copies of letters of interest should be reviewed and should be filed alphabetically together with the responses stapled to them. Whenever appropriate, follow-up procedures should be started.

At times, it may be worthwhile to establish a folder, when it is noted that two or three letters from a company have been received, even though there has been no visit yet. Such a company could be made the subject of a program visit if convenient.

- h. Once the new system is installed and operating, a system of classification of prospects by industry should be instituted and kept up-to-date. It is suggested that the Four Digit Standard Industrial Classification System of the U. S. Bureau of the Budget be adopted for this purpose. The classification number should be assigned, based on the company's projected plant in the Dominican Republic (rather than on the products the company happens to be making elsewhere). Besides the Standard Industrial Classification file, a geographical file should be maintained to be used in connection with programmed visits. (If five companies in St. Louis, Missouri, have expressed interest in the Dominican Republic in a three or four months' period, it may justify a visit to that city to explore, in a few days, what the interest is all about.)
- i. An annual review should be made of the companies by classification number and by geographical location. Such a review will be useful in planning and budgeting next year's program.

At the time of writing this report, one of the two recommended Industrial Promotion Officers has been hired, and a beginning has been made in the establishment of the record-keeping system. It is, nevertheless, of great importance that the relatively small funds and the necessary personnel be made available to the Promotion Section to fulfill the minimum program outlined above. It is to be expected that, in the near future, the number of projects generated by the Division, will be greater than the unsolicited leads which now constitute the larger part of the promotional raw material. When that happens, the Section will be unable to deal with the task before it, unless people are trained and the organization is properly established.

#### 6. The Industry Visit Program

An important aspect of internal promotion is a systematic program of visits to existing industrial plants. Such a program was included in our scope of work; we planned to initiate it with an intensive one-month seminar combining courses on "mini-diagnosis" with actual plant visits. It was intended to train at least three 2-men visiting teams, each consisting of one man trained in evaluation of manufacturing operations, and the other in accounting and financial aspects.

The budgetary situation of CFI made it impossible to carry out this plan. It was therefore decided, jointly with CFI and AID, for ADL to devote equivalent efforts to the expansion of the "Development Climate" program.

PART THREE: CREATING THE CLIMATE FOR DEVELOPMENT

## VIII. THE PROCESS OF INSTITUTION BUILDING

Previously, in Chapter IV and especially in Chapter VI of the report, we stated how many Dominicans in CFI and the private sector, many of those in the AID Mission, and we in the ADL staff, came to see the need for a new approach to economic development in the Dominican Republic. The "whys" of this effort are obvious. The simple and inescapable fact is that economic development in the Dominican Republic requires that people change their attitudes and behavior in significant ways --that they seek new goals, with new priorities and new means-- and that they establish new working relationships with people they previously have ignored, disliked or distrusted.

More bluntly, a consequential change in the pace and direction of national economic activities can occur only when the other parts of the social system that shape behavior permit these changes to occur: in this process, there is a hard core of necessary voluntarism.

Even where brute power is concentrated --as, for example, in the Soviet Union-- the leadership comes sooner or later to acknowledge the limit of organized coercion; ultimately, it seeks to find and mobilize the volunteered energies of the people in the processes of economic development. The fact is that the cultural patterns of beliefs, values, and attitudes which discipline people's behavior in their various roles (in the interlinked institutions of the family, the economy, the legal system, the church, government, etc.), are deeply ingrained, resist change, and serve therefore as stabilizing and conserving forces: these do not change by fiat or coercion. There is, apparently, a "natural law" of change in human society that makes voluntarism a necessary element to be ignored at the price of failure, or overcome at frightful human cost.

Our joint experiment --with an initial and small number of Dominicans in and out of CFI and with the AID Mission-- was an effort to launch a process of voluntary change with the following assumptions and characteristics:

### A. ASSUMPTIONS ABOUT THE EXPERIMENT

a. Despite differences of immediate interests among groups in the DR, there is a shared commitment to the need for rapidly increasing national wealth, and for distributing this wealth much more equitably among all the people.

b. Actions to implement this basic consensus require basic social change.

c. Although there is consensus that basic social change is required, there is no consensus as to what the changes should be, how they can be defined, by whom, and how they might be implemented.

d. From past Dominican experience, there is another consensus in the fear of concentrated power, especially --and paradoxically-- among those "influ-yentes" who now have more power than others in Dominican society.

e. Therefore, from the Dominican's viewpoint, it is critical to establish a process of basic social change that is essentially voluntaristic. Thus, the key task is to find ways of building consensus as to what the changes should be, who takes on what tasks, and how these should be accomplished.

f. From our point of view as a consultative resource:

1. The primary mission is to assist Dominicans to discover for themselves the changes they believe to be necessary, the priorities to be established, and the means to implement them.
2. People do not alter their basic beliefs and behaviors unless the present situation is unacceptable as the model for tomorrow, and/or there is a credible vision of an alternative that is significantly better than today's, and the first, concrete, practical steps toward this alternative are defined. Then, the presumed risks and threats of change --personal, financial, social, etc.-- are reduced sufficiently to permit the exploration of and experimentation with new beliefs and behaviors.
3. In light of a. and b. above, and with specific reference to the changes involved in economic development, our job is to enlist the Dominicans into a joint effort to: a) evaluate with them their present situation; personal, financial, and social; b) explore desirable alternatives; and c) to test the credibility of commitment to these alternatives by defining the specific implementing steps required to realize them. By directly involving the Dominicans into the research process, opportunity is provided for them to test their own needs for and commitments to change. Nobody else can do this for them.
4. The previous assumption about the need for a joint or collaborative effort, rests on more than what we know about learning and change. It rests also on the fact that the Dominicans collectively know more about themselves than any questions and by testing theories. Thus, it makes sense to enlist all the Dominicans we work with as co-researchers in a study of the forces that now shape, and in the future could shape, and should shape, economic development in the Dominican Republic.

5. For the Dominicans, knowledge and insight to be made available to each other and to us as collaborators required time for the people to come to know and trust one another. Then we could move beyond the speech-making and role-playing that characterize most encounters certainly between strangers, also between acquaintances, and even friends. The risks and difficulties of change in a person's approach to economic development are not the usual materials of conversation. It is less threatening to talk about the abstractions of economic development than about the very personal risks, uncertainties, and fears involved in basic economic change: about my competence to meet new challenges or, about whom I trust or do not trust as partners in new ventures. However, these attitudes and feelings affect powerfully and directly the capacity of a people to radically alter the pace and direction of economic development. Because we were seeking to build new partnerships in economic development, we assumed the need for situations and experiences through which all participants could come to know each other with appreciable depth and range.
6. With such joint participation, research becomes a form of action for change. As the Dominicans evaluate with each other their own beliefs and behaviors, critically examine their appropriateness and explore creatively the alternatives that might better serve their interests, they are themselves in a process of change that they, themselves, are directing. Thus, the gap between research about change and implementation of change is bridged: joint evaluation of the current situation leads to changes in how the participants perceive it: the joint exploration of credible alternatives leads to commitment by the participants to some of these alternatives --the joint definition of specific implementing steps toward these alternatives, leads the participants themselves to initiate the appropriate actions.
7. Initially, operational leadership in the organizing of the action/research process described rests with the consultative resource. It brings to the scene a concept of the process and the skills to launch it. But, the very nature of the process calls for the client --Dominicans-- to join it, to test its relevance for themselves, and to learn how to conduct it. This means that a critical test of how well this process is working is whether operational leadership shifts from the consultants to the Dominicans. In this sense, the outside leadership must be provisional.

8. The previous statement follows from the entire discussion as developed so far. It rests also on an assumption too infrequently made by both the people in "less developed" countries and in the people from more developed countries who seek to help: that there are rich native resources of leadership, energy, and problem-solving which have been stifled.

To say this is not to deny the significance of tested professional competence and know-how --resources that are frequently lacking in the less-developed nations. Too often, however, both natives and their foreign helpers have acted in ways to structure a prolonged dependence on the professional competence and know-how of outsiders: the result is a prolonged postponement in the development of responsible and effective native leadership.

9. We assumed the presence, specifically, of an applied social science competence in the Dominican Republic, and the need to enlist this competence in our work. In forming a team composed of ADL staff members and Dominican professionals, and by sharing totally in the planning and conduct of the work, we assumed that a better job would be done, and that both would learn from the experience.
10. We began our work with those Dominicans conventionally viewed as the "influentials" but with a clear idea that this conventional view of who could and should be influential in the development process, would change. We assumed that as the participants examined their own beliefs and behaviors in terms of their own personal group and national interests, they would come to new conceptions about whose participation was needed, in what new ways, to bring about needed change. Thus, our idea about whom we would work with was open-ended, requiring a progressive clarification from our work with the Dominicans.
11. We assumed the centrality --in our work-- of establishing an action/research process that would lead to specific developmental "products." We could not and did not know what these products would be: a task force to build an agro-business complex, or a tourist industry, or a network of vocational schools, or a joint enterprise with Fomento, or a citizens group to develop an educational policy, or a project to build a new city with industry, commerce, education, housing, and transportation. What we did know --or believed-- was that out of a process of study and dialogue about economic development involving Dominicans who do not usually talk and listen

to each other or work together, they would find for themselves projects of personal relevance and the partners needed to implement them.

12. We assumed, also, that our role as consultants involved more than bringing increasing numbers and diversity of Dominicans into the action/research work. It called for us to use actively our previous experience and expertise by injecting our own knowledge, beliefs and biases explicitly into the discussions, and by feeding back to the Dominicans our own ideas about the current situation, and about credible and feasible alternatives. Thus, we assumed the need for our active involvement in the process of discovering as well as resolving the issues. Our job was to deepen and enrich --with facts, interpretations, and examples-- discussions of social change, agri-business education, tourism, etc.-- to challenge the views of others and to meet their challenges of ours. Briefly, we assumed that we ourselves would be participants in the action/research process, no more protected from being wrong, or irrelevant, or uninformed than any other participant.
13. We assumed that one of the initial objectives of the action/research process, variously described in the preceding comments, was to build an institutional base, or market, for the services of Fomento as a new Dominican agency for industrial development; also, that the process of so doing would involve, necessarily, a broader and more inclusive sense of resources needed for development and of the mechanisms required to mobilize them. Thus, our idea about the objectives of the work, like our idea concerning the Dominicans who should participate in it, was open-ended, requiring a progressive clarification as the work proceeded.
14. Finally, we assumed that the experiment we proposed was, indeed, an experiment for aid, entailing various risks as well as opportunities, and warranting, therefore, a close association among the AID Mission, CFI, the ADL staff and the Dominican participants.

## B. CHARACTERISTICS OF EXPERIMENT TO DATE

### 1. Individual Interviews

a. Individual interviews were conducted with the particular Dominicans interested in launching the project with Fomento. These were all "influyentes" of the private sector, well connected to government, and self-selected as initial participants.

b. These were 2-3 hour interviews conducted usually by two staff members, always including at least one of the two Dominican members of the consulting staff.

c. The interviews were not "encuestas" in the sense of structured "I ask and you answer" interviews, but rather free-wheeling discussions --sometimes arguments-- organized around a few basic questions - subjects like: (1) What is your personal interest in economic development? (2) Why should the nation undertake the complicated and risky task of economic development? (3) What are the major problems and opportunities confronting the nation today? (4) What development projects are you now pursuing? How are they going? What and who could accelerate or decelerate what you are trying to do? (5) Whose cooperation or opposition might you expect in trying to do more than you are now doing? (6) What is the relation, if any, between your personal or group interests - and the national interest? (7) If there is a development activity you see as required, who in the "X" is a likely supporter, a likely opponent, an important but unpredictable factor? (8) What are you doing about what you feel, think, and say about economic development? In addition and in light of the discussion, each man was asked to name 10 other "influyentes" who should become participants.

d. The interviews were intended to generate not only data for interviewers and the respondent, but also new thoughts in both. The "system" of each was, indeed, to be perturbed so that both could learn --and change-- out of new information and interpretation. Also, the intent was to build some mutual respect and trust so that the continuing involvement of both staff and participants, in subsequent meetings, could be more effective. Thus, all the interviews had to be conducted by the same staff members to be involved in subsequent meetings with the Dominican participants.

## 2. The Feedback Sessions (See Appendix D.)

a. Each interviewee was told that as soon as about 6-8 interviews were completed, summarized, and provisionally analyzed, a meeting of all 6-8 plus staff would be arranged. The ADL staff would present its summary and analysis, the latter representing our sense of problems, issues, and opportunities as derived from the specific interviews and, therefore, as a kind of animated mirror commenting on, as well as reflecting the image of the participating Dominicans.

b. The nature of these feedback sessions (of from 3-6 hours each) was such that much of the information, many of the opinions, some of the beliefs and attitudes, and a few of the behaviors of the Dominicans were altered. In this sense, our own findings, at any one point in time, were being invalidated as descriptions of Dominican beliefs, attitudes and, even behaviors. For example, there were two participants who "knew" each other as public figures, but not really well. One thought of the other as an "almost communist" and the other thought of the one as an "almost fascist." With the mutual knowledge emerging after two hours of candid discussion in a feed-back session, these stereotypes

were revealed and discarded as both superficial and false. More important, within two weeks after the meeting, one took an important public action to support explicitly a program led by the other. Also, in the course of the feedback sessions, there have been explicit changes, not only in individual views concerning the goals and priorities of economic development, but these changes of opinion have been communicated to others not participating, so far, in the program. A major characteristic of this action/research process is a snowballing of its effects.

c. The ADL staff's job was to set the scene and the ground rules; these called for candor in the confrontation and resolution of differences. What changes in thought and behavior have occurred so far, are the products of dialogue among people who spent enough time together, with sufficient candid questioning and comment, to penetrate beyond the normal amenities of discussion.

d. In the initial months, intense and sustained efforts of our resident staff; the Dominican social scientists, and the resident ADL staff member in charge of the work, were required to keep the process moving. When, as occurred, the most interested and committed Dominicans became concerned about moving faster, involving more people, and bringing the entire group together for an inclusive "feedback" session, they looked to the ADL staff to do these jobs. We mention this fact not as criticism of the Dominicans: we had been hired to do a job and their demands were completely reasonable in this context.

The important point of this reference is to establish the baseline from which a very different context has come to be defined.

### 3. The Feedback on Feedback Meeting

a. At each individual interview and feedback meeting, the participants were alerted to plans for a subsequent general meeting of at least a full day's duration. Here, the ADL staff would design a format intended to: a) enlarge each participant's personal network of relationship with other "influences"; b) inter-link the feedback groups, each of which had become something of an "in-group" by virtue of sharing a more or less intense experience of working together; c) create new groups around common areas of interest in economic development projects of various kinds.

b. This meeting was delayed for a variety of reasons, including contract negotiations with AID. Although some momentum was lost, one critical momentum was gained --namely, the emergence, from the body of Dominican participants, of a group committed to the project and ready to become its champions. Their priority concern was not a contract, or ADL, but rather the follow-through of a process that had become very important to them.

The members of this group represented almost all of the "feedback" groups that had met during the months of November through May. It was this

group that communicated its views on the project and established its potential relevance in a way far more credible and effective than any contractor's progress reports. The project was continued for a period up to June 30th.

c. The general meeting was held on the first week-end of June at a resort hotel away from the capital, from Saturday afternoon until late at night and from very early Sunday morning until noon. Ten of the 36 people interviewed attended this meeting, but all except one of the feedback groups were represented, and most of those who did not attend had not been able to shift their commitments within the short time notice given for the meeting.

d. By late Saturday, the chairmanship and direction of the meeting had been assumed by the Dominican participants. This shift of central responsibility was associated with some key decisions that emerged from previous discussions:

1. That the process had demonstrated sufficiently, in the relatively short time of its operation, its usefulness as a mechanism exploring and establishing new kinds of consensus among Dominicans and new bases for their cooperation.
2. That the full involvement of all 36 interviewees was critical to the process because the total group represented a greater diversity of view, interest, and social-economic-political perspective than was true for the group of 10.
3. That the total group of 36 was itself too narrowly and conventionally limited to the "influyentes" in one sector of Dominican society and that participation in this group required extension into other sectors such as the church, the military, the universities, the young, the "marginados", etc. This consensus did not exist prior to the meeting -- it emerged from hours of discussion about the process and its potential consequences for a consensual national effort of economic development.
4. That the 36 participants could make a major contribution to the development by accelerating and widening the process to involve more and more people from different sectors of Dominican society.
5. That the process could and should bring together people representing a range of political views and commitments with the goal of establishing politically non-partisan possibilities for active collaboration in economic development.

6. That there was urgent need to convene a full meeting of all 36 interviewees before the end of the month so that all might be personally involved in an accelerated process of enlarging and diversifying the group.
7. That the Dominican "influyentes" themselves were best equipped --because they were "influyentes"-- to bring the total group of participants to the next meeting.
8. That the ADL staff should serve as the group's consultant in the continuing work.

C. COMMENTS ON THE EXPERIMENT

1. On The Need for Concrete Projects of Economic Development

There was much concern about the priorities appropriate to: (1) work to enlarge and diversify the group in the process of interview, feedbacks, and convocations of the ever-larger total group, and (2) work to form action groups focussed on particular projects.

A consensus emerged around the priority of work to enlarge and diversify the group --at least towards the goal of bringing all the current participants together during the last week-end of June.

There was concern that the representative base of the group be significantly extended prior to taking on specific projects so that each of the projects could more likely and reasonably be perceived as expressing a new consensus and new potentialities for cooperation.

We concur fully with the Dominican's sense of priorities in establishing a "Climate for Economic Development."

2. On the Definition of "Influyentes"

The most striking outcome of progressive discussions among the participants, was the consensus as to the leadership role of the conventionally defined "influyentes" in the economic development of the nation. It was to use their influence --indeed to test whether they were really influential-- by working to bring about a new structure of leadership in a national --not group-- effort of economic development. Put more bluntly, the idea was that the conventionally defined "influyentes" would mobilize their collective influence with the explicit aim of sharing it with others.

D. THE PARTICIPANTS COMMENTS ON THE EXPERIMENT

a. As of April-May 1969 --on their evaluation of the work to date. (Appendix D.)

b. As of June 7-8, 1969 --their minutes of the meeting. (Appendix E.)

## APPENDIX A

### THE CORPORACION DE FOMENTO INDUSTRIAL AND THE FONDO DE INVERSIONES PARA EL DESARROLLO ECONOMICO (FIDE)

#### 1. Participation of Commercial Banking in the FIDE Program

FIDE is the main source of funds for industrial financing in the Dominican Republic, as well as of credit resources for the Corporación de Fomento Industrial. Its functional characteristics, therefore, decisively affect the credit operations of CFI and, likewise, the entire long-term credit system for developing new industrial activities. For this reason, we have considered it expedient to provide a cursory analysis of its operations even though this is beyond the scope of our work as stipulated in our contract.

While having been quite successful in placing its funds, FIDE has been unable to incorporate private banking into its programs in a broad and general sense. Table I shows that 93.8% of the number of outstanding loans issued as of October 31, 1968, representing 88.4% of their total value, were granted by only three banking institutions: Banco Popular Dominicano, Banco de Reservas, and Corporación de Fomento Industrial. Of these, the only private bank is the Banco Popular Dominicano, while the other two are state banks. Only 6.2% of the loans and 11.6% of the total value of the credits using FIDE funds were extended by the other banks listed in Table I. Consequently, we have limited the following comparative analysis to the three main institutions employing FIDE resources.

It may be concluded upon the basis of the visits of our financial expert to the Dominican Republic and of extensive talks with the managers of the main national and foreign banks of the country, that conditions similar to those in other developing countries exist in the Dominican Republic and explain the meager number of loans granted by private commercial banking for terms of longer than one year. These generally familiar conditions include the following causes, among others:

1. The existence of an attractive market for short-term credits which, because of their nature, represent much less risk than long-term loans.
2. The liquid position that must be maintained by commercial banking at all times to better protect the interests of their depositors.
3. The advisability of having a properly diversified loan portfolio and, for that purpose, the need for setting ceilings on the amounts of individual loans issued.

4. The lack of local financing resources from which the commercial banks might conveniently obtain funds on a long-term basis, not subject to the risk of being called in at any moment.
5. The natural disparity between the main motivation of private commercial banking and that of official development banking and the resultant difference in their attitudes vis-à-vis projects which, while possibly being of great benefit for the country, might at the same time represent a greater financial risk than other available alternatives for medium and long-term investment of funds.
6. The problems that the more complex evaluation of the application, necessary for proper issuance of long-term financing, represents for the average commercial bank staff, as well as the frequently existing circumstance, that the volume of such operations, which each bank might reasonably hope to attract, does not justify hiring additional personnel already trained or to be trained in this field. These problems are multiplied when we add to the foregoing the inadequate accounting methods used in most of the companies which make it difficult or impossible to know or properly check the true results of the operations and financial status of the applying firms.
7. The competition, occasionally, of other sources of financing which are more aggressive or more liberal in their promotional and/or loan policies and/or less strict in their requirements for evaluating credits or fixing terms.

Medium or long-term loans within an economic development financing program may be used by a commercial bank as a means of bringing in new customers. This is perfectly legitimate and acceptable as long as the standards and procedures, generally accepted for medium or long-term credit operations, are conformed to. There is a danger, however, that a commercial bank's standards and procedures might be exposed to criticism because of their obvious inconsistency with the caution needed to safeguard its future financial status and particularly, to protect the interest of the depositors. A conflict of this nature could arise out of an overambitious promotional policy or from ignorance on the part of the commercial bank as to the real risks implicit in the granting of medium-term loans, especially when these are not carefully evaluated or contracts not properly drawn up, and/or simply, when they are issued for individual amounts or a total entirely out of proportion with the capital and assets of the commercial lending bank,

## 2. Criteria of Development

Thirty-seven per cent of the outstanding operations with FIDE resources approved as of October 31, 1968 and 19% of their total value have been applied to the financing of so-called "health" and "education" projects.

These are private activities, that is to say, not free services and they must be paid for by the users. "Health" projects comprise mainly doctors', dentists' and oculists' offices, general and specialized clinics, clinical and X-ray laboratories, and blood banks. The "education" projects include private elementary, intermediate, secondary, commercial and language schools and academies.

We find it hard to justify the use by public agencies of administrative funds, whether national or foreign in origin, for financing medical services and educational centers of a private character, the cost of which is prohibitive for the bulk of the population. It is understandable that funds of this type, in countries like the Dominican Republic, would be vastly more effective if applied to other programs for the construction and operation of free or low-cost government health and educational services which would thus be available to the low-income, i.e. the majority of the population. Thereby, in our opinion, the use of such funds would become truly meaningful from the social viewpoint. Furthermore, these projects are extremely difficult to evaluate and involve a high risk if the practitioner is a neophyte and lacking professional background upon which to base a judgment as to his ability to pay in the future. In the second place, if he has been successful, it is reasonable to assume that he could obtain money for setting up an office from the customary sources and not be using FIDE funds. It is obvious that a doctor, dentist, or oculist does not need a substantial investment in land, building, machinery, and working capital, as an industrialist does, in order to function.

In the light of the foregoing, we recommend revision of the policy permitting broad use within FIDE of these funds for financing private medical and educational services.

Since our task in this regard is limited in scope, the above is the main observation that we can make with respect to whether or not proper economic and social development criteria are being employed in the channeling of FIDE funds.

Table II shows the different manner in which the Banco Popular Dominicano and the Banco de Reservas have granted "health" and "education" loans, as compared with Corporación de Fomento Industrial.

This table demonstrates that 42.4% of the credits using FIDE funds granted by the Banco Popular Dominicano and no less than 61.1% of those issued by the Banco de Reservas have gone into the type of projects to which we have referred. These rather high percentages are in marked contrast to only 4.1% of the number of FIDE loans issued through CFI for these purposes.

With regard to the amounts approved, the following percentages for health and educational projects are shown in Table II: Banco Popular Dominicano, 25.6% of total FIDE funds granted as of October 31, 1968; Banco de Reservas, 28.7%; and, CFI, 0.2%.

It should be pointed out that in the case of CFI, the following have been considered "health" projects: a loan of RD\$4,140.00 for a workshop to grind lenses for eyeglasses and one for RD\$1,505.25 for a dental laboratory. It is evident that such projects are not typical industrial operations, but useful service activities which are similar in some aspects to the so-called "health" projects.

### 3. Significance of the Corporación de Fomento Industrial in the Use of FIDE Funds

The share of intermediary institutions in all the outstanding loans issued with FIDE funds up to October 31, 1968, including the "health" and "education" loans, is shown in Table I.

We felt justified in rearranging the data in Table I, based on the following reasoning: a) That, as seems probable, it will be finally accepted that the health and educational projects have relatively little value from the viewpoint of effective contribution to the most desirable economic and social development of the country; and/or b) That --even if the financing of health and education projects is considered advisable-- these projects practically do not enter into the activities of CFI, as may be seen in Table II; hence, their inclusion in a comparative table of institutions affects comparability inasmuch as dissimilar bases are employed. We therefore prepared Table III which includes all outstanding loans with FIDE funds as of October 31, 1968 excluding those connected with "health" and "education" projects.

After the above adjustment, Table III shows striking discrepancies with Table I. In Table I, CFI was in third place in number of loans granted, following the Banco de Reservas and the Banco Popular Dominicano. Furthermore, a striking difference showed up between the 82 loans granted by the Banco de Reservas and the Banco Popular Dominicano out of 131 and the remaining 49 which were issued by CFI; these, according to Table I represent 25.5% of total operations with FIDE funds.

In Table III, however, which does not include the "health" and "education" projects, CFI moves up to first place in number of loans issued with 47 while the Banco Popular Dominicano is in second place with 34, and the Banco de Reservas in third place with 28. The last two taken together amount to 62 loans which are only 15 more than the 47 issued by CFI. These 47 operations constitute 39.5% of the total outstanding loans approved by all the participating institutions, instead of the 25.5% shown in Table I.

The percentage differences between Tables I and III are not as marked in the amounts column as in the number of operations column. In Table III, the Banco Popular Dominicano continues to lead, followed by the Banco de Reservas and CFI. However, in absolute terms, the amounts drop considerably for the Banco Popular Dominicano and the Banco de Reservas to RD\$1,305,700 and RD\$1,019,200, respectively, in round numbers.

Tables IV and V indicate the reason why the variations between numbers and amounts of loans appearing in Tables I and III are not proportional.

According to Table IV, the Banco Popular Dominicano has applied 44.7% of the FIDE funds approved as of October 31, 1968 to the financing of credit operations --excluding "health" and "education"-- above RD\$200,000. As the same table shows, the corresponding figure within this category of loans is 45.2% for the Banco de Reservas and 14.9% for CFI. On the other hand, among the lower categories in this table, that is to say, in loans up to RD\$50,000, the percentages of total FIDE funds per institution have been: Banco Popular Dominicano, 9.3%; Banco de Reservas, 16.2%; and CFI, 34.8%.

Table V shows that 43% of the total value of outstanding loans issued as of October 31, 1968 with FIDE funds --excluding "health" and "education" projects-- represented loans for individual amounts greater than RD\$200,000 which benefited 12 different industrial enterprises, constituting 10% of the total number of companies financed with FIDE funds; the Banco Popular Dominicano and the Banco de Reservas were the institutions that issued the largest number of loans within this category. With regard to loans for individual amounts up to RD\$200,000, a total of 57% of the overall amount of FIDE funds was utilized as of October 31, 1968 to finance 107 operations, or, 90% of all loans issued. In this last category, the largest number of loans was channeled through CFI. The average amount per loan granted by this institution was also lower than that of the Banco Popular Dominicano or the Banco de Reservas.

To sum up, Table III, IV and V demonstrate the importance of CFI in the channeling of loans using FIDE funds to companies which, judging from the total value of credits granted, we assume to have been smaller than those financed with FIDE funds by the rest of the banks in the program. This was to be expected in view of the fact that CFI is an official development agency. This Institution has thus contributed in a praiseworthy manner to "democratizing" the use of FIDE funds.

However, the data in Tables IV and V give rise to concern on two counts which deserve some attention: a) the possibility that CFI may have to cope with higher administrative and credit supervision costs in relation to the lower average value of the loans granted; and b) the possibility that the Banco Popular Dominicano and the Banco de Reservas, with larger individual loans, are taking much greater risks than are justified by their total assets and capitalization.

CUADRO I

Fondo de Inversiones para el Desarrollo Económico (FIDE)

Participación de Instituciones Intermediarias en Préstamos Vigentes Aprobados

hasta el 31 de Octubre de 1

(Importes en miles de pesos dominicanos)

<u>Instituciones Intermediarias</u>	<u>Operaciones Aprobadas</u>		<u>Montos Aprobados</u>	
	<u>Número</u>	<u>%</u>	<u>Importe</u>	<u>%</u>
Banco Popular Dominicana	59	30.7	5,096.5	41.2
Banco de Reservas	72	37.6	3,554.0	28.7
Corporacion de Fomento Industrial	49	25.5	2,291.7	18.5
The Royal Bank of Canada	4	2.1	670.0	5.4
Banco Agrícola	2	1.0	390.0	3.2
The Chase Manhattan Bank	1	0.5	250.0	2.0
The First National City Bank	1	0.5	85.0	0.7
Banco Nacional, S.A.	4	2.1	40.3	0.3
	<u>192</u>	<u>100.0</u>	<u>12,377.5</u>	<u>100.0</u>

Fuente: Banco Central de la República Dominicana; cuadro de datos denominado "Préstamos vigentes al 31 de octubre de 1968, clasificados por instituciones intermediarias."

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CUADRO II

Fondo de Inversiones para el Desarrollo Económico (FIDE)

Principales Instituciones Intermediarias

Aplicación Dada a Préstamos Vigentes Aprobados

hasta el 31 de Octubre de 1968

(Importes en miles de pesos dominicanos)

	<u>Banco Popular Dominicano</u>		<u>Banco de Reservas</u>		<u>Corporación de Fomento</u>	
	<u>Número o</u> <u>Importe</u>	<u>%</u>	<u>Número o</u> <u>Importe</u>	<u>%</u>	<u>Número o</u> <u>Importe</u>	<u>%</u>
<u>NUMERO DE OPERACIONES:</u>						
Proyectos de "Salubridad" y similares	14	23.7	30	52.8	2	4.1
Proyectos de "Educación"	<u>11</u>	<u>18.7</u>	<u>6</u>	<u>8.3</u>	-	-
Subtotales	25	42.4	44	61.1	2	4.1
Proyectos de Desarrollo Económico	<u>34</u>	<u>57.6</u>	<u>28</u>	<u>38.9</u>	<u>47</u>	<u>95.9</u>
Totales	<u>59</u>	<u>100.0</u>	<u>72</u>	<u>100.0</u>	<u>49</u>	<u>100.0</u>
<u>MONTOS APROBADOS:</u>						
Proyectos de "Salubridad" y similares	815.0	16.0	871.2	24.5	5.6	0.2
Proyectos de "Educación"	<u>490.6</u>	<u>9.6</u>	<u>148.0</u>	<u>4.2</u>	-	-
Subtotales	1,305.6	25.6	1,019.2	28.7	5.6	0.2
Proyectos de Desarrollo Económico	<u>3,790.8</u>	<u>74.4</u>	<u>2,534.8</u>	<u>71.3</u>	<u>2,286.1</u>	<u>99.8</u>
Totales	<u>5,096.4</u>	<u>100.0</u>	<u>3,554.0</u>	<u>100.0</u>	<u>2,291.7</u>	<u>100.0</u>

Fuente: Banco Central de la República Dominicana; cuadro de datos denominado "Préstamos vigentes al 31 de octubre de 1968, clasificados por instituciones intermediarias."

CUADRO III

Fondo de Inversiones para el Desarrollo Económico (FIDE)

Participación de Instituciones Intermediarias en Préstamos Vigentes Aprobados

hasta el 31 de Octubre de 1968

-Excepto Proyectos de "Salubridad" y similares y "Educación"-

(Importes en miles de pesos dominicanos)

<u>Institución Intermediaria</u>	<u>Operaciones Aprobadas</u>		<u>Montos Aprobados</u>	
	<u>Número</u>	<u>%</u>	<u>Importe</u>	<u>%</u>
Banco Popular Dominicano	34	28.6	3,790.8	37.8
Banco de Reservas	28	23.5	2,534.8	25.3
Corporación de Fomento Industrial	47	39.5	2,286.1	22.8
The Royal Bank of Canada	4	3.4	670.0	6.7
Banco Agrícola	2	1.7	390.0	3.9
The Chase Manhattan Bank	1	0.8	250.0	2.5
The First National City Bank	1	0.8	85.0	0.8
Banco Nacional, S.A.	<u>2</u>	<u>1.7</u>	<u>24.3</u>	<u>0.2</u>
	119	100.0	10,031.0	100.0

Fuente: Banco Central de la República Dominicana; cuadro de datos denominado "Préstamos vigentes al 31 de octubre de 1968, clasificados por instituciones intermediarias."

CUADRO IV

Fondo de Inversiones para el Desarrollo Económico (FIDE)

Principales Instituciones Intermediarias

Tamaño Individual de Préstamos Vigentes Aprobados

hasta el 31 de Octubre de 1968

-Excepto Proyectos de "Salubridad" y similares y "Educación"-

(Importes en miles de pesos dominicanos)

<u>Tamaño Individual de Préstamos</u>	<u>Banco Popular Dominicano</u>			<u>Banco de Reservas</u>			<u>Corporación de Fomento</u>		
	<u>Número de Operaciones</u>	<u>Importe</u>	<u>%</u>	<u>Número de Operaciones</u>	<u>Importe</u>	<u>%</u>	<u>Número de Operaciones</u>	<u>Importe</u>	<u>%</u>
Hasta RD \$ 10,000.00	6	30.0	0.8	3	20.0	0.8	11	62.5	2.7
De RD \$ 10,000.01 a RD \$ 50,000.00	8	323.4	8.5	12	389.7	15.3	24	731.6	32.1
De RD \$ 50,000.01 a RD \$ 100,000.00	10	848.4	22.3	7	534.4	21.1	6	455.8	19.9
De RD \$ 100,000.01 a RD \$ 150,000.00	4	495.7	13.1	2	286.9	11.3	3	336.7	14.7
De RD \$ 150,000.01 a RD \$ 200,000.00	2	400.0	10.6	1	160.0	6.3	2	359.5	15.7
De RD \$ 200,000.01 a RD \$ 300,000.00	1	250.0	6.6	-	-	-	-	-	-
De RD \$ 300,000.01 a RD \$ 400,000.00	1	393.3	10.4	2	703.8	27.8	1	340.0	14.9
De RD \$ 400,000.01 a RD \$ 500,000.00	1	450.0	11.9	1	440.0	17.4	-	-	-
De RD \$ 500,000.01 a RD \$ 600,000.00	1	600.0	15.8	-	-	-	-	-	-
	<u>34</u>	<u>3,790.8</u>	<u>100.0</u>	<u>28</u>	<u>2,534.8</u>	<u>100.0</u>	<u>47</u>	<u>2,286.1</u>	<u>100.0</u>

Fuente: Banco Central de la República Dominicana; cuadro de datos denominado "Préstamos vigentes al 31 de octubre de 1968, clasificados por instituciones intermediarias."

CUADRO V

Fondo de Inversiones para el Desarrollo Económico (FIDE)

Clasificación Resumida según Tamaño Individual de Préstamos Vigentes Aprobados

hasta el 31 de Octubre de 1968

-Excepto Proyectos de "Salubridad" y similares y "Educación"-

(Importes en miles de pesos dominicanos)

	<u>Operaciones Aprobadas</u>		<u>Monto Aprobado (1)</u>		<u>Monto Promedio por Préstamo (2)</u>
	<u>Número</u>	<u>%</u>	<u>Importe</u>	<u>%</u>	
<u>PRESTAMOS CON MONTO INDIVIDUAL HASTA RD \$200,000:</u>					
Banco Popular Dominicano	30	25.2	2,097.5	21.0	69,917
Banco de Reservas	25	21.0	1,391.0	13.9	55,641
Corporación de Fomento	46	38.8	1,946.1	19.4	42,306
The Royal Bank of Canada	2	1.7	70.0	0.7	
Banco Agrícola	1	0.8	100.0	1.8	
The Chase Manhattan Bank	-	-	-	-	
The First National City Bank	1	0.8	85.0	0.8	
Banco Nacional, S.A.	2	1.7	24.3	0.2	
	<u>107</u>	<u>90.0</u>	<u>5,713.9</u>	<u>57.0</u>	<u>53,401</u>
<u>PRESTAMOS CON MONTO INDIVIDUAL SUPERIOR A RD \$200,000:</u>					
Banco Popular Dominicano	4	3.3	1,693.3	16.8	423,322
Banco de Reservas	3	2.6	1,143.8	11.4	381,249
Corporación de Fomento	1	0.8	340.0	3.4	340,000
The Royal Bank of Canada	2	1.7	600.0	6.0	
Banco Agrícola	1	0.8	290.0	2.9	
The Chase Manhattan Bank	1	0.8	250.0	2.5	
The First National City Bank	-	-	-	-	
Banco Nacional, S.A.	-	-	-	-	
	<u>12</u>	<u>10.0</u>	<u>4,317.1</u>	<u>43.0</u>	<u>359,753</u>
<u>TOTALES</u>	<u>119</u>	<u>100.0</u>	<u>10,031.0</u>	<u>100.0</u>	<u>84,294</u>

(1) Importes en miles de pesos dominicanos. (2) Promedios en pesos dominicanos, sin centavos, calculados sólo en los casos en que el análisis del promedio puede ser de utilidad.

Fuente: Banco Central de la República Dominicana; cuadro de datos denominado "Préstamos vigentes al 31 de octubre de 1968, clasificados por instituciones intermediarias."

APENDICE B

CLAUSULAS ADICIONALES RECOMENDADAS EN  
CONTRATOS DE PRESTAMOS

1. Para establecer la debida y oportuna realización del proyecto aprobado y los derechos y medios para su fiscalización en la etapa preoperativa:

- a) Cláusula: "La prestataria deberá llevar a cabo el proyecto dentro del plazo establecido con la debida diligencia, de conformidad con eficientes prácticas técnicas, financieras y de negocios y de acuerdo con el plan de inversión y especificaciones del proyecto aprobados por la Corporación; utilizando las fuentes de financiamiento indicadas en dicho plan únicamente al objeto de cubrir los costos del proyecto aprobado. Toda modificación en los planes de inversión, especificaciones y fuentes de financiamiento aprobados, así como todo cambio sustancial en el contrato o contratos de servicios o en la lista de adquisiciones financiados con este préstamo, requerirán la autorización previa por escrito de la Corporación."

Comentario: La redacción anterior es en general más completa que la correspondiente a la cláusula similar que normalmente se incluye en los contratos de préstamos concedidos por la CFI, principalmente por cuanto deja establecida la obligatoriedad de que la prestataria lleve a cabo el proyecto dentro de un determinado plazo. Dicho plazo, por tanto, deberá aparecer indicado en otra cláusula, resultando conveniente que se le establezca con un margen adecuado de seguridad que cubra cualquier posible atraso razonable en la ejecución del proyecto. La cláusula sugerida también supone que, en otra parte del contrato, se describirán brevemente y se relacionarán las inversiones, especificaciones del proyecto y fuentes de financiamiento aprobadas, las cuales necesariamente no tendrán que ser idénticas a las presentadas por la prestataria en su solicitud original.

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- b) Cláusula: "Durante el período de construcción e instalación del proyecto aprobado y dentro de los diez (10) días siguientes al final de cada trimestre terminado en marzo 31, junio 30, septiembre 30 y diciembre 31, la prestataria deberá enviar a la Corporación, a entera satisfacción de esta última, un informe relativo al progreso alcanzado en la ejecución del proyecto, al aseguramiento del mismo, y a la utilización que se haya hecho hasta la fecha de las fuentes de financiamiento contempladas en dicho proyecto; informe este que se remitirá en el formulario implantado al efecto por la Corporación y que estará respaldado por la documentación en poder de la prestataria referente a los costos, según corresponda, de construcción, compra, aseguramiento, embarque, transporte, importación al país e instalación de los bienes financiados, y a la forma en que dichos costos han sido cubiertos."

Comentario: Texto similar, aunque más completo, al del párrafo i), Sección 6-03 del "Documento de Compromiso" que actualmente suscribe la CFI con el Banco Central al hacer uso de fondos del FIDE.

Recomiendo que la CFI, tal como se señala en la cláusula anterior, diseñe e implante un formulario adecuado que facilite a la prestataria el cumplimiento de esta obligación y a la CFI su necesaria fiscalización.

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- c) Cláusula: "La prestataria se compromete a llevar sus libros y registros de contabilidad al día de acuerdo con principios y prácticas contables de general aceptación aplicados en forma consistente, debiendo la contabilidad mostrar en todo momento, a partir del inicio de la etapa de construcción e instalación, el progreso que se vaya obteniendo en la ejecución del proyecto financiado, la identidad y costo individual y fuentes de financiamiento de todos los bienes construídos y/o adquiridos, así como la verdadera situación financiera de la prestataria y, una vez iniciadas las operaciones de producción y venta, también el resultado de dichas operaciones."

Comentario: Texto similar, aunque más completo, al de la Sección 6-01 del "Documento de Compromiso entre el Banco Central de la República Dominicana y la CFI". La cláusula, además, resulta básica al objeto de que la CFI pueda cumplir con lo dispuesto en la Sección 6-03, párrafo ii) del antes citado "Documento de Compromiso" pudiendo conjuntamente con la cláusula 2a) en el presente anexo- sustituir con ventajas a la disposición ya incluida en los contratos de préstamos de la CFI por la que se requiere que la prestataria tenga "...sistemas de Auditoría, Contabilidad, Controles de Costos..."

- 
- d) Cláusula: "La prestataria reconoce el derecho de la Corporación, del Banco Central de la República Dominicana y/o de AID, a comprobar en cualquier forma, mediante personal propio de dichas instituciones o a través de técnicos contratados al efecto, el debido y oportuno empleo de los recursos financieros utilizados en la ejecución del proyecto aprobado."

Comentario: Completa, con la cláusula 1b) sugerida en el presente anexo; el compromiso que para la prestataria deberá establecerse al objeto de que la CFI pueda dar cumplimiento a lo señalado en el párrafo i), Sección 6-03 y párrafo b), Sección 6-02 del anteriormente mencionado "Documento de Compromiso entre el Banco Central de la República Dominicana y la CFI."

2. Para establecer los derechos y medios para la fiscalización de las actividades de la firma a partir del inicio de operaciones:

- a) Cláusula: "La prestataria se compromete a tener instalado a partir de la fecha de inicio de actividades de producción y venta del proyecto, a plena satisfacción de la Corporación, un sistema de control interno, contabilidad y costos adecuado a la naturaleza de las operaciones de la empresa, reconociendo el derecho de la Corporación a exigir en cualquier momento que dicho sistema de control interno, contabilidad y costos sea revisado y/o modificado por personal de la Corporación o por contador público o firma de contadores públicos aceptables para la Corporación."

Comentario: Combinada con la cláusula lc) en el presente anexo, la precedente cláusula podría sustituir con ventajas a la disposición ya incluida en los contratos de préstamos de la CFI por la que se requiere que la prestataria tenga "...sistemas de Auditoría, Contabilidad, Controles de Costos...". Una de dichas ventajas sería la de que los prestatarios puedan diferir la instalación y operación de su sistema definitivo de contabilidad industrial hasta el momento de inicio de sus operaciones de producción y venta, utilizando simplemente adecuados registros contables durante la etapa preoperativa.

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- b) Cláusula: "Para efectos de las inspecciones que se dispongan de sus activos y operaciones, la prestataria permitirá que personal propio de la Corporación, del Banco Central de la República Dominicana y/o de AID, o los técnicos que dichas instituciones pudieran contratar, tengan libre acceso a la planta industrial, oficina y cualesquiera otros locales que la prestataria utilice en sus actividades, así como a todos sus libros, registros, comprobantes y justificantes de contabilidad y actas de sesiones del directorio y juntas de accionistas."

Comentario: Al igual que en el caso de la cláusula ld) en el presente anexo, se incluyen en el precedente texto al Banco Central y a la AID al objeto de que la Corporación dé cumplimiento a la obligación señalada en el párrafo b) Sección 6-02 del "Documento de Compromiso entre el Banco Central de la República Dominicana y la CFI."

- 
- c) Cláusula: "La prestataria se compromete a comunicar prontamente a la Corporación cualquier hecho o circunstancia que conozca o anticipe como resultado de los cuales se haya producido o se prevea un deterioro sustancial en el valor o disponibilidad de las garantías dadas a favor de la Corporación o en los ingresos, utilidades, capacidad de pago y/o situación financiera de la empresa, actuales y/o estimados en la solitud."

Comentario: Se pretende estimular una iniciativa en el prestatario que facilite el conocimiento a tiempo por parte de la prestamista de hechos

o circunstancias respecto a los cuales esta pudiera considerar conveniente tomar de inmediato acciones preventivas o de rectificación.

- 
- d) Cláusula: "La prestataria se compromete a enviar prontamente a la Corporación la información sobre sus operaciones o situación financiera que en cualquier momento pudiera solicitarle la Corporación."

- 
- e) Cláusula: "La prestataria se compromete a enviar a la Corporación, dentro de los ... días siguientes al final de cada trimestre terminado en marzo 31, junio 30, septiembre 30 y diciembre 31 de cada año, el balance de comprobación con los saldos de las cuentas en el mayor general y en los submayores de ingresos y gastos a la fecha de cierre de los indicados trimestres."

Comentario: Una adecuada fiscalización de las empresas financiadas requiere de un examen frecuente de sus estados y, por tanto, dicha adecuada fiscalización no podría lograrse simplemente mediante el análisis de sus estados financieros anuales. Por otro lado, me parece excesivo el actual requerimiento de "estados financieros mensuales" establecido en los contratos de préstamos de la CFI.

La cláusula anterior supone que la prestataria no preparará trimestralmente estados formales de balance general y de ganancias y pérdidas. Si lo contrario fuera el caso más corriente en la República Dominicana, sería deseable cambiar la redacción de tal manera que se establezca el envío de estos últimos estados los cuales, durante los tres primeros trimestres del año, no tendrán obligatoriamente que aparecer dictaminados por contador público o firma de contadores públicos.

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- f) Cláusula: "La prestataria se compromete a enviar a la Corporación, dentro de los sesenta (60) días siguientes a la fecha de cierre de cada año económico, el balance general preparado en la mencionada fecha de cierre y el estado de ganancias y pérdidas correspondiente a dicho año, debidamente dictaminados por contador público o firma de contadores públicos previamente aprobado por la Corporación. A dichos estados se acompañará comunicación suscrita por el auditor o auditores externos en la que se señale el cumplimiento o incumplimiento por parte de la prestataria a cada una de las obligaciones contraídas con la Corporación a virtud de este contrato."

Comentario: La cláusula precedente es más completa que las incluídas en el "Documento de Compromiso entre el Banco Central de la República Dominicana y la CFI" y en los contratos de préstamos concedidos por esta última institución. La diferencia radica en que la CFI se reserva el derecho de aprobar la designación del contador público o firma de contadores públicos que deberá dictaminar los estados financieros, fijándole además la responsabilidad de reportar cualquier incumplimiento del contrato de préstamo que descubra durante su labor de auditoría.

En la actualidad y durante el futuro inmediato, es probable que la CFI no tenga conocimiento de circunstancia alguna con base a la cual pueda objetar la designación de contadores por parte de sus prestatarios. En toda sociedad, sin embargo, existen profesionales buenos y malos y, con el tiempo y como resultado de su labor de fiscalización de préstamos, la CFI irá conociendo a unos y otros. De esta forma, llegará el momento en que posiblemente preferirá a algunos y rechazará a otros y, para lograr esto, es imprescindible que de antemano tenga establecido el ya mencionado derecho de aprobación.

3. Para evitar el indebido deterioro del capital social mediante criticables extracciones de fondos por parte de accionistas:

- a) Cláusula: "Sin autorización previa por escrito de la Corporación, la prestataria no podrá declarar dividendos o hacer cualquier otra distribución o anticipo de beneficios a favor de sus accionistas o socios en exceso de utilidades obtenidas."

Comentario: Se comprenderá que las salidas de beneficios en exceso de utilidades obtenidas, estarían afectando el capital pagado por acciones y, de esta forma, reduciendo el margen de seguridad para el conjunto de los acreedores.

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- b) Cláusula: "Sin autorización previa por escrito de la Corporación, la prestataria no podrá declarar dividendos o hacer cualquier otra distribución o anticipo de beneficios a favor de sus accionistas o socios en aquellos casos en que la prestataria se encuentre atrasada en el pago de sus obligaciones por principal o intereses de este préstamo o de cualquier otro pasivo a plazo mayor de un año."

Comentario: Deberá apreciarse que se trata de una situación distinta a la actualmente contemplada en los contratos de la CFI, según la cláusula a que hice referencia en el penúltimo párrafo en la página 13 de mi informe anterior al señor Don José Andrés Aybar Castellanos, de fecha 27 de septiembre de 1968.

c). Cláusula: "Sin autorización previa por escrito de la Corporación, la prestataria no podrá comprar, redimir o adquirir en cualquier otra forma acciones de su capital emitido."

4. Para evitar desvirtuaciones posteriores del propósito del proyecto, obligaciones adicionales excesivas y otros riesgos que indebidamente puedan afectar la adecuada disponibilidad de activos requeridos y garantías dadas:

- a) Cláusula: "Sin autorización previa por escrito de la Corporación, la prestataria no podrá comprometerse a o permitir cualquier fusión, consolidación o reorganización de su negocio."
- b) Cláusula: "Sin autorización previa por escrito de la Corporación, la prestataria no podrá efectuar aumento o aumentos de su capital social en acciones que, individualmente o en conjunto, excedan de un ...% del valor total del capital en acciones existente al inicio de operaciones del proyecto."
- c) Cláusula: "Sin autorización previa por escrito de la Corporación, la prestataria no podrá incurrir en, asumir, garantizar o permitir que exista cualquier obligación definitiva o contingente que no tenga su origen en las operaciones ordinarias de la empresa o que corresponda a una finalidad distinta o que sea en cualquier forma ajena a las operaciones ordinarias de la empresa."
- d) Cláusula: "Sin autorización previa por escrito de la Corporación, la prestataria no podrá adquirir acciones o ser socia de otras firmas, así como tampoco deberá conceder préstamos o anticipos o realizar otras inversiones por razones ajenas o con finalidad distinta a las de las operaciones ordinarias de la empresa."

Comentario: Las anteriores cláusulas 4a), 4b), 4c) y 4d) pretenden principalmente evitar que el esperado buen éxito del proyecto financiado pueda ser puesto en peligro por los riesgos de otras actividades no evaluadas por la CFI al momento de conceder el préstamo, en las cuales la prestataria decida posteriormente operar.

El porcentaje en la cláusula 4b) pudiera ser un 15% ó 30%, o quizás mayor o menor en determinados casos, según las características específicas de los mismos.

Al texto indicado para las cláusulas 4c) y 4d) pudiera agregarse una relación aclaratoria de las "obligaciones", "préstamos" y "anticipos" que normalmente se originan en o tienen como finalidad "las operaciones ordinarias de la empresa."

- e) Cláusula: "Sin autorización previa por escrito de la Corporación, la prestataria no podrá vender, gravar, arrendar, cambiar, ni traspasar activos fijos, marcas y/o patentes propiedad de la misma, ni ceder o renunciar al uso de los bienes de capital fijo, marcas y/o patentes arrendados o a contratados con terceros que, en uno u otro caso, resulten necesarios para alcanzar a/o mantener la producción y ventas logradas por la prestataria y/o las estimadas en la solicitud de crédito presentada a la Corporación."

Comentario: La precedente cláusula es mucho más comprensiva que las que, con propósitos similares, se incluyen en los contratos de préstamos de la CFI.

- 
- f) Cláusula: "La prestataria se obliga a ejecutar un adecuado mantenimiento y reparación de los edificios, maquinaria, equipos, vehículos, mobiliario y otros efectos e implementos utilizados, de conformidad con sanas prácticas mecánicas y de ingeniería."

- 
- g) Cláusula: "La prestataria se compromete a mantener vigentes las pólizas de seguros sobre activos y de otra naturaleza que deberá suscribir, en compañías aseguradoras aceptables para la Corporación, según lo que respecto a riesgos y valores a asegurar y otras condiciones se establezca por parte de esta última entidad."

Comentario: De haberse determinado en la evaluación de la solicitud los activos, riesgos, valores y otras condiciones del aseguramiento requerido, los mismos podrán y deberán mencionarse en el contrato de préstamo.

- 
- h) Cláusula: "La prestataria reconoce el derecho de la Corporación a efectuar pagos a terceros por cuenta de la prestataria, al objeto de evitar que los bienes dados en garantía del préstamo estén indebidamente expuestos a pérdidas por riesgos asegurables y/o al preferente derecho de adjudicación de acreedores privilegiados, debiendo la prestataria reembolsar a la Corporación el importe de dichos pagos dentro de los ... días siguientes a la fecha de su realización."

Comentario: Se trata de una cláusula preventiva más amplia que la incluida actualmente en los contratos de préstamos de la CFI en relación con el pago de pólizas de seguros por cuenta de la prestataria.

Dicha mayor amplitud se manifiesta por la posibilidad adicional de que la CFI cubra en ciertos casos, con cargo a la prestataria, determinados pagos por concepto de impuestos, obligaciones de caracter laboral y otros, al objeto de evitar el preferente derecho de acreedores privilegiados sobre bienes hipotecados y/o prendados a favor de la CFI.

5. Para proteger el mantenimiento de un razonable nivel mínimo de capital de trabajo neto:

- a) Cláusula: "Una vez iniciadas las operaciones de producción y venta del proyecto, la prestataria no podrá, sin autorización previa por escrito de la Corporación, efectuar pagos o incurrir en obligaciones para el aumento de activos fijos o activos no corrientes como resultado de los cuales el activo corriente muestre una relación inferior a 1.5 respecto al total del pasivo corriente."
- b) Cláusula: "Una vez iniciadas las operaciones de producción y venta del proyecto, la prestataria no podrá, sin autorización previa por escrito de la Corporación, efectuar pagos o incurrir en obligaciones para el aumento de activos fijos o activos no corrientes en momentos en los cuales el activo corriente muestre una relación inferior a 1.5 respecto al total del pasivo corriente."
- c) Cláusula: "Sin autorización previa por escrito de la Corporación, la prestataria no podrá declarar dividendos pagaderos en efectivo o efectuar distribuciones o anticipos de beneficios a favor de sus accionistas o socios (con excepción de dividendos o distribuciones o anticipos que sean pagaderos en acciones de la prestataria) si, como resultado de lo anterior, el activo corriente mostrara una relación inferior a 1.5 respecto al total del pasivo corriente."
- d) Cláusula: "Sin autorización previa por escrito de la Corporación, la prestataria no podrá declarar dividendos pagaderos en efectivo o efectuar distribución o anticipos de beneficios a favor de sus accionistas o socios (con excepción de dividendos o distribuciones o anticipos que sean pagaderos en acciones de la prestataria), en los momentos en que el total del activo corriente no muestre una relación mínima de 1.5 respecto al total del pasivo corriente."

Comentario: En las precedentes cláusulas 5a), 5b), 5c) y 5d), la relación entre el activo y pasivo corrientes pudiera ser distinta a la de 1.5 señalada en las mismas. Opino, sin embargo, que 1.5 es generalmente la mínima aceptable, aunque pudieran existir criterios favorables a un índice mínimo de 2.0 en la generalidad de los casos y aun superior a 2.0 en circunstancias especiales. En contratos de otras instituciones y entidades, he visto índices mínimos de 1.0 con los que, naturalmente, no se protege un nivel mínimo razonable de capital de trabajo neto, tratándose sólo de evitar que el pasivo corriente pueda exceder al activo corriente.

6. Otras cláusulas sugeridas:

- a) Cláusula: "La prestataria autoriza a la Corporación para que pueda dar publicidad al otorgamiento del préstamo concedido, entendiéndose que la mencionada publicidad se limitará al nombre, dirección y localización de la firma financiada; fuente de fondos empleada; monto, plazo y destino del préstamo otorgado; objeto general del proyecto y sus beneficios desde el punto de vista del desarrollo económico y social del país."

Comentario: Facilita la publicación de notas de prensa, radio y televisión y la emisión de informes y memorias por parte de la CFI.

- b) Cláusula: "La prestataria reconoce el derecho de la Corporación a dar por vencido total o parcialmente el préstamo aprobado en cualquier momento en que la Corporación comprobara que la prestataria ha suministrado dolosamente datos inexactos en su solicitud de crédito o en los documentos o correspondencia relativos a la misma, o que ha incumplido alguna de las condiciones convenidas en el presente contrato."

- c) Cláusula: "La prestataria reconoce el derecho de la Corporación a dar por vencido total o parcialmente el préstamo aprobado en cualquier momento en que la Corporación conociera de parte de las autoridades sanitarias del país y/o comprobara mediante inspecciones efectuadas por su personal propio o a través de técnicos contratados al efecto, que la prestataria reiteradamente incumple las leyes y/o disposiciones sanitarias y/o de salud pública que le son aplicables."

Comentario: Sugiero que la cláusula anterior se incluya en los contratos de préstamos con empresas que deberán dar una especial importancia al aspecto sanitario en sus operaciones, tales como fábricas de alimentos o conservas, laboratorios farmacéuticos, mataderos, plantas industriales que facilmente puedan contaminar la atmósfera o áreas vecinas, y otras.

APENDICE C

ESTUDIO PLANTA DE MACHETES Y MOCHAS

## INDICE

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## APENDICE C

### ESTUDIO PLANTA DE MACHETES Y MOCHAS

#### I. RESUMEN

##### GENERALES

El presente proyecto contempla la instalación de una planta para la fabricación de machetes y mochas, para usos agrícolas y cuchillos para cocina, con una capacidad anual de aproximadamente 32,200 y 6,000 docenas, respectivamente, operando 8 horas por día (1 turno) durante 250 días al año. La fábrica podría estar en operación en 1970 al 60% de su capacidad y, a plena capacidad al año siguiente. Esta producción satisfará complementariamente al mercado nacional el cual está estimado en 27,250 docenas de machetes para el año 1972, con un incremento positivo del 4% anual.

La producción de cuchillos para cocina comenzará en el segundo año de la operación de la empresa con un volumen de 6,000 docenas anuales.

Durante los cinco primeros años se exportarán 4,700 docenas de machetes a la zona del Caribe.

Se seleccionará una firma extranjera fabricante de machetes, mochas y cuchillos, que garantice que la producción local de los artículos considerados no resulte en un encarecimiento de los mismos y además;

- a. Que goce de gran aceptación en el mercado mundial;
- b. Que posea una vasta experiencia en el ramo; y
- c. Que esté dispuesta a participar en aproximadamente el 53% del capital social requerido y prometa asistencia técnica y empresarial al proyecto.

La inversión total será de \$319,807.00, constituida por un capital social de \$200,000 y un crédito a largo plazo por \$119,807.00. El capital social sería aportado por el socio técnico extranjero en la cantidad de \$105,000, consistente en la maquinaria y equipo requerido para fabricar machetes y otros, y por inversionistas dominicanos, \$95,000.00. El crédito a largo plazo sería otorgado por la Corporación de Fomento Industrial.

Se ha elegido tentativamente, la Zona Industrial de Herrera para ubicar la fábrica, por tener esta zona terrenos con suministro de energía eléctrica, agua, vías de comunicaciones y todas las facilidades requeridas para este tipo de operaciones fabriles.

De acuerdo a la experiencia de la firma proveedora de las maquinarias y equipos, una planta de esta capacidad emplearía 44 personas distribuidas en cuatro personas para fines administrativos y 40 para fines de producción.

#### Beneficios Fiscales

Por tratarse de una industria de importancia fundamental para el desarrollo del país, que no sólo representará un ahorro de divisas, sino que eventualmente creará una fuente de ingresos de las mismas, esta industria podrá ser clasificada dentro de la Categoría "B" de la Ley de Incentivo y Protección Industrial.

Los beneficios que concede la Ley a las empresas industriales clasificadas bajo esta categoría, son:

Exoneración del 95% de todos los impuestos a materias primas y materiales (envases, materiales de empaque, etc.) siempre que no puedan ser adquiridos localmente, así como de todos los impuestos sobre combustibles y lubricantes requeridos para el proceso industrial, con excepción de gasolina.

#### Rendimiento del Proyecto

Los rendimientos económicos del proyecto son satisfactorios, ya que el estimado para el segundo año de operaciones, cuando la planta habrá alcanzado su plena capacidad sería:

##### 1er. Año - Recuperación sobre el Capital

<u>Utilidad Neta</u>	<u>34,300.00</u>	= 17.1%
Capital Propio	200,000.00	

##### 2do. Año - Rendimiento sobre Ventas

<u>Utilidad Neta</u>	<u>34,300.00</u>	= 10.3%
Ventas Totales	334,270.00	

#### Otros Aspectos Positivos

- a. Incidencia positiva en la balanza de pagos.
- b. Valor agregado.
- c. Creación de ingresos por exportaciones.
- d. Alta rentabilidad

## II. MERCADO

### PRODUCTOS

Machete de Corte. El machete de corte es una herramienta agrícola manual generalmente usada por todos los agricultores dominicanos. El uso de los machetes de corte es muy variado, en las actividades agrícolas se usa tanto en el "chapeo" como complementario en el desmonte, siembra, cosecha, etc.

El largo del machete de corte es de 27", del cual 22" son de la hoja y 5" del mango. El despliegue de la punta es de 2-1/4".

Machete para Desyerbe. Este tipo de machete es variable en sus tamaños; la longitud del machete de desyerbe varía de 14" a 21" y el despliegue de la punta de 5½" a 7". El uso de este machete está limitado al desyerbe.

Mocha para Corte de Caña. Esta herramienta agrícola es de uso exclusivo para el corte de la caña. Su longitud es de 21½".

Cuchillos para Cocina. A fabricarse de los recortes del acero utilizado en la manufactura de machetes y mochas. Los modelos a elaborarse están limitados por las dimensiones de la materia prima y serán de una longitud total de 6" a 10".

### CONSUMO APARENTE INTERNO

#### Machetes

La importación o demanda anual de machetes y su comportamiento para el período 1957-1967 se expone en el Cuadro Núm. 1. La demanda anual de machetes se comporta en forma irregular; con marcados incrementos en algunos años y drástica reducción en otros (la importación del año 1962, sobrepasó la del año anterior en 81.50 puntos, mientras que del año 1966 al 1967 ésta decayó en 80.62 puntos), y con ciclos de incrementos y decrementos irregulares de duración, de manera que estos ciclos no pueden atribuirse al hecho de que los machetes son bienes duraderos y que, por lo tanto, años de importación fuertes son seguidos por años de importación leve. Para los primeros tres años tenemos el primer ciclo con dos años de decremento en la importación, prosigue después un segundo ciclo con tres años consecutivos de alzas en las importaciones, seguidas después con tres de reducciones. Para el último ciclo, tenemos un año de incremento y otro de decrecimiento.

La tendencia general de la importación o consumo aparente de machetes de los años del período 1957-67, según ajuste por el método de mínimos cuadrados, revela un incremento de 9,015 unidades anuales. En el Cuadro Núm. 2 ofrecemos la proyección del consumo aparente de machetes del período analizado sobre esta base.

CUADRO NUM. 1

IMPORTACION O CONSUMO APARENTE DE MACHETES (1957-1967)

(En RD\$)

<u>Año</u>	<u>Unidades</u>	<u>Valor</u>	<u>Índice Desarrollo</u>		<u>Variación</u>
1957	172,590	128,491	82.65		
1958	152,451	151,587	73.01	-	9.64
1959	142,207	101,030	72.89	-	0.12
1960 (*)	208,804	145,747	100.00	+	27.11
1961	234,805	163,732	112.45	+	12.45
1962	404,766	284,739	193.94	+	81.49
1963	301,032	196,160	144.16	-	49.78
1964	234,056	170,293	112.09	-	32.07
1965	199,198	140,301	95.39	-	16.70
1966	338,719	257,929	162.21	+	66.82
1967	170,365		81.59	-	80.62

(\*) 1960 Año Base = 100

Fuente: Boletines de Comercio Exterior

CUADRO NUM. 2

PROYECCION DEL CONSUMO APARENTE DE MACHETES POR EL

METODO DE MINIMOS CUADRADOS

(1968-1974)

<u>Años</u>	<u>Unidades</u>
1968	278,638
1969	287,653
1970	296,668
1971	305,683
1972	314,698
1973	323,712
1974	332,727

También se ha efectuado una proyección (Véase Cuadro Núm. 2-A), tomando como base un incremento anual del 4% de la cifra obtenida para el año 1968 de la proyección por el método de mínimos cuadrados.

CUADRO NUM. 2-A

PROYECCION DEL CONSUMO APARENTE DE MACHETES - 4% ANUAL  
(1968 - 1974)

<u>Año</u>	<u>CANTIDAD</u>	
	<u>Miles de Unidades</u>	<u>Docenas</u>
1968	279	23,250
1969	290	24,260
1970	302	25,160
1971	314	26,160
1972	327	27,250
1973	340	28,330
1974	354	29,500

Marcas, Descripción, Precios y Procedencia (según encuesta propia)

En una encuesta realizada, se determinó que aproximadamente el 85% de las importaciones de machetes están representadas por machetes de corte, siendo el restante 15% para desyerbe.

La marca más reconocida y de mayor aceptación de machetes de corte es el Collins, el cual viene en el único modelo de hoja pulida y cabo de plástico. Su costo c.i.f. es de aproximadamente RD\$17.13 la docena. (Para mayor detalle, véase Anexo Núm. 1). Tradicionalmente, el machete Collins procedía de los Estados Unidos, pero en la actualidad ha sido reemplazado por la fábrica de la misma compañía instalada en Guatemala.

De segunda importancia en el mercado nacional está el machete Corneta, en sus tres modelos: hoja pulida, hoja niquelada y hoja pintada de rojo, con precios c.i.f. promedio de RD\$11.75, RD\$19.50 y RD\$7.20, respectivamente, como se detalla en el Anexo Núm. 1. Según los datos obtenidos en la encuesta, el modelo de mayor venta es el de la hoja pulida.

Las otras marcas de machetes que se importan en volumen suficiente para considerarlo en el estudio son: Toledo, Eweco y Garza. (Véase Anexo Núm. 1.)

Se estima que los machetes de hoja pulida representan el 60% de las importaciones de los machetes de corte, o sea, el 51% del total de los machetes; esto es, de corte y de desyerbe.

El restante 40% del machete de corte es representado por el modelo de hoja barnizada de rojo, que es de 34% en el total de machetes. La importación de machetes de hoja niquelada no es de magnitud suficiente para considerarlo en el presente estudio. La marca de machetes para desyerbe que goza de mayor venta

en el mercado nacional es el Burriquito. Es de procedencia Alemana y su costo c.i.f. para los tamaños de 21", 18" y 14" es de RD\$13.50, 12.40, y 9.50 por docena, respectivamente.

#### Estructura de Mercado Según Experiencias de Fabricantes

La composición del mercado nacional de machetes por modelos, según las experiencias de fabricantes extranjeros, la exponemos a continuación:

Los tipos de machetes que hemos descrito en el estudio están agrupados aquí en los modelos que corresponden a la marca Corneta.

<u>Descripción General</u>	<u>Modelos Corneta</u>		<u>Docenas</u>
Machete de Corte Hoja Pulida	1266		4,500
Machete de Corte Hoja Barnizada	31		13,500
Machete de Desyerbe	977	14"	1,500
		18"	4,000
		21"	500

Comparando la composición del mercado de machetes por tipos o modelos de la encuesta directa a los importadores con la expuesta arriba (Véase Anexo Núm. 2), obtenemos el siguiente resultado. Mientras que los datos obtenidos en la encuesta, los machetes de desyerbe (Modelos 977), representan el 15% de las importaciones totales, las experiencias de los fabricantes indican una participación del 25%.

La comparación de los machetes de hoja de corte barnizada (Modelo 31) es del 34% para los datos de la encuesta contra el 56% para los datos suministrados por los fabricantes.

Finalmente, tenemos un 51% para los machetes de hoja pulida, según la encuesta, comparada con un 19% de la estimación de los fabricantes. Debido a que las variaciones en la composición de las importaciones no varían los requerimientos en maquinarias y equipos de la planta, pues tan sólo requerirá variar la producción en los tipos determinados con la instalación propuesta. La producción programada está basada en la experiencia en el mercado local de los fabricantes extranjeros, la cual por tanto, tomaremos para fines del estudio.

#### Mochas

La demanda de mochas para corte de caña está representada principalmente por la importación directa por parte de las corporaciones azucareras, tanto Estatales como privadas. Existe una pequeña proporción de importaciones de mochas por parte del comercio importador.

Las cifras estadísticas de importación de mochas se exponen en el Cuadro Núm. 3.

CUADRO NUM. 3

IMPORTACION DE MOCHAS PARA CORTE DE CAÑA (1956-1967)  
(En RD\$)

<u>Año</u>	<u>Unidades</u>	<u>Valor</u>
1956	16,020	6,110.00
1957	29,222	11,824.00
1958	41,667	13,673.00
1959	37,980	12,259.00
1960	87,102	28,890.00
1961	11,840	4,350.00
1962	28,501	12,326.00
1963	23,640	8,707.00
1964	29,919	10,519.00
1965	21,760	5,180.00
1966	16,803	4,377.00
1967		12,553.00

De los datos obtenidos en la encuesta, se estima que la importación promedio anual de mochas por la industria azucarera es de 40,000 unidades.

El costo de las mochas importadas directamente por la industria azucarera es de \$3.60 la docena. A veces la industria azucarera se ve precisada a comprar mochas en plaza al precio de \$5.00 docena.

Cuchillos para Cocina

El volumen de producción de cuchillos programado para el segundo año de operación de la planta está basado en la recuperación del desperdicio de acero resultante en la manufactura de machetes, que es equivalente a 6,000 docenas de cuchillos anuales.

A continuación aparece una relación de las importaciones de cuchillos para cocina para los años 1963-1967. La demanda real, comparada con la producción contemplada de 72,000 unidades anuales, indica la existencia de un mercado suficiente para su colocación.

IMPORTACION DE CUCHILLOS PARA COCINA  
(1963-1967)

<u>Año</u>	<u>Unidades</u>	<u>Valor RD\$ F.O.B.</u>
1963	134,954	35,156
1964	87,673	16,540
1965 (*)	6,418	2,286
1966	66,782	14,338
1967	109,632	21,145

(\*) Año Anormal

Fuente: Boletines de Comercio Exterior

MERCADO EXTERNO

Por ofrecimiento del socio técnico, se ha estimado ventas en el mercado externo de 2,820 docenas de machetes y mochas para el primer año de operación de la planta, eso es 1970; y de 4,700 docenas para los cuatro años subsiguientes; 1971-1974.

Los modelos y cantidades para la exportación están dados en el Cuadro Núm. 4.

CUADRO NUM. 4

MODELOS Y CANTIDADES DE EXPORTACION

<u>Modelos</u>	<u>1er. Año</u>	<u>2do. y Subsiguientes Años</u>
128 F Madera Roja	720 Doc.	1,200 Doc.
127 F Pulido	1,800 Doc.	3,000 Doc.
1003/21½" sin gancho	300 Doc.	500 Doc.
Total	2,820 Doc.	4,700 Doc.

EXPERIENCIA PREVIA Y POSIBILIDAD DE COMPETENCIA NACIONAL

La industria Estatal "Servicios Tecnológicos" produjo mochas para el corte de caña hasta el año 1962. La producción era vendida a los ingenios, hoy pertenecientes al Consejo Estatal del Azúcar.

En razón del elevado precio de venta de las mochas producidas por Servicios Tecnológicos, éstas no lograron desplazar las importaciones. El precio por docena de las mochas criollas era de \$6.00. "Servicios Tecnológicos" podría técnicamente, aunque nunca lo ha intentado, producir machetes con los equipos que posee.

La capacidad productiva para mochas y machetes de Servicios Tecnológicos está limitada por el baño de sal y equipo templado de acero a 500 unidades diarias. Otra empresa que posee las maquinarias requeridas para la producción de machetes es METALDOM. En conversación sostenida con representantes de la firma, se nos informó que ésta posee tres troqueladoras que podrían utilizarse para la producción de machetes y mochas. La capacidad de las maquinarias que podrían dedicarse a la producción de estos bienes, no ha sido determinada. El que se produzca machetes dependería en sí del costo de oportunidad de otros productos. Para METALDOM, este tipo de actividad sería puramente marginal.

### ESTRUCTURA DE PRECIOS

Los precios para la venta local de los machetes y mochas a producir la planta a instalarse han sido fijados iguales a los costos de liquidación en almacén de los importadores. Estos son:

Machete de hoja pulida,	Modelo	1266	RD\$ 12.45	aproximadamente
Machete de hoja pintada,	"	31	7.60	"
Machete para desyerbe,	"	977		
		14"	14.40	"
		18"	12.65	"
		21"	10.12	"
Mochas	Modelo	1001	3.68	"

Estos costos incluyen fletes, seguros, facturas consulares, arrimo, impuestos y derechos aduanales del 5%, y transporte al almacén.

Los precios equivalentes de los productos a fabricarse localmente serán los mínimos que podrían obtener los mayoristas para pedidos de grandes cantidades e incluyen costo de transporte al almacén del comprador. Una lista de precios para pedidos de volúmenes menores por parte de los detallistas, deberá ser elaborada por la empresa, así como descuentos que se considerarán por compra al contado.

### CANALES DE DISTRIBUCION

Las ventas en el mercado local deberán efectuarse directamente a los mayoristas y minoristas, quienes efectuarán sus pedidos directamente por teléfono. No se justifica una estructura de ventas elaborada, ya que esta planta será la primera de su género en el país.

Para las exportaciones se utilizarán representantes exclusivos, otorgándoseles un 5% de comisión sobre las ventas.

### III. INFORMACION TECNOLOGICA

#### 1. Descripción del Producto

Se producirán machetes, mochas para usos en la agricultura y, cuchillos para usos domésticos. Los tipos y características de los artículos a fabricar pueden verse en las hojas ilustrativas anexas.

#### 2. Materias Primas

Las materias primas a utilizarse serán aceros de alto contenido en carbón, importados en rollos de 100 kilogramos aproximadamente. Las fuentes de aprovisionamiento de materias primas serán los productores de acero de alta calidad de Alemania.

#### 3. Sub-Productos

El renglón principal de producción de la planta proyectada será el de machetes, sin embargo, como renglón secundario se producirán cuchillos, aprovechando los recortes de las láminas de acero, que resultan al producirse los primeros. La producción de cuchillos de distintos tipos para usos domésticos, alcanzará 6,000 docenas para el segundo año de operaciones cuando se estima que la planta estará operando al 100% de su capacidad.

#### 4. Proceso Industrial

El proceso de fabricación consiste en cortar las láminas de acero mediante una prensa, según el largo del tipo de machete a producir, luego se da forma al blanco obtenido, al cual posteriormente se somete a tratamientos térmicos para darle temple y finalmente se pule y afila, encontrándose lista ya para colocársele el mango y empacarse.

La secuencia de operaciones sigue a continuación:

1. Enderezar los rollos de acero
2. Cortar al largo requerido en una prensa excéntrica de 40 tons.
3. Cortar los mangos en los blancos y perforar para los remaches (prensa excéntrica de 40 tons.)
4. Cortar lateralmente los blancos en prensa excéntrica de 40 tons.
5. Cortar las puntas de los blancos en prensa excéntrica de 60 tons.
6. Calentar en horno los blancos
7. Laminar
8. Calentar hasta 800° C. y templar en baño de aceite
9. Revenir a 350° C.
10. Limpiar en tambor pulidor
11. Prepulir las hojas en la máquina de pulido en húmedo
12. Preafilar las hojas en la afiladora de bandas

13. Pulido de las hojas en la máquina semi-automática
14. Afilar el corte de las hojas en afiladora de corte
15. Rectificar los dorsos
16. Pulir los cortes en la afiladora de bandas
17. Limpiar las hojas en baño de gasolina
18. Barnizar las hojas
19. Perforar los mangos de los machetes, cortar y montar los mangos
20. Rectificar los remaches en la afiladora general
21. Marcar las hojas con sello de fábrica
22. Control final y empaque

5. Diagrama de Flujo

(Ver Anexo 3)

6. Edificaciones

La planta alojará en una nave rectangular de 1,000 M<sup>2</sup>, aproximadamente, construida en blocks de hormigón y techada de asbesto cemento. Se requieren fundaciones resistentes para la ubicación de las maquinarias más pesadas tales como las prensas.

7. Energía y Agua

Se calcula una instalación de 250 Kw de potencia, lo que representa un consumo (trabajo eléctrico) de 200 Kw-hr en cada turno de 8 horas de operaciones. El valor del Kw-hr puede estimarse en \$0.025, por tanto, el consumo por turno alcanzará a unos \$50.00

Se gastarán, por otra parte, unos 10 M<sup>3</sup> diarios de agua en los distintos usos, el monto de este insumo es despreciable frente a los demás.

8. Maquinarias y Equipos

(Ver Lista en Anexo 4)

9. Capacidad de Producción

La capacidad de producción máxima de la planta es de 32,000 docenas de machetes y mochas en 8 horas de trabajo al día y en 250 días/año; no obstante, en investigaciones realizadas se ha comprobado que, de los desperdicios (recortes) de la materia prima utilizada para la elaboración de los productos antes mencionados, se puede obtener aproximadamente 6,000 docenas de cuchillos para cocina.

La producción de la planta se desarrollará de tal forma que, el primer año de operaciones, solamente se utilizará el 60% de la capacidad de producción, aumentando a plena capacidad del segundo año en adelante. Se ha estimado que en el segundo año de operaciones, además de las 32,000 docenas de machetes y mochas, se producirán 6,000 docenas de cuchillos, las cuales demandarán inversiones adicionales a las ya existentes, en lo que se refiere a maquinarias y equipos y capital de trabajo.

Para los próximos años hemos considerado una operación constante, similar a la del segundo año. En caso de que el mercado demande una mayor producción de los artículos en la programada fabricación, la misma sería satisfecha aumentando las horas de trabajo, para así obtener un mayor rendimiento en la producción de las instalaciones de la planta industrial.

#### 10. Personal

La planta empleará un total de 45 personas distribuidas según se detalla en el Cuadro Núm. 5.

#### IV. ASPECTOS ECONOMICOS FINANCIEROS

##### 1. Inversión Fija

Las inversiones fijas del proyecto industrial montan en el primer año a RD\$210,000.00 y, en el segundo año a RD\$223,807.00. Esta diferencia se debe a que en el segundo año se harán adiciones de maquinarias para la producción de un nuevo artículo, el cual requerirá inversiones fijas aproximadamente de RD\$13,807.00.

<u>Año</u>	<u>Inv. Fija</u>	<u>Adiciones</u>	<u>Total</u>
1ero.	RD\$210,000.00		RD\$210,000.00
2do.	210,000.00	RD\$13,807.00	223,807.00

Las partidas que integran la inversión fija se detallan en el Anexo Núm. 6, las cuales fueron modificadas en algunos renglones con respecto a las enviadas por los consultores técnicos, por ajustarse a las condiciones de nuestro país.

##### 2. Capital de Trabajo

El capital de trabajo necesario para la operación normal de la empresa durante los próximos dos años fue determinado en base a las necesidades de la misma y tomando en consideración el tiempo necesario de abasto de los insumos. Como renglón principal consideramos tres meses para el abastecimiento de la materia prima y materiales auxiliares y un mes para los demás renglones que componen el capital de trabajo. Para el primer año de operaciones, el cual se ha estimado que la planta utilizará un 60% de su capacidad instalada, requerirá un capital de trabajo ascendente a RD\$60,000.00 y, para el segundo año, en el cual dicha planta operará a plena capacidad, su capital de trabajo monta a RD\$96,000. Estas cifras complementan la inversión total del proyecto. Para más detalles, véase cuadro en los Anexos Núms. 7 y 8.

##### 3. Fuentes de Financiamiento

Las posibles fuentes de financiamiento o de los fondos, para satisfacer las necesidades requeridas por inversiones fijas y capital de trabajo, se detallan a continuación:

##### Fuentes:

	<u>1er. Año</u>		<u>2do. Año</u>	
	<u>Valor</u>	<u>%</u>	<u>Valor</u>	<u>%</u>
Recursos Propios:	RD\$200,000.00	74.1	RD\$200,000.00	62.5
a) Nacional	95,000.00			
b) Extranjero	105,000.00			
Préstamo CFI	<u>70,000.00</u>	<u>25.9</u>	<u>119,807.00</u>	<u>37.5</u>
Total	RD\$270,000.00	100.0	RD\$319,807.00	100.0

Como se ve en el cuadro de arriba, la empresa necesitará financiamiento de RD\$70,000.00 el primer año que representa un 25.9% de la inversión total y, el segundo año RD\$49,807.00 para completar el financiamiento total requerido de RD\$119,807.00.

La participación en el proyecto de accionistas extranjeros será, por el momento, del 52.5% y, del accionista nacional, de un 47.5%. El préstamo será solicitado a la CFI a un período de amortización de 10 años y dos años de gracia.

#### 4. Costo de Producción

Los costos de producción se han estimado en base a 8 horas de trabajo y 250 días al año, para producir durante los próximos dos años las siguientes cantidades:

<u>Año</u>	<u>Producción</u>	<u>Artículos</u>
1ro.	19,300 Docs.	Machetes y Mochas
2do.	38,200 "	Machetes, Mochas y Cuchillos

El costo promedio por docena, de acuerdo al orden detallado más arriba de producción, es de \$9.00 y \$6.95, respectivamente, para el primer y el segundo año. Véase cuadro en el Anexo Núm. 9.

#### 5. Ingresos por Ventas

Las ventas se han estimado de acuerdo a las demandas del mercado nacional y el mercado de exportación. De la producción total de la planta, el 88% será para el consumo interno y el 12% para exportación. A continuación detallamos los ingresos por ventas estimados durante los próximos dos años:

<u>Año</u>	<u>Ingresos por Ventas</u>		
	<u>Nacional</u>	<u>Extranjero</u>	<u>Total</u>
1ro.	\$ 146,691.00	\$ 29,328.00	\$ 176,019.00
2do.	285,390.00	48,880.00	334,270.00

Para más detalles, véase cuadro en el Anexo Núm. 10.

#### 6. Estados de Ganancias y Pérdidas

En base a las estimaciones de los ingresos y costos, la empresa al finalizar los primeros dos años de operaciones cerrará con beneficios ascendentes a RD\$1,462.00 y RD\$34,300 el 1er. y 2do. año, respectivamente. Los porcentajes de utilidades antes del Impuesto sobre la Renta representan, sobre las ventas totales, un 0.1% y un 18.6%. Aunque en el primer año dichos beneficios son bajos, los del segundo año son muy halagadores para sus inversionistas.

La capacidad de producción de la empresa el primer año es de 60% y en el segundo año es de un 100%. Para los siguientes años, la empresa trabajará aumentando su producción en un 4% anual aproximadamente, incrementando la mano de obra y los equipos auxiliares lo cual requerirá inversiones mínimas, siempre y cuando el mercado se mantenga en las mismas perspectivas. Véase cuadro en el Anexo Núm. 11.

#### 7. Comisión

Se ha estimado que solamente se pagará comisión sobre las ventas en el mercado exterior, que será de la magnitud del 5%.

En los estimados de costos, sin embargo, no se incluyó la comisión, considerando que el renglón de imprevistos fácilmente puede absorber ésta y cualquier otro costo que pueda surgir.

#### 8. Regalías

Se asume que las regalías alcancen un mínimo del 1,5% y un máximo del 3% sobre las ventas netas de la empresa, siendo la escala ascendente de 0.5% a partir del mínimo.

Para fines del estudio, se estimaron los porcentajes de 1.5% y 3% para el primer y el segundo año, respectivamente.

#### 9. Capacidad de Pagos

De acuerdo con el Cuadro de Fuentes y Usos de Fondos, donde se refleja el movimiento de efectivo que necesitará la empresa durante su período de instalación y los primeros cinco años de operaciones, se demuestra que la misma generará efectivo suficiente, los cuales provendrán de varias fuentes y los mismos se aplicarán a los renglones exigidos por la planta, quedando un remanente óptimo. En dicho cuadro queda demostrado además, que la empresa contará con suficiente capacidad de pago para cumplir con las deudas contraídas y con cualquier otra deuda no prevista; esta situación se refleja en los cinco años proyectados y será mejor en los sucesivos. Véase cuadro en el Anexo Núm. 12.

#### 10. Rendimientos

Los índices de rendimientos sobre inversión total, capital propio y ventas, se detallan en el Anexo Núm. 13, los cuales se consideran buenos. Este determina que esta inversión resulta atractiva para inversionistas e interesados en el proyecto y autofinanciable para la propia empresa.

#### 11. Período de Recuperación del Capital

De acuerdo a las estimaciones realizadas se ha determinado que el capital propio, o sea, la inversión de los accionistas, se recuperará en cinco años aproximadamente.

## V. EVALUACION SOCIO-ECONOMICA

### Impacto Socio-Económico del Proyecto

La fábrica que se proyecta establecer dará lugar, en su etapa inicial, a la creación de 40 nuevos puestos de trabajo.

Debe destacarse fundamentalmente, y como aporte a los esfuerzos de desarrollo del país, el hecho de que la citada industria adiestrará tecnológicamente y a un nivel avanzado, a la mano de obra dominicana ya que introducirá nuevas técnicas en la industria metalúrgica.

Asimismo y dado el estimado nacional dominicano, en que cada puesto de trabajo mantiene a cinco personas, se tiene que la instalación descrita favorecerá directamente a 200 personas.

ANEXO NUM. 3

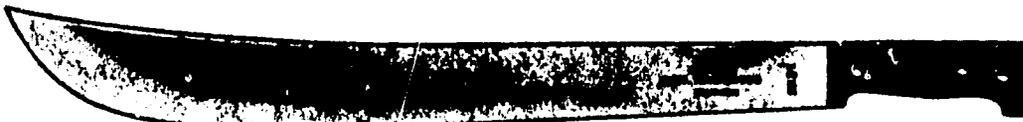
SINOPSIS DE DATOS OBTENIDOS EN ENCUESTA A LOS IMPORTADORES DE MACHETES Y MOCHAS

		<u>FOB</u> <u>Doc.</u>	<u>CIF</u> <u>DOC.</u>	<u>LIQUID.</u> <u>DOC.</u>	<u>MAYORISTA</u> <u>DOC.</u>	<u>DETALLE</u> <u>UNIDAD</u>
<u>Machete para Corte (Hoja de 22")</u>						
<u>Collins</u>						
Hoja pulida, cabo de plástico	Guatemala	\$16.00	\$17.13	\$18.00	\$20.00	\$2.25
<u>Corneta</u>						
Hoja pulida, cabo de chifle	Alemania	-	11.75	12.45	14.00	
Hoja niquelada, cabo de chifle	Alemania	-	19.50	23.00	25.00	
Hoja pintada de rojo, cabo de madera	Alemania	-	7.20	7.60	8.40	1.00
<u>Toledo</u>						
Hoja pulida, cabo de plástico	España	8.00	-	9.04	10.50	1.25
Hoja pulida, cabo de chifle	España	7.00	-	8.00	9.50	1.00
Hoja pintada de rojo, cabo de madera	España	4.50	-	5.93	6.75	0.75
<u>Eweco</u>						
Hoja pulida, cabo de chifle	Alemania	-	12.25	13.00	15.00	
<u>Garza</u>						
Hoja pintada de rojo, cabo de madera	España	-	-	7.20	8.10	0.75
<u>Machete para Desyerbe (Hoja Cibao Ancha)</u>						
<u>Burriquito</u>						
Hoja de 21", tres canales, cabo de madera	Alemania	-	13.60	14.40	16.40	2.00
Hoja de 18", tres canales, cabo de madera	Alemania	-	12.40	12.65	15.20	1.75
Hoja de 14", tres canales, cabo de madera	Alemania	-	9.50	10.12	11.00	1.50
<u>Mocha para Corte de Caña</u>						
Tower	Alemania	3.25	3.40	3.68	4.50	
Toledo	España	-	4.20	5.08	6.00	0.75

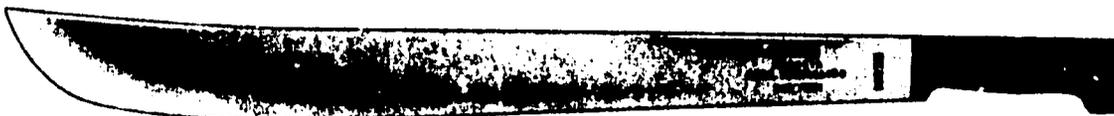
- C17 -



31-22" rojo



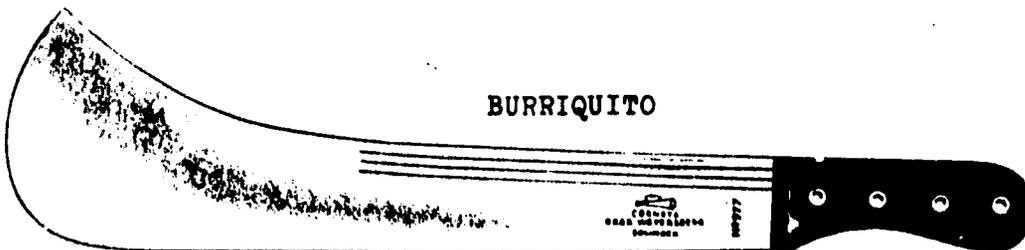
31-22" pulido



1266-22" pulido



Mocha 21"



BURRIQUITO

14" - 18" - 21"

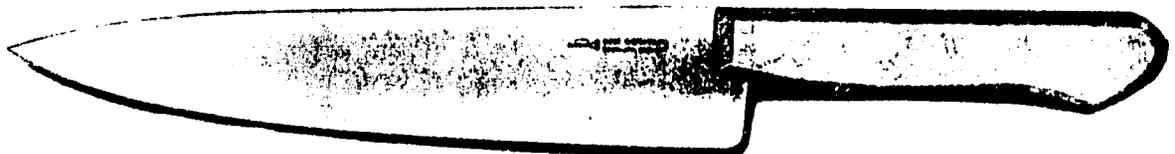




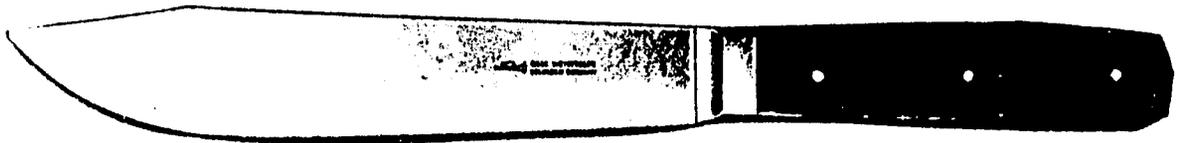
3170/3½"



3160/4-3/4"



3917/6"



3980/6"



3984/6"

ANEXO NUM. 2

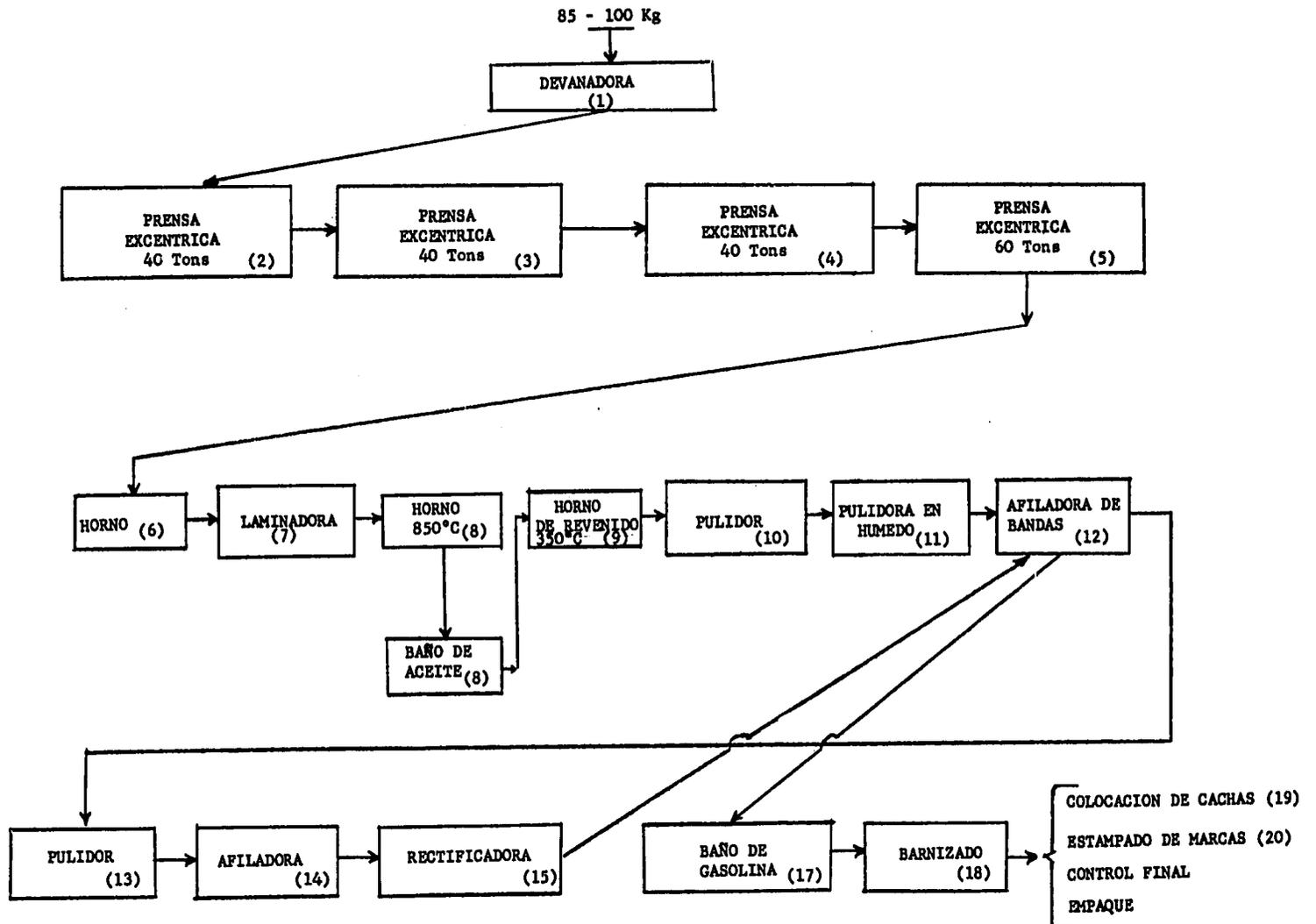
COMPARACION DE COMPOSICION DEL MERCADO DE MACHETES

		<u>DATOS DE LA ENCUESTA</u>			<u>EXPERIENCIA DE FABRICANTES</u>		
		<u>Cantidad</u>		<u>%</u>	<u>Cantidad</u>		<u>%</u>
		<u>Piezas</u>	<u>Docenas</u>		<u>Piezas</u>	<u>Docenas</u>	
Modelo 977	14"	-	-	-	18,000	1,500	6
	18"	-	-	-	48,000	4,000	17
	21"	-	-	-	6,000	500	2
		<u>45,000</u>	<u>3,750</u>	<u>15%</u>	<u>72,000</u>	<u>6,000</u>	<u>25%</u>
Modelo 31		60,000	5,000	34%	162,000	13,500	56%
Modelo 1266		<u>195,000</u>	<u>16,250</u>	<u>51%</u>	<u>54,000</u>	<u>4,500</u>	<u>19%</u>
Total		300,000	25,000	100%	288,000	24,000	100%
Modelo 1001		40,000	3,333		42,000	3,500	

ANEXO NUM. 3

DIAGRAMA DE FLUJO

ROLLOS DE ACERO



OPERACIONES

- |  |                         |
|--|-------------------------|
| 1. Enderezar rollos de acero                                     | 11. Prepulir en húmedo  |
| 2. Cortar al largo requerido                                     | 12. Prefilar            |
| 3. Cortar los mangos de los blancos y perforar para los remaches | 13. Pulir               |
| 4. Cortar los blancos lateralmente                               | 14. Afilar hojas        |
| 5. Cortar las puntas de los blancos                              | 15. Rectificar          |
| 6. Calentar los blancos en horno                                 | 16. Pulir               |
| 7. Laminar los blancos   | 17. Limpiar en solvente |
| 8. Calentar y templar  | 18. Barnizar            |
| 9. Revenir   | 19. Colocar cachas      |
| 10. Limpiar de partículas  | 20. Estampado de marcas |

ANEXO NUM. 4

MAQUINARIA PARA LA FABRICACION DE MACHETES

La instalación comprende:

- 1 Máquina enderezadora para enderezar el fleje de acero incluyendo una devanadera, motor eléctrico e instalación eléctrica

Datos Técnicos

Fuerza requerida:	3,5	KW		
Peso bruto aprox.	380	Kgs.	US\$	3,350.00
Precio				

- 1 Prensa excéntrica para cortar el fleje de acero a medida de los machetes requeridos, incl. motor eléctrico e instalación eléctrica y con herramientas de corte incorporada

Fuerza eléctrica necesaria	3	KW		
Presión total aprox.	40	Tons		
Peso bruto	2000	Kgs.		
Precio				2,450.00

- 1 Prensa excéntrica con mesa fija para cortar y punzonar el mango previsto para montaje de una herramienta combinada compl. con instalación eléctrica y motor eléctrico

Fuerza eléctrica necesaria	2,2	KW		
Presión total aprox.	40	Tons		
Peso bruto aprox.	2000	Kgs.		
Precio				2,450.00

- 1 Prensa excéntrica con mesa fija para corte lateral de los blancos de machetes compl. con instalación eléctrica y motor eléctrico

Fuerza eléctrica necesaria aprox.	2,2	KW		
Presión total aprox.	40	Tons.		
Peso bruto aprox.	2000	Kgs.		
Precio				2,250.00

- 1 Prensa excéntrica con mesa fija para el corte de punta de los blancos de machetes, así como dividir la materia prima para los machetes Modelo 1001 compl. con instalación eléctrica y motor eléctrico
- |                                   |         |               |
|-----------------------------------|---------|---------------|
| Fuerza eléctrica necesaria aprox. | 3,65 KW |               |
| Presión total aprox.              | 60      | Tons          |
| Peso bruto aprox.                 | 2500    | Kgs.          |
| Precio                            |         | US\$ 3,200.00 |
- 1 Horno para calentar los blancos de machetes, compl. con su quemador a petróleo, abertura de 800 x 600 x 30 mm, con ventilador y motor eléctrico, pirómetro y aparato indicador de temperatura incl. instalación eléctrica
- |                                   |        |          |
|-----------------------------------|--------|----------|
| Fuerza eléctrica necesaria aprox. | 1,8 KW |          |
| Temperatura hasta aprox.          | 950°   | C.       |
| Peso bruto aprox.                 | 1250   | Kgs.     |
| Precio                            |        | 2,787.00 |
- 1 Laminadora especial para laminar los blancos de machetes con cilindros horizontales de fundición dura, compl. con accionamiento eléctrico individual y motor eléctrico, e instalación eléctrica
- |                                   |         |           |
|-----------------------------------|---------|-----------|
| Fuerza eléctrica necesaria aprox. | 14,5 KW |           |
| Diámetro de los rodillos aprox.   | 350     | mm.       |
| Ancho de los rodillos aprox.      | 500     | mm.       |
| Peso bruto aprox.                 | 14,000  | Kgs.      |
| Precio                            |         | 18,700.00 |
- 1 Horno para templar los blancos de machetes, equipado con su quemador a petróleo, equipo regulador compl. automático de temperatura, crisol para plomo, equipo de absorción, y equipo de soporte para los blancos de machetes, ventiladores de extracción y motor eléctrico
- |                                   |      |          |
|-----------------------------------|------|----------|
| Profundidad útil aprox.           | 800  | mm.      |
| Diámetro del crisol aprox.        | 500  | mm.      |
| Temperatura hasta aprox.          | 950° | C.       |
| Fuerza eléctrica necesaria aprox. | 2    | KW       |
| Peso bruto                        | 1500 | Kgs.     |
| Precio                            |      | 4,670.00 |

- 1 Instalación de refrigeración compl. con tubería, serpiente de refrigeración para templar respect. refrigeración de los blancos de machetes en ejecución; semi-automática con tambor rotativo de fijación, accionamiento mediante motor eléctrico y engranaje, bomba de agua e instalación eléctrica
- |                                   |      |      |               |
|-----------------------------------|------|------|---------------|
| Fuerza eléctrica necesaria aprox. | 3    | Kw   |               |
| Peso bruto                        | 1850 | Kgs. |               |
| Precio                            |      |      | US\$ 6,125.00 |
- 1 Horno eléctrico compl. para revenir con crisol para plomo, regulación automática de temperatura, dispositivo de fijación de los blancos de machetes, compl. con instalación eléctrica
- |                                    |      |      |          |
|------------------------------------|------|------|----------|
| Temperatura hasta aprox.           | 550° | C.   |          |
| Fuerza eléctrica necesaria aprox.  | 45   | KW   |          |
| Profundidad útil del crisol aprox. | 800  | mm.  |          |
| Diámetro del crisol aprox.         | 500  | mm.  |          |
| Peso bruto aprox.                  | 1500 | Kgs. |          |
| Precio                             |      |      | 2,925.00 |
- 1 Tambor pulidor para limpieza de los machetes y para sacar los residuos de cascarillas y plomo, previsto con motor eléctrico incorporado e instalación eléctrica compl.
- |                                   |     |      |        |
|-----------------------------------|-----|------|--------|
| Fuerza eléctrica necesaria aprox. | 2,5 | KW   |        |
| Peso bruto aprox.                 | 500 | Kgs. |        |
| Precio                            |     |      | 800.00 |
- 1 Máquina semi-automática de pulido en húmedo en ejecución especial para los machetes principalmente para semi-pulir los machetes de desyerbe Mod. 977, accionamiento mediante transmisión incl. 2 motores eléctricos y su compl. instalación
- |                                   |         |      |          |
|-----------------------------------|---------|------|----------|
| Fuerza eléctrica necesaria aprox. | 2 x 5,5 | KW   |          |
| Peso bruto aprox.                 | 1050    | Kgs. |          |
| Precio                            |         |      | 5,050.00 |
- 1 Máquina semi-automática de pulido para pulir machetes Núm. 1266 equipada con rodillo transportador y un rodillo pulidor, motor de accionamiento y motor de avance incl. instalación eléctrica
- |                                   |      |      |          |
|-----------------------------------|------|------|----------|
| Fuerza eléctrica necesaria aprox. | 3,5  | KW   |          |
| Peso bruto aprox.                 | 1200 | Kgs. |          |
| Precio                            |      |      | 1,330.00 |

1	Máquina especial de un sólo lado de trabajo para grabar los canales de los machetes de desyerbe Núm. 977, con accionamiento individual y motor eléctrico incl. instalación eléctrica			
	Fuerza eléctrica necesaria aprox.	3,5	KW	
	Peso bruto aprox.	250	Kgs.	
	Precio			US\$ 1,040.00
1	Máquina afiladora de un sólo lado de trabajo para corte de los machetes, accionamiento individual, motor eléctrico e incl. instalación eléctrica			
	Fuerza eléctrica necesaria aprox.	3	KW	
	Peso bruto	250	Kgs.	
	Precio			550.00
1	Máquina afiladora de un sólo lado de trabajo para distintos usos con accionamiento individual con motor eléctrico e instalación eléctrica			
	Fuerza eléctrica necesaria aprox.	3,5	KW	
	Peso bruto	250	Kgs.	
	Precio			550.00
1	Máquina afiladora de banda para pulido posterior de los cortes de machetes incl. con brazo de tensión y equipo de protección de las cintas de afilar, disco de contacto, accionamiento individual con motor eléctrico e instalación eléctrica			
	Fuerza eléctrica necesaria aprox.	2	KW	
	Peso bruto aprox.	300	Kgs.	
	Precio			670.00
1	Máquina taladradora múltiple para taladrar las cachas plásticas de madera con accionamiento individual y motor eléctrico incorporado			
	Fuerza eléctrica necesaria aprox.	0,75	KW	
	Capacidad de taladro aprox.	5	mm.	
	Peso bruto aprox.	280	Kgs.	
	Precio			865.00

1	Máquina remachadora de golpe para remachar las cachas con las hojas de machetes, accionamiento individual con motor eléctrico e instalación eléctrica compl.			
	Fuerza eléctrica necesaria aprox.	0,75	KW	
	Capacidad de remachar hasta aprox.	8	mm Ø	
	Peso bruto aprox.	270	Kgs.	
	Precio			US\$ 810.00
1	Máquina cierre circular para dividir los mangos de madera con accionamiento individual, motor eléctrico e instalación eléctrica compl.			
	Fuerza eléctrica necesaria aprox.	0,75	KW	
	Diámetro de la hoja aprox.	300	mm.	
	Peso bruto aprox.	220	Kgs.	
	Precio			480.00
1	Máquina especial para marcar los machetes compl. con su motor eléctrico e instalación eléctrica			
	Fuerza eléctrica necesaria aprox.	4	KW	
	Peso bruto aprox.	500	Kgs.	
	Precio			1,915.00
1	Máquina afiladora de banda para preafilado de machetes Mod. 1266, con motor incorporado, accionamiento individual e instalación eléctrica			
	Fuerza eléctrica necesaria aprox.	4,5	KW	
	Peso bruto aprox.	850	Kgs.	
	Precio			1,330.00
1	Tanque especial para limpieza de las hojas de machetes con gasolina, protegido contra explosiones			
	Peso bruto aprox.	100	Kgs.	
	Precio			125.00
1	Dispositivo giratorio para secar los machetes barnizados del Mod. 31, así como para secar machetes barnizados con barniz transparente para los Modelos 977, 1266 y 1001. El dispositivo será construido de acero perfilado fuerte. El eje del dispositivo giratorio gira en rodamiento fuerte, se ha previsto dispositivos colgantes a los cuales se fija los diferentes machetes			
	Peso bruto aprox.	500	Kgs.	
	Precio			765.00

1	Máquina rectificadora para discos utilizados con su motor eléctrico e instalación eléctrica				
	Fuerza eléctrica necesaria aprox.	3	KW		
	Peso bruto aprox.	300	Kgs.		
	Precio			US\$	980.00
1	Ventilador de extracción para absorber el polvo de esmeril de las máquinas afiladoras y pulidoras, previsto para en total, siete sitios de absorción				
	Fuerza eléctrica necesaria aprox.	16	KW		
	Peso bruto aprox.	350	Kgs.		
	Precio				1,270.00
3	Aparatos de cocinar cola y esmeril para discos de pulir, calefaccionados eléctricamente				
	1 pieza para 10 litros				
	2 piezas para 5 litros				
	Fuerza eléctrica necesaria aprox.	2	KW		
	Peso bruto aprox.	30	Kgs.		
	Precio				295.00
1	Aparato elevador para transportar depósitos en la sección de forja				
	Peso bruto aprox.	50	Kgs.		
	Precio				185.00
1	Dispositivo elevador para transportar depósitos en la sección de pulido				
	Peso bruto aprox.	30	Kgs.		
	Precio				110.00
20	Depósitos para los blancos de machetes para la sección de forja				
	Peso bruto cada uno	25	Kgs.		
	Precio c/u 30,--				600.00
25	Depósitos para blancos de machetes para la sección de pulido				
	Peso bruto cada uno	50	Kgs.		
	Precio c/u 31,60				790.00
25	Dispositivos para almacenar los rollos de acero				
	Peso bruto cada uno	10	Kgs.		
	Precio				235.00

- 1 Aparato calentador de aire "WAVASOTERM", previsto para la instalación en la cámara de secado donde serán secados los discos renovados
- |                                   |     |      |      |        |
|-----------------------------------|-----|------|------|--------|
| Fuerza eléctrica necesaria aprox. | 5   | KW   |      |        |
| Regulable a tres escalas          |     |      |      |        |
| Peso bruto aprox.                 | 120 | Kgs. | US\$ | 590.00 |
| Precio                            |     |      |      |        |
- 1 Tacle para el manejo manual, previsto para el transporte de la materia prima con una capacidad de 2 toneladas, a una altura de elevación de 3 metros
- |                   |     |      |  |        |
|-------------------|-----|------|--|--------|
| Peso bruto aprox. | 100 | Kgs. |  | 290.00 |
| Precio            |     |      |  |        |

ANEXO NUM. 5

CUADRO DEL PERSONAL

	<u>PRIMER AÑO</u>			<u>SEGUNDO AÑO</u>		
	<u>Cant.</u>	<u>Sueldo Mensual</u>	<u>Total Anual</u>	<u>Cant.</u>	<u>Sueldo Mensual</u>	<u>Total Anual</u>
<u>Personal Administrativo</u>						
Gerente Administrador	1	1,000.00	12,000.00	1	1,000.00	12,000.00
Secretaria	1	200.00	2,400.00	1	200.00	2,400.00
Contable	1	250.00	3,000.00	1	250.00	3,000.00
Auxiliar	-	-	-	1	150.00	1,800.00
Total Administrativo	4	1,450.00	17,400.00	4	1,600.00	19,200.00
<u>Personal Planta</u>						
Jefe de Producción	1	800.00	9,600.00	1	800.00	9,600.00
Técnicos	1	700.00	8,400.00	2	1,400.00	16,800.00
Operarios Calificados	4	120.00	5,760.00	8	960.00	11,520.00
Operarios Semi-Calificados	5	96.00	5,760.00	18	1,728.00	20,736.00
Operarios Semi-Auxiliares	8	84.00	8,064.00	9	756.00	9,072.00
Chofer y Sereno	2	84.00	2,016.00	2	168.00	2,016.00
Total Planta	21	1,884.00	39,600.00	40	5,812.00	69,744.00
Más: Total Administrativo	4	1,450.00	17,400.00	4	1,600.00	19,200.00
Sub-Total	25	3,334.00	57,000.00	44	7,412.00	88,944.00
Más: Cargos Sociales (22%)		733.00	12,540.00		1,630.00	19,567.00
<b>TOTAL GENERAL</b>	<b>25</b>	<b>4,067.00</b>	<b>69,540.00</b>	<b>44</b>	<b>9,042.00</b>	<b>108,511.00</b>

ANEXO NUM. 6

INVERSION FIJA DEL PROYECTO DE MACHETES

<u>DETALLE</u>	<u>VALOR</u>
Terrenos (2,000 M <sup>2</sup> a \$3.00)	\$ 6,000.00
Preparación del Terreno	3,000.00
Edificaciones (800 M <sup>2</sup> a \$50.00)	40,000.00
Instalación Eléctrica	7,000.00
Maquinaria y Equipo (Valor FOB)	89,225.00
Gastos de Transporte, Seguros, etc. (CIF Santo Domingo 10%)	13,721.00
Gastos de Montaje	5,000.00
Instalación de Alimentación de Agua, Aceite y Aire	5,000.00
Equipo de Oficina y Planta	4,000.00
Gastos de Constitución y Organización de la Compañía	1,900.00
Equipo de Transporte (Camioneta)	5,000.00
Gastos de Promoción del Proyecto	2,000.00
Gastos de Pruebas Previas y Puesta en Marcha	6,809.00
Intereses Durante la Construcción	6,750.00
Impuestos Sobre Maquinaria y Equipo (5.15%)	4,595.00
Imprevistos (7.6%)	<u>10,000.00</u>
TOTAL INVERSION FIJA	<u>\$ 210,000.00</u>

ANEXO NUM. 7

DETERMINACION DEL CAPITAL DE TRABAJO PARA EL PROYECTO DE MACHETES Y MOCHAS

<u>Detalle</u>	<u>Núm. de Días de Producción</u>	<u>1er. Año Valor RD\$</u>	<u>2do. Año Valor RD\$</u>
<u>Caja y Banco</u>			
Seguros	60	194.00	194.00
Costos de Servicios	20	929.00	1,711.00
Costos de Operaciones	20	<u>6,711.00</u>	<u>11,413.00</u>
		7,834.00	13,318.00
<u>Materias Primas y Materiales</u>			
Materias Primas	60	13,746.00	23,830.00
Materiales Auxiliares	60	1,254.00	2,595.00
Materiales y Envases de Empaques	20	<u>250.00</u>	<u>416.00</u>
Total Materias Primas y Materiales		15,250.00	26,841.00
<u>Otros</u>			
Productos Terminados	20	14,490.00	21,223.00
Cuentas por Cobrar	20	14,668.00	24,447.00
Imprevistos (1)		<u>7,758.00</u>	<u>10,171.00</u>
		<u>36,916.00</u>	<u>55,841.00</u>
Total Capital de Trabajo		<u><u>60,000.00</u></u>	<u><u>96,000.00</u></u>

(1) Los imprevistos se consideraron para completar las cifras redondas de RD\$60,000.00 y RD\$96,000.00 en el primer y el segundo año, respectivamente.

ANEXO NUM. 8

INVERSION TOTAL DEL PROYECTO

<u>D e t a l l e</u>	<u>1er. Año</u>	<u>2do. Año</u>
Inversión Fija	\$ 210,000.00	\$ 223,807.00
Más: Capital de Trabajo	<u>60,000.00</u>	<u>96,000.00</u>
INVERSION TOTAL	\$ <u>270,000.00</u>	\$ <u>319,807.00</u>

Nota: La diferencia existente entre el primer y el segundo año de la inversión fija, se debe a adiciones de equipos requeridos para la producción de cuchillos.

ANEXO NUM. 9

ESTADO DE COSTOS OPERACIONALES  
PROFORMA PARA LOS DOS PRIMEROS AÑOS

<u>CONCEPTO</u>	<u>1er. Año</u> <u>Capacidad 60%</u> <u>Prod.19,320 Doc.</u>	<u>2do. Año</u> <u>Producción de</u> <u>32,200 Doc.</u>
<u>Costo de Fabricar</u>		
<u>Costo Directo:</u>		
Materias Primas	54,987.00	95,324.00
Materiales Auxiliares	5,018.00	10,382.00
Materiales de Empaque	3,000.00	5,000.00
Mano de Obra	37,584.00	67,728.00
Cargos Sociales	<u>8,269.00</u>	<u>14,900.00</u>
Total Costo Directo	108,858.00	193,334.00
<u>Gastos de Fabricar:</u>		
Mantenimiento de Maquinarias	4,500.00	12,000.00
Combustible (Aceite 60,000 lts.)	1,200.00	4,000.00
Mano de Obra Indirecta	2,016.00	2,016.00
Cargos Sociales	444.00	444.00
Energía Eléctrica	4,080.00	6,800.00
Suministro de Agua	600.00	1,000.00
Seguros	778.00	778.00
Depreciaciones	8,226.00	8,226.00
Amortización-Promoción Proyectos y Prueba Previa	400.00	400.00
Operación y Mantenimiento Camioneta	<u>720.00</u>	<u>960.00</u>
Total Gastos de Fábricar	<u>22,964.00</u>	<u>36,624.00</u>
<u>Costo de Administrar:</u>		
Sueldos	17,400.00	19,200.00
Cargos Sociales	3,828.00	4,224.00
Gastos Generales	1,000.00	1,000.00
Amortización-Gastos Construcción y Organización de la Compañía	380.00	380.00
Otros Gastos Generales (Incluyendo Promoción)	<u>2,000.00</u>	<u>2,000.00</u>
Total Costo de Administrar	24,608.00	26,804.00
<u>Costo Financiero:</u>		
Intereses y Amortización del Préstamo	5,600.00	9,390.00
Amortización - Int. Durante Construc.	<u>1,350.00</u>	<u>1,350.00</u>
Total Costo Financiero	6,950.00	10,740.00
<u>Imprevistos y Otros :</u>		
Imprevistos (5%)	<u>8,289.00</u>	<u>12,137.00</u>
Total Imprevistos y Otros	<u>8,289.00</u>	<u>12,137.00</u>
<b>TOTAL GENERAL</b>	<u><u>171,669.00</u></u>	<u><u>379,639.00</u></u>

ANEXO NUM. 10

CUADRO DE INGRESOS POR VENTAS

	<u>1er. Año</u>		<u>2do. Año</u>	
	<u>Docenas</u>	<u>RD\$</u>	<u>Docenas</u>	<u>RD\$</u>
<u>Mercado Nacional</u>				
Machetes	14,400	138,963.00	24,000	231,605.00
Cuchillos	-	-	6,000	40,905.00
Mochas	2,100	7,728.00	3,500	12,880.00
<u>Mercado de Exportación</u>				
Machetes	<u>2,820</u>	<u>29,328.00</u>	<u>4,700</u>	<u>48,880.00</u>
Totales	<u>19,320</u>	<u>176,019.00</u>	<u>38,200</u>	<u>334,270.00</u>

NOTA: Se ha estimado que la planta comenzará a producir en el año 1970 a una capacidad nominal de un 60% y, a plena capacidad el segundo año.

ANEXO NUM. 11

ESTADO DE UTILIDADES PROFORMA PARA LOS PRIMEROS  
DOS AÑOS DE OPERACIONES

<u>Detalle</u>	<u>1er. Año 60% de Capacidad</u>	<u>2do. Año Plena Capacidad</u>
<u>Ventas Netas</u>	176,019.00	334,270.00
Menos: <u>Costos de Operar</u>		
Costo de Fabricar	131,822.00	229,958.00
Costo de Administrar	24,608.00	26,804.00
Costo Financiero	6,950.00	10,740.00
Costo Imprevistos y Otros	<u>8,289.00</u>	<u>12,137.00</u>
Total Costos de Operar	171,669.00	279,639.00
Más: Regalías	<u>2,640.00</u>	<u>10,028.00</u>
Total Costos	174,309.00	289,639.00
Beneficios Netos antes del Impuesto s/Renta	<u>1,710.00</u>	<u>44,631.00</u>
Reserva Legal	86.00	2,231.00
Impuesto s/Renta	<u>162.00</u>	<u>8,100.00</u>
Utilidad Libre	<u>1,462.00</u>	<u>34,300.00</u>

NOTA: Regalías

1er. Año 1.5% S/Ventas  
2do. Año 3% S/Ventas

ANEXO NUM. 12

CUADRO DE FUENTES Y USOS DE FONDOS

<u>Fuentes</u>	<u>1er. Año</u> <u>60% de Capacidad</u>	<u>2do. Año</u> <u>Plena Capacidad Prod.</u>	<u>3er. Año</u> <u>Plena Capacidad Prod.</u>	<u>4to. Año</u> <u>Plena Capacidad Prod.</u>	<u>5to. Año</u> <u>Plena Capacidad Prod.</u>
Caja y Banco		8,698.	53,747.	91,093	128,439.
Ingresos por Ventas	176,019.	334,270.	334,270.	334,270.	334,270.
Recursos Propios	200,000.				
Préstamo CFI	<u>70,000.</u>	<u>49,807.</u>			
<b>Total Fuentes</b>	<b>446,019.</b>	<b>392,775.</b>	<b>388,017.</b>	<b>425,363.</b>	<b>462,709.</b>
<u>Usos</u>					
Inversiones Fijas	<u>210,000.</u>	<u>13,807.</u>			
Capital de Trabajo	60,000.	36,000.			
Costos Operacionales	171,669.	279,639.	287,342.	287,342.	287,342.
Menos: Depreciaciones y Amortizaciones	7,150.	8,546.	8,546.	8,546.	8,546.
Más: Regalías	2,640.	10,028.	10,028.	10,028.	10,028.
Impuestos s/Renta	<u>162.</u>	<u>8,100.</u>	<u>8,100.</u>	<u>8,100.</u>	<u>8,100.</u>
<b>Sub-Total</b>	<b>227,321.</b>	<b>325,221.</b>	<b>296,924.</b>	<b>296,924.</b>	<b>296,924.</b>
<b>Total Usos</b>	<b>437,321.</b>	<b>339,028.</b>	<b>296,924.</b>	<b>296,924.</b>	<b>296,924.</b>
<b>TOTAL RECURSOS DISPONIBLES PARA PROXIMO PERIODO</b>	<b><u>8,698.</u></b>	<b><u>53,747.</u></b>	<b><u>91,093.</u></b>	<b><u>128,439.</u></b>	<b><u>165,785.</u></b>

NOTA: A partir del 3er. año comienza a amortizar el préstamo de RD\$119,807.00 considerando un período de gracia de dos años y un plazo de amortización de 10 años.

ANEXO NUM. 13

RENDIMIENTOS

Sobre la Inversión       $\frac{\text{Utilidad}}{\text{Inv. Total}} = \frac{1,462.00}{270,000.00} = 0.5\%$        $\frac{34,300.00}{319,807.00} = 10.7\%$

Sobre Capital       $\frac{\text{Utilidad}}{\text{Cap. Propio}} = \frac{1,462.00}{200,000.00} = 0.7\%$        $\frac{34,300.00}{200,000.00} = 17.1\%$

Sobre Ventas       $\frac{\text{Utilidad}}{\text{Ventas}} = \frac{1,462.00}{176,000.00} = 0.8\%$        $\frac{34,300.00}{334,270.00} = 10.3\%$

## APPENDIX D

### EVALUATION OF THE WORK TO DATE

This Appendix presents a general idea of the process followed during the project "Analysis of Concepts on Development in the Dominican Republic," and shows some of its findings. At the time of writing the present report, the proposed objectives have not yet been achieved. This attempt was conceived as "investigation as action and for action"; meaning that the dynamic aspect of the discussions during interviews and meetings is stressed more than dedication to academic and scientific goals which tend to produce a documented report. The final objective is to create possibilities, so that as a result of a change of attitudes, based on the discussion of the findings a consensus might emerge, leading to concerted action by the group.

During the dialogue process, 38 interviews were effected (see list), of which two were not completed; those two interviewees, therefore, were not included in feedback sessions nor in the seminar which is planned to be held for all those who were interviewed. The total persons interviewed were organized into seven feedback groups (see list). These nucleus were created according to the heterogeneity of the members, and to their availability to attend on the date selected as most adequate for the majority in each group recently incorporated into the investigation process.

To complete the first phase of the project, a seminar was planned to which the majority of the participants could attend. This activity was organized and promoted by the group responsible for the leadership of the project. The objective was to effectively stimulate the dialogue as an instrument for better understanding, accessibility and solidarity, in the treatment of problems pertinent to Dominican society, and, consequently, encourage the formation of functional groups or teams. The meeting, held at the Hotel Montaña de Jarabacoa, on June 8 and 9, 1969, was attended by ten members of the group.

In order to give a general idea of the methodology, the following process was used to select the interviewees. At the beginning, a list was made of over 100 people (with different activities and from different sectors of the country) considered as "influyentes" in that they were responsible for making significant decisions. This list was revised by local and foreign consultants, experienced in Dominican matters, and it was agreed that the information was sufficiently adequate to start the work. The experience of the study later showed that instead of continuing to use the original source to select people to be interviewed, it was more advisable to establish an order of priorities based on the information obtained directly from the interviewees, on who the "influyentes" were in the country. Since then, selections have been made using a socio-metric outline as a guide, in which the suggested names for each interviewee are compiled, whom in their judgment, are "influyentes" and should be incorporated into the process. Each person interviewed or named is incorporated into a socio-metric matrix from which the priorities for the next

interviews are selected in accordance to the number and importance of references given of each individual incorporated therein. This is a cross-reference table in which the names of the interviewees appear in the corresponding column. The total and order of appointments are shown at the bottom of the table.

After carrying out some interviews, generally more than five, a feedback session is called to discuss the results of the interview analysis. In this situation, the consultants act as a talking mirror of the group, reflecting their ideas and attitudes, and it is also the task of the consultants to stimulate the dialogue around the topics presented. These sessions are followed by seminar-type meetings held by the participants. From the latter, specialized project groups will eventually emerge.

The most comprehensive and significant findings are the only ones which have been dealt with as discussion topics in the feedback sessions in order to encourage concentration on specific matters and not engage in obscure discussion lacking depth and energy, dealing only with problems and realities well identified which cover a broad area.

The findings were grouped in four main categories:

1. Leadership characteristics
2. Tendencies opposed to collaboration
3. The role of the "influyente" (opinion and true function)
4. Contradiction (between attitudes and realities; and between identified problems and proposed solutions)

For these four categories, only the first have been submitted to an intensive quantitative treatment, using socio-metric techniques where results can be given in those terms. The other categories have been grouped quantitatively by the determination of frequencies, but their results only become significant in quantitative terms, both because of the nature of this information and because of the treatment to which it must be submitted.

As an example, everything related to findings which permit the understanding of leadership characteristics in the group under study, is given in a concise fashion.

In the first 20 interviews effected, it was found that 25% were not mentioned by the remainder as "influyentes" and 10% were not mentioned again in later interviews. On the other hand, of the 20 interviewed, only 30% were among the first 20 places when the countless persons mentioned as "influyentes" were classified. It is also significant that only 21% of those mentioned in this group corresponded to themselves. These were some of the results which led to a change in strategy in selecting candidates. When the procedure was changed, it immediately produced a more defined concentration of leadership in the top positions of the classified list, but even so, the number of

persons cited as "influyentes" continued to grow at a lesser rate than during the first 20 interviews; still, the group continued to expand significantly. These rates are 5 for the first group, and 3.7 for the remainder. A significant aspect in the citations is that upon analyzing its composition, it can be seen that interviewees unfailingly choose people that are close to them, who form part of their world, and who are not known to have direct leadership. The tendency to enlarge the group and the lack of selection of persons with an objective leadership, with few exceptions, has led to the belief that, within the group known as "influyentes":

- a. There is lack of group conscience.
- b. There is no adequate identity, appraisal or classification of "influyente" individuals.
- c. There is a tendency towards vagueness in recognizing leadership.
- d. As a consequence of the above, mechanisms fail for concerted action of "influyentes" as a social group.

LIST OF PERSONS INTERVIEWED

STUDY: "THE CONCEPT ON DEVELOPMENT"

1. ABINADER, José Rafael  
Vice Rector, Universidad Autónoma  
de Santo Domingo
2. ADAMES, Monseñor Roque  
Bishop, Diócesis de Santiago
3. ARMENTEROS, José  
President, José Armenteros y Cía.,  
C. por A., Member, Comisión Nacional  
del Desarrollo
4. ARMENTEROS, Enrique  
President, Sociedad Industrial  
Dominicana
5. AUFFANT, Marino  
Member, Directiva del Consejo  
Nacional de Hombres de Empresa.,  
President, Materiales de Construcción,  
C. por A.
6. AYBAR CASTELLANOS, José Andrés  
Director General, Corporación de  
Fomento Industrial., Executive  
Secretary, Comisión Nacional de  
Desarrollo
7. AYBAR GARRIGOSA, Silvestre  
President, COPACA, C. por A.
8. BERMUDEZ, José Armando  
President, J. Armando Bermúdez,  
C. por A., Santiago de los Caballeros
9. BONETTI, José Miguel  
Vice President, Sociedad Industrial  
Dominicana
10. BRACHE, Hugh  
President, Panificadora Pepín, C. por  
A., Alternate Member, Junta Monetaria
11. CABRAL, José Manuel  
Dean, Facultad de Administración  
de Empresas de la Universidad  
Católica Madre y Maestra,  
Santiago
12. CABRERA, Mario  
Secretary, Industrias Lavador,  
C. por A., Member, Junta de  
Directores de la Corporación  
de Fomento Industrial
13. CARO ALVAREZ, José Antonio  
Member, Comisión Nacional del  
Desarrollo
14. D'ALESSANDRO, Guido\*  
Ex-Director, Instituto de Desa-  
rrollo y Crédito Cooperativo.,  
Ambassador, República Dominicana  
en Venezuela
15. DE CASTRO, Eduardo  
President, Alambres Dominicanos,  
C. por A., Member, Comisión Na-  
cional del Desarrollo
16. DIEZ, Manuel  
President-Treasurer, Industria  
Petroquímica Dominicana, C. por A.
17. ESPAILLAT, Victor  
Member, Comisión Nacional del  
Desarrollo., Permanent Advisor,  
Asociación para el Desarrollo de  
Santiago., President, Industrial  
Confitera Dominicana., Daniel  
Espinal, C. por A.
18. FERNANDEZ, Diógenes  
Governor, Banco Central de la  
República Dominicana., President  
ex-oficio, Junta Monetaria.,  
Member, Comisión Nacional del  
Desarrollo

19. GASSO, Juan  
President, Gassó y Gassó, C. por A.
20. GRULLON, Alejandro  
President, Banco Popular Dominicano.,  
Member, Comisión Nacional del  
Desarrollo
21. HERNANDEZ, José Ramón  
President, NEDOCA, C. por A., Member,  
Comisión de Comercio Exterior
22. HERRERA, Rafael  
Director, Periódico "Listín Diario"
23. IMBERT, Mario  
Engineer, specialized in urban plan-  
ning., Member, Colegio Dominicano  
de Ingenieros, Arquitectos y Agri-  
mensores
24. JULIAN PEREZ, Luis  
President, Comisión Nacional del  
Desarrollo
25. MARTINEZ BONILLA, José Antonio  
Manager Public Relations, Compañía  
Dominicana de Teléfonos, C. por A.
26. MARTINEZ BONILLA, José Rolando  
Assistant Administrator, Periódico  
"El Caribe"
27. MARTINEZ FRANCISCO, Antonio\*  
Secretary of State, Finanzas.  
Member, Comisión Nacional del Desa-  
rrollo., Member, Junta Monetaria
28. MOLINA MORILLO, Rafael  
President, Publicaciones Ahora,  
C. por A.
29. PASTORIZA, Tomás A.  
President, Compañía Financiera  
Dominicana, S. A.
30. PELLERANO, Rafael  
Director, Instituto Nacional de la  
Vivienda (INVI)
31. PELLERANO, Rogelio  
President, Cámara Oficial de  
Comercio, Agricultura e Indus-  
tria., President, Reid y  
Pellerano, C. por A.
32. PIÑEYRO, Frank  
Executive Director, Instituto  
Nacional de Aguas Potables y  
Alcantarillado (INAPA). Member,  
Comisión Nacional del Desarrollo
33. PITTALUGA, Manuel  
General Manager, Banco Nacional  
de la Vivienda., Member, Comi-  
sión Nacional del Desarrollo
34. POLANCO BRITO, Monseñor Hugo  
Apostolic Administrator, Arqui-  
diócesis de Santo Domingo
35. TAVARES ESPAILLAT, Gustavo  
Director, Tavares Industrial,  
C. por A., Member, Comisión  
Nacional del Desarrollo
37. VEGA, Bernardo  
Economic Advisor, Banco Central  
de la República Dominicana
38. VICINI, Felipe  
President, Compañía Anónima  
de Explotaciones Industriales

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\* Interview initiated, but not  
completed

GROUPS ORGANIZED FOR FEEDBACK SESSIONS

GROUP I

Tomás A. Pastoriza  
Juan Gassó  
Hugo Brache  
Rafael Molina Morillo  
Rafael Herrera

GROUP II

Luis Julián Pérez  
José Miguel Bonetti  
José Andrés Aybar Castellanos  
José Rolando Martínez Bonilla  
José Antonio Caro

GROUP III

Manuel Diez  
Silvestre Aybar Garrigosa  
Rafael Pellerano  
Manuel Pittaluga

GROUP IV

Manuel Enrique Tavares  
José Rafael Abinader  
Mario Imbert  
José Antonio Martínez Bonilla

GROUP V

Enrique Armenteros  
José Ramón Hernández  
Mario Cabrera  
Felipe Vicini

GROUP VI

Alejandro Grullón  
Diógenes Fernández  
Frank Piñeyro  
Bernardo Vega  
Eduardo de Castro

GROUP VII

Monseñor Hugo E. Polanco Brito  
Monseñor Roque Adames  
Manuel José Cabral  
Victor Espaillat  
Gustavo Tavares  
Marino Auffant  
José Armenteros  
José Armando Bermúdez

PARTICIPANTS AT THE GENERAL SEMINAR HELD  
JUNE 7-8, 1969 AT JARABACOA

1. AUFFANT, Marino
2. AYBAR CASTELLANOS, Jose Andrés
3. AYBAR GARRIGOSA, Silvestre
4. BRACHE, Hugh
5. CABRERA, Mario\*
6. HERRERA, Rafael
7. MARTINEZ BONILLA, José Antonio
8. PASTORIZA, Tomás A.
9. PELLERANO, Rafael
10. TAVARES ESPAILLAT, Gustavo

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\* Attended only the morning of June 8th.

## APPENDIX E

### MINUTES OF THE MEETING

In order to illustrate the degree of participation and involvement which the respondents of the influential sector of Dominican society have reached with regard to the present project, some opinions taken from recent correspondence which this group has had with the USAID Mission in the Dominican Republic are given below. We believe the comments offered represent the respondents' predominant points of view on the objectives and methodology of the process, and are a preliminary evaluation of the results obtained.

"The reasons for which we wish to support continuation of the program are varied: the most important are the results already obtained in opening dialogue between members of the private sector (isolated and fragmented up to now); also the establishment of more effective communication between them and representatives of the public sector.

The above do not have to be stressed in a democratic society, but are significant in our country because historical, political, and social conditions have led to a weakening of national leadership so that it does not produce coordinated activities within or between sectors. No confidence exists conducive to frank cooperation, nor is there confidence that the conflicts our society produces can be solved peacefully and through dialogue.

A Dominican sociologist, in observing the social and political difficulties which the country has recently undergone as a result of our inability to dialogue, to resolve our ideological differences without resorting to violence, has described the country as the island of "isolated men".

When this project was started as a result of conversations between individuals of the private sector and the Director of CFI concerned with the lack of a political coherence in industrial development, we established (with the concurrence of consultants and the collaboration of USAID), the first objective of our effort: that leaders of the private and public sectors should agree on the industrial development policy to be followed, or better yet, should establish guidelines for a new "platform" of socio-economic development of the Dominican Republic.

However, our consultants found, as the most important result of the investigation carried out through the process of interviews and group discussions, that prior to any attempt by the leaders interviewed to solve specific problems in the field of economic development, it was necessary for them to be re-educated in the art of dialogue.

This did not mean discussing matters of common concern based on particular or group interest. The objective was to be able to forget past prejudices and egotisms and meet for the primary concern of creating a new structure together. It was not only to build connecting bridges between individual interests, but basically to forge them into a communal interest of greater scope, of greater opportunities, of greater perspectives..."

"To adequately evaluate the objectives already reached during this preliminary phase of the project, it is important that the work still to be carried out be kept in mind. Familiarity not only with our recent history, but also with all our hazardous national history without civic dialogue (which was substituted by chaotic violence, the strong will of a leader, or even worse, by foreign interference in our national affairs) reveals the magnitude of the difficulties which our leading class has had to face to develop democratic institutions.

Traditionally, all countries in America as a whole, instilled democratic ideals in their leading classes, with a sense of responsibility for all the national community. This is also true in the case of the Dominican Republic. However, historic events and geo-political causes, hindered or frustrated past attempts towards institutional channeling which was the ideal of our most eminent civilians,

The Dominican Republic, with 50% of illiteracy, a very low per-capita income, a substantial demographic growth, and a socially dynamic population exposed to the demonstrative effects of economic abundance in Puerto Rico and the United States, and to radical political solutions such as Cuba, needs to a greater degree, and with more urgency than other Latin American countries, a more effective, coherent and rational action from the relatively small leading class of the country, to accomplish the peaceful change which is necessary as an answer to the aspirations of the national community...."

"...We believe it is important to emphasize some of the results obtained up to now in this phase, which by their own importance are an encouraging sign of what we can expect of a continuing and permanent effort. Although we cannot give this study all the credit, we can show the following changes which are undeniably closely related to the project:

1. An awareness of tourism as a factor for development. Example: Discussions in the meetings of the National Development Commission; creation of a position for promotion of tourism in the Compañía Financiera Dominicana; and investments in tourism being considered by CFI.
2. Redefinition of the goals for national development. Example: Redefinition of the role of agriculture as a factor of development, by top government officials and leaders of the private sector.
3. Explanation of the contradictions between identified problems and proposed solutions. Example: Project of Ing. Silvestre Aybar on the study of human resources; discussions both private and in the CND regarding the redefinition of permanent problems and their solution; articles by Mr. Vicini Cabral on agricultural development.

4. Development and functioning of an incipient spirit of cooperation. Example: Interest and participation of the "influyentes" in the "feedback" sessions and encouragement of more private meetings by them; effective increase in the cooperation of the public and private sectors at the level of commissions and projects; development and promotion of new communication channels between unknown or relatively isolated "influyentes"; pressures from "influyentes" to maintain and enlarge the meetings and obtain counselling; proposal of Mr. Martínez Bonilla to organize an investment group with members of the study.

We should ask what can be expected as a result of this project. In the first place, it should be possible for leading groups to be trained to decide on the actions which represent their desire for development, by means of dialogue, reflection and study of the principal national problems. And in second place, the preliminary effort which this step represents, should be converted into a permanent and self-sufficient process culminating in its institutionalization..."

"...To accomplish this goal, we believe the following specific steps should be taken:

- a. As the project advances, more emphasis should be placed on the organization of work groups oriented towards topics of fundamental interest to the country such as: industrial policy, economic development, tourism, education, agrarian policy, etc.
- b. These groups should formulate concrete concepts, measures to be taken, programs and policies; some to be carried out by the private sector, others, for submission to the public sector, with both sectors participating in their realization; and still others, as suggestions to be considered by the public sector.
- c. The institutionalization of the process of "dialogue oriented toward action" and the resulting action through an organization which will give support and continuity. Such an organization, with the necessary modifications and adaptations, could use as a model the Consejo Nacional de la Empresa Privada (CONEP) of Panama, an institution in which the public and private sectors collaborate in the formulation and execution of plans and policies for the country's development.

We believe that if these goals are even partially met during the course of the program, the project will have been fully justified...."