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DEVELOPMENT**



**DOMINICAN REPUBLIC**

**COUNTRY DEVELOPMENT  
STRATEGY STATEMENT**

**FY 82**

January 1980

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
WASHINGTON, D.C. 20523

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COUNTRY DEVELOPMENT STRATEGY STATEMENT (CDSS)

FY-1982

USAID/Santo Domingo  
Dominican Republic

February 1980

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A. Analytical Description of the Poor

Who are the poor? - USAID/DR estimates the poor majority at 2.5 million (47% of the country's present population of 5.4 million), including 2 million rural people and 500,000 urban dwellers. 1/ This operational figure is supported by recent estimates of the World Bank and the Inter-American Development Bank (IDB). The World Bank, based upon a combination of indicators for measuring poverty (1975), both absolutely in terms of the proportion of family income required to purchase a minimum food basket, and relatively in terms of the income of a given percentage of the lowest income earners, estimated that 17% (382,000) of the then 2.2 million urban dwellers, and 60% (1.5 million) out of the 2.5 million rural population of 1975 were poor. The IDB, employing an absolute poverty income measure based on a Latin American wide average of \$416 (1976), estimated that 45% (2.2 million) of the population in 1976 were below this suggested poverty line.

What constitutes being poor in the Dominican Republic? - The Dominican Government has not yet established a definition. Based on data from a 1976/1977 nationwide household survey conducted by the Central Bank, an unofficial poverty line of \$74 monthly income per household of an average of six persons (equivalent to one-half the median income) has been suggested. According to this criteria, about 19% (1.03 million) of the population is below this unofficial poverty line; the proportion is 24% in rural areas and 13% among

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1/ We use the National Planning Office (ONAPLAN) definition of urban, which is that centers of populations greater than 1,000 are considered urban.

the urban population. However, we believe the Central Bank's suggested definition of the poor, equivalent to a per capita income of approximately \$150 per year, is not adequate to meet generally accepted basic needs. Thus, we suggest a current absolute poverty income figure of \$440 per capita, based on the IDB's Latin American 1976 average of \$416, and corrected for inflation in this country. This suggested figure compares with the estimated \$890 per capita GDP for 1979. (Verification and establishment of the population below this income level must await the 1980 national census, and its analysis.) Again, we believe that at least 2.5 million Dominicans fall below this suggested poverty line.

What do the poor earn and spend? - Rural/Urban Income Distribution from the Central Bank's survey, the average monthly income per household in 1976/1977 was RD\$277, equivalent to an annual per capita income of about RD\$470. The mean rural income was only 56% of income in urban areas. Annual per capita rural income of RD\$337 was only one-half the urban average, reflecting in part the slightly larger size of the average rural household.

The overall median income was one-third below the mean, indicating substantial inequalities in income distribution. In fact, 54% of income went to the upper 19% of households while half the urban household and more than 75% of the rural households had monthly incomes below RD\$200. Nearly one-third of all households had monthly incomes below RD\$100: Three-fourths of these were rural. While rural income is more evenly distributed than urban income, this was more than offset by the large gap between the rural and the urban averages. Mean disposable cash income was RD\$199 and the rural average was only 40% of the urban average, indicating extremely low pur-

chasing power in the rural areas where more than one-third of the average family income was represented by the value of home-consumed production and imputed rent.

Expenditure and consumption patterns by income groups have yet to be tabulated and analyzed. Nationwide, a significant 52% of household expenditures went for food, drink, and tobacco; the proportions differed materially between urban (43%) and rural households (64%), reflecting the larger proportion of urban expenditures for housing. With housing absorbing another 24% of the average expenditures, only 24% was available for clothing (6%), and "other" expenditures (18%). Thus, the average purchasing power or discretionary income of an urban household after paying for food was only RD\$54 per month. In the rural areas, the average household had only 18% of its income available for these expenditures, equivalent to a purchasing power of RD\$31 per month.

Where are the poor? - Although there are pockets of poverty throughout the Dominican Republic, there are important concentrations of the poor. Within the rural sector, the southwest, northwest, the Haitian frontier between these two regions, and the Sierra of the central mountains contain the poorest people of the country. According to most socio-economic indicators, the arid southwest has one of the highest concentrations of poor. The southwest comprises almost one-third of the country's total land area; however, it has only 13% of the population and produces only 6% of the GDP. While the national per capita GDP in 1977 was \$897, the average for the southwest was estimated at \$400, or 45% of the national figure. The region accounts for only 1.8% of total bank deposits, 5.1% of installed electric generating capacity, 6% of the total population served by potable water, and has an illiteracy rate of 42% against the national average of 32%. The other regions mentioned above are also substantially below national socio-economic levels

but are not as deprived as is the southwest.

In addition to these traditional poverty zones, a new, mainly short-term site of poverty in the southcentral region has resulted from the hurricane disasters of late summer, 1979. Approximately 40,000 rural families have suffered losses which will take years to restore to pre-hurricane levels. Many farms in valleys and on hillsides were literally washed away, leaving nothing but rock. These new "landless" farmers must now seek other employment. Most coffee growing areas will not return to normal production levels until 1981 or 1982, and only after heavy investment in rehabilitation. In almost all cases, years of normal harvests will be required to cover the costs of rebuilding homes and repairing other damages caused by the hurricanes.

People in the cities and towns of the disaster area also suffered severe economic losses from damage to homes, businesses, community infrastructure, prolonged interruption of electricity and other public services, and loss of wages through the closing of sources of employment. In addition to the urban poor in the disaster area, the other largest pockets of urban poverty are in Santo Domingo and Santiago, the Dominican Republic's two largest cities. The numbers of urban poor in these two cities are increasing steadily because of continued and increasing rural to urban migration.

Basic characteristics of the poor:

1. Health - In 1974, the Secretariat of Health undertook an interdisciplinary assessment of the health sector which found that overall health statuses were unacceptably low and skewed against the rural population. The following age-specific mortality rates are illustrative.

- Infant Mortality: 104/1,000 live births (urban 74/1,000; rural 138/1,000). In the U.S., the rate is 8/1,000.
- Mortality Rates for the 1-4 Age Group: 17/1,000.
- Data Suggest a National Crude Death Rate of 15/1,000: Urban 13/1,000, rural 17/17,000.

Morbidity rates show a similar pattern. Gastrointestinal disorders rank second only to influenza as an identifiable source of illness, reflecting considerable deficiencies in rural environmental sanitation. While sewage disposal is available to about 37% of the inhabitants of large and intermediate urban centers, it is only available to about 16% of the total population. For other urban dwellers, sewage disposal ranges from inadequate to non-existent. According to the Mission's Health Sector Assessment, the majority of rural inhabitants lack the most rudimentary sanitary facilities. Only about 30% have convenient access to potable water. Even though most of the larger towns have systems designed to provide potable water, a combination of poor maintenance and contamination of the water supply systems leaves most urban dwellers, including those in Santo Domingo, with water of uncertain quality and potability.

Over 80% of professional medical services are concentrated in urban areas; the urban poor thus have better access to health and family planning services. The rural poor depend upon paramedics, clinics, and small hospitals. However, rural clinics are located in relatively large communities (population of about 2,000), and hospitals are in still larger towns. Thus, the rural poor living in communities below 2,000 are without any type of regularly available public health services, except for the one thousand plus communities served by the A.I.D. financed basic health services programs.

2. Fertility - It appears that on a nationwide basis, the crude birth rate has declined from a high of 50/1,000 in the late 60's to about 35/1,000 currently. Nonetheless, the target group continues to have higher than average birth rates. In rural areas, where the incidence of poverty is higher, women have an average of eight live births during their reproductive years, while women in urban areas have six. The consequences of the formerly high rate of fertility are profound, and are directly related to the doubling of young men and women entering the labor force; the migration from higher rural fertility areas to lower ones in the city (several small rural towns actually dropped in population between 1970 and 1980); the continued pressure on educated adults to emigrate to other countries (e.g., there are reportedly 500,000 Dominicans living in the United States); the inability of high economic growth rates to alleviate the problems of the ever increasing mass of poor people; and continued pressure on social services such as health, education, nutrition and others, due to increasingly lower age cohorts. Until the crude birth rate reaches levels found in the developed world, success of all other programs will be severely limited.

3. Nutrition - A nutrition survey conducted by USAID/DR and the Secretariat of Health in 1969 found that 70% of Dominicans of 13 years of age or older showed some physical evidence of malnutrition. Examination of 1,100 children between the ages of one and four revealed that 75% were suffering from some degree of malnutrition. Some 23% of the malnourished children were classified as seriously malnourished. The survey also found that in rural areas, individuals consumed less than 62% of the minimum daily recommended amount of

calories and only 46% of the recommended protein. Observation suggests that nutrition levels for the poor have not improved since the above survey and may have further deteriorated.

4. Education - GODR statistics for 1970 estimated the national literacy rate for individuals 10 years of age and above at 68%. For the same age range, the rates for the urban and rural areas were 80% and 57% respectively. National literacy rates for men and women were almost equivalent. As a result of urban/rural migration, the number of illiterates in the urban area doubled between 1950 and 1970; whereas, the number of such individuals in the rural area decreased by 6% during the same period.

Nevertheless, there is a critical inequity between rural and urban populations:

- 43% of all rural inhabitants are illiterate; urban 19%.
- 46% of the rural school age population is enrolled in school; urban 70%.
- 25% of the rural students who started grade one in 1970, completed grade four in 1974; urban 55%.
- 12% of the rural students who started grade one in 1970, completed grade six in 1976; urban 52%.
- 70% of rural first graders repeat first grade; urban 18%.
- 60% of the schools in the rural areas offer three grades or less. Most urban children have access to at least six grades.
- 10% of the rural teachers are considered qualified; urban 35%
- There are no secondary schools (9-12) in the rural areas; secondary schools are limited to towns of 2,000 and above.

5. Housing - No major study has been done of the national shelter situation, but there is general agreement that housing is inadequate. A preliminary study by a Dominican engineer estimated that nationwide, half of the houses did not give adequate protection from the elements or provide minimal comfort to occupants. In rural areas, an estimated 85% of all houses did not meet minimal standards, 73% had only one room, 70% were little more than wooden shacks, and 63% were roofed with local materials of little durability. The situation is similar in urban slums. Estimates are in agreement that at least 50% of the urban population lives in inadequate shelter; some estimates are as high as 70%. Using the lower 50% figure, about 240,000 urban families are in need of better shelter now, and this number is expected to double within the next 12 to 15 years.

An already bad situation has been exacerbated by the recent hurricanes which damaged or destroyed more than 40,000 homes, mainly in rural areas and small towns. And, until very recently credit for housing through the formal savings and loan system was not available. Until late January 1980, family income of \$480 per month was a minimum requirement for participation in the national housing bank system.

6. Human Rights - Political activity is on the increase, and most parties are actively courting all sectors of Dominican society. Voting in the national election in 1978 enjoyed a strong turnout after heavy campaigning. The present administration won by a two to one popular margin over the incumbent party, with the vote of the urban poor considered to be the significant factor in the size of the new administration's victory. Although the poor are at a disadvantage in questions of law through lack of education

and understanding, and lack of funds to hire attorneys, they do not suffer discrimination in civil rights.

Women face certain legal barriers in matters of business, such as holding title to land, maintaining bank accounts, and borrowing money. Poor women are at a disadvantage in society in access to education, employment, and general participation in economic advancement. However, society is becoming increasingly open, with middle and upperclass women advancing in business and the professions. Slow advance for poor women is both possible and likely. The President of the Republic has announced a series of initiatives to "eradicate" traditional discrimination against women, although specific reforms and programs are yet to be initiated. (As a point of interest, Santo Domingo has been chosen as the site for the headquarters of the United Nations' International Research and Training Institute for the Advancement of Women.)

7. Employment - The poor are characterized by high rates of unemployment. An International Labor Organization (ILO) survey in 1973, estimated open unemployment at 20%, and that if underemployment were measured in units of unemployment, the nationwide rate for underutilization of the labor force would approach 40%. More recent estimates of employment by the GODR remain in general agreement with those of the ILO. According to Government estimates prepared in 1975, there were 110,000 landless rural households dependent upon the agricultural labor market for livelihood.

8. A Profile - Based on the foregoing, the following description of a typical poor family is offered. The family lives in a one-room house with a dirt floor. The home is crowded, hot, leaks during rains, and does not have

potable water or sanitary facilities. The family consists of a man and his wife and at least four children. The couple married when quite young, and they were fully aware of the fact that each child born to them well might die before reaching its first birthday. Two of their children suffer from malnutrition to a moderate degree.

This man and his wife have had about three years of schooling each, and while both can write their names, they are functionally illiterate. The husband is a laborer or a farmer with less than five hectares; if in an urban setting, the family is likely to be of recent migration to the city. Whether rural or urban, the husband is unemployed or underemployed through much of the year. Most of the family's income is spent on food of low nutritional value; little money is available for clothing, education, or family emergencies.

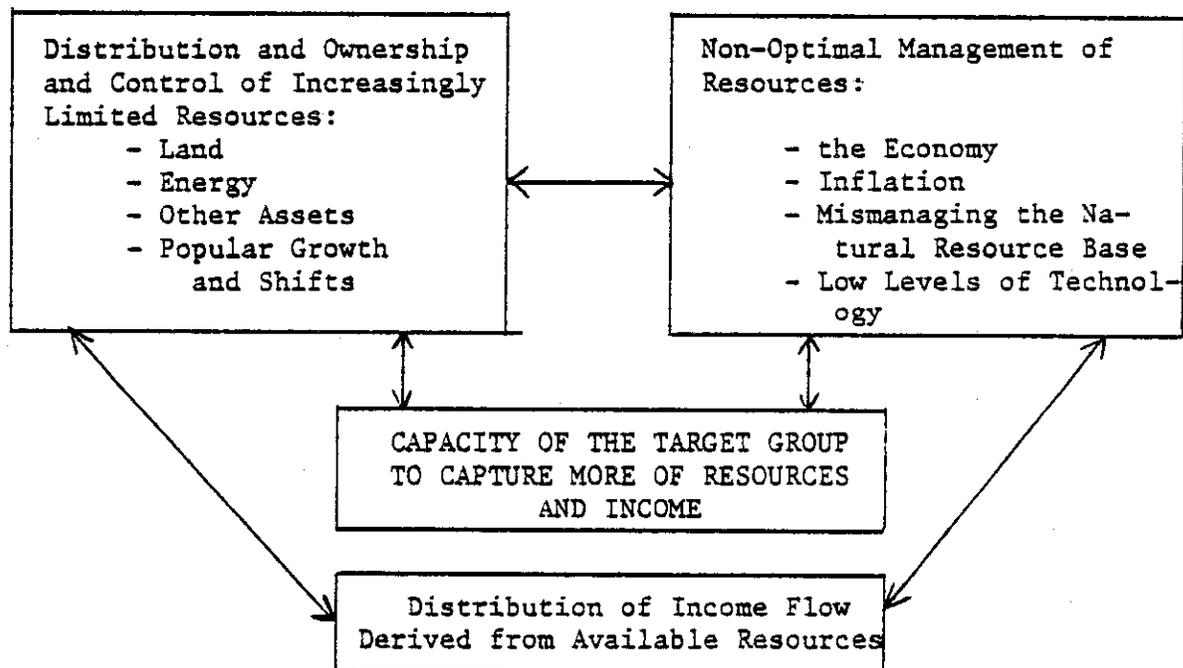
Few public or private services are available to the family, and the family's limited resources do not allow latitude for self-help measures without some form of outside assistance.

#### B. Causes of Poverty

There are numerous and interrelated causes of poverty in the Dominican Republic. In the most general terms, the causes of poverty stem from imposed or inherited limitations on the capacity of the target group members to capture a larger share of resources and income. In other words, poverty exists because of limitations of the inherent capacity of the poor to earn more. These limitations are imbedded in the lives of the people. Education is poor and short. Health is poor. Nutrition is inadequate. The capacity

to work and to learn is constrained by the interaction of these factors. The number of persons per family is typically high which reduces the amount of food and other necessities available for family members as well as preventing capital accumulation in the household. Jobs are scarce, low paying, and service oriented. Productive skills are underdeveloped. Access to credit, inputs and markets, as well as access to public services are limited. Until recent years, the ability of the poor to influence the political system to improve access to these requirements has also been severely constrained.

Placing the target group at the center of our concern, the following illustration characterizes some of the major considerations which inhibit a significant improvement of the plight of the poor in the Dominican Republic.



1. Distribution of Ownership and Control of Increasingly Limited Resources - While the Dominican Republic does not appear to be faced with a serious absolute shortage of resources, it is after all an island with a finite geography and an expanding population. Very real constraints exist in the short and medium term for arable land and energy for the increasing number of Dominicans who live here.

a. Land - The Dominican Republic has an economic and social structure characterized by a substantial concentration of productive resources, especially land. The Government is the largest single landowner, holding approximately 28% of the arable land. Most of the land is either in the hands of the Agrarian Reform Institute (IAD) or the State Sugar Council (CEA) which produces approximately 60% of all the sugar in the country. Privately owned farms account for the remaining land under cultivation. The distribution of farmland ownership is very unequal. Over 53% of private farmland is owned by 1.6% of all landowners while 13.1% of all private farmland is owned by 54.3% of all landowners. Out of a total of approximately 435,000 rural households, about 185,000 families owned farms ranging between one-half and five hectares, 52,200 owned farms of less than one-half hectare, and an additional 110,000 families owned no land at all. Nearly one half of the farms with fewer than five hectares reported net farm incomes of \$280 or less per year. In response, the GODR is currently settling 3,000 families a year on state land. The settlement approach selected requires large capital investment in irrigation, roads, etc., and results in a per capita cost that effectively eliminates the overwhelming majority of landless poor from participating in their lifetime.

The pattern of ownership of land is concentrated into large cattle ranches and sugar cane plantations that are seldom efficiently run on the one hand, and by intensively tilled, highly fragmented minifundia on the other. Overall, about 55% of the total land area is in farms or pasturage. This is a relatively high percentage by world standards. There are no new frontiers of unoccupied land available for settlement by the rural population. All further increases in agricultural production must come from more efficient use of land already under cultivation. Indeed, as population pressures have mounted, there has been accompanying pressure for the rural poor to undertake cultivation of increasingly marginal lands. The all too familiar process of deforestation and erosion, with irreparable damage to some fragile mountain and highland ecologies, is already well advanced in some areas.

b. Energy - The current resource base in energy is also limited as much by the manner of exploitation as by any absolute limitation. There are no economically exploitable supplies of petroleum.

Energy is clearly one of the most serious problems confronting the Dominican Republic. The country's heavy dependence on imported petroleum (68% of all energy consumed is derived from imported petroleum), together with a growing population, increasing energy demand and rapidly rising conventional fuel prices, have placed a severe strain on the country's balance of payments and availability of foreign exchange. The amount spent annually on imported petroleum products has increased by

2,000% in the last decade and is projected to continue to increase if current supply and demand patterns are not altered significantly. In 1979, petroleum comprised 35% of all imports, whereas ten years ago it comprised only 7%. The nation's petroleum import bill for 1980 is projected to reach \$500 million - roughly equivalent to total sugar exports. The drain of petroleum imports on the national economy, of course, reduces the availability of resources which might otherwise be directed toward developmental and basic human needs programs.

The energy problem is directly relevant to basic human needs objectives. Whether in the form of electricity, fire, heat or motion, energy can be viewed as an important resource which contributes to development - essential to health, productivity, employment, and other basic human needs. Electricity, for example, is important to low income groups in the Dominican Republic for pumping water, powering small industrial and food processing activities, running irrigation pumps, refrigeration of foods and medicines, and in operating health facilities. Wood, charcoal, and agricultural wastes are also used for cooking, crop drying, small manufacturing activities, etc.

The dependence on imported fuels and rising costs of both foreign and domestic energy sources will continue to reduce the availability of affordable energy to A.I.D.'s target group, with adverse consequences in terms of health, welfare, productivity, and other basic human needs.

The Government of the Dominican Republic recognizes the seriousness of the energy situation and has taken some important steps to address the problem. In the fall of 1979, a National Energy Policy Commission was established to coordinate the energy activities of different government agencies and help to formulate national energy policies. The Commission receives an annual operating budget of \$1.2 million. In early 1980, the Commission announced its first major policy decision - greater investments over the next five years in development of hydro resources. There is a need to increase GODR and private sector energy activities and policies to have an impact on the rural poor. The information and institutional capabilities of the GODR to develop such effective energy policies, however, and the financial resources to carry out energy conservation and resource development programs both remain limited.

c. Other Assets - No data are available on the distribution of ownership of capital assets within the country. It is estimated that approximately 30% of total capital assets are privately owned by Dominicans. The GODR and its dependencies owns upwards of 50% of the capital assets (e.g., twelve of the nation's sixteen sugar mills, the bottle plant, part owners of the only refinery and one cement factory, a gold and silver mine, the national airline, and so forth) and accounts for approximately 50% of the annual GNP. The remaining 20% of capital assets are owned by foreign enterprises, of

which the largest is the Canadian ferronickel enterprise Falconbridge and the second is the Gulf and Western sugar, cattle, and tourism complex.

In addition to the unequal distribution of the productive factors (i.e., land, capital, labor, and entrepreneurial ability) among Dominicans, there are further inequalities in the geographic distribution of these factors. As a result, the country is characterized by a number of pervasive, extremely important contrasts - urban vs. rural - and wealthy vs. poor.

While the nation's population is still half rural, for example, most economic activity other than agriculture is concentrated in the cities - particularly in Santo Domingo. Agriculture, including fishing and forestry activities, however, is among the least productive sectors of the economy. It accounts for less than 20% of the GNP while absorbing fully half of the national labor force.

In addition to the capital intensive bias of the industrial sector, which produces 17% of GNP but absorbs only 9% of the total labor force, the employment problem is also aggravated by the spacial distribution of industrial establishments. An estimated total of 69% of these establishments are located in Santo Domingo or Santiago. Moreover, they employ a disproportionately large share - 83% of all workers in the industrial sector. With such a high concentration of the sources of employment which have the greatest potential for employment growth located in these large urban areas, the probability of obtaining work in smaller urban areas, or rural areas is extremely limited.

d. Population Growth and Shifts - Complicating the available resource problem is the increasing number of people to share its use and benefits. The high rate of population growth that has resulted in an increase in the number of Dominicans from 2,135,000 in 1950 to about 5,400,000 in 1980, is a major reason why the country has been unable to substantially reduce the incidence of poverty, despite an impressive rate of growth. The average age of the population has dropped successively, resulting in an increasingly higher dependency ratio per member of the economically active population. While the necessary data are unavailable, there is little doubt that a substantial majority of members of the target group are aged 15 years or younger. Heavy population growth has also been a contributing factor to the overburdening of medical facilities and personnel, the drain on the development of human resources due to massive malnutrition, the large number of dropouts from primary school before many basic skills and functional levels of literacy have been achieved, and massive unemployment as the economically active age group expands more rapidly than the capacity of the economy to absorb all of its members.

It is not only that there are increasingly more Dominicans every year, but that they are shifting their location. The GODR estimates that by 1985, of the country's projected population of 6,429,000, 4,582,000 will be urban; and by the year 2000, of the national population of 10,041,000, 7,150,000 or 70% will be living in cities of 20,000 or more.

While the overall population growth is currently estimated at 2.5%, urban areas are increasing at an estimated rate of 5.25% (half of which is attributable to rural migration), while rural areas are growing by

only 0.75%. In fact, some rural towns actually dropped in population between 1970 and 1980. Although smaller cities are increasing in size,\* growth is most noticeable and urban problems are most serious in the capital, Santo Domingo, with more than 1,200,000 people, and Santiago with more than 400,000. At least 50% of the population in the two largest cities live in marginal neighborhoods. Finally, there is the ultimate attempt to escape poverty by immigration to the U.S. There are an estimated 500,000 Dominicans in the U.S., mainly in New York.

The increasing urban population, due in large part to the migration of unskilled rural workers and their families poses several social and economic problems, the most significant of which is unemployment, the cause of urban poverty. The total labor force is growing at an annual rate of 3.85% (in urban centers at 5.13%, and in rural areas at 1.12%).

2. Distribution of Income Flow Derived from Available Resources - The factors of production of labor and entrepreneurial ability are the major factors of production in which the poor majority are able to contribute to and gain from the productive process. The make-up of the labor force, however, shows a skewed patterns of skills. Statistics for 1970, the most reliable now available, show that fully 80% of the labor force consisted of manual laborers while only 4% were in the professional/technical or managerial/administrative categories. The average monthly salary for manual laborers at the time ranged between \$45 and \$65 compared with \$375 earned by professionals and technicians. Comparable figures for 1980 are estimated to be \$75

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\* Outside of Santo Domingo and Santiago, at least 12 cities have a population of more than 20,000.

and \$525. The current minimum wage is \$125 per month in the urban areas, and \$75 per month in the rural areas.

Labor force data show only those individuals who were actually employed. A large proportion of the economically active population is chronically unemployed or underemployed. The few employment surveys that have been conducted since 1970 have estimated open unemployment at approximately 24% not including underemployment. It is estimated that if underemployment were measured in units of unemployment, the nationwide rate for underutilization of the labor force would approach 40%.

Analysts are only now beginning to focus their attention on the causes of unemployment. Certainly the overall performance of the economy and the high rate of population growth are important factors. They are far from being the only factors, however. Even in 1973, during the heyday of the country's truly impressive rapid growth, unemployment in the city of Santo Domingo was estimated at 20%. Other factors that are believed to be important contributing influences are the prevalence of capital intensive, as opposed to labor intensive, technologies in the industrial and commercial sectors and the lack of a cogent employment policy on the part of the GODR.

The use of capital intensive technologies, while in violation of the economic principle of comparative advantage, has been encouraged by the GODR and autonomous public institutions through a number of mechanisms, including preferential access to foreign exchange, subsidized interest rates, and special reductions or exonerations from import duties. Very little investment and very little research has thus far been directed toward the adoption of more labor

intensive, or "intermediate" technologies that would result in higher levels of employment per unit of invested capital.

Data do not permit a breakdown of unemployment and underemployment by occupational category. However, there is little doubt that the highest rates of both unemployment and underemployment occur in the manual and semi-skilled categories -- the lowest paying positions. On the other hand, shortages exist simultaneously in many of the professional, skilled, and semi-skilled occupations. The least skilled members of the labor force face great difficulty in improving their job skills. They are usually offered low pay and insecure job tenure. Access to non-agricultural vocational education opportunities is limited to major centers where mechanical or other facilities exist.

It is generally recognized that the number of years of completed schooling and income levels and employment opportunities are positively correlated. For the target group access to educational opportunities is an important determinant of poverty. Access to basic primary education of the target group is limited, almost non-existent in some rural areas. As indicated previously in this document, a disparity exists between the urban and rural areas in terms of number of complete primary and secondary schools. No secondary schools exist in the rural areas. In addition, education for employable skills, i.e., vocational/technical studies is so limited as to be

meaningless, especially for the rural poor. While very little data exists concerning vocational/technical education, current opportunities are limited to three schools that offer industrial vocational education. They have graduated 1,064 students from 1966-1976. In 1975, five public schools offered vocational commercial education with a total enrollment of 15,156 or 78% of the total enrollment in the technical/professional field.

In terms of health, the poor's greater susceptibility to disease, caused by lack of preventive and curative medicine (as well as environmental filth), and the lack of an adequate diet are the major causes of poverty. Access by the rural poor to health facilities and trained medical personnel is one third that of their urban countrymen. Environmental sanitation, including potable water, is largely limited to urban areas. The resultant disease and limited stamina has a major impact on productivity and income. The inability of children to grow and learn (on the chance there is a school) is directly attributable to the child weaning practices and post-lactation diet provided by parents. Their knowledge of the needs for such child care is limited by poor education, need to spread available food among increasing mouths, and a lack of either employment or land to earn a living. Distribution of food through PL-480 Title II represents a partial and temporary response to nutrition problems, but the most appropriate solutions lie in greater domestic production, a dependable and equitable marketing system, and nutrition education. (As of December 31, 1979, some 367,000 beneficiaries were

receiving food assistance through the ongoing programs of CARE, CRS, and CWS. Also, 187,000 were receiving food through emergency food for work programs in the hurricane disaster area.)

In addition, there is a resurgence of malaria in the countryside (1,500 cases reported in 1979), and an ominous indication of the spreading presence of a new dread disease -- schistosomiasis. These diseases almost exclusively affect the poor and have a severe effect on productivity. Each is also dependent upon water as a vector, and the growing investment in irrigation and hydro power will significantly spread their scope in the countryside.

Thus, just as assets are maldistributed, the flow of income and opportunities to increase the poor's participation in those resources is maldistributed. However, even in the absence of major reform, significant improvement could be achieved in the poverty problem through changes in production technology which would generate greater employment; better access of employment generating firms to credit, technical assistance and markets; and a reduction of costs of food and other necessities -- which would flow from more efficient markets.

3. Non-Optimal Management of Resources - Even assuming the current distribution/control of available resources, poverty would be much less serious a problem in the Dominican Republic if the available resources were managed better to create more wealth. Inefficient management of resources is a pervasive problem in the GODR, in the private sector, and in the target group itself with respect to the limited resources available to it.

a. Managing the Economy - In this regard, the general state of the economy and the resources so generated, is an important determinant of the magnitude of poverty. How it is managed or mismanaged bears directly upon the opportunities of the poor. The ILO in 1973 noted that the high rate of economic growth between 1968 and that year -- 8.95% -- had had a significant impact upon unemployment -- particularly in reducing the extent of unemployment. Since 1974, however, the expansion of the economy has slowed appreciably, with a compound annual rate of growth of less than 3%. In many ways, the economic health of the country is directly related to the prices of traditional exports and imported energy. Thus, the decline in growth has been the result of several factors, the major ones being a significant increase in the cost of imported petroleum products, precipitous declines in the prices of sugar and ferronickel -- the leading exports -- and an attendant decline in Central Government revenues. To these were added severe droughts in 1975 and 1977, uncertainty over the transition of government to the opposition political party throughout much of 1978, and two extremely destructive hurricanes in 1979. Fortunately, due to rising prices and brighter prospects for the leading exports, the economy's performance -- together with opportunities for employment -- should recover considerably during the next two to three years.

The country is faced with a rising agricultural import bill, estimated at \$185 million for 1979 and up from the 1978 figure of \$135 million. These imports include staples such as rice, beans, and corn. The potential for self-sufficient production of rice and edible beans is great, and would not require major shifts in cropping and agricultural practices.

Climate and soils do not favor increases in corn production sufficient to substitute for imports. The country does not lend itself to production of wheat, which will always be an import item. Imports of vegetable oils have shown rapid increase, in part because of reduced supply of animal fats because of the outbreak of African Swine Fever. Efforts are underway to increase domestic production of vegetable oils, but some years will be required to reach selfsufficiency. Even under the best of circumstances, there will be continued need for food imports, some of which are PL-480 Title I commodities. Therefore, there is continued need during the period of this CDSS for substantial Title I loan programs for balance of payments reasons and as a source of funds for agricultural development programs.

In terms of employment, a recent exercise by the National Planning Office demonstrates that even with improved prospects for economic growth in the near future, however, the employment problem will remain an extremely serious one for some time to come. Various employment projections were made for 1980, 1985, and 1990. Employment demand was projected assuming 6% and 8% rates of GDP growth, at high (capital intensive) and low (less capital intensive) productivity levels. These projections indicate that a GDP growth rate of more than 6% is indispensable if unemployment is to be kept to a manageable level, particularly in the rural areas. However, during 1977, for example, the combined effect of a bad harvest (the agricultural sector grew at only 0.7%), a 3.1% contraction for the mining sector, and continued low and/or declining prices for key exports, mainly sugar, slowed GDP growth down to 3.3%. If this rate

were to continue, annual employment, even allowing for less capital intensive development policies, would grow at a mere 2.8%. In other words, instead of the already wasteful 27% unemployment rate estimated for 1980 at a 6% GDP growth rate, the labor force would face a 45% unemployment rate: nearly every other Dominican worker would be jobless. A projection of this slow growth rate through 1985 would tend to push unemployment to 55%.

Although the exact magnitudes of this kind of projection may be open to question, it does help to bring into proper focus the investment and human resource management challenge faced by the Dominican economy during the decade of the 1980's.

b. Inflation - The other side of this coin is the impact of economic decisions on the rate of inflation. As the poor's income improves, they see the cost of living rising ever faster. For example, comparison of the recent household survey with a similar one undertaken in the capital city in 1969 indicates that, at current prices, the mean family income in Santo Domingo rose by 35%, from \$298 to \$387. However, after adjusting for changes in the cost of living index for all income groups between 1969 and 1976/1977 (96%), the 1966/1977 mean is equivalent to only \$199. Thus, the real purchasing power of the mean income has in fact declined by one-third.

The decline in purchasing power is even more dramatic when mean total family expenditures are compared. The nominal rise from \$333 to \$389 becomes a decline of 40% in eight years in real terms, after adjustment for the rise in the cost of living index. Thus, if inflation is taken into account it can be shown that, in real terms, the income line below which the lowest 25% of families fell has in fact declined by 15%, from approximately \$101 in 1969 to \$86 in 1976/1977.

Similar information on changes in purchasing power is not available for other parts of the country, but observation suggests that the effects of inflation are widespread.

c. Public Policy In a variety of ways, public policy is a determinant of the extent of poverty. Several areas have been discussed previously in this CDSS, including employment policy, investment priorities, land distribution programs, etc. There are further examples where public policy has a causitive effect upon poverty. Until very recently, there was little evidence to demonstrate a willingness of the GODR to vigorously and aggressively pursue policies leading to more equitable distribution of productive resources, especially land. The GODR has traditionally exhibited a passive philosophy with respect to the basic human needs of the target group and has concentrated its resources and attention on the capital city and a few other urban areas. Thus, until very recently, the basic GODR approach to addressing the needs of the poor could be characterized as one of trickle down. Rather than addressing these needs directly, over the years the GODR pursued policies aimed at stimulating domestic and foreign investment and through a major investment program of its own. By holding real expenditures for public services and defense nearly constant, it was able to devote its rapidly growing revenues to a wide variety of public infrastructure projects. These included investment in dams and irrigation; public housing; parks, monuments, and cultural buildings; ports and highways; schools and hospitals. The policy was successful from the standpoint of greatly augmenting the nation's stock of social overhead capital and through the creation of some employment opportunities. It was not successful from a number of other standpoints, however. By holding real expenditures for

public services nearly constant, the great majority of public institutions remained weak and unable to attract or hold professional and technically trained personnel in the amounts necessary to perform their functions in an efficient and expeditious manner.

The GODR public sector has also been characterized by an extraordinary degree of centralization in decision-making and program execution. Under the previous administration, for example, the President's office directly controlled the investment budget of all sectors and, reportedly, the President himself personally controlled all treasury checks for disbursements. This was a legacy of the 30 years of Trujillo dictatorship, wherein expenditures of any kind for social services were limited and paternalistic in nature. For these reasons, any action now to increase the provision of social services to the 350,000 poor rural families of the country could have an extraordinary effect on the poverty problem. Unfortunately, most observers conclude that the current administrative structure is woefully inadequate and too highly centralized to carry out the task. This has become apparent as the current administration has moved to implement its stated policy of increased investment in the social areas in the countryside. As a result, the GODR is seized with the need for decentralization of program planning and execution, and is moving in this direction.

The housing sector also offers examples both of policies which previously excluded the poor, and of new policies which open access to the poorer elements of society. The National Housing Institute (INVI) is the government agency charged with providing housing for low income families. However, it has worked almost exclusively in the larger urban centers, where INVI is and will continue to be involved in

upgrading marginal neighborhoods including installation of water and sewer systems. The Institute is now investigating the feasibility of home improvement loans to upgrade existing dwellings. These loans would be designed to meet the needs and financial capabilities of low income residents, and would finance modest improvements based upon traditional, informal home improvement solutions. INVI is also interested in a program of sites and services and is exploring sources of financing, including HIG. This will require a change in current interest legislation.

The recent disaster provided good experience for INVI in the rural areas. In response to the hurricane emergency, INVI provided two forms of shelter assistance. In rural areas, minimal repair packages of roofing, wood, and nails, with values of \$125-\$150 were given as grants to hurricane victims. These efforts were carried out by INVI directly, with the GODR's Office of Community Development, and in collaboration with private voluntary organizations such as CARE, CRS, Seventh Day Adventists, etc.

The other agency involved in the shelter sector is the National Housing Bank, an autonomous institution responsible for monitoring the savings and loan system created with the help of A.I.D. in the 1960's. The bank system has now 320,468 depositors, with \$182,314,000 in savings. It has financed 22,494 mortgages with a value of \$277,415,000. Five housing guaranty programs were channeled through the system between 1964 and 1973, producing 2,827 units with a value of \$18,949,726. Until January 1980, the savings and loan system reached only the upper 8% of households because of current requirements of a minimum monthly family income of \$480 and a minimum house price of \$10,000.

The bank has changed its policies to extend its services to an additional 20% of the population by reducing requirements to a minimum family income of \$200 per month, and minimum house value of \$5,000. Also under consideration is a system of variable interest rates to reduce payments in the first years of loans.

Substantial improvement in access to housing credit will require changes in law which deal with interest rates. At present, no formal credit institution can charge more than 12%, which limits interest on savings to only 5% to 6%. This is most unrealistic when inflation is estimated at 13% for 1979 by the Central Bank. The savings and loan system is further hindered by the GODR monetary board's policy of an 8% ceiling on loans for housing. The solution awaits changes in law and policy, and/or subsidized interest rates with the government assuming the subsidy as a social program,

d. Mismanaging the Natural Resource Base - There is general agreement that the horizontal expansion of the land frontier ceased in 1970. It is also accepted that average crop yields have not improved perceptually and that there has been no noticeable increase in the average carrying capacity of pasture and grazing land.

As the demand for land continues more and more, marginal land is being brought under production. This marginal land represents the steep, usually forested, slopes of the mountains. The all too familiar process of deforestation and erosion, characteristic of these activities, and exacerbated by the extremely high rains which accompanied the two hurricanes, is already well advanced in many areas.

The problem of mismanagement of natural resources is not limited to the uninformed small farmer, the State is equally guilty. Large irrigation schemes which are poorly planned and unattended four millions of cubic feet of water through canals which just "end"; flooding large areas of potentially good land and creating a breeding ground for mosquitoes and other insects.

A 1960 OAS survey of the natural resources indicated that about 20% of the land in crops should not have been used for cultivation. It also indicated that a large proportion of the 1.2 million hectares in grazing and pasture (44% of the total land in farms) could be shifted into cultivation. That was 20 years ago.

A necessity for the achievement of higher agricultural output per unit of land is the availability and appropriate use of irrigation water. Irrigation can provide farmers in certain areas with the kind of security they need in order to invest in other yield-increasing inputs, and it can add substantially to the land resource base through multiple cropping. At present, it is estimated that about 25% of the land in annual crops is planted and harvested more than once a year, reflecting mainly double-cropping of one-third to one-half the rice land virtually all of which is irrigated. The crop area presently under irrigation, almost entirely in public irrigation districts, of about 170,000 hectares, amounts to only 13% of the total cropland, but it represents a substantially greater proportion of the country's potentially fertile flat land. The completion of projects presently under construction (including rehabilitation of works in disrepair) and of new projects already designed is expected to raise the country's total canal-irrigation area by

50%, to 236,000 hectares by 1982, and total irrigated area to about 247,000 hectares; i.e., about 20% of total land in crops and fallow. Further large-scale expansion of irrigation is subject to the availability of better information on land capability, particularly of flat land presently in pasture and grazing, as well as on both surface and sub-surface water resources. The greatest potential for additional water supplies at this time may well be underground in view of the porous nature of much of the country's bedrock, on the one hand, and the limitations imposed on surface water storage and diversion by the size and conformation of the country.

There appears to be considerable potential for more intensive, i.e., more economical use of presently available supplies of irrigation water. Existing water laws are admittedly out of date, and their application is highly unsatisfactory. The irrigation gate controllers employed by the water resources agency (INDRHI) are untrained and their distribution procedures often bear little or no relation to the water needs of crops under irrigation. Measuring devices are not commonly used. Water rates are nominal and bear no relation to the marginal utility of water applications. As a result, some farms use much more water than is needed while the crops on others suffer serious moisture distress. In sum, the country is at present paying high private and high social costs owing to the nominal scarcity that exists because of inefficient use of the existing water supply, and to the lack of security of water supply which discourages adoption of modern yield-increasing inputs. Moreover, the situation raises serious equity concerns because the poor and powerless farmers typically tend to pay the highest price for insecure water. Nevertheless, the majority of campesinos who pre-

sently have access to irrigation water are members of agrarian reform-created settlements. Their water rights are at present defended by the reform agency (IAD), which in many areas exercises greater influence over INDRHI's water distribution system than do the larger farmers.

Another serious concern for the country's supply of irrigation water (and, of course, of potable water and hydroelectric power) is the widespread disturbance of the natural vegetative cover on a large part of the nation's highly erodible hillsides, in general, and specifically in the upper watersheds of the few existing and future reservoirs and diversion sites. Most of the destruction of the natural environment took place during the present century, at first by predatory lumbering operations and later also by land-hungry cattlemen and campesinos. It is, of course, particularly serious in the tropics because of the fragility of the soils. The seriousness is aggravated in the Dominican Republic because it has one of the highest intensities in the world of kinetic energy impact from rainfall. The losses for this and future generations are in part incalculable, but it has been calculated that each centimeter of soil lost from erosion (let alone leaching) represents a value at present prices of about RD\$10,000 per hectare in terms of key plant nutrients. Moreover, the continuous erosion has already caused a high level of silting of the reservoirs, whose useful lives and storage capacity are tangibly lowered each year.

Projections of the future density of the population on agricultural land leave no doubt about the need to intensify the output per unit of available land. The physical availability of farmland per person employed in agriculture in the year 2000 will probably decline by 40% from

the present 6.8 hectares to four hectares. The only method of accomplishing an intensification of output is through better management of the natural resource base.

e. Low Levels of Technology - Traditional farming practices result in environmental degradation and overall low yields. The misapplication of agricultural chemicals in poorly informed efforts to increase production often do not produce desired results, which waste the farmer's time and money. Further, these chemicals may harm those who come into contact with them, or may cause environmental pollution. Space does not permit discussion of common practices, but there is general agreement that existing technology is of low level. The body of world agricultural technology offers many appropriate practices which would result in greater output and small farm income.

C. Progress and Commitment

The Mission recently completed a thorough examination of the effectiveness of the nation's development activities in addressing the poverty problem. That exercise concluded that the policies of the previous administration, 1966-1978, reflected a preoccupation with economic growth via public investment in infrastructure and, despite its rhetoric, only secondarily with economic and social equity.

While this was, in all fairness, the prevailing development strategy among LDCs at the time that it was initially adopted in the mid 1960's, there is little question that the GODR was slow to respond to the equity concerns that were causing most developing countries to reorient their development strategies in the late 1960's and early 1970. This is in spite of the fact

that there was abundant and growing amounts of statistical data to amply demonstrate that the very high rate of growth in the GDP during this period was not leading to marked improvement in the basic human needs of the poor majority. There was much improvement in the priority assigned to the agricultural sector commencing in the early 1970's, but Central Government support for public health, family planning, and public education remained at very low levels -- especially in areas other than infrastructure investment throughout the previous administration.

With the change of government in August 1978, the GODR's priorities and commitments have shifted and improved significantly; e.g., 1979 Central Government expenditures for education, public health, and agriculture have all increased substantially -- both absolutely and relatively, and are being applied to projects aimed at the poor. Despite an adverse international economic environment and an extremely destructive hurricane, the new administration is either keeping its expenditures in line with the published budgetary commitments or exceeding them. Further, decentralization of financial and administrative responsibility is accelerating project implementation.

The new administration's performance toward improvement of human rights is attracting praise from several quarters. Among other things, efforts have been undertaken to professionalize and remove the military and police from partisan politics. Prison administration has been reformed and labor organizations are now exercising their rights more fully. The country enjoys one of the freest presses in the Hemisphere and Santo Domingo has been selected as the site for the headquarters of the United Nations' International Research and Training Institute for the Advancement of Women.

For a study in depth of progress and commitment, the reader is referred to the Mission's recent appraisal of Section 102(d) contained in Santo Domingo 6486, of October 18, 1979.

D. Host Country Development Plan and Budget

The Dominican Republic has no national development plan. The lack of such a plan was cited in the previous CDSS as a serious constraint to the efficient allocation and utilization of resources and has unquestionably been a contributing factor to the extent of poverty and lack of improvement in the socio-economic conditions of the poor. The present administration is still in the process of defining and elaborating a comprehensive economic policy, but there have already been a number of encouraging developments with respect to planning and setting public priorities. These include a more rational procedure for formulating and executing the public sector budget, elaboration of a reasonably thorough and realistic four year development plan for the southwest region, launching of an effort to formulate regional development plans in four other regions of the country, completion of a three year plan for capital projects utilizing external resources, and the undertaking of a three year national development plan. The latter was scheduled for completion late in 1979, but has been delayed owing to extensive modifications made necessary by the damage caused by the recent hurricanes David and Frederick.

The shift in emphasis by the new administration toward programs and policies that will favorably affect the poor is clearly discernable in Central Government allocations of expenditure by Secretariat for 1979, and those

budgeted for 1980. Comparison of budgetary allocations by the two administrations clearly shows a strong trend towards decentralization of expenditure out of the Office of the Presidency and toward the line Secretariats. This process is resulting in more control by the Secretariats over the capital expenditures most closely identified with their everyday operations. Moreover, the absolute size of the budget is increasing as well. There was an increase in expenditures in 1979 of about 50%, and the projected increase for 1980 is 16.3%. Inflation will reduce the real increase in purchasing power of these expenditures somewhat, but they still represent sizeable increments in public spending.

E. Absorptive Capacity

The period between 1966 and 1976, when real GNP more than doubled, provides ample evidence of the country's administrative and institutional ability to absorb massive infusions of investment, both public and private. While the economy has continued to grow since then, despite serious adverse movements in the terms of trade and abnormally severe weather conditions, considerable "slack" in the form excess of capacity and unutilized or underutilized resources now exists. In addition, the GODR Secretariats have improved considerably in their ability to gather and analyze data, formulate public policy, and administer programs. Both the IDB and World Bank have recently expressed confidence in the country's absorptive capacity and are rapidly expanding their loan portfolios here.

F. Other Donors

The GODR's current expenditures have risen rapidly since the new administration assumed office some 16 months ago. This increase has resulted in a corresponding reduction in current revenues available for the financing of capital projects. Rather than shelve such projects, however, the new administration has sought to continue them by means of borrowing from international lending institutions -- especially the Inter-American Development Bank (IDB) and the World Bank (IBRD). The disaster occasioned by hurricanes David and Frederick has served to greatly accelerate this process.

The relatively conservative fiscal policies of the previous administration have given the new government an extraordinary amount of flexibility in seeking financing from external sources. As late as the end of 1977, the publically guaranteed external debt amounted to \$609 million, while interest and amortization payments totaled only 3.4% of the value of exports for that year. Given the new administration's more favorable attitude toward external borrowing, together with the disastrous effects of the recent hurricanes, however, loan commitments entered into by the GODR mounted rapidly. By June 1979, it had risen to approximately \$975 million and by year's end had exceeded \$1,250 billion.

The long range implications of the rapidly mounting external debt have been the subject of much recent debate and controversy among Dominicans. In the USAID's opinion, service payments on the outstanding debt should not prove particularly onerous or be a constraint on the country's future development efforts provided that (a) loans are used for productive sectors,

(b) the GODR retains access to concessional terms, (c) future growth rates in the GNP and exports proceed at historic levels, and (d) that imports of petroleum products do not keep rising at the rates experienced during the past year. As noted previously, the "bulge" in external borrowing has been the result of the new government's markedly different attitude toward the use of current revenues to finance capital projects and the destruction wrought by hurricanes David and Frederick. There is every reason to believe that the rate of increase in future indebtedness will slow appreciably during the remainder of the government's term in office, leaving ample leeway to prevent future debt service payments from becoming a constraint to economic development.

The largest source of lending for the GODR has been the IDB, whose portfolio now exceeds \$520 million. Loans to the new administration exceed \$275 million. Many of these loans were already in advanced stages of negotiation and were accelerated because of the hurricanes. The IDB's disaster assistance for the hurricanes alone totaled nearly \$100 million, however. Thus far, the IDB has concentrated the great majority of its resources in the agriculture and energy -- especially hydroelectric -- sectors, but also has sizeable loans outstanding in a number of other areas, including transport and communications, public health, industry, mining, and education.

The World Bank has a rapidly expanding program. Thus far, the institution has lent the GODR and its autonomous agencies a total of \$126 million. Agriculture -- especially irrigation -- education, tourism, and highways, have received the great majority of these resources.

PART II - STRATEGY

A. Objectives

The Mission's long-range goal is to improve the living standards of the poor majority in the Dominican Republic. USAID/DR proposes a continuation of its basic human needs approach to development during the period of this CDSS, concentrating on the following objectives:

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|------------------|--|
| Increased Income | - Greater Small Farm production within an input and marketing system which promotes higher net income.                 |
|                  | More job opportunities at wages adequate to support family life above the poverty line.                                |
| Better Nutrition | - Food consistently available, of quality and variety adequate to meet the UN's recommended minimum diet requirements. |
| Education        | - Education opportunities which improve family life (i.e., literacy, nutrition, sanitation), and increase job skills.  |
| Family           | - Family planning services available to all who seek them.   |
| Health Services  | - Public Health preventive and curative services available through a system within the GODR's ability to finance.      |
| Shelter          | - Housing, or building materials and sites for self-help construction.   |

Meeting these needs will require concentration and effective use of resources available to the Dominican Republic:

- Human Resources - Host country managerial talent, both public and private.  
Dominican labor force  
Foreign expertise, both public and private.
- Financial Resources - Dominican financial resources, both public and private.  
Reduction of imports of non-renewable energy sources and foodstuffs to increase domestic financial resources available for development.  
Foreign financing, both public and private.
- Natural Resources - A finite base of land, water, forest reserves, etc.  
Utilization and protection of this base to allow continued support of the Dominican population.

Our overall strategy is based on the proposition that progress toward meeting the above objectives can be made only through effective uses of those resources available to the Dominican Republic. "Resources" are broadly defined to include natural resources, and human and capital assets of the public and private sectors both within the Dominican Republic and available from foreign public and private organizations. Within this broad context, A.I.D. is only one of several resources, and is a minor financial source compared to domestic inputs and contributions from other donors. However, we

believe that A.I.D. is in a position to affect major events during the planning period of this paper. Further, we believe that in the contemporary Dominican Republic, there are unique opportunities for economic and social growth directed toward greater equity.

A major positive factor is the country's increasingly open political system, a process which we assume will continue. The electorate's increasing participation in government and the enjoyment of widespread human rights compares favorably with the Dominican Republic's neighbors in the Caribbean basin. The first peaceful transfer of political power in the country's history, after elections with national participation, took place in August 1978; the next election for national government will be held in May 1982. With increasing frequency, the wisdom and effectiveness of government decisions are discussed and questioned in Congress (with one of the two chambers controlled by the opposition), in the unfettered press (6 daily newspapers, 4 television stations, and 117 radio stations), in the marketplace, in thousands of público taxicabs, and in the home. If this process continues, with the government held accountable to the electorate, popular vote will continue to be influenced by belief in the abilities of various parties to deliver services and economic opportunities. Indeed, the president's campaign promises of concentration of resources and services in rural areas is regarded as a key ingredient in his party's victory. The country is now in the period in which these promises are being tested and judged.

Concurrent with growing political participation, expanding demands for government services, and an increasing labor force, the country's economy is in a five-year period of decline. Low prices for exports and high prices

for petroleum imports have resulted in severe stress to the private sector, and in turn to government revenues. Recent improvement in sugar prices, the Dominican Republic's economic bell weather, have been more than offset by petroleum increases. In 1979, petroleum imports of \$360 million comprised 35% of all imports, whereas ten years ago petroleum comprised only 7%. For 1980, petroleum imports are projected to range between \$500 million and \$525 million, or nearly 50% of merchandise exports. The drain of petroleum imports on the national economy obviously reduces the availability of resources which could be directed toward developmental and basic human needs programs.

Yet, this adverse situation may have positive results by forcing the government to plan effectively, use resources more wisely, and to take a more active role in stimulating the economy. For example, the government is already taking strong measures (many unpopular) to reduce petroleum consumption by imposing high prices.

An unexpected stress on the Dominican Republic resulted from the hurricane disaster in the late summer 1979, which destroyed or seriously damaged more than 40,000 homes, and caused extensive damages which were estimated to exceed \$800 million. But perhaps the most serious after-effect of the hurricanes was widespread environmental damage, caused by up to twenty inches of rain in a seven-day period. Erosion stripped the soil from hillsides and left hills so channeled that they can never be farmed again; river valleys were flooded with such force that all soil was swept away leaving miles of rock and gravel in the place of small farms. In

most instances, the damage is irreparable. The dramatic environmental damage and its effects, such as destruction of roads and bridges, damage to watersheds and silting of reservoirs, etc., has forced attention to the need for better management of natural resources.

In summary, the country's financial problems have been exacerbated by natural disaster. Participation in the democratic political process is enjoying considerable increase and we assume that this participation will be allowed to continue. The government appears to be placing greater emphasis on planning and better use of its resources, and is giving attention to new concerns including renewable energy and environmental protection. A sizeable portfolio of loan projects signed in FY-1980 will continue into the period of this CDSS. And, national elections are to be held in 1982 and 1986. It is within this context that the Mission's strategy is framed.

B. The Host Government - The GODR functions at three levels: international, within the community of nations, including a wider role in the Caribbean and especially with Haiti; national, through laws and policies which affect the entire country; and regional, through budgeting resources and managing activities. USAID/DR will work at each level in varying degrees.

1. International - The Dominican Republic is an active participant in the world community on political matters, trade, tourism, cultural exchange, and various technical and scientific subjects. International events are paramount to the development of the country. For example, decisions of the International Sugar Agreement (ISA), of which the Dominican Republic is a member, determine the amounts of sugar the country can export and the prices which will be paid for the country's major export.

As part of the USG's strategy for the Caribbean, we have been charged to seek and encourage initiatives which lead to greater Dominican participation and exchange with other Caribbean countries. As the second largest country in the region, after Cuba, the Dominican Republic is significant. Further, because of its increasing pluralism, commendable human rights record, and efforts directed at economic and social development, the Dominican Republic offers a commendable example.

Because of shared language, culture, and trade relationships, the Dominican Republic is much closer to the Spanish speaking countries which border the Caribbean than to the English spoken islands within the basin. Venezuela, the Dominican Republic's major source of petroleum, is now also a source of concessional loan assistance. Honduras exports most of the lumber used in this country. IICA (the Inter-American Institute for Agricultural Sciences), headquartered in Costa Rica, is a valuable source of agricultural expertise. Many Dominicans go to Mexico and Puerto Rico for post graduate training, and Guatemala is considered one of the best training sites in the field of nutrition. In view of these long standing relationships, the GODR needs little or no encouragement to maintain and expand contacts with its Spanish speaking neighbors.

Under the present GODR administration, dialogue with the country's French speaking neighbor, Haiti, has shown substantial improvement. The chiefs of state of the two countries met twice during the past year, and issued joint declarations of intent to improve working relationships. Discussions at the diplomatic and technical levels include topics such as recruitment and treat-

ment of Haitian migrant workers who come to the Dominican Republic during sugar cane harvest, watershed management along the border, soil conservation, malaria control, the control of animal and plant diseases, and trade.

While all elements of this dialogue are important, there are a few items which are particularly significant for Caribbean regionalism. Reconstruction of the highway from Azua, in the Dominican Republic, to Port-au-Prince would greatly improve overland communication, and should stimulate trade and tourism while reducing transportation costs. Financing of this highway reconstruction is appropriate for the World Bank and/or the IDB, or possibly through a consortium of donors within the framework of the Caribbean Group. Possible Dominican-Haitian projects which are appropriate for A.I.D. consideration include watershed management, environmental protection, disease control, and energy, areas of common interest which are already under general discussion between the two countries.

Initiatives for Dominican involvement with the English speaking islands are more difficult to identify, in that there is little traditional trade or other exchange. However, there are a number of areas of common interest which offer opportunities. The general fields of science, technology, industry, energy, and agriculture have the greatest potential because there are counterpart Dominican institutions with English speaking officers. Public health, education, employment, marine resources, urbanization, and preparedness and reaction to natural disasters are also of common regional interest but are more difficult to deal with because counterpart organizations in these fields have few English speakers. Depending on the nature of regional programs in the areas mentioned above, USAID/DR will extend its good offices to encourage Dominican participation. But, the lack of truly regional institutions (as dis-

tinguished from English-speaking island oriented institutions such as the CDB) is an obstacle to Dominican regional participation with these countries.

2. National - A wide variety of legislation, policies, budgets, etc., at the national level are critical to development and equity. In particular, the budget process, and questions such as energy uses and sources, population policy, public health initiatives, public education, employment policy, interest rates, agricultural prices and support policies, and environmental protection measures can only be resolved at the national government level.

A number of public and private entities of varying political strength and effectiveness influence national level actions, and compete for power and budget resources. Over the past seventeen years, USAID/DR has concentrated its assistance to and through national institutions, particularly the Secretariats of Agriculture and Health, and more recently also the Secretariats of Education and Public Works, and the Technical Secretariat of the Presidency. We will continue this process, albeit with a somewhat different form. Those problems which require a broad approach, such as employment policy, energy, small industries, swine fever, etc., will be addressed within a national context. Increasingly, however, we will be seeking to focus our programs on geographic areas as appropriate. For example, natural resource management may best be approached on a watershed basis. Upgrading of low cost health delivery systems to larger rural towns will proceed by regions. A follow-on education sector loan will likely address rural schools in a given region. At the same time, each of these efforts will involve a strengthening of the core institution or Secretariat. Thus, we see a continued emphasis on national development efforts, with a growing tendency to seek specific developmental areas of the country for application.

3. Regional - Fiscal and decision-making power has long been concentrated in the Central Government, but there are now some indications of decentralization. The term "regional" has several uses in the Dominican Republic; the safest definition common to all usage is that a "region" is a sub-division of the nation. In the broad geographic sense, the country is divided into zones: southwest, frontier, northwest, sierra, the Cibao, north coast, east, central, and the capital. These terms are in daily use, but are general terms without precise geographic limits and map definition. Present Dominican approaches to regional development do not compare to the accepted definition from countries such as Brazil, or from the literature of development.

For administrative convenience, the major GODR institutions have divided the country into regions, with sub-regional offices. Unfortunately, each institution has its own system of regions and locations for field offices. Also, the degree of decentralized decision-making allowed regional directors varies by Secretariat.

At present, there are neither the resources nor the organizational framework for an integrated regional approach. The latter represents the more difficult problem to solve. Within the agricultural sector alone, there are eight independent governmental entities, each of which is critical to success of agricultural activities. The Secretariat of Agriculture maintains research and extension, manages sales of farm inputs and limited marketing services, and attempts to make overall sector plans; the Agricultural Bank (AgBank) manages concessional credit; the Office of Community Development (ODC) offers training in rural organization and supports self-help projects; the National Hydrologic Institute (INDRHI) manages most water re-

sources including irrigation; the National Price Institutions (INESPRE) sets prices and runs a price support program including the purchase of some crops; the Dominican Agrarian Institute (IAD) is a sizeable landowner with state farms, cooperative farms, and a limited amount of land reform; the State Sugar Council (CEA) is also a major landowner and manages the state sugar and ranch operations; and supervision of forest reserves is under the Dominican Military. Most of these organizations should be involved in integrated rural development, as well as the Secretariats of Education, Health, and Public Works. At the same time, a greater role must be sought for municipal governments within the area of any regional development program. USAID/DR has had positive experience at the regional level with the Secretariat of Health in a loan funded basic village health project, which started in three of the poorest areas of the country: the southwest, frontier and the northwest. Based on successful initial experience, the village health approach has now been implemented in all of the Secretariat's rural regions. A loan project with the Secretariat of Education, signed in FY-1979, also is aimed at a particular region. However, little experience is available from this project because of hurricane-related delays in project activities.

In addition, the GODR has recently unveiled three new regional development plans: a plan for the rehabilitation of the south-central region, an operating plan for the southeast, and a regional development plan for the Cibao region. Another regional plan, largely sponsored by the private sector in Santiago, and financed by the GODR, is Plan Sierra, located in the northcentral mountains and highlands. Another localized project is dealing with land settlement, and land and water use in the Azua area at the margin of the southwestern zone. This project is related to irriga-

tion supplied from an IDB financed hydroelectric dam. These efforts represent a new approach by the GODR to development planning, and each is somewhat distinct in its make-up. It is yet unclear what particular pattern will emerge; however, the trend is clear -- the GODR has begun a serious effort to decentralize the government apparatus for program planning and execution.

The regional plans demonstrate a GODR desire to move towards a less concentrated structure which would be more responsive, effective and efficient in meeting its stated objectives and goals. USAID/DR believes some deconcentration of budgetary and decision-making responsibility and authority of both the planning and execution of development efforts is a necessary condition for significant, sustained progress in dealing with the Dominican poverty situation.

The issues regarding a deconcentration strategy have yet to be well defined. Most often the GODR desire for reduced concentration has been expressed in terms of "regional" initiatives, i.e., approaching the problems, potentials, and plans for a sub-national "region" on a multi-disciplinary, multi-agency basis. In a few cases the implicit objective is decentralization within an individual GODR agency, i.e., delegation of responsibility and authority -- along with the allocation of personnel and budgets -- to lower levels within the Central Government in Santo Domingo and/or to regional, province, and other local offices. It is quite unclear to what degree the GODR would be willing to adopt a significant "decentralization" strategy. A "regional" strategy, however, has been widely expounded recently. As noted, regional planning by the Central Government, vis-a-vis sub-national initiatives, has already been initiated

although no significant manpower or budget resources have been allocated to multi-disciplinary, multi-agency, or sub-national level coordination of "regional" development activities.

While there does not yet exist a consensus within the GODR regarding a strategy for significant restructuring towards either regionalization, there does seem to be a widely accepted inclination towards further deconcentration, i.e., delegating more decision-making authority to the various Central Government agencies. A proposed FY-1982 Regional Rural Development Project is designed to assist the Government in developing more effective methods of dealing with poverty within the context of responding to local problems and developmental potentials. As the project is developed, the Mission will explore possibilities of incorporating various aspects of decentralization of individual agency activities as well as of regionalization of multi-agency efforts.

Identification of specific region(s) must await further discussions with the GODR (possibly with a new GODR administration after the elections in 1982), and will hinge on the availability of funds and the plans of other donors. However, an attractive area for an integrated regional program is made up of the provinces of Azua, San Cristóbal, and Peravia, which is also the zone most affected by the hurricanes. The area is a sub-division of the "south-central" region defined by the GODR as extending from Azua east to San Pedro de Macorís. The Mission's tentative selection of this region is based on several factors, in addition to the area's need for developmental assistance to recover from hurricane destruction. Potential for development is great in this region. Its population is about 500,000, with

150,000 urban and 350,000 rural, providing a population size and balance for both rural and urban activities. San José de Ocoa, Padre las Casas, and several smaller farm towns are in the region, with Azua, Baní, San Cristóbal, Sabana Grande de Palenque, and Haina as urban centers of growing importance.

Meanwhile, the Mission will be sponsoring a series of studies on rural to urban migration patterns and the role of secondary cities in the country. These studies will be aimed at developing suggestions to alleviate the population burden faced by Santo Domingo and Santiago (and ultimately the U.S. through illegal migration) in meeting social needs.

C. An Expanding Program in Transition

In recent years, USAID has followed a rural oriented basic human needs strategy with major emphasis on small farmer food production and improvement of social services in rural areas. This strategy has been carried out through a series of sector loans in agriculture, health, and education. The sector loans have been supplemented by other loans and grants generally aimed at improving the government's institutional capacity to reach the rural poor (e.g., rural roads maintenance and rehabilitation loan and the Dominican Development Foundation grant). In part because of these projects, the institutional ability is largely in place to allow expanded and new activities.

The Mission's last CDSS identified certain negative long term trends which create serious obstacles to the nation's growth. In particular, the Dominican Republic's high unemployment rate and rising petroleum import bill have been and will continue to be causes of concern. As a consequence, small grant funded programs have been initiated, primarily to conduct

studies. At the same time, several important events have transpired since the last CDSS. A new GODR administration has been in office for one year. Its stated priorities are consistent with A.I.D.'s emphasis on the poor majority especially the rural poor. They have taken positive and concrete steps in this direction. We believe the USG should support these efforts with an expanding program. Also, during the period, two devastating hurricanes struck the country, saving their worst damage for the rural poor. Many are still homeless and without roads and services -- six months after the fact. The GODR, other donors, and the Mission dedicated our energies and most of our FY-1980 program to the recovery. As a consequence, we have also adjusted our FY-1981 program to include a much larger proposal for natural resource management. We also see an expanding need to create jobs where the majority of the people are moving -- to the urban centers. They will require not only jobs, but shelter. Thus, we see vocational education and small industries development as critical, and the expansion of home construction, though access to HIG funds, as a complementary and urgent need.

At the same time, the gains of institutional strengthening and expanded social services will be consolidated. The GODR is already assuming the increased costs of a vastly improved Secretariat of Agriculture, developed with considerable assistance from two A.I.D. agriculture sector loans. The Secretariat of Health is assuming the recurrent costs of the basic health service now in place. The Secretariat of Education's weak performance in executing the current A.I.D. sector loan -- its first -- puts it behind the progress made by the other social Secretariats. Hopefully, its performance will improve to justify increased assistance in this priority sector. These consolidation efforts will be significantly aided by access to PL-480 Title I proceeds in the coming years.

Within this approach, however, specialized concerns will demand attention. Schistosomiasis is becoming prevalent and an urgent response is required. After further study, we may propose significant assistance. Education materials are almost non-existent in rural schools. Implementation of the education sector loan may reveal compelling need to fill this gap. Finally, we see a continued need to support private sector education activities in the field of non-formal education, as a partial answer to the demonstrated weakness of the current public education sector.

A final consideration is the question of land reform and its place within our proposed strategy. We do not foresee a major role for this Mission over the planning period on a major address to the serious problem of land reform. The GODR has some tools -- largely legislation requiring lands benefiting from large scale rural infrastructure to donate part of the improved land to the State -- but the comprehensive settlement approach used by the GODR requires large capital investments in irrigation, roads, etc., with a resultant high per capita cost per family. We believe scarce A.I.D. resources can have wider impact in other areas. Fortunately, other donors such as the IDB have begun to support the GODR's efforts. Accordingly, A.I.D. assistance in this area is not critical and it is not proposed. This may change over the planning period as the GODR reviews and diversifies its approach to this problem.

Because of these other factors, the strategy presented in this paper is somewhat transitional in nature. The new GODR administration is only beginning to formalize national development plans. Therefore, many of the terms used in this CDSS such as Caribbean regionalism, natural resources, energy, and regional approaches within the Dominican Republic have not been fully discussed with Dominican authorities and other donors, and are not well

defined. Nonetheless, we believe that these are the directions in which the GODR will move, and our strategy is framed to follow these initiatives as circumstances permit through FY-1986. The following chart shows schematically the flow of Mission activities and major events which have led to our plans for FY-1982 and beyond.

D. Approach

For the planning period, the Mission proposes to concentrate its activities under four management units, using where possible, private intermediaries and the Peace Corps. In some instances, our support will be primarily financial with host country institutions charged with management and implementation of projects. Other donors are making major contributions in the four areas of concentration, which are as follows:

1. Basic Human Needs

a. Greater Small Farm Output and Income: A loan for Rural Road Maintenance and Rehabilitation (FY-1979/1980) will continue disbursement through FY-1983. Both the World Bank and the IDB have made sizeable financial commitments for the road networks and it is unlikely that the USAID will propose further investments in infrastructure, except as part of integrated regional development. The Small Farmer Agricultural Rehabilitation program which is being designed to exactly complement A.I.D.'s program. Future A.I.D. inputs for food crop credit will be funded through PL-480 Title I sales, as will be the expansion of community input/marketing service centers. The Natural Resource program, however, may include credit packages for small farmer inputs for improved land management.

REQUIREMENT OF FY-1982 CIBS

Ongoing FY-1979 Program & FY-1981 UP, CIBS, & ABS plus New GOM Administration's Initiatives plus Hurricane Disaster & Recovery Mission's FY-1980 Program plus Mission's FY-1981 Program lead to FY-1982 CIBS New States

Approaches:

<p><b>Agriculture &amp; Food Dev.</b></p> <ul style="list-style-type: none"> <li>- Sector Loans &amp; Grants</li> <li>- Rural Roads Loan</li> <li>- Swine Fever Loan</li> <li>- OPEC's</li> </ul>	<ul style="list-style-type: none"> <li>- Increased Rural Investment</li> <li>- Decentralization</li> <li>- Regional Projects</li> <li>- Expansion of Rural Basic Health Services (SBS)</li> </ul>	<ul style="list-style-type: none"> <li>- National Emergency Program (AID Supported-Section 491 Funds and PL-480 Titles I and II)</li> <li>- Regional Emergency Program (AID Emergency Agt. Sector Loan)</li> <li>- Expanded Use of PVO's &amp; PCV's</li> </ul>	<ul style="list-style-type: none"> <li>- Rural Admin. Project</li> <li>- Small Animal Project (Local PVO)</li> <li>- Educ. Materials Studies</li> <li>- Schistosomiasis Studies</li> <li>- Regional Rural Dev. Studies</li> </ul>	<p><b>Agriculture</b></p> <ul style="list-style-type: none"> <li>- Regional Rural Dev. Loan</li> <li>- Education</li> <li>- Educ. Materials Loan (Local PVO)</li> <li>- Health</li> <li>- Schistosomiasis Control Loan</li> </ul>
<p><b>Population</b></p> <ul style="list-style-type: none"> <li>- Indirect Support</li> </ul>	<ul style="list-style-type: none"> <li>- Expansion of Services to Lower Income Groups</li> </ul>	<ul style="list-style-type: none"> <li>- Expanded Use of AID Centrally Funded Population/FPP Services</li> </ul>	<ul style="list-style-type: none"> <li>- Expanded Population/FPP Program (Indirect)</li> </ul>	<ul style="list-style-type: none"> <li>- Expanded Population/FPP Program (Indirect)</li> </ul>
<p><b>Employment</b></p> <ul style="list-style-type: none"> <li>- National Studies</li> </ul>	<ul style="list-style-type: none"> <li>- Studies of Small Industry</li> </ul>	<ul style="list-style-type: none"> <li>- Studies of Small Industry</li> </ul>	<ul style="list-style-type: none"> <li>- Small Industries Loan</li> </ul>	<ul style="list-style-type: none"> <li>- Small Industries Loan</li> </ul>
<p><b>Natural Resources</b></p> <ul style="list-style-type: none"> <li>- Limited Project Proposed</li> </ul>	<ul style="list-style-type: none"> <li>- Sub-Secretariat Established</li> </ul>	<ul style="list-style-type: none"> <li>- Grant Technical Assistance and Studies</li> </ul>	<ul style="list-style-type: none"> <li>- Natural Resources Loan</li> </ul>	<ul style="list-style-type: none"> <li>- Natural Resources Loan</li> </ul>
<p><b>Shelter</b></p> <ul style="list-style-type: none"> <li>- Studies Proposed</li> </ul>	<ul style="list-style-type: none"> <li>- Savings &amp; Loan System Expanded, Outreach to Lower Income Groups</li> </ul>	<ul style="list-style-type: none"> <li>- Studies Underway</li> <li>- National Housing Institute Responds to Disaster</li> </ul>	<ul style="list-style-type: none"> <li>- Rural to Urban Migration Studies</li> </ul>	<ul style="list-style-type: none"> <li>- Shelter</li> <li>- IHC Low Cost Housing Projects</li> </ul>
<p><b>Energy</b></p> <ul style="list-style-type: none"> <li>- Studies Proposed</li> <li>- Pilot Proj. Proposed</li> </ul>	<ul style="list-style-type: none"> <li>- National Energy Policy Commission Established</li> </ul>	<ul style="list-style-type: none"> <li>- Electric Transmission and Distribution Repair (591)</li> <li>- Energy Assessment</li> <li>- Incentive Building Grant</li> <li>- Pilot Projects</li> </ul>	<ul style="list-style-type: none"> <li>- Major Energy Grant</li> </ul>	<ul style="list-style-type: none"> <li>- Energy Loan</li> </ul>

b. Better Nutrition - This will be treated as an inter-related problem of production and marketing of food, nutrition education, and public health. In the opinion of some medical experts, the most important and immediate health intervention in nutrition should be reduction of the now widespread incidence of gastrointestinal diseases. Because of chronic diarrhea, much foodvalue is lost because foods are lost before being digested.

c. Education Opportunities: An Education Sector Loan (FY-1979) for rural elementary education will continue disbursement through FY-1982. By coincidence, the rural area selected for this project is the same area most affected by the hurricane disasters, which accentuates the importance of the loan. The only other major project under consideration in formal education is a loan for education materials production, which will be carried out by a private foundation, although the Secretary of Education will be a co-signer of the loan and an active participant in the project. The thrust of further Mission education activities will be in non-formal and vocational education, with local private organizations. Correspondence and radio education will be emphasized. (The Mission has had successful experience with this approach, with \$3.1 million in prior year loans, and \$700,000 in grant support.)

d. Family Planning: Neither host government attitudes nor likely Mission staffing levels augur well for a bilateral program. Fortunately, the Dominican Republic has public and private institutions which have good and expanding family planning programs. These institutions are generally imaginative and have good records managing expanding programs, but face a lack of funds, the major constraint to provision of more service.

The Mission plans to seek greater financial support from all sources, to urge that Title I funds be earmarked for the local costs of family planning and to request more TDY support from AID/W officers and representatives of private family planning organizations in the international community.

e. Health Services: A strong start has been made in low cost preventive and curative services, financed under two health sector loans. A basic village health program is now active in about 1,000 rural communities with more than 4,500 community volunteers trained by the project. Potable water and latrines will also be provided in some of the poorest rural communities in the country under the second loan (FY-1979), which will continue disbursement through FY-1982. The Secretary of Health has asked Mission assistance to expand the village health program to include almost all rural communities and is considering an urban program based on the volunteer health worker approach. The GODR has also requested Mission assistance in studying the prevalence of schistosomiasis, and formulation of plans to control and eradicate the disease.

f. Housing: USAID/DR has been requested by the GODR to assist in a shelter/urban poverty study as soon as possible to design programs of shelter and service needs. Based on the study, the Mission will frame projects using the Housing Guaranty Program and ancillary grant programs. Further, to the extent possible, we will engage in housing activities with private voluntary organizations, because of their special outreach capabilities and their experience gained through housing projects following the hurricane disaster.

2. Employment - Although access to employment at reasonable wages is a basic human need, the magnitude of the problem is such that it deserves treatment as a separate major concern. The Mission's first steps have been in a limited amount of vocational training, and a major grant project to improve the analytical base for decision-making and planning for employment policies. The Mission plans to increase its involvement in vocational education, efforts to stimulate agro-industry, and small businesses of all types.

3. Natural Resources - USAID/DR has made a start in the natural resources area through the centrally funded comprehensive Resource and Evaluation and Inventory System (CRIES) project, now in its second year of implementation. Based on the initial work of CRIES and growing GODR interest in its resource base, a natural resource management project is scheduled to begin in FY-1981 with implementation to continue through FY-1984. This project, along with further Mission/GODR activities, is planned to develop an inventory of soil and water resources, to prepare specific plans for the most effective uses of resources including changes in cropping and land reform practices, and to implement conservation practices both as pilot/demonstration models, and as national programs.

4. Energy - The approach taken by the Mission so far has been one of assuring that a proper analytical base for government policy-making has been laid; the development of the GODR's institutional capacity for planning and operations in the energy area; and support for specific experimental and pilot activities which carry a promise for substantial payoff in the near future.

The principal objective of the Mission's energy assistance program is to help reduce the nation's dependence on imported fuels and increase the availability of energy to low income groups by encouraging (1) energy conservation and efficient resource management, and (2) development and utilization of indigenous energy resources, including solar energy, wind, hydro-resources, and biomass (trees, plants, bagasse, and other agricultural and animal wastes).

For the planning period FY-1982/1986, the Mission's principle energy assistance objectives will remain the same -- to reduce the dependence on imported fuels through conservation and development of local energy sources. The scope of the Mission program may remain relatively limited or might take on the character of a major strategic effort depending on the availability of funds.

### PART III - ASSISTANCE PLANNING LEVEL

The DAEC Review of the FY-1981 CDSS did not take issue with USAID/DR's planning level of \$41 million for FY-1985, nor with the yearly planning levels leading to 1985. The Indicative Planning Allocation (IPA) figure of \$19 million suggested for FY-1986 under the current CDSS exercise appears unrealistically low on several counts. (1) The Dominican Government has undertaken a series of equity related initiatives directed toward the poor, which deserve our sustained support. Although the administration may change in 1982, the developmental momentum being generated should continue and should be supported if government policy continues to focus on equity matters. (2) The Dominican Republic has increasing need for concessional

loans. Although there are indications that export earnings will improve over the next few years, escalating petroleum import costs poses severe problems for the economy. (3) the GODR needs financial and technical assistance to deal with other renewable energy sources as alternatives to fossil fuel imports. Also, the effects of two major hurricanes has accelerated the already urgent need for assistance in a major new government initiative, protection and management of the natural resource base. (4) The Dominican Republic has demonstrated economic and managerial ability to absorb large sums of external capital. (5) The Dominican Republic is the second largest country in the Caribbean after Cuba, has a long close relationship with the United States, and has an excellent record in human rights. Within the context of Caribbean regionalism, the country can serve as a model and leader. Both economic and political considerations argue compellingly in favor of USG assistance well above the IPA level.

The IPA figure, and the implication of similar levels from FY-1982 through FY-1985, limit our ability to enter the areas of employment, energy, and natural resources in any meaningful way. By implication, our activities would be restricted to assistance in basic human needs. Therefore, we propose the following funding levels which exceed the IPA.

## Proposed Levels by Management Units

Management Unit	Development Assistance - Loans And Grants					TOTAL
	FY-82	FY-83	FY-84	FY-85	FY-86	
1. BHN						
- Small Farm Out-put & Income						
- Better Nutrition						
- Education	27	25	25	10	35	122
- FP						
- Health						
- Shelter (HIG)		(15)		(20)		35
PL-480						
Title I	(15)	(15)	(15)	(20)	(20)	85
Title II	( 5)	( 5)	( 5)	( 5)	( 5)	25
2. Employment	10		10		10	30
3. Natural Resources		15		25		40
4. Energy	15		15		20	50

## Proposed Funding Levels by Functional Account

	FY-82	FY-83	FY-84	FY-85	FY-86	TOTAL
Agr./Rural Dev.	15		25		25	65
Health	6	15			10	31
Education	6	10		10		26
Special Dev. Problems and/or Multiple Ac- counts						
- Employment	10		10		10	30
- Natural Re- sources		15		25		40
- Energy	15		15		20	50
Total DA Loans & Grants	52	40	50	35	65	242
HIG		15		20		35
PL-480						
Title I	15	15	15	20	20	85
Title II	5	5	5	5	5	25

The package of assistance proposed is almost entirely loan financed, drawing upon development assistance, HIG, and PL-480 Title I. A development assistance grant level of \$3 to \$5 million per year is suggested for the planning period for studies, project preparation, participant training, and institution building. We propose continuation of the PL-480 Title II grant program on humanitarian grounds for maternal/child health projects complementary to basic human needs activities.

Implementation of our strategy, while maintaining both sound stewardship as managers of USG funds and timely preparation of new projects will require some readjustment of the Mission's style. It appears unlikely that increases in direct hire staff assigned to USAID/DR can be expected. At the least, we propose no reductions in current staff of 21 USDH.

Therefore, we will continue to increase the participation of local and foreign private voluntary organizations in A.I.D. financed activities, and seek greater involvement of the Peace Corps in project implementation. Also, we will increase our reliance on AID/W for assistance in project preparation and evaluation.