

**USAID/Dominican Republic**

# **Strategic Plan**

**FY 1997 - 2002**



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## **VISION STATEMENT**

"In a collaborative style, USAID stimulates critical change to ensure equitable access by all Dominicans to basic social services and gainful employment within a free and just society"

## **VALUES**

**"How we work together to achieve our vision":**

### **Go for the whole bag of marbles**

- Creativity
- Initiative
- Pro-Active

### **Use your best judgment**

- Balance
- Trust
- Empowerment
- Integrity
- Good Order

### **Manage for results**

- Steering vs. Rowing
- Clear Priorities
- Flexibility
- Assume Responsibility

### **Practice good communication**

- Candor
- Openness
- Constructive Feedback
- Healthy Disagreement
- Teamwork

## ABBREVIATIONS

|         |   |
|---------|---|
| CAMPE   | Small and Micro Enterprise Support Center           |
| CARE    | Cooperative for American Relief Everywhere          |
| CDE     | Dominican Energy Corporation                        |
| CDIE    | Center for Development Information and Evaluations  |
| CEL     | Country Experimental Laboratory (for reengineering) |
| C/LAA   | Caribbean/Latin America Association                 |
| DHS     | Demographic and Health Survey                       |
| DPT     | Diphtheria, Pertussis, Tetanus                      |
| EU      | European Union                                      |
| FTAA    | Free Trade Area of the Americas                     |
| GAO     | Government Accounting Office                        |
| GDP     | Gross Domestic Product                              |
| GODR    | Government of the Dominican Republic                |
| IDB     | Inter-American Development Bank                     |
| IDDI    | Dominican Institute for Integrated Development      |
| JICA    | Japanese International Cooperation Agency           |
| LAC     | Latin America and the Caribbean                     |
| NGO     | Non-Government Organization                         |
| PACD    | Project Assistance Completion Date                  |
| PADF    | Pan-American Development Foundation                 |
| PAHO    | Pan-American Health Organization                    |
| PLD     | Dominican Liberal Party                             |
| PRD     | Dominican Revolutionary Party                       |
| PROCETS | National AIDS Prevention Program                    |
| PRSC    | Reform Social Christian Party                       |
| S.O.    | Strategic Objective                                 |
| STI     | Sexually Transmitted Infection                      |
| TNC     | The Nature Conservancy                              |
| UNAIDS  | United Nations AIDS program                         |
| UNFPA   | United Nations Family Planning Association          |
| UNICEF  | United Nations Children's Fund                      |
| USDA    | U. S. Department of Agriculture                     |

## USAID/DOMINICAN REPUBLIC: STRATEGIC PLAN, FY 1997-2002

### EXECUTIVE SUMMARY

What a difference a year makes! The strategy submission was postponed last year because we could not predict the outcome of the May 1996 elections. In fact, there were still questions whether there would be elections and whether former President Joaquin Balaguer could find some way to stay in office. The success of last year is notable not only because there were free and fair elections that brought legitimacy to the new PLD government of Leonel Fernandez but also because of the historic changes that are taking place in society and in the political process. Dominicans want change. In the past, the United States would have been responding with major inflows of resources. Instead, USAID has made the difficult decision to reduce the scope of the program over the next five years. Given funding dictums, the biggest challenge for USAID/DR has been to identify those areas of assistance that can have the greatest impact on assuring the transition to a real participatory democracy and an open and competitive economy for the 21st century.

There are many challenges and the stakes are high. Two principal issues have shaped our strategy:

! what needs to be done to sustain the momentum of democratic change? 1996 produced one remarkably free and transparent election. Dominicans fought for clean elections in 1996 when they did not in 1994. How can we assist civil society to remain involved in the political process?

! how can we best assist a reform-minded government that actively seeks participation, tries to address long-neglected social sectors and deal with poverty issues, has put forth major reform proposals, including for the critical justice sector, and has articulated its vision of the competitive Dominican economy of the future?

USAID has crafted a strategy to meet the challenges of this historic transition by focusing on priority areas where it can build on past successes and exert its proven catalytic influence on other donors and, in a new effort, the government. These areas reflect government priorities as well as needs identified by USAID's NGO partners and beneficiaries.

Articulating such a strategy while at the same time complying with guidance to phase down to a Limited Mission has been difficult. Extremely hard choices have been made, and promising interventions have had to be curtailed. The principal selection criteria for activities, which are also key crosscutting themes throughout the strategy, include:

- ! ensuring the sustainability of key USAID investments through innovative mechanisms;
- ! playing a catalytic role to leverage other donor and/or government resources for adoption of successful models developed by USAID;

- ! maintaining the credibility of the Mission's commitment to working with NGOs while engaging the new government in a productive development partnership.

USAID/DR begins the strategy period with four Strategic Objectives:

- ! *Strengthened Institutions which Contribute to Economic Opportunities for Poor Dominicans*
- ! *Increased Use of Effective Primary Health Care Services*
- ! *More Participatory, Representative, and Better Functioning Democracy Achieved*
- ! *Increased National Capacity to Produce Environmentally-Sound Energy*

By FY 2000, we will be implementing a limited portfolio focused on two Strategic Objectives, in democracy and health/population, with a critically important Special Objective supporting a focused economic policy dialogue. We will be working in only seven areas (intermediate results), instead of the current 14. Because of our efforts to assure their sustainability beyond the period of direct involvement, however, we expect to see some of our terminated activities expanded or replicated by others -- for example, our successful models of community-managed water/sanitation and alternative energy activities. We also intend to propose a new Special Objective for an innovative approach to a serious regional issue -- environmental degradation in the largest watershed on Hispaniola, which affects both the Dominican Republic and Haiti. Women's empowerment is an on-going priority which has been and will continue to be addressed throughout the program, through microentrepreneur skills development, reproductive health, civic education and human rights, and community participation and leadership, among other activities.

By the end of the strategy period in FY 2002, USAID expects to have contributed significantly to democratic consolidation as evidenced by a record of successful elections and a substantially more efficient judiciary; to have stimulated a process of participative planning and decision-making at the national level for delivery of quality preventive health services, including addressing the HIV/AIDS epidemic; to have supported the Dominican Republic's transition to a regionally competitive, dynamic economy; and to have initiated the adoption of alternative energy technologies.

Assuming additional responsibilities as a regional service center, well before any Strategic Objectives phase out, means that the impact of our program changes on staffing levels will not be felt immediately. The composition of staffing will change substantially by the end of the period, with a 35% reduction in technical staff and a 17% reduction in support staff. It must be noted that the areas in which USAID will be working and the participatory approach to developing and implementing these activities are staff intensive.

USAID/DR is a reengineered Mission. No one who comes to visit goes away unimpressed, not even the GAO. We are enthusiastic believers in what we are doing. The decision-making process in developing the strategy has emphasized dialogue and participation both internally and with our customers and partners. We have listened, just as we did when we developed the 1996 elections

support strategy. The outstanding success of our support to civil society for those elections is being highlighted by many, including some Agency critics, as a model. While this activity has received a lot of attention, the remainder of the program has developed in the same successful manner.

There is tremendous desire for change in Dominican society. Dominicans expect much from the Fernandez government. If the government can't deliver economic benefits, the democratic process will suffer. As in other countries, Dominicans can turn again to authoritarian rule if the democratic process does not improve their quality of life. It is an historic time in the Dominican Republic. Opportunities were lost in 1963-64 with Juan Bosch, and with the PRD in 1978-1986. USAID has considerably fewer resources than in the past, but we have learned how to use those resources more wisely. We are ready for the challenge.

## **I. COUNTRY ENVIRONMENT AND PROGRAM RATIONALE**

### **A. Trends, Constraints, and Opportunities**

#### **Political issues**

Dominican history has been one of authoritarian rule. Two men have dominated most of Dominican history this century -- Rafael Trujillo and Joaquin Balaguer. The current democratic Constitution, written in 1966, is based on strong presidential powers that Balaguer used to govern autocratically. While he was barred from re-election because of the constitutional changes in 1994 under the Pact for Democracy, Balaguer still heads the Reformista Party and has an important, if diminishing, role to play at the age of 90. Juan Bosch, who founded two major political parties -- the PLD and PRD -- is at the age of 85 now an elder statesman of the PLD. The leader of the PRD, Jose Francisco Pena Gomez, has serious health problems, making the leadership of this largest political party an issue for the coming congressional and municipal elections in 1998. The political landscape is changing rapidly as new leadership comes forward.

The flawed elections in 1994, compounding the history of troubled elections since the death of Trujillo in 1961, raised serious concerns about the possibility of a clean and fair contest in 1996. The U.S. strategy to work through civil society to help assure free and fair elections was successful. Civil society leaders managed to capitalize on the widespread popular demand for change to rally unprecedented support and pressure for responsible electoral management. The election gave legitimacy to the winner -- Leonel Fernandez of the PLD -- who allied himself with Balaguer against Pena to win the run-off election by 51.25% to 48.75%.

The victory of a 42 year old New York-raised lawyer, who believes in participatory government, makes this an even more important political transition from authoritarian rule to real democratic development. Nevertheless, authoritarian attitudes and practices still permeate Dominican culture. The principles and practices of democracy have to be reinforced if the country is to become truly democratic. Now, there is a government and a President who are trying to modernize the state, undertaking major reforms to open up the economy, and emphasizing poverty reduction in the public budget. Externally, the administration is reversing years of virtual isolation from hemispheric and world relations, seeking a leadership role in the Caribbean and recognition as a member in good standing among international organizations.

The Fernandez government's ambitious reform agenda faces stiff challenges. Not least of them is the relative inexperience of many new government officials and the extremely weak institutional base they must work within. The two major opposition parties -- the Reformistas and the PRD -- dominate Congress, which reflects a membership elected in 1994 for a four year term. The PLD has one Senate seat out of 30, and 13 out of 120 Deputies. The separation of congressional and presidential elections was a major reform in the 1994 Pact for Democracy. The new dynamics of electoral politics is now being felt, and the Fernandez government is working hard to show results for the May 1998 congressional elections.

Congress, which in the past has mostly been by-passed or ignored and is largely discredited in the eyes of the public, has become a more vocal player in the budget and reform program. Despite the administration's strong attempts to seek consensus for its new development vision and the measures required to bring it about, a first-time budget debate, including a day of public hearings, has not resulted in an agreement with the opposition-controlled Congress. Key pieces of legislation, such as privatization of the energy sector, a new education law, and financial and monetary laws continue to be stalled, hampering the administration's ability to move its agenda forward vigorously. Even if Congress does not approve the budget, because of the decree power of the President under the Constitution, there are still a number of actions Fernandez could take independently. With a limited Congressional base, the administration must make extraordinary efforts to seek consensus for its new development vision. Accordingly, in its first few months in power, the administration has purposefully reached out not only to other parties, but also to a broad range of civil society groups.

Civil society did not participate in the electoral crisis in 1994. For the 1996 elections, it was U.S. strategy to encourage strong civil society participation, and civil society did play a crucial role in assuring free and fair elections. It was a victory, but only the beginning. The role of civil society in the political process must now be consolidated. The Fernandez government is reaching out to civil society, but not consistently or with all groups. Civil society itself is fragmented, and has not developed a unified voice after the 1996 elections. USAID believes that civil society needs to be a permanent instrument for advocacy for reform and modernization of the state, and for monitoring elected officials and public institutions to deepen democratic development in the Dominican Republic.

Although civil society, through the Action Group for Democracy, and business interests proposed similar agendas for comprehensive political, social, and economic reform during the 1996 electoral process, there is no consensus on the speed or sequencing of reforms. What is key is that the dialogue has changed in the Dominican Republic. The issue now is not whether there will be reform, but when and how.

There are still many barriers to accomplishing change. The largely corrupt and inefficient judiciary is a key constraint to implementation of much-needed reform. Paternalistic behavior is strongly entrenched and authoritarian attitudes exist throughout the population, especially among the youth. The political challenge is to deepen and strengthen the population's understanding, appreciation, and practice of democratic values, including civic participation and the balance of powers among the executive, legislative, and judicial branches of government.

## **Economic reform**

The comprehensive economic reform agenda put forward by the Fernandez government on December 20, 1996, reflects the depth of change brought about by the election. However, while an important segment of popular support for the new government was based on unprecedented consensus favoring broad-based political, economic, and social reform, the strength of civil society's actual commitment, especially to economic reform, remains to be tested. A small and powerful elite has always had the final word on economic and political issues. Less than six months after the government's inauguration, as this strategy is written, the political battle over the economic program is in full swing. The government is caught in the dilemma of wanting to implement reforms now that will make the economy stronger and more resilient in the medium and long term, while facing strong opposition to real or imagined hardships that will be felt in the short term when no economic crisis is perceived and the average annual GDP growth rate for the past five years has exceeded 5%.

The economic program is coherent but complex. It combines budgetary measures critically needed in the short term to shore up government accounts weakened by a severe internal debt overhang, with fiscal reforms which will provide a much sounder base for macroeconomic management into the future. It also makes some drastic changes in budget allocations to long-neglected social sectors, doubling amounts for education and health, and specifically targets spending on programs intended to benefit the poor. From a long term perspective, the reform program is designed to position the Dominican Republic as a stable, fully competitive member in the new world trading system of the 21st century. Anticipating the shocks that can be expected during the foreseeable future as the hemispheric and world trading environments change, the program calls for rapid privatization of key state enterprises and establishment of a competitive, growth-enabling environment. Reducing tariffs and other barriers to trade and establishing a sound revenue-generation system by broadening the tax base are critical elements of the program. These are the components which most threaten the business elite.

While the government has the power to implement some of the program by decree (the price of gasoline was raised and the exchange rate unified immediately after the President's public announcement of the program), piecemeal implementation could be damaging. The inevitable result of protracted Congressional stalling on proposed legislation is already evident in speculation and a marked increase in prices during January 1997. Without the ability to implement some of the key underlying reforms, the administration will be hard-pressed to carry through on its social promises and commitment to increase economic equity.

Aside from fighting for support for its reform program, the administration will have to deal with the extreme institutional weakness of government agencies responsible for designing and managing specific implementation measures. Technical skills are thinly spread, and management systems do not facilitate the kind of communication and collaborative processes that are so essential to secure "ownership" and efficient implementation of key reforms. USAID sees this as an opportunity to help bring about a successful transition from a closed, inefficient economy to an open and dynamic one.

## **Social issues: poverty**

Per capita income, estimated at \$1,450 in 1995, masks a wide gap between rich and poor: the poorest 50% of the population of about eight million receives less than 20% of total income, while the richest 10% receives about 40%. Pockets of extreme poverty exist, particularly in the western border regions with Haiti. A 1992 estimate indicated that about 10% of Dominicans lived in extreme poverty -- defined as expenditures of less than \$1.00 per day; a household survey done by CARE in 1993 in the border region with Haiti found that 20% of children between one and two years old suffered from severe malnutrition. The most recent USDA Food Needs Assessment cites a 10% malnutrition rate for children under 5, and suggests that in order to eliminate hunger from the Dominican Republic within 10 years average annual growth should exceed 8%. In 1990, despite a 90% primary school enrollment rate, only 14% of Dominican children completed primary school, compared to 24% for Haiti and 50% on average for all USAID-assisted LAC countries. Sixty-five percent of the population in rural and peri-urban areas lacks access to potable water and about 25% lacks electricity. The PLD government wants to address the "social debt" issue which they believe results from chronic underspending on health and education by previous governments. In 1993, expenditures on these sectors were less than 5% of GDP, compared to over 13% on average for other Latin American countries.

The combination of lack of economic opportunities in terms of low and semi-skilled jobs, severe energy shortages (if energy is even available) in peri-urban and rural areas, and inadequate access to basic preventive health services, make it difficult for Dominicans to get out of the poverty trap. Not surprisingly, the consequences of such difficult conditions are a high rate of emigration, especially to the U.S., and high rates of urban migration. Poverty also leaves its mark in the form of environmental deterioration.

Yet in the face of these hardships, the Dominican Republic is fortunate to have a large number of NGOs which, given adequate financing and appropriate management assistance, are ready and willing to bring services to the most disadvantaged, hard to reach population. The challenge is to mobilize their enthusiasm and talents in a concerted manner, to achieve lasting impact among the varied communities they serve.

### **Environmental issues**

The environment is a critical issue for any Caribbean island. In the Dominican Republic, rapid deforestation, deteriorating water quality as well as quantity, and uncollected and poorly managed solid waste are becoming major problems. Destructive hillside farming practices and deforestation for fuelwood in major watersheds, which reduce vegetative cover, affect downstream production of hydroelectric energy (35% of total energy production) as well as the ability to regulate water flow for irrigation and human consumption through siltation of reservoirs. This is a regional problem, affecting among others the largest watershed on the island, shared by Haiti and the Dominican Republic. The government's recently-designed reforestation program, Quisqueya Verde, intends to address this problem. A number of major rivers are seriously contaminated due to pesticides. Coastal zones, which attract the majority of tourists, are deteriorating due to pollution from untreated sewage emanating from urban areas and hotels, manufacturing discharge, and agricultural runoff. Urban air quality is poor, causing a high incidence of respiratory diseases.

## **B. U.S. Foreign Policy Interests**

The Dominican Republic's historic political transition presents new opportunities for the United States to pursue its multiple and long-standing interests in the country. These interests include enhancing market access for U.S. exporters, combatting the smuggling of narcotics, illegal migrants and other contraband, controlling the spread of AIDS, combatting drug trafficking and money laundering, strengthening democratic institutions, promoting regional stability, and reducing environmental and biological degradation. The country remains the United States' seventh largest export market in Latin America. In 1995, it absorbed almost one-fourth of U.S. exports of \$14.9 billion to the Caribbean.

The proximity of the Dominican Republic means that its problems often have a direct spillover effect on the United States. For example, the high incidence of poverty, lack of economic opportunity, and social injustice have resulted in sizable emigration. Roughly one out of nine Dominicans is now thought to live, legally or illegally, in the United States where they have the highest welfare participation rate among all Latin American immigrants. In fact, Dominicans are the largest immigrant group in New York City where their arrivals rose more than 50% from the 1980s to the 1990s and they now account for one out of every five immigrants. Maintaining support for participatory democracy and sustainable economic development during a period of historic transition is essential to addressing these conditions and protecting core U.S. interests in the Dominican Republic.

## **C. Program To-date**

USAID has been active in the Dominican Republic for 35 years. The assistance began after the assassination of Trujillo in 1961 because the U.S. did not want another communist country in the Caribbean. With the U.S. military intervention in 1965, the Dominican Republic began receiving high levels of assistance. Over the years, these levels have fluctuated considerably. At \$34.6 million in 1980, program levels represented over 12% of total USAID development assistance to Latin America and the Caribbean and were, for a period of years, reinforced by ESF and PL-480 programs. FY 1996 development assistance levels represented about 3.5% of LAC programs. Assistance has been provided across a broad range of sectors, including agriculture, forestry, irrigation, natural resource management, health and population, agricultural and microenterprise credit, university, vocational and basic education, private enterprise and free trade zone development, and, most recently, democratic development and renewable energy.

While distancing itself from the government in the early 1990s -- a temporary strategy until a reform-minded government came to power -- USAID continued to achieve notable successes working primarily with and through local NGOs to bring services directly to people in need. These successes include: strengthening and moving numerous NGOs closer to sustainability; providing family health services in areas where government services were not available; demonstrating the viability of innovative programs, such as community-managed water/sanitation, natural resource management, and rural electrification activities; acting as an incubator, through the Democratic Initiatives project, for the initial understanding and practice of democratic values which was instrumental in focusing and stimulating recent support for free and fair elections; creating, through the LAC Bureau's one-time flagship microenterprise credit project, a now-independent second-tier lending institution and a

small/micro enterprise bank; supporting the development of a broad-based national coalition for education reform; and creating several endowment funds which support agricultural sector development and broad debate on economic policy issues.

With the election of a government intent on addressing poverty in a systematic way, USAID now has the opportunity to redress the balance between NGO and government-based interventions. The lack of focused government participation in and policy parameters for USAID programs (in addition to problems of securing sufficient counterpart funding) has, in the past, limited the impact of many USAID and other donor programs with the government. By resuming active collaboration with committed government counterparts, USAID expects to play a catalytic role, helping to maximize joint scarce resources for more equitable development. We will also emphasize our catalytic role in linking our successful NGO programs with government ministries that should be delivering services to the people.

#### **D. GODR Development Priorities**

Notwithstanding the past socialist ideology of the PLD, the Fernandez administration has proven itself to be pragmatic in establishing its development vision and priorities. The President has traced out the broad lines in various speeches, in particular the three consecutive speeches to the nation prior to unveiling his 1997 budget on December 20, 1996. His recognition that the Dominican Republic must open its economy and bring about full trade liberalization as an inevitable step to joining the new wave of economic globalization is a true sea change for the country and the PLD of the 1980s. Adopting policies that will expand markets and attract investment, as a sustainable way to create jobs and improve incomes, is high on the agenda. Modernizing state institutions is a prerequisite to efficient functioning of the government.

"The Dominican Republic will become the first industrialized country in the Caribbean through rational use of its human and economic capital for the benefit of all Dominican society, in particular the poorest."

President Fernandez at the 20th C/LAA Conference, December 10, 1996.

Attention to the long-neglected social sectors, and addressing poverty, are equally important. One of the government's first actions was to revise and complete the "National Program for Social Development Promotion" begun toward the end of the former administration in response to the Copenhagen Social Development Summit. But the new government is also conscious of the need to match programmatic intentions to budget realities. A comprehensive "National Investment Plan 1997-1998", based on GODR development priorities and the availability of financing from national and foreign sources, is being prepared. The 1997 budget, presented to Congress along with the reform package including a proposal for major fiscal reforms that embody fiscal sustainability as well as trade liberalization, was prepared in a manner to promote participation, and has generated heated debate. The government has been willing to negotiate with powerful business and political groups in order to reach a consensus.

After the last ten years of Balaguer's rule, when the President took actions regardless of whether Congress had approved the budget or not, it is significant that the Fernandez government has used the budget process to put forward a coherent and organized program for what it wants to accomplish. The public debate on the budget is an excellent opportunity for the NGO community and international donors to identify the areas which interest them most. In the past, donors provided substantial funding for infrastructure, the Balaguer administration's priority. There are innumerable opportunities now for the donors to provide useful and timely assistance to the new government's reform programs.

The Vice President, who as a Senator spearheaded local development in his province of Salcedo, is a vocal proponent of "co-responsibility" for development. He defines this concept as a true partnership between communities and local and central governments, which also integrates NGOs and external donor programs. Officially charged with following up on Dominican Republic performance with respect to international summit agreements such as the Children's Summit and the recent Sustainable Development Summit in Bolivia, the Vice President is committed to strengthening government capacity to direct and manage foreign assistance in a coordinated and rational fashion.

#### **E. Other Donors**

International donor programs already cover most areas that are important to Dominican development. Many of these programs have suffered from poor government coordination, chronic unavailability of counterpart funding, and weak partner institutions. Yet most donors are hopeful of change and, based on assurances that the government will now take its commitments more seriously, anticipate resuming more active implementation. USAID's ability to renew strong bilateral ties with the government will also strengthen our posture vis-a-vis the other donors and permit more productive coordination.

The IDB is the largest donor, with a current portfolio of almost \$600 million. Its active programs cover education, community development, tourism, transport infrastructure, and financial sector improvement. Agricultural development activities are lagging, but a new program for land titling is a top priority. New education and health programs, jointly planned and financed with the World Bank, are pending. The World Bank's portfolio of \$192 million covers roads, energy, basic education, and health. The European Union (EU) has a varied portfolio of integrated rural and community development, private sector and NGO support, energy, water/sanitation, health, and natural resources, totalling some \$110 million, in addition to special commercial programs. It will also become involved in HIV/AIDS prevention. UNICEF, PAHO, and the EU have worked closely with USAID in planning and financing the 1996 Demographic and Health Survey. UNAIDS, with funding of \$80,000 for two years, has recently opened an office and will provide welcome coordination for HIV/AIDS prevention activities. UNFPA may have to absorb a severe funding cut, leaving USAID as the principal donor in family planning and reproductive health. The World Food Program is developing a new strategy and plans to focus on mobilizing communities in a comprehensive approach to addressing the severe malnutrition prevailing in poor rural areas.

Among bilateral donors, Japan has become the largest, implementing a portfolio valued at \$122 million in 1995 (compared to USAID's of \$116 in the same year), and financing projects in agriculture, health, and natural resources. USAID will be pursuing a focused dialogue with Japan, as with the other donors, in areas of common interest. German aid agencies concentrate on natural resources, energy, water/sanitation, education, and social development. France, which contributes 25% of the EU funding, plans to participate in justice sector reform through training programs and some technical assistance. Spain intends to assist with public administration and civil service issues, as well as providing technical assistance for financial sector management.

While the aid levels shown above may seem impressive, actual implementation and disbursements have lagged severely for many donors, and financial flows are reduced by the government's substantial debt burden. In 1994, total development assistance net of interest repayments was only \$69 million, or less than \$9.50 per capita, compared with \$113 million for Jamaica (\$47.00 per capita) and \$217 million for Ecuador (about \$20.00 per capita).

## **F. Program Rationale and Summary**

The Dominican Republic has many problems, outlined earlier, that hamper its successful transition to the more competitive world of the 21st century. But no matter what problems it has, it also has considerable potential for advancement, both economically and politically. It has to do both. The Dominican government seeks a regional leadership role and wants to build a vibrant, competitive, and more equitable society while developing a political system that is open to all. The United States shares the same vision. It is only with more participation in the political system and vastly increased employment opportunities that Dominicans will lessen their desire to emigrate to the U.S. We both benefit if the Dominican Republic reaches its goal. Since USAID must reduce the scope of the development assistance program during the strategy period, we have carefully chosen the areas that will have the greatest impact on achieving our mutual goals. We seek, by 2002, to ensure:

- ! a more participatory democratic government, with a greater role for civil society
- ! an established, fair, and respected electoral system with "clean" elections in 1998, 2000, and beyond
- ! a more accessible and equitable justice system, and increased respect for the rule of law and human rights
  
- ! more efficient and equitable public resource allocation, with increased funding for social programs
- ! significant job creation and consequent reduction of unemployment
  
- ! increased availability and reliability of electrical energy, including off-grid areas
- ! improved natural resource planning and environmental preservation.
  
- ! improved national capacity to plan and deliver quality preventive health services, including a coordinated response to the HIV/AIDS epidemic
- ! improved access to safe water and increased sanitation for disadvantaged populations.

Invigoration of private initiative and participation throughout society is essential to the sustainability of key investments once direct assistance is phased out. The principles underlying USAID's approach are to promote increased grassroots participation of women and men in the economic, social, and political spheres and closer linkages among communities, strong NGOs, and government at all levels.

### **Transition and the strategic choice process**

USAID begins the strategy period in FY 1997 with four strategic objectives. It will end the period in FY 2002 with only two, after a three-year transition period. The number of areas of activity, representing intermediate results, will drop from 14 in FY 1997 to seven in 2000 and six in FY 2002. The strategic choice process has been long and arduous, reflecting a virtual triage of viable programs which draw on increasingly reduced "unrestricted" development assistance funds. None of the areas eliminated from the portfolio reflect a lower development priority or less sound investment. While some, such as microenterprise credit, have reached the "graduation" stage, others such as microentrepreneur skills training, basic education, or community-based water, energy-supply, or environmental management meet real needs of poor people in successful and innovative ways. Early termination of these programs means that new approaches will be used to consolidate their achievements rather than seeking to expand their coverage.

USAID has made these difficult choices in a collegial manner, after a full process of consultation with customers, partners, and stakeholders. Internally, we have explored all available options and decided as a team on the criteria that would govern both program retention as well as phasing out. The principal criteria, beyond the obvious ones of technical feasibility and Dominican and U.S.G. priority, are to:

- ! maximize USAID's role as a catalyst, building on past successes to leverage other donor and/or government resources
- ! ensure the sustainability of key investments, through innovative mechanisms where appropriate
- ! maintain the credibility of USAID's commitment to working with NGOs, while engaging the new government in a productive development partnership; and,
- ! capitalize on windows of opportunity that can have a major influence on achieving our overall goal.

### **Consultation and customer feedback**

Learning about and adapting to the needs of our customers permeates USAID's programs and is an integral part of day-to-day operations. Working through NGOs with a well-defined and limited customer base has the advantage of affording close contact with program beneficiaries. While some are better and more systematic at it than others, we encourage our NGO partners to listen and adjust as well if necessary. In the democracy area, periodic surveys alert us to levels of knowledge and attitudes that provide valuable information for focusing our activities -- one of the most surprising findings has been the strong authoritarian attitudes held by Dominican youth. A stakeholder survey of the justice sector helped identify the groups we will need to work with as we develop the rule of

law program. Users of our HIV/AIDS prevention and information services are telling us what they and their families need in terms of support. Microentrepreneurs have identified the types of training that are most valuable to them.

Customer feedback provided through NGOs alerted USAID to the fact that potable water and sanitation services were those most highly valued by poor communities. When this priority was confirmed independently by a panel of health sector experts convened early on in the strategy development process, USAID decided to redouble efforts to market to other donors and the government the successful "total community participation" model. Information on rural communities' receptivity to alternative energy stimulated a project a project redesign.

NGOs themselves are customers as well as partners, and USAID systematically targets their needs for financial and administrative strengthening to ensure their sustainability. Strengthening capacity will also be a theme of our new relations with the GODR during the strategy period.

### **Strategy summary**

Helping to bring about a more representative, participatory, and better functioning democracy is USAID's highest priority. This priority is reflected in the broadening of the democracy portfolio to encompass support for strengthening the rule of law and respect for human rights, as well as continuing involvement in Dominican-led civic education activities and promotion of civil society responsibility and participation at all levels of government. Currently known as Strategic Objective No. 3, this portfolio will be relabeled Strategic Objective No. 1 in FY 1999.

Expanding the reach and use of effective preventive health care services, including reproductive health and STI/HIV/AIDS, is a critical need. It will take years to shift the public health approach and expenditures away from their current curative focus. However, working with both government and NGOs to develop sustainable service delivery systems offers the promise of reaching a larger proportion of the poor and underserved population sooner. Youth between 10 and 24 years old account for over 30% of the population. There is a special urgency to reach out to those over the age of 15 with AIDS prevention information and programs. Improved access to quality family planning services will help reduce the number of illegal abortions, estimated at one out of every four pregnancies. USAID stands alone as the major donor for both family planning and AIDS prevention assistance. This support remains critical to the sector until government investment increases and other donors can fill the large gaps in coverage. Limited resources do not permit USAID to continue working in the water/sanitation area, in spite of the fact that this is the highest priority identified by Dominican customers and partners. Fortunately, the IDB and EU are particularly interested and have funds available for this type of program. Therefore, during the transition period, USAID will see to it that government and other donors learn about and adopt the "total community participation" model, where beneficiaries are involved starting at the planning level through to the point of managing water/sanitation systems on their own, so that its successes can be broadly replicated.

Increasing economic opportunities and benefits for poor Dominicans has been repeatedly identified by USAID as a key element to alleviating poverty and reducing the pressure to emigrate. As a result of the transition most components of this portfolio will terminate by the end of FY 1998.

Accordingly, this Strategic Objective has been refocused and limited to strengthening institutions which contribute to economic opportunities for poor Dominicans in the remaining time available. Nevertheless, USAID intends to take full advantage of the opportunity to engage the new government in a focused economic policy dialogue. Already, USAID and the Country Team have been able to exert discreet but significant influence in building official resolve to attack economic issues head on in spite of strong domestic political pressure to go slow. The years through the next presidential election in 2000 will be crucial in maintaining the administration's vision of competitive and more equitable economic growth. A Special Objective with limited scope will help support this vision.

Without resources, USAID can no longer support increased availability and use of environmentally-sound energy. During the transition phase, USAID will focus on promoting increased national capacity to produce environmentally-sound energy, working with key NGO and government partners to ensure that sustainable systems are in place by the time activities phase out at the end of FY 1999. USAID will fund only those environmental protection activities directly relevant to conventional or alternative energy production, letting other ongoing efforts such as coastal zone management complete their current workplans. An opportunity for significant impact on regional watershed management will only be pursued with USAID/W concurrence.

All USAID activities give careful consideration to gender and youth issues. This has been the case for microenterprise, basic and vocational education, community managed health or environment issues, as well as for democracy activities, and will continue to characterize the Mission's portfolio.

**USAID/Dominican Republic  
Areas of Activity: FY 1997 - FY 2002**

*"In a collaborative style, USAID stimulates critical change to ensure equitable access  
by all Dominicans to basic social services and gainful employment  
within a free and just society"*

**FY 1997**

**Economic  
Development**

*S.O.1: Strengthened Institutions  
which Contribute to Economic  
Opportunities for Poor  
Dominicans*

- Microent. credit
- Microent. skills devel.
- Basic education
- Policy Dialogue

**Health/Population**

*S.O.2: Increased Use of  
Effective Preventive  
Health Care Services*

- HIV/AIDS prevention
- Reproductive health
- Sustainable preventive  
health system
- Community W/S

**Democracy**

*S.O.3: More Participatory,  
Representative, and Better  
Functioning Democracy  
Achieved*

- Rule of law
- Civic education
- Civil society/electoral  
process

**Energy/Environment**

*S.O. 4: Increased National  
Capacity to Produce  
Environmentally Sound Energy*

- Env. regulation
- Cty-based env. protection
- Renewable energy

**FY 2000**

**Health/Population**

- HIV/AIDS prevention
- Reproductive health
- Sustainable preventive  
health system

**Democracy**

- Rule of law
- Civic education
- Civil society/electoral  
process

*Special Objective*  
- Economic Policy Dialogue

**FY 2002**

**Health/Population**

- HIV/AIDS prevention
- Reproductive health
- Sustainable preventive  
health system

**Democracy**

- Rule of law
- Civic education
- Civil society/electoral  
process

## II. PROPOSED COUNTRY STRATEGIC PLAN

### A. Strategic Objective No. 1: **Strengthened Institutions which Contribute to Economic Opportunities for Poor Dominicans**

#### 1. Problem Analysis

**Sector Issues:** The Dominican Republic is a poor country which possesses the resources to substantially improve the standard of living of its 8 million people if it implements appropriate economic and social policies. Average income per capita of approximately \$1,450 in 1995 masks a pronounced inequity -- the poorest 50% of the population receives less than 20% of total income, while the richest 10% receives about 40%. The job creation capacity of the formal economy is limited by protection of the stagnant agricultural and manufacturing sectors, which represent about 25% of GDP. Microenterprises, generating about 23% of GDP, also absorb about 23% of the labor force. The large pool of Dominican unemployed and underemployed keeps wage rates low, and the persistent inflow of unskilled and semiskilled Haitian workers eager to find work even at subsistence rates increases this pressure. Public spending has been allocated inefficiently and expenditure rates on health and education in particular are only about one-third of the average for Latin America. These factors fuel one of the highest emigration rates in the hemisphere.

Most of the productive activities in the economy are protected by high tariff and non-tariff barriers. Serious economic restructuring is required to face increased competition as markets for Dominican goods and services become increasingly globalized, particularly if the Dominican Republic is serious about joining the Free Trade Area of the Americas in 2005. The first step toward such restructuring has just been taken.

In a historic move, on December 20, 1996, President Leonel Fernandez announced a comprehensive economic policy reform package designed to ensure sustainable macroeconomic equilibrium, increase the job creation capacity of the economy, and promote more equitable development. These goals are to be accomplished by reorienting the economy toward exports, broadening the tax base to increase fiscal revenues, and increasing spending on social sectors. The package combines tax and tariff reforms, export incentives, and compensation schemes for the vulnerable with the 1997 budget request which doubles social sector expenditures. The package is historic in the depth and range of reforms, the way civil society was consulted and the public prepared for its announcement, and the fact that it is the PLD with its socialist origins that is the author. Dominican governments in the past have always approached reform piecemeal and only in the face of serious crises. Any serious far-reaching reform to make the economy more competitive has always been stopped by powerful protectionist business interests.

The new PLD government is particularly concerned with addressing what it calls the "social debt" -- relatively low human resource indicators which are the result of chronic under-investment in the social sectors. At the same time it recognizes the dangers of provoking inflation which historically has been the bane of the Dominican poor. There are many pitfalls ahead for implementation of the reforms. Even if these pitfalls are overcome, the weakness of government institutions -- debilitated by years of concentration of authority at the presidential level and riddled with poorly paid, rent-seeking

employees -- will limit the efficiency with which a meaningful poverty alleviation program can become a reality.

**Successes and Lessons Learned:** While USAID has a long history of assistance to economic sub-sectors and institutions, in recent years the program was refocused to emphasize working through NGOs to achieve *Increased Economic Opportunities and Benefits for the Dominican Majority*. This included increased human capacity development through improved primary education and access to business skills training for microentrepreneurs; increased access to micro-credit so that disadvantaged populations could be integrated into financial markets; and the development of a consensus and capacity for advocacy of economic reform among NGOs and donor organizations. The strategy explicitly supports the greater participation of women and youth in the Dominican economy.

Considerable progress was made in developing effective NGO approaches in these areas. In the basic education sector, USAID helped business interests concerned with the dismal primary education levels to create an NGO (EDUCA) which has been the catalyst for the establishment of a ten year Education Plan, a draft education law, new primary school curriculum, and the provision of teacher training services for both private and public school teachers. USAID also supported several NGOs to develop vocational education training programs which, combined with income generation through the sale of goods and services, allowed them to carry out such training on a sustainable basis. A highly successful year-long series of business skills training courses for microentrepreneurs identified the strong demand for such training. In the microenterprise credit sector, the Mission helped create ADEMI -- one of the premier microenterprise credit NGOs in the world, FONDOMICRO -- which provides wholesale credit and institutional strengthening services to microenterprise NGOs, and a new Small Business Bank.

To address economic reform issues, USAID helped establish a premier, private economic think tank (FED) that produces high quality analysis and actively and effectively contributes to economic education through local media. Efforts at promoting widespread consensus on economic reforms and promoting policy change through other NGOs and other civic groups were not as successful. An evaluation in the fall of 1995 concluded that USAID no longer had the time or resources to pursue this approach. Thus, the Mission put all economic policy efforts on hold until after the 1996 elections in anticipation that a new government might be more receptive to implementing economic reform and alleviating poverty.

Following the election, USAID and the U.S. Country Team have had the opportunity to firmly support the new government's move toward serious economic policy reform. USAID and State have developed a close working relationship with the GODR Cabinet and have provided high quality, demand-driven technical assistance. The advice of a contracted high level economist team contributed to the bold package of economic reforms announced by the President in December 1996.

**Consultations:** USAID's transition program builds on the very close working relationship it has developed with its customers, including NGOs, over the years. It reflects the priorities of these partners and customers as well as extensive consultation with other donors to determine where modest remaining USAID resources could facilitate continued support for key institutions. It also

reflects USAID's budding relationship with the government and their requests for assistance with the development and implementation of a new economic policy agenda.

S.O. 1's customer base includes the estimated 288,000 small and microenterprises (SMEs) nationwide that employ almost one-fourth of the labor force. These customers have made clear their need for improved business skills and for credit. Teachers and administrators assigned to public and private schools in poor districts of the greater Santo Domingo area are also part of this base. NGOs who implement programs that serve the poor are also customers, with needs that include improving their financial and administrative capacity. At the economic policy level customers are the government officials who will improve their skills and capacity as a result of USAID technical assistance and training as well as, in a broader sense, the 50% of Dominicans who are poor and the estimated 40% who are unemployed or underemployed. All of them stand to gain from the successful implementation of equity-conscious economic and social reforms.

## 2. Results Framework

### a. Strategic Objective

**Rationale:** This is a transition objective. USAID proposes a major change in its objective for economic development to comply with guidance on transition and closeout. The focus of the objective will change from increasing economic opportunities and benefits to strengthening a few key institutions which can play a continuing role in increasing economic opportunities for the poor.

The ratcheting down of the S.O. reflects several important factors. The first is the much tighter budget and time parameters. FY 1998 is the last year USAID will support activities under this S.O. With less time and fewer resources, USAID will accomplish less. Second, to secure the benefits of earlier USAID investments and ensure orderly phaseout, USAID is shifting its work with key institutions from broadening service delivery to ensuring that services can be continued on a sustainable basis once USAID support ends. Finally and most important, USAID is doing its maximum to respond to the new window of opportunity in economic policy analysis and formulation. Economic policy reform must remain a USAID assistance priority because of the present delicate state of the economy, the historic opportunity of a new GODR committed to reform, and the critical relationships between economic reform and consolidation of democracy -- the overall U.S.G. goal for the Dominican Republic. In the short period left to implement this objective, USAID will focus on:

- ! strengthening the management and administrative systems of key NGOs to enable them to

"A robust civil society is based on economic opportunities and democratic freedoms for all its citizens. Civil society is strengthened by economic and social policies that promote employment, broaden the entrepreneurial base (with an emphasis on small business and microenterprises), develop human capital, [and] eradicate poverty, ..."

IDB Forum on the Americas  
December, 1996

carry on activities after USAID assistance terminates

- ! creating linkages between NGOs and the GODR, the private sector and other donors
- ! ensuring a continued supply of high quality information to GODR economic decision makers
- ! helping to strengthen systems for public discussion and dissemination of economic issues.

USAID proposes to carry through the last two elements of this program, following the closing of the S.O., under a three-year Special Objective that will support consolidation of the government's economic reform agenda for the duration of the Fernandez administration and promote continuity for the following administration.

- Critical Assumptions:**
- key NGOs are able to attract the support of the GODR and other donors for the programs that USAID helped establish.
  - GODR maintains its commitment to economic reform.

**Linkage to Agency and Bureau Goals:** This S.O. furthers the Agency's goal of Broad-Based Economic Growth, focusing particularly on Agency Objective 1.2, Expanded Access and Opportunity for the Poor, although it also incorporates elements of Agency Objectives 1.1, Market-Oriented Policies and 1.3 Education. S.O. activities are designed to 1) ensure sustainability of key institutions supportive of the poor majority, especially women, to facilitate their integration into the economy, 2) increase the job creation capacity of the economy and 3) in the longer term, help prepare the Dominican Republic for integration into FTAA by 2005. The underlying development hypothesis is that improving labor productivity through a combination of targeted business and vocational skills development, quality primary education, and access to financial services -- within the context of an enabling policy environment that creates jobs and makes the economy more competitive -- is indispensable for sustained, dynamic growth.

**Transition and Sustainability:** USAID's restatement of its strategic objective to comply with the realities of transition represents a considerable ratcheting down of expectations and results. This was a tough but pragmatic decision. Even under optimum conditions, USAID had defined a very broad and challenging mandate in economic development. With the requirement to reduce the number of objectives and the limited future availability of the unrestricted funds required, USAID could no longer endorse a full objective in this sector.

**Agency Objective: Broad-based Economic Growth**

**S.O.1: Strengthened Institutions which Contribute to Economic Opportunities for Poor Dominicans**

**IR 1.1: Increased Service and Training Capacity of CAMPE**

- IR 1.1.1: Successful approaches for microenterprise training institutionalized
- IR 1.1.2: Increased ability to generate and/or obtain funds for sustainability

Partners/Counterparts: INTEC, FDD, ITESA, ADR

Critical Assumption for phase-out by FY98:  
1. GODR and other donors recognize the importance of business skills training for microentrepreneurs.

**IR 1.2: Increased Advocacy and Analytic Capacity in EDUCA**

- IR 1.2.1: Management capacity strengthened
- IR 1.2.2: Networking ability increased
- IR 1.2.3: Ability to engage in policy dialogue, donor coordination, and analytic studies increased

Partners/Counterparts: EDUCA

Critical Assumptions for phase-out by FY98:  
1. EDUCA continues basic education efforts.  
2. GODR is committed to basic education reform.  
3. IDB/WB/GODR include private schools in barrios in their strengthening programs.

**IR 1.3: Agreed-Upon Strategy and Operating Systems for FONDOMICRO in Place**

- IR 1.3.1: Technical assistance to NGOs provided
- IR 1.3.2: Research on microenterprise sector continued

Partners/Counterparts: FONDOMICRO

Critical Assumptions for phase-out by FY97:  
1. FONDOMICRO determines appropriate credit, TA, training and research functions after USAID funding terminates 6/97.  
2. Fiscal discipline among microenterprise NGO's is not disrupted by large amounts of subsidized credit.

**IR 1.4: Better Systems and Information for GODR Economic Decision-making Established**

- IR 1.4.1: Efficient and equitable public expenditure practices identified
- IR 1.4.2: Policies and strategies conducive to competitive and poverty-alleviating growth analyzed and promoted

Partners/Counterparts: GODR, IDB, World Bank, NGO's

Critical Assumptions:  
1. GODR committed to economic policy and expenditure reform.  
2. Effective donor coordination occurs.

The decision was a painful one. The continued lack of economic opportunities for most Dominicans represents a serious threat to democratic consolidation and fuels a very high emigration rate to the U.S. This is an area where USAID has achieved some tremendous successes even with declining resources. The best example is USAID's successful legacy in microenterprise credit, where ADEMI, FONDOMICRO, and the Small Business Bank have been capitalized. Lessons learned by USAID worldwide proved true in the Dominican Republic, where an emphasis on prudential financial norms and credit recovery has resulted in institutions that continue to grow and increase their base of beneficiaries.

In other areas, in spite of strong achievements, success could not be declared. While in the education sector our partner, EDUCA, made great strides focusing nationwide attention on the need to improve basic education, recent statistics on primary school completion and achievement rates show less progress than expected and even troubling declines. Fortunately, other donors such as the IDB are prepared to step in. The education law is still not passed, however, and private schools in poor barrios may be excluded from the IDB efforts, which focus on public schools. In the time remaining USAID's most important task is to strengthen EDUCA's advocacy and analytical capacity.

Because of reduced USAID support and the changed focus on institutional sustainability, some important outreach activities such as vocational skills training, several of which focused specifically on women, will suffer. USAID is concentrating on developing linkages between the NGOs, other donors, and the GODR so that successful models, and the ability of USAID's partners to extend them, will not be lost. This will contribute to the orderly phase out of most activities.

USAID is optimistic about its ability to protect prior investments in key NGOs and to "graduate" sustainable institutions, given past success in developing viable local NGO partners. In FY 1997 the Mission completed its phase-out of the agricultural sector after 35 years of major support. USAID's efforts have left in place three private, fully sustainable partners: the Junta Agroempresarial Dominicana (JAD), Instituto Superior de Agricultura (ISA), and the Fundacion de Desarrollo Agropecuaria (FDA). All three are strong, vibrant organizations that are sustainable and provide high quality training, research, technology transfer, and advocacy services to their constituents.

Transition timing is also very tight in terms of ensuring the sustainability of the new institute for business skills training for microentrepreneurs, CAMPE, which USAID is helping to create. USAID will involve other donors in its current institutional strengthening activities to the maximum extent possible to build linkages and encourage their future support.

**Expected Results:**

- EDUCA, CAMPE, and FONDOMICRO continue to provide key services to clients on a sustainable basis after 1998
- the GODR has a stronger capacity to make sound economic decisions and implement economic and social reforms

**Indicators:**

- EDUCA, CAMPE, and FONDOMICRO have in place a strategic plan that ensures financial sustainability
- economic reforms aimed at increased competitiveness and job creation are implemented.

## **b. Intermediate Results**

### ***Intermediate Result 1.1: Increased service and training capacity for the Small and Microenterprise Support Center (CAMPE)***

**Rationale:** The microenterprise sector will take on increasing importance as a safety net for the poor as the country undergoes structural adjustment. Based on recent, successful experience, USAID has identified business skills training for microentrepreneurs as a crucial factor in improving productivity and survival rates for microenterprises, most of which don't survive more than a year. The training courses provided were oversubscribed, with participants willing to cover part of the costs. The Mission has also identified the importance of better coordination and cross fertilization among various microentrepreneur skills training efforts carried out by a number of NGOs and donors.

With USAID support, a local university, INTEC, is establishing a Small and Microenterprise Support Center (CAMPE). This will be a central point where lessons learned from the relatively new area of microentrepreneur business skills training can be identified and then applied elsewhere. It is expected that CAMPE will be able to attract financing from other donors as it is able to demonstrate the financial and economic benefits from microentrepreneur business training. CAMPE has already attracted support from the UNDP to provide technical assistance and support to new microenterprises. It will continue to coordinate with other organizations, such as the IDB, to strengthen this sector.

**Critical Assumptions:**

- The GODR and other donors will recognize the importance of business skills training for microentrepreneurs and be willing to finance these efforts.
- CAMPE will be able to demonstrate the financial and economic benefits from microentrepreneur business training.

**Illustrative Approaches:** The primary focus will be to establish a "knowledge center" whose purpose is to support micro and small enterprise in the D.R. The establishment of such a center has several distinct advantages over simply funding a training project. The Center, housed in a private educational institution, will have the capacity to draw on its educational and research capabilities to diagnose the needs of the SME sector. It will be able to reach out to a more diverse population of microentrepreneurs by working with established NGOs and business associations. Because it will be a focal point for the SME sector, it will be able to engage in information exchange with a wide variety of experts and to house this information for use by the entire sector. It will have the capability of supporting organizations which are already in the training business but may not have the resources to better their curriculum or training staff; and through its contacts and channels, will be able to ensure a consistently high quality of training. Additionally, as a focal point for analysis and evaluation of the sector as a whole, the Center will gain the ability to consciously probe the economic benefits of SME training to the overall society, which is crucial to determining sustainability. Women entrepreneurs, who make up a large proportion of the microenterprise sector, whose contribution to family income is increasingly important, and who are especially vulnerable to internal economic shocks, will continue to be a focus in the current strategy.

**Partners:** INTEC University, CAMPE, and the local NGOs FDD, ITESA, and ADR.

Over the strategy period the Mission will be ending support to a series of vocational education and microentrepreneur training initiatives through NGOs. CAMPE will take advantage of the experiences of several of these NGOs which have provided technical and business skills training to women. Other activities provide CAMPE with insights into the specific needs of youth (the Salesian Missions, through ITESA) and the physically handicapped (ADR).

**Indicators:**

- number of NGOs using CAMPE-developed approaches to microentrepreneur business skills training.
- CAMPE able to access GODR and other donor funds

**Intermediate Result 1.2:** Increased advocacy and analytic capacity in EDUCA

**Rationale:** Basic education efforts will continue after USAID support to EDUCA ceases, through basic education sector loans from the World Bank and IDB. Before leaving the sector, USAID will ensure that EDUCA has developed a policy agenda and dialogue with the GODR, World Bank, and IDB so that issues such as the role of private schools in the barrios are addressed.

**Critical Assumptions:**

- EDUCA can become financially sustainable
- GODR is committed to basic education reform
- IDB/WB/GODR will include private schools in barrios in their strengthening programs.

**Illustrative Approaches:** The Private Initiatives for Primary Education Project, which currently works through EDUCA, will terminate in early 1998. Remaining activities are largely composed of teacher training. However, USAID and EDUCA have agreed to refocus remaining available discretionary project funds on providing technical assistance to EDUCA to help it develop a new vision and a strategy for achieving financial sustainability. USAID will also help EDUCA to change its role from that of service provider to that of an advocate for teacher training for private schools in urban barrios and poor rural areas; manager of improved research, data collection, and surveys; and active participant in enhanced policy dialogue and donor coordination. USAID is also working with FONDOMICRO to commission a study on the importance of private schools which function as microenterprises in poor neighborhoods. It is hoped that such a study will draw attention of government officials and donors to the importance of these schools and the need to include them in any future effort to improve national level primary education performance.

**Partners:** The World Bank and IDB recently completed separate programs in basic education (funded at \$30 million and \$20 million respectively). Because of coordination problems between these activities, the institutions agreed to combine efforts for a new \$100 million loan which is now awaiting final Congressional approval. USAID/W assistance may be helpful in pursuing a dialogue with the banks to ensure that private schools are not excluded from their efforts, and to encourage them to work with EDUCA as well.

- Indicators:**
- EDUCA actively engaged in policy dialogue, donor coordination and analytic studies.

**Intermediate Result 1.3:** Agreed-upon strategy and operating system for FONDOMICRO in place.

**Rationale:** FONDOMICRO presently provides credit and strengthening services to a class of microenterprise NGOs that can be characterized as the second-level or "Avis" NGOs that are trying harder to become like the now-independent ADEMI. In addition to the wholesale credit, technical assistance, and training provided to these microenterprise NGOs, FONDOMICRO also operates a high quality research program on the dynamics of the microenterprise sector. FONDOMICRO's credit reflows and interest earnings will allow it to be fully sustainable, although at a lower program level. USAID is working closely with FONDOMICRO to determine the mix and level of activities that will ensure an optimum presence in the sector and a continued strengthening of these second-level NGOs.

Microenterprise credit has become reasonably well institutionalized and, given the presence of other donors, USAID assistance in this area is no longer justified beyond FY 1997. Mission support of microenterprise credit NGOs since the early 1980's has resulted in several fully sustainable organizations. The primary lesson learned to date is that the main constraint to increased microentrepreneur access to credit is the institutional capacity of NGOs to deliver and recover such credit.

- Critical Assumptions:**
- Fiscal discipline among microenterprise NGOs is not disrupted by large amounts of subsidized credit.
  - FONDOMICRO carries on appropriate credit, technical assistance, training, and research functions after USAID funding terminates.

**Illustrative Approaches:** As the terminal date for the project that supports FONDOMICRO approaches in June 1997, USAID has engaged FONDOMICRO in a focused dialogue on the role it should play in the future. One such role is to adopt a strong advocacy and donor dialogue posture to ensure that GODR intentions to facilitate subsidized credit through weak institutions do not impede the continued orderly development of the sector. Another issue is how FONDOMICRO can best continue and expand its high quality and intensive technical assistance to credit retailing NGOs, which has had such a positive impact on a small number of organizations. The program's success has attracted the support of the Inter-American Foundation. But it has not yet established full cost-recovery mechanisms for its clients and will need to seek other outside financing to carry on institutional strengthening activities after USAID assistance terminates. USAID will use the final evaluation as a tool to reach agreement with FONDOMICRO on a future strategy.

**Partner:** FONDOMICRO

- Indicator:**
- FONDOMICRO carries on NGO strengthening activities after June 1997.

***Intermediate Result 1.4: Better systems and information for GODR economic decision-making***

**Rationale:** USAID has positioned itself to be able to respond to GODR needs for assistance in formulating, implementing, and monitoring a vigorous program of economic policy reform. Aware of the limited availability of economic growth funds, USAID is searching for ways to maximize available resources by capitalizing on our experience and recognized role as a catalyst in key areas. The excellent relationships established by USAID staff and other members of the U.S. Country Team with the high level inner circle (so called "G-4") of the PLD government that decides economic matters will be key to assisting the GODR to confront its lack of power in the Congress and the misinformation campaign unleashed by opponents regarding the nature and expected results of the economic reform package.

The main challenge the GODR will face in achieving its economic vision for the country will be its ability to sell that vision to the majority of the population. A new effort of economic education and outreach that actively involves high level government officials is needed to overcome the powerful forces that benefit from maintenance of the status quo. USAID can play a critical role in helping the authorities develop a program aimed at elevating the economic policy debate in the country. Such informed debate, seeking understanding if not consensus, is crucial before comprehensive economic reforms take place in a country where both political and economic institutions are weak.

The dynamics of political economics are extremely important. Democratic consolidation and economic reforms will change relative power and coalitions within the society. To a large extent, the Dominican Republic is still dominated by a small elite which wields both political and economic power. Strengthening the democratic process so that decision-making does not remain concentrated at the top requires strong determination and political will on the part of the Fernandez government. It also requires a qualified and efficient government technocracy which can implement and sustain crucial political, economic, and social reforms.

Institutional weaknesses on the economic front threaten the GODR's commitment to reform. Reform management capacity is limited to a small group of part-time consultants and GODR staff in the Office of the Presidency. This group's weakness was evident in the preparation of the 1997 GODR budget, as observed by a high-level economic team that visited the Dominican Republic in October 1996. They urged the President to form a National Economic Council which could provide assistance to both the President and his closest advisors.

**Critical Assumptions:**

- the GODR is committed to economic policy and expenditure reform
- effective donor coordination takes place, to avoid duplication and maximize resources.

**Illustrative Approaches:** USAID will concentrate its efforts on a) providing high quality information to GODR economic policy makers to enable them to define and implement economic reforms that will increase the job creation capacity of the economy, provide for continued fiscal stability, and rationalize GODR expenditures; and b) facilitating broad-based discussions on economic issues between administration officials and civil society. Through timely, high quality short-term

technical assistance and continuous dialogue, USAID will increase the GODR's internal capability to analyze complex economic interactions, provide effective feedback on proposed government programs and their likely effects on both economic efficiency and poverty alleviation, and enhance donor coordination.

The advent of the current government presents the opportunity to rationalize public sector budgeting and redirect public sector expenditure. The current public debate on the December 1996 economic reform package has focused almost exclusively on the revenue rather than expenditure side. The GODR proposes to double its social expenditures to benefit the poor but it is unclear as to how and what impact such new expenditures will have. Over the last ten years, Balaguer's concentration on infrastructure expenditures and limited or incomplete economic reforms in the early 1990s have not resulted in a major change in the structure of poverty. At the moment, no baseline exists of the array of government expenditures in the productive and social sectors. Nor has there been a systematic attempt to assess the effectiveness of those expenditures.

USAID is currently working with the GODR on a study to examine patterns of government expenditure in recent years, assess the effectiveness of the programs identified in meeting their professed objectives, and recommend realignments in the level and type of public spending. With this knowledge in hand, USAID can help the GODR to strengthen its budget formulation and implementation processes to address "social debt" issues.

Another example would be to help GODR economic decision makers improve their capacity to seek broad popular support for the President's economic vision. Limited appreciation for economic policy issues among the public at large has resulted in the opposition being able to use pejorative and incorrect economic labels such as "neoliberal" to garner public support against the reform package. Through high level technical assistance, USAID could provide critical support to focus people's attention on the important economic issues. This effort is particularly important given that the new government has little representation in Congress to support its programs. Until the GODR is able to broaden the economic debate and gain popular support to abandon policies that result in high protection, low competitiveness, and severe limitations on labor absorption capacity, the opposition and powerful elite will dominate the discussion and maintain the status quo.

**Beyond 1998: A Special Objective** It is essential that USAID support for economic policy reform continue as a Special Objective after 1998. The major challenge facing the Dominican Republic at that time will be its ability to consolidate the gains from the democratic and economic processes initiated after the 1996 elections. To the extent that the Dominican Republic is not able to compete in international markets and fully integrate into the FTAA by 2005, it will be impossible for permanent progress to be made on the democratic front. The inability of the economy to provide new jobs and better economic and social conditions, coupled with the increased demand for efficiency and productivity that globalization imposes on every country, could culminate in a break-down of the country's economic systems. Such an outcome could easily be an excuse to take the country on a path back to authoritarianism and chaos. To date, the failure to respond to people's expectations has been met with a large flow of emigrants (legal and illegal) to the U.S.

The only viable approach to achieving sustained and equitable economic development in the Dominican Republic is through a deepening of the democratic process and popular support for reforms that will provide the population with the benefits of a modern economy. Although strong and entrenched sectors of the society resist any economic and social change, elements of the private sector have shown great potential to capitalize on opportunities when given the chance. This is demonstrated by the outstanding successes in the free trade zones, tourism, and the telecommunications industry. For the first time there is a government that is willing to undertake the major changes required to provide an economic framework that will convert the economy from closed and inefficient to open and dynamic.

This Special Objective will be critical to the success of the Democracy objective. President Fernandez has stated that a consolidated democracy must respond to the basic economic needs of its population. In the Dominican context, such a response will not be possible in the absence of serious economic reform.

USAID's assistance will be important in realizing President Fernandez' development vision. Appropriate policy reforms taking the economy from inward-looking to export-oriented will establish the basis for a broader and more dynamic private sector. Such an outcome will not only guarantee a broader distribution of economic power within the society, but will also guarantee the job creation requirement outlined earlier. Accordingly, USAID assistance during this period could include the following:

- ! Continue to provide short-term, high level technical assistance in relation to reform implementation and likely effects on the poor of alternative courses of action.
- ! Continue support to development of equitable budgeting practices and support the institutionalization of such practices within the public budget formulation processes of the government.
- ! Provide critical training/workshop to the technical group working on economic reform including strengthening their analytical and technical capacity in developing effective outreach program to promote informed debate on key economic issues.
- ! Provide assistance to NGOs and other civil society groups to foster broad informed debate.

This special activity should continue for a short period of time after the next government assumes power in August 2000. Economic challenges will only be stronger and the need for continuity of reforms will be paramount. Technical assistance to the new economic policy team during FY 2001 will be crucial to maintaining such continuity.

**Partners:** GODR, IDB, World Bank, NGOs

**Indicators:** - GODR economic team in place and guiding GODR economic decisions.

- Production of high-quality analyses and their utilization by GODR decisionmakers.

**B. Strategic Objective No. 2: Increased use of effective preventive health care services**

**1. Problem Analysis**

**Sector Issues:** Since the late 1960s, the Dominican Republic has experienced significant reductions in infant and child mortality and in fertility. Most impressive has been the recent sharp decline in infant mortality, which has been cut by almost half over the past decade. At 40 deaths per 1,000 live births, this rate is the lowest in any of the Latin America Bureau's child survival emphasis countries. Changes in infant and child health reflect impressive gains in immunization coverage, the use of breastfeeding, oral rehydration therapy and family planning. In 1980, less than half of all infants were immunized, now more than 80% are fully immunized for DPT, polio and measles. The total fertility rate decreased from 7.5 in the 1960s to 3.3 in 1991, largely attributable due to increases in family planning use. More than half of all married women are using modern methods of contraception, particularly female sterilization.

Impressive as these gains have been, critical health care issues remain. These include a sharp rise in HIV/AIDS infection, especially among women, limited access to reproductive health care by youth, and inadequate water and sanitation systems, all exacerbated by limited coverage for basic preventive health care and family planning.

The HIV/AIDS epidemic has spread rapidly in the Dominican Republic. The reasons include the early onset of sexual activity; cultural acceptability of multiple partners, especially for men; a well-marketed sex tourist industry; and low levels of condom use. An estimated 2.5% of 15-45 year olds are infected. This high rate of infection is a primary indicator that the epidemic has spread from high risk groups such as commercial sex workers to the general population. Heterosexual transmission accounts for almost 85% of adult HIV cases. Infection rates among women have risen sharply and the World Health Organization estimates that by the year 2000 incidence among women will exceed that of men. Seventy percent of the infected women are between the ages of 15 to 24. HIV prevalence among pregnant women has increased rapidly, especially on the north coast: Puerto Plata Province recorded a rate of 4% in 1995 according to PROCETS' sentinel surveillance report. This is alarming and is comparable to the scenarios in Bangkok and Sub-Saharan Africa. If current trends continue, 4.3% of the adult sexually active population could be infected by 2000. Secondary transmissions from mother to child will result in almost 8,000 child deaths by then, with an associated increase of 10% in infant mortality and 40% in child mortality.

Access to adequate family planning and other reproductive health care remains limited. The GODR family planning program, heavily influenced by Catholic Church doctrine, is also constrained by insufficient funding to mount a national program which offers reproductive health counseling and an acceptable array of family planning methods. USAID stands alone as the major donor for family planning, as well as AIDS prevention assistance, filling the void in provision of services in many regions through NGOs. Nonetheless, the lack of a nationwide program has had particular consequences for maternal health (particularly women under 25), adolescent health, and of course, HIV/AIDS infection rates. Maternal mortality remains high at 150-250 deaths per 100,000 births although over 90% of births are attended by medical personnel. While a national maternal mortality

commission has been established and the Dominican Republic is one of 11 countries identified as a priority in the regional USAID-PAHO maternal health program, there is no operational plan to address the problem. Although illegal, abortion is common, with an estimated one in four pregnancies terminated, according to a 1995 PROFAMILIA study based on Alan Guttmacher Institute data. Unmet need for family planning is greatest among young women (36% among 15-19 year olds in 1991). Nearly 20% of women become pregnant or have a child before they are 20. The rate is twice as high for women with little or no education.

Government support to health and education has been among the lowest in the region for years. Most of the government investment is designated for curative health care, salaries and infrastructure. Preventive health receives less than 20% of government health funding. There is hope for change with the 1995 creation of a National Health Commission to move toward health care reform, the accession of a new government, and negotiations with international donors to provide a substantial loan to restructure the health sector. The government's plan to double the allocation for basic health services in the 1997 budget still awaits legislative approval. While those who are observing changes in the government's social sector consciousness are taking these signals as "good faith" signs of movement in the right direction, there nevertheless remain severe technical, managerial and financial constraints. Even with the best of policies, it will take years to shift expenditures from construction projects and curative services to a preventive health care focus and to develop systems for government-NGO collaboration.

The country has achieved significant reductions in child mortality but lack of access to water by 65% of the population in rural and peri-urban areas threatens the sustainability of these child survival gains. Surveys show that water is the number one priority for the poorest segments of society.

**Successes and Lessons Learned:** As the lead donor, USAID has helped develop innovative, approaches and coordinate activities across the sector. Effectively using reengineering concepts, USAID fostered the joint participation of public and private sector and NGO representatives in the design, development and use of an AIDS awareness mass media campaign for adolescents and the national distribution of reproductive health educational materials. So successful was this approach in promoting product ownership and concurrence on the

USAID's Lessons without Borders program, shares successful approaches developed in the Dominican Republic with U.S. communities. Reproductive health educational materials designed specifically for the Dominicans are being tested for use in New York City. An exchange of clinical staff will train U.S. service providers in the Dominican Republic's cost-effective treatment and patient counseling approaches.

**Agency Objective: Stabilize World Population and Protect Human Health in a Sustainable Fashion**

**S.O.2: Increased Use of Effective Preventive Health Care Services**

**IR 2.1: Improved Knowledge of and Access to Services which Reduce the Risk of STI/HIV/AIDS**

IR 2.1.2: Increased high risk perception and health seeking behavior among vulnerable groups

IR 2.1.3: Policy environment conducive to increased resources for STI/HIV/AIDS and modifications of restrictive regulatory barriers

IR 2.1.4: Development of community based programs in support of people infected and affected by HIV/AIDS

IR 2.1.5: Improved availability and use of data to monitor STI/HIV/AIDS prevalence and trends

Partners/Counterparts: GODR, UNAIDS, PAHO, European Union, NGO

**IR 2.2: Improved Access to Family Planning and Other Reproductive Health Services**

IR 2.2.1: Increased outreach to special populations: youth, men and post-partum women

IR 2.2.3: Improved prenatal and obstetric care to reduce morbidity/mortality

Partners/Counterparts: GODR, NGOs, PAHO, UNICEF, UNFPA

**IR 2.3: Improved Sustainability of the National Preventive Health System**

IR 2.3.1: Strengthen institutional capacity of public/private service providers

IR 2.3.2: Encourage GODR/NGO partnership

IR 2.3.3: Effective service delivery models marketed

IR 2.3.4: Increased private sector commitment and involvement in health service provision

Partners/Counterparts: GODR, IDB, World Bank, NGOs

**IR 2.4: Increased Support for Rural Community Water and Sanitation Systems**

IR 2.4.1: Contracting mechanism established to enable NGOs to provide technical assistance and services

IR 2.4.2: Model documented, packaged and marketed by NGOs to GODR and donors.

IR 2.4.3: Reforms adopted in water and sanitation sector to ensure coverage of rural and peri-urban population and to utilize cost effective approaches

Partners/Counterparts: GODR, IDB, European Union, NGOs

**Critical Assumptions:**

1. GODR will increase investment in social sectors
2. GODR will develop partnerships with NGOs to provide Technical Assistance and services
3. The health sector policy reform efforts produce a blueprint for next steps towards a more rationalized sector
4. GODR and country leaders understand the potential socio-economic impact of the HIV/AIDS epidemic and include AIDS as an important theme in the health agenda.

continued need for such joint ventures that it has set a precedent for all future similar activities. USAID's technical leadership and support have been particularly important in strengthening local NGO capacity; expanding family planning and HIV/AIDS prevention services; and developing community-based service delivery systems. The Strategic Objective Team's work to strengthen NGOs has helped make participating institutions the most sought after partners for other donor activities. For example, PROFAMILIA, the International Planned Parenthood affiliate and a longtime USAID partner, has become known as a leader in family planning service provision innovations in the region. IDDI, a peri-urban based organization, now has over 10 international funding sources.

**Consultation:** Over the past year, USAID has consulted extensively to determine where USAID assistance could achieve the maximum impact in the health sector. This has been a highly participatory process with many customers, partners, stakeholders, and extended team members including USAID/Washington. Participants included the Vice President of the country, a cross section of key public health informants, NGO grantees and HIV positive individuals. Since the August elections, a particular effort was made to include members of the new government and to develop approaches and systems which foster new public and private cooperation in meeting public health needs. Building on USAID's experience, the GODR and major donors such as the World Bank and IDB are looking at ways to develop collaborative NGO/GODR basic health service delivery systems.

## **2. Results Framework**

### **a. Strategic Objective**

**Rationale:** Limited resources have forced the S.O. Team to make difficult decisions when choosing interventions for future focus. Consequently, substantial rethinking has gone into the approach being proposed in this strategy. The refocusing process placed particular emphasis upon USAID's comparative advantage and those activities which will leave a USAID legacy of sustainable health services for the neediest populations. Capitalizing on the Mission's previous successes in providing technical leadership, using its role as catalyst to leverage additional funds for preventive health activities, and partnering with NGOs has led to an increased focus upon:

- ! Improving knowledge and access to services which reduce the risk of HIV/AIDS and other sexually-transmitted infections
- ! Improving access to family planning and other reproductive health services
- ! Contributing to more sustainable national preventive health care systems
- ! Broadening support for NGO sponsored rural community water and sanitation infrastructure using the "total community participation" model.

**Partners:** As shown in the results framework, USAID will continue to foment the establishment of a contractual relationship between its NGO partners and the GODR with additional financial

assistance from other donors. USAID will also continue to promote closer ties between the GODR and the commercial private sector.

- Critical Assumptions:**
- GODR will increase social sector investment (health/education)
  - GODR will develop partnership with NGOs to provide technical assistance and services.
  - GODR is committed to long term health sector reform which will produce consensus on next steps towards a more rationalized sector.
  - Other donors will fulfill their commitments to activities which complement those of USAID.
  - GODR and country leaders understand the potential socio-economic impact of the HIV/AIDS epidemic and include AIDS as a priority theme in the health agenda.

Promoting a contractual arrangement between the GODR and NGOs represents a high risk aspect of the proposed strategy. While the idea of such a mutually beneficial partnership has been proposed in both public and private discussions with both players, there are many initial barriers to overcome to move past the concept stage. The health ministry has never entered into such an agreement and entertains the notion with concerns about losing management control of sector programs, quality control issues, and the lack of contracting and monitoring mechanisms. The highly autonomous NGO sector is no less cautious about the risks associated with becoming a "contractor" for an organization that has a less than stellar reputation for service provision standards, administration and financial management. Jumpstarting such a relationship will be slow and laborious until the mutual benefits are recognized.

**Linkage to Agency and Bureau Goals:** The emphasis on preventive health care contributes directly to Agency goals, reflecting current best practices in accordance with the Action Plans developed during the Cairo and Beijing Conferences on the need to comprehensively address women's reproductive health issues and improve the status of women. The Dominican Republic has been identified as a USAID priority country for HIV/AIDS assistance and a regional maternal health priority.

**Transition and Sustainability:** In order to capitalize on changes within the government which indicate an openness to policy changes, increased allocation of public resources, movement towards health care reform, and a willingness look at new service implementation mechanisms USAID will place greater emphasis on: comprehensive reproductive health issues, particularly HIV/AIDS education and services; targeting the key underserved populations of youth and men for family planning; shifting focus from high risk groups to the general population, with emphasis on youth and women for STI/HIV/AIDS prevention; shifting from almost exclusive support for NGOs to some combination of support for public and private programs; and program sustainability/national systems rather than direct support for service expansion.

**Expected Results:** Achieving these SO elements would result in:

- ! Increased knowledge and use of practices which reduce the risk of STI/HIV/AIDS infections
- ! Reduced unmet need for family planning among men and youth
- ! Improved quality of care
- ! Increased government support for preventive health care
- ! More sustainable NGOs
- ! Increased support for rural community water and sanitation systems.

Success will primarily be measured at the customer level, focusing on how target populations use their increased knowledge and whether there is an increase in accessing services, particularly reproductive health.

**Indicators:** The following performance indicators will be used to measure the achievement of the strategic objective:

- ! Reported barrier method use with regular/non-regular partner
- ! Contraceptive prevalence rate (CPR) and CPR by method and age group
- ! Inclusion of a package of basic services in the approval of the Health Sector Reform Plan
- ! Percent of rural population with access to water and sanitation systems

The Mission funded HIV/AIDS Prevention Campaign for Youth was awarded first prize among 18 submitting country entries at the LAC Seminar on Sexual Health for Adolescents held in Zacatecas, Mexico. The prize was not only awarded for the quality of the materials, but also for the participatory methodology of their development and the amount of private sector funding that was leveraged.. Several LAC countries have expressed interest in replicating the campaign.

USAID will review and revise the indicators and targets once the results of the 1996 Demographic and Health Survey are available this spring.

The change in behavior of Dominicans, especially that of target beneficiaries such as youth and women, will ultimately contribute to important changes in fertility and long term family health issues. While the achievement of many of these practices are beyond the direct reach of the objective and USAID's manageable interest, the Team will monitor and report periodically on national changes in health policy, fertility, maternal and child mortality and HIV/AIDS infection.

## **b. Intermediate Results**

Three of the Intermediate Results are particularly synergistic and mutually-reinforcing. Providing more comprehensive reproductive health services increases the likelihood that individuals will receive both family planning and HIV/AIDS information. Abstinence and the use of condoms reduce both the risk of unwanted pregnancy and HIV/AIDS transmission. Child spacing and the prevention of high risk pregnancies and HIV/AIDS transmission contribute to the survival of mothers and children. Sustainable national systems increase access to and the quality of care. The fourth approach, in water and sanitation, is a transition intermediate result and more limited in scope. It builds upon USAID's prior investments in child survival programs, to maintain gains in the improvement of total family health.

***Intermediate Result 2.1:***     *Improved knowledge of and access to services which reduce the risk of STI/HIV/AIDS*

**Rationale:** As the epidemic has grown, the Dominican response has broadened and the socio-political environment has changed. The new government brings hope for national leadership in policy change and increases in resources. As the primary donor in HIV/AIDS prevention, USAID/DR is well positioned to play an important role in the coordination of a national program, the improvement of public and private service delivery, and the establishment of sustainable interventions. USAID has contributed to increased public and private support, innovative approaches to increasing public knowledge, behavior change interventions, and sexually-transmitted disease treatment. Recent studies indicate that these approaches have been effective in encouraging the adoption of safe sex practices by target populations.

**Illustrative Approaches:** Important aspects of USAID's approach are its focus on both demand and supply as well as on innovative approaches which can be replicated by other donors or the government support in order to increase program sustainability and coverage. Activities will include:

- ! increasing knowledge, risk perception and health seeking behavior among the most vulnerable groups (youth and women)
- ! promoting the expansion of STI/HIV/AIDS information and services to ensure universal access of couples and individuals
- ! encouraging community, private and GODR collaboration and involvement
- ! improving availability and use of data to monitor STI/HIV/AIDS prevalence and trends
- ! advocating a policy environment which continues to allocate increased resources in the national budget
- ! encouraging the development of community-based programs in support of people infected and affected by the disease.

**Partners:** UNAIDS has become a major player in moving the HIV/AIDS prevention agenda to the forefront. PAHO provides direct technical assistance to the national AIDS program. The European Union plans to provide funding for mass communications and for pilot community interventions. NGOs are key partners. The number of indigenous NGOs involved in HIV/AIDS has increased significantly and now numbers about 40.

- Indicators:**
- knowledge of preventive measures among women of reproductive age and youth (15-25) disaggregated by gender
  - perception of risk among women of reproductive age and youth (15-25) disaggregated by gender
  - number of service delivery points with STI/HIV/AIDS information and:
    - the % of outlets with condoms
    - number of facilities offering STI diagnosis and treatment
    - % of family planning and other health facilities offering STI/HIV/AIDS information and services.

***Intermediate Result 2.2: Improved access to family planning and other reproductive health services***

**Rationale:** USAID's assistance in family planning has strengthened services and institutions and contributed to lower fertility. The challenge now is to create a national program that increases access for underserved populations, improves quality of care, generates local support and decreases donor dependence. Target populations include both enrolled and non-enrolled youth, particularly the 15-19 year age group, men and post-partum/post-abortion women. Service delivery priorities include expanding family planning choice, providing integrated reproductive health services, providing better information and counseling, and improving the supervision of staff and patient referral.

USAID-supported innovations have improved family planning and health care here and contributed to best practices elsewhere. The PROFAMILIA contraceptive social marketing program was one of the first in the world to develop sustainable supply systems which did not depend on donor-financed contraceptives. Income generated from the sales of contraceptives currently cover all personnel and commodity costs for this program. It expects to be totally self-sustaining by the year 2000.

**Illustrative Approaches:** The 1996 DHS will provide current information on the remaining challenges in family planning and reproductive health. Until the government is capable of providing quality services and expanding its coverage, USAID will support NGO service provision at the community and clinic level.

Nevertheless, direct support for service delivery will decline during the strategy period and NGOs will be forced to seek other sources of revenue. A cross-cutting strategy component is to facilitate GODR contracting of NGO service provision in communities not presently covered by government personnel. USAID will once again assist the government's family planning program to overcome institutional weaknesses in strategic planning, logistics and data use.

USAID will work with the Secretaries of Health and Education to promote the inclusion of more comprehensive sex education into public and private school curricula. Although this subject continues to be sensitive, efforts to reduce pregnancy, illegal abortion, and sexually transmitted infections (STI) among youth will not reach their full potential without a strong education component.

**Partners:** Key donors in this area are UNFPA and the German GTZ, a new player beginning in 1997. Others include, UNICEF and PAHO whose roles will be essential to support efforts to reduce maternal mortality and sustain child health improvements.

**Indicators:**

- % of deliveries at maternity facilities with post-partum family planning services
- % of facilities offering information or services to youth
- % of facilities offering temporary and permanent methods (clinical and non-clinical)
- % of facilities with appropriate stock levels of contraceptives

**Intermediate Result 2.3:** Improved sustainability of national preventive health systems

**Rationale:** In order to sustain the gains in lower fertility rates it is critical that the government and the NGOs, who have relied on external funding for decades, develop a resource base and political support to eventually continue providing services without donor funding.

**Illustrative Approaches:** USAID will focus on sustainability utilizing strategies such as:

- ! policy dialogue with the GODR to advocate for health care reform which includes a coordinated national response to preventive health care interventions;
- ! leverage USAID funds to encourage GODR/NGO partnerships;
- ! strengthening the institutional capacity of both private and public institutions to deliver services;
- ! supporting marketing of effective service delivery models to other potential donors (international and national);
- ! encouraging private sector commitment to and involvement in health programs.

**Partners:** GODR and NGOs

**Indicators:**

- level of GODR budget allocations for preventive health
- % of budget of key NGOs self-generated
- % of NGOs with institutional sustainability
- policies implemented which work towards preventive health care for the neediest populations

***Transition Intermediate Result 2.4: Increased support for rural community water and sanitation systems***

**Rationale:** Increased access to safe drinking water and sanitation is the highest health priority for USAID Dominican customers and an important ingredient in sustaining gains in child survival. The Vice President has a personal interest in the water supply and sanitation (WS&S) area and recently called all the major players in the sector together to begin the process of determining joint priorities, clear lines of authority, and coordination between the GODR and the funding agencies. USAID does not have sufficient resources to finance needed infrastructure in unserved rural and peri-urban areas. Fortunately, several major donors have or are considering substantial support to the sector. Even with this support, it will be a long time before many of these communities will have access to one of the most crucial elements contributing to a family's health. Due to its earlier NGO-supported work in this sector, USAID has an important opportunity to contribute to quicker access for these communities by marketing the successful "total community participation" model. The model draws heavily on community participation, from installation to management and maintenance of the WS&S systems in their community. Our customers, particularly women, have taken an active role in community water committees. After the heady success of installing functional potable water systems, communities realize the power of a unified front and have tackled other common needs as well.

**Approach:** USAID intends to advocate the development of sound policies and a rational system that can more effectively address the water supply needs of the poorest of the Dominican population. USAID will work with its partners and other donors to facilitate replication of the NGO-implemented "total community participation" model. In the short and medium term, USAID will also make efforts to leverage funding from the GODR and other donors to NGOs to keep them involved in implementation. Another important component of the approach is to provide technical assistance to both the NGOs and GODR to enter into contractual provision of services in a sector which has little experience with such arrangements.

**Partners:** GODR, IDB, UNICEF, EU, JICA

- ! IDB - supports an integrated community development project which has a large WS&S component
- ! UNICEF - policy advocacy consensus building coordination
- ! EU - rural water systems
- ! JICA - rural/urban infrastructure

**Indicators:**

- national health strategy includes support for rural community water and sanitation supply (y/n)
- GODR/donors support the NGO community participation model (y/n)

**C. Strategic Objective No. 3: A More Participatory, Representative and Better Functioning Democracy Achieved**

**1. Problem Analysis**

**Sector Issues:** Dominican democracy remains unconsolidated and fragile. Long-standing authoritarian attitudes permeate all levels of Dominican society. State and civil structures required to defend the rule of law are notably weak. Corruption is widespread within both the public and private sectors. Political parties are dysfunctional and discredited. Civil society remains, in spite of recent progress and achievements, weak and fragmented. Congressional and municipal elections in 1998 and Presidential elections in 2000 will severely test the strength of Dominican democratic forces against a possible authoritarian backwash.

After the flawed 1994 elections, where much hope had been placed on a new electoral commission, and the difficult post-electoral crisis, there was doubt within the Dominican Republic and internationally that the 1996 elections would be held and that, if held, they would be free and fair. The 1996 elections were further complicated by agreements made under the Pact for Democracy to end the 1994 post election crisis that complicated the electoral process, i.e., the requirement of a run-off election if no Presidential candidate obtained 50% in the first round, and the use of closed polling sites (colegios cerrados). These were firsts in Dominican election history. It was a remarkable achievement that the election process went well, and the losing candidate did not challenge the second round results. By all accounts the elections were both free and fair. Voter turn-out was high (estimated at 89% for males, 83% for females) in spite of a rigid voting system established by the election commission that required voters to spend many hours in long lines and particularly disadvantaged women. Women's voting was scheduled in the morning, which conflicted directly with their household duties, with men voting in the afternoon.

This is an historic moment. As a result of the highly successful 1996 election, there is widespread pride among the Dominican population. Dominicans believe that they can positively affect the election process and influence the course of events in their country. They continue to push for further democratic and political reform. USAID is committed to helping Dominicans sustain the momentum achieved by civil society in this extraordinary election. For a country under the dominance of two men -- Trujillo and Balaguer -- for most of this past century, there is considerable hope that real democratic reform can take place in an open society.

It is dangerous, however, to be complacent. The successful 1996 election is just the beginning of a long road toward democratic consolidation. The new PLD government is inexperienced. The two principal opposing parties have firm control of the Congress and municipal councils. The judicial branch is discredited and dysfunctional. The new administration is attempting to implement important democracy building reforms when political will is not shared by many key stakeholders, and the more conservative sectors within Dominican society.

**Successes and Lessons Learned:** U.S. government support made an unequivocal difference in the 1996 election. As discussed in the final evaluation of the Strengthening Civil Society activity, the fact that Dominicans knew the U.S. government was looking closely at the election process, while

maintaining strict neutrality, undoubtedly influenced ex-President Balaguer and the political parties to keep the election on track. Furthermore, U.S.G. support for Dominican civil society was a critical factor in the success of the election. Civil society came out full force to assure that Balaguer left the Presidency as promised; assisted in selecting and then supporting a highly respected electoral commission; and educated the Dominican citizenry on the importance of participating. For the first time, a wide network of some 5,000 enthusiastic Dominican volunteers, over half under 24 years of age, served as elections observers and administered a parallel count of votes. Their performance was exceptional. Within six hours, they had a count that came within 0.5% of the official tally in the first round, and a 0.3% difference in the second round.

USAID has also contributed to strengthening civil society in general. There are now a wide variety of civic and popular organizations and NGOs. The prospects are good that an increasingly more active and democratic civil society will flourish as a consequence of generational change and the support of domestic and international groups.

Numerous Mission-funded community development activities throughout the country, centered around addressing common community needs, such as water/sanitation and natural resources management, have had a very positive and practical democratic impact at the grassroots level. Community organizations, formed and strengthened to actively participate in all levels of development activities, receive practical training in democratic decision-making, often resulting in the elected group representing the community in additional development activities and/or pressuring authorities for services and change as they become more aware of the effectiveness of group action.

The U.S. has played a dominant role in the Dominican Republic throughout this century, including two military occupations, influencing past elections, and pressing for free and fair elections in 1994. USAID's recent successful democracy efforts have been guided by the principle that such assistance produces the greatest results when it is directed to individuals and organizations that have their own internally generated commitment to engage in democratic reform activities. Therefore, USAID's approach is to selectively support the most promising initiatives of committed Dominican partners. This strategy gives the Dominicans the lead. It encourages broader participation and a true sense of ownership by the Dominicans.

**Consultation:** In developing the democracy and governance strategy, USAID has extensively exchanged ideas with civil society, government representatives and international donors. These complement the on-going contacts with representatives of communities participating in civic education activities. The resulting choices are based on what Dominicans believe needs to be done. With help from USAID, Dominican groups have developed their own strategic plans that have contributed both to this strategy and, more important, are helping the GODR to develop their plans for reforming and modernizing the state. USAID has also begun to identify potential customers of the justice reform program. These include the tens of thousands of poor Dominicans, especially women and children, who are disadvantaged by a politicized justice system which traditionally has violated individual and collective rights by catering to special interests.

## **2. Results Framework**

## a. Strategic Objective

**Rationale:** USAID's strategy is to both work with the new government to achieve major reforms and to maintain its strong support for civil society. It has both a top-down and bottom-up approach. USAID will continue working at the bottom by fostering participatory democracy at the micro or grassroots level through efforts aimed at educating and motivating the citizenry in the practice of democratic values and civic responsibilities. Combined with this will be a top-down approach of enhancing accountability and good governance at the macro or state level by contributing to the construction of a modern and functional state with government entities and officials subject to the rule of law administered by an independent, competent and ethical justice system.

A crosscutting theme is the focus on the needs of the disadvantaged sectors of society, mainly women and rural and urban poor populations, whose participation within civil and political society remains limited. USAID will work to assure greater and more meaningful representation for those who are less involved and under represented in civil advocacy organizations and government programs.

Finally, given the limited financial and personnel resources available, USAID has had to make hard choices in deciding where to focus its efforts. In the democracy and governance field, USAID used three criteria to focus the program: 1) USAID should serve as a catalyst, with the GODR or other donors taking on a longer term role; 2) the program should be in a small number of areas with the highest impact on the democratic consolidation process; and 3) USAID should have a clear comparative advantage vis-a-vis other donors and the GODR.

The results framework is embedded in current democracy consolidation theory and framed by current USAID and Dominican realities. To achieve this strategic objective, USAID/DR will help to:

- ! Strengthen the rule of law and respect for human rights.
- ! Increase development of a free and active civil society.
- ! Consolidate civil society support for more genuine and competitive electoral processes.

**Linkage to Agency Goals:** This S.O. fosters sustainable development by directly supporting the Agency's Goal 2, Sustainable Democracies Built. It is also particularly relevant to the Agency's Objectives 2.1, Strengthened Rule of Law and Respect for Human Rights; 2.2, More Genuine and Competitive Political Processes; and 2.3, Increased Development of Politically Active Civil Society.

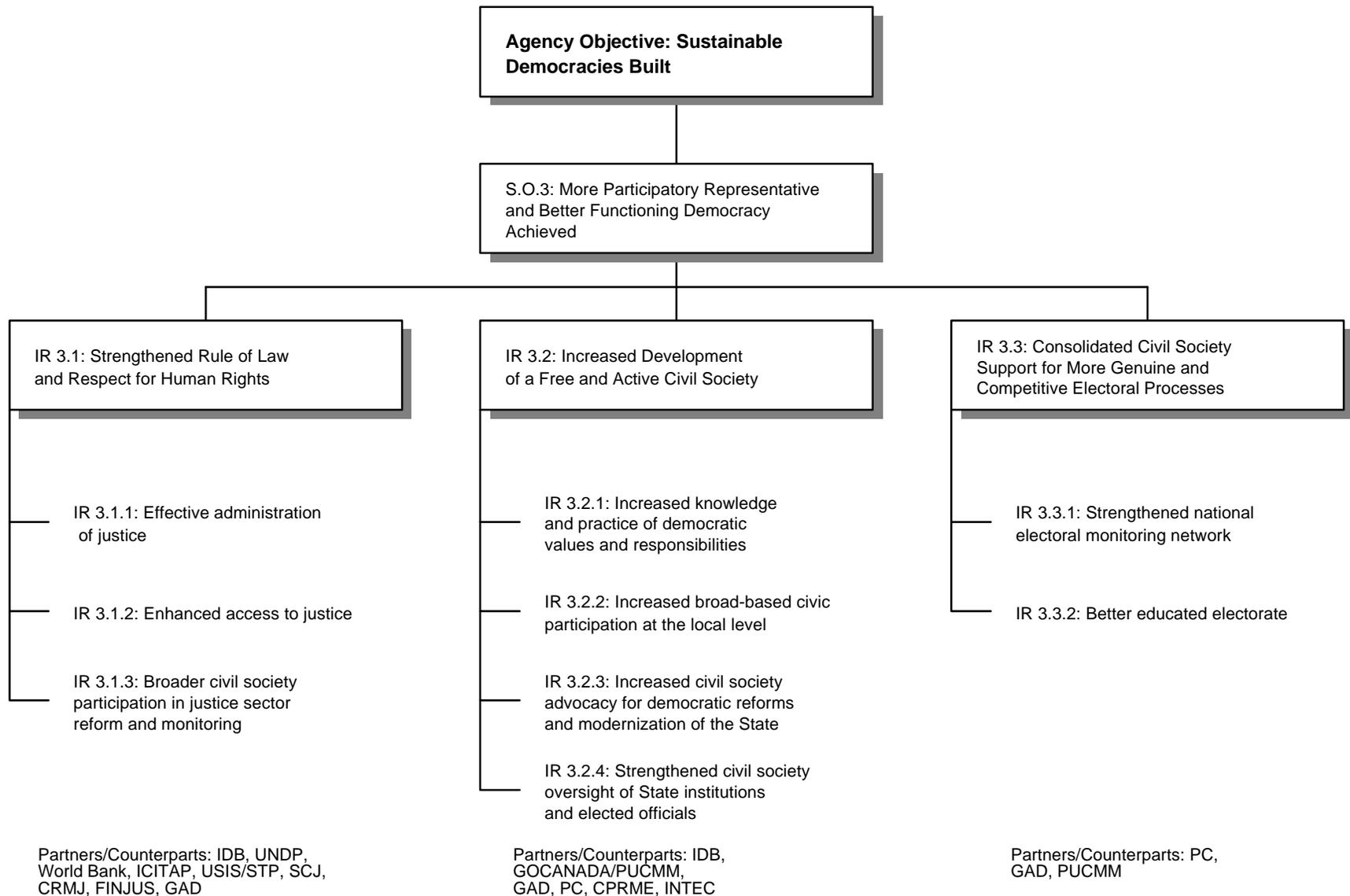
**Transition and Sustainability:** USAID believes that mature, representative and sustainable democracies require more than free and open elections; they require a strong and autonomous civil and political society protected by rule of law. A critical interdependence exists between the rule of law and civil society. A weak justice system requires strong support from civil society promoting judicial independence and the rule of law. In turn, the survival of civil and political society requires an independent judiciary to guarantee individual and associational rights.

USAID is assisting a willing GODR administration partner in creating a more participatory and functional democracy operating under the rule of law. The new PLD government has professed a strong commitment toward reforming and modernizing the state. Areas of reform include the strengthening of the justice system, fighting government corruption, modernizing the civil service system and implementing administrative decentralization. If the GODR, with the participation and collaboration of civil society, is successful in achieving these reforms, the transition to a sustainable and consolidated democracy will occur. Supporting the GODR in these efforts will foster good governance, which in turn reduces the potential for a return to authoritarian rule.

Rule of law supports what has been described as "the ensemble of rights, democratic and liberal, [which] makes for full civil and political citizenship."

**Critical Assumptions:** The strategic objective is to achieve a more participatory, representative and better functioning democracy. USAID defines these critical dimensions of democracy as follows:

- In a "participatory" democracy, a political system exists in which all social strata, not only the elite, participate in the decision making process. It is a democracy in which citizens participate in the political sphere not just by periodically voting in elections, but by monitoring and influencing on an ongoing basis the conduct of state institutions and their elected officials. As a distinguished Dominican civic leader puts it: "Power should be delegated, not handed over."
- A "representative" democracy is one in which political leaders and government officials are held accountable to the citizens for their actions. The legitimacy of a government is regularly established through some well defined open process of public choice such as elections and meaningful access to overseeing government institutions by any citizen seeking redress against government official abuse of authority. In addition, to sustain accountability requires unfettered access to independent, competent and ethical rule of law enforcement structures (e.g., Courts and the Public Ministry).



**Critical Assumptions:**

1. Executive uses its powers to bring about reform and modernization of the State.
2. Dominican civil society remains active in support of democratic development.
3. Socio-economic and political situation remains stable.
4. Other donors meet their commitments in a timely manner.
5. Central Electoral Commission is staffed by capable, honest, and non-partisan judges

- A "better functioning" democracy is a more modern, effective and efficient government with the following characteristics: a division of power with checks and balances among truly independent branches of government; an administration with sound financial management and accountability under the rule of law; a decentralized government system with vigorous and participatory local units; and, a well-organized civil society continuously monitoring the public sector and advocating for necessary reforms of the state.

**Expected Results:** By the year 2002, USAID will have achieved the following:

1. The rule of law will be consistently applied with a strong respect for human rights.

Indicators and Targets: a) the percentage of prisoners without sentences (87% in 1996) will have been reduced to 70%; and b) average time to adjudication for prisoners will have been reduced by 30% over 1996.

2. An active civil society will be advocating political reforms and monitoring elected officials and public institutions.

Indicator and Target: the percentage of citizens involved in advocacy for democratic reforms or monitoring elected officials and public institutions will be 20%. (Baseline to be determined by Demos survey in 1997)

3. There will be increased broad-based participation in civic and political affairs.

Indicator and Target: the percentage of citizens active in NGOs or community groups (26% in 1994) will increase to 35%.

4. Free and fair electoral systems will be consolidated through clean elections.

Indicators and Targets: a) the percentage of citizens who believe elections are free and fair (36% in 1994 and 72% in 1996) will increase to 75% in 1998 and 80% in 2000 and 2002; b) electoral results will be made public by the electoral commission within 72 hours; and c) political parties and citizens will accept the electoral results without serious disruptions or major upheavals.

## **b. Intermediate Results**

### ***Intermediate Result 3.1: Strengthened Rule of Law and Respect for Human Rights***

**Rationale:** An independent, competent, ethical and accessible justice system is an integral part of a representative, participatory and better functioning democracy. It is critical to achieving rule of law, in which powerful interests will be confronted and respect for human rights guaranteed.

The challenge of fostering independent rule of law structures in the Dominican Republic are formidable. The Dominican judicial system has historically occupied an inferior position vis-a-vis the

executive and legislative branches. Until a Constitutional Amendment passed in 1994 (and still not implemented in early 1997), the Executive branch named judiciary staff while the Senate named all magistrates and judges. The result has been the absence of judicial independence and competence. The judiciary, Attorney General, and prosecutors are ill equipped to exercise an independent and effective role in combatting government corruption and prosecuting human rights abuses by other government entities.

**Illustrative Approaches:** USAID will assist Dominican partners in moving towards democratic consolidation by supporting their initiatives in four areas: 1) effective administration of justice; 2) increased access to justice; 3) broader civil society participation in justice sector reforms and monitoring; and 4) increased accountability of state institutions.

First, to achieve an effective administration of justice, USAID will support independence and capacity building for the principal governmental structures responsible for upholding the rule of law. This will result in an independent, competent, ethical and publicly accessible Judiciary and a Public Ministry (Attorney General's Office) sharing the same independence and professional qualities.

Second, to increase access to justice, USAID/DR will focus on enhancing access to professional public defenders, prosecutors, legal assistance and alternative dispute resolution services, especially for the poor, women, and children. USAID will work closely with ICITAP to support close professional prosecutor and criminal investigation team coordination.

Third, to obtain broader civil society participation in justice sector reforms and monitoring, USAID will foster and support a civic culture of rule of law. Selected justice sector reform advocacy organizations will be supported in their efforts to assess, articulate and propose critical reforms.

Finally, to increase accountability of state institutions, USAID will provide technical assistance and training to the Dominican Public Ministry to increase its capacity to prosecute public corruption and white collar crime. Also, the Judiciary will receive technical assistance to organize an Inspector General of Tribunals office that will undertake regular assistance visits and inspections, and investigate and report on allegations of judicial employee corruption. The program will also build links between Dominican partners and other regional programs, especially those regional initiatives designed to combat corruption. For example, USAID intends to access the LAC Regional Accountability and Financial Management Improvement Project, which is the principal USG contribution to the Summit of the Americas' "No to Corruption" initiative.

**Partners:** The Government of the Dominican Republic is a key partner. Specific entities within the GODR include the Presidential Commission for Justice Reform and Modernization (CRMJ); the Supreme Court; the Attorney General and the Public Ministry. Key local organization partners include the Dominican Bar Association and other civil society groups with justice strengthening, good governance, and anticorruption agendas, university law schools, and human rights groups. The IDB complements USAID programs with a \$15 million program for land registry and cadaster and plans for a \$15 million program for modernization of courts which will follow-on, expand, and extend the USAID pilot court programs. Other donors include the UNDP, the World Bank, and bilateral donors such as the France, Spain and Germany. Other U.S. government agencies such as state and USIA are also key partners.

**Indicators:**

- % of reduction in cases entering the criminal system annually due to alternative dispute resolution measures.
- % of the poor with access to and knowledge of free GODR, public prosecutor, public defender and private legal services.
- The Office(s) of the Inspector General of Tribunals of the Judiciary and Office of Professional Responsibility of the Public Ministry (or their functional equivalents) will have been organized and effectively combatting corruption within both institutions.
- number of mid-level to high-ranking officials that the Public Ministry will have begun to prosecute for public sector corruption or abuse of authority.

***Intermediate Result 3.2: Increased Development of a Free and Active Civil Society***

**Rationale:** The development of a free and active civil society is an indispensable instrument to overcome the above-described fragility of the Dominican democratic system. Based on this conviction, USAID/DR has worked closely with Dominican civil society since the inception of its democracy program back in 1992. Significant results have been achieved to date demonstrating the appropriateness of the approaches taken in getting key civil society institutions and groups actively engaged in the democratic process, especially the 1996 elections.

**Illustrative Approaches:** The following approaches will be undertaken with civil society:

First, civic education will be provided to increase the knowledge and practice of democratic values and responsibilities. S.O. 3 will continue working with civil society to increase democratic values, knowledge, attitudes and practices through formal and informal channels of education. Emphasis will be given to women's empowerment and youth education.

Second, broad-based civic participation will be promoted at the local level working on everyday problems to increase citizen's understanding of and ability to elicit responses from local officials. Such an approach can have a light impact at the grassroots, where, for the overwhelming majority of the Dominican population, democratic values and principles bear no relation to everyday reality.

Third, USAID will continue its support to selected civil society organizations advocating for democratic reforms and modernization of the state. For the new administration to succeed in carrying out necessary reforms, broad-based coalitions of civil society organizations must be strong advocates to overcome entrenched opposition.

Fourth, USAID will support the institutionalization of an oversight function exercised by civil society over both elected officials and state institutions. Civic oversight in the political realm must not be limited to electoral processes alone. The citizenry must ensure that those elected, and the state

institutions carrying out the policies of those elected, continue to represent the Dominican people and not just their own interests.

**Partners:** Partners that will contribute to the achievement of IR 3.2 include the GODR, NGOs, and local civil society organizations. Within the GODR, the Commission for the Reform and Modernization of the state will be a key partner. Donors involved include the Inter-American Development Bank (modernization of the state), the Canadian Government (civil society), and the UNDP (municipalities and decentralization). USAID will continue to look for additional partners among the bilateral donors.

**Indicators:**

- % of citizens with a correct understanding of what democracy means.
- Increase in number of documented civil society organizations' attempts to influence public decision making.
- Breadth and robustness of civic advocacy organizations, including size of membership and sectors represented.

***Intermediate Result 3.3:*** *Consolidated Civil Society Support for More Genuine and Competitive Electoral Processes*

**Rationale:** The successful 1996 presidential election should not encourage complacency. Major challenges lie ahead for the 1998 and 2002 congressional and municipal elections and the presidential election in 2000. Serious constraints exist in the Dominican electoral system and processes that, if not addressed, will affect civil society's ability to assure clean and transparent elections in the future. Key areas of concern include: a rigid polling system (closed polling sites) that obliges voters to spend many hours in long lines; limited transparency in the way voting data are keyed into the computer system; use of government funds for incumbent candidates' campaigns; and a movement on the part of some congressmembers to modify the Constitution to make the congressional and municipal elections from 1998 to 2000 so that they coincide with the next Presidential election.

**Illustrative Approaches:** These factors represent a compelling rationale for a specific effort aimed at supporting more genuine and competitive electoral processes. USAID will undertake the following approaches in supporting the electoral process.

First, USAID will work with partners to strengthen the national monitoring network. The electoral monitoring will be both quantitative (quick counts) and qualitative. The entire electoral process will be monitored, not just the actual days when the elections take place. Areas to be monitored include whether there is violence or fraud, how well prepared the electoral officials are, and whether public funds are unfairly going to preferred candidates.

Second, USAID will support selected civil society organizations' efforts in achieving a better educated electorate. This effort will include developing profiles of the kinds of qualities needed to carry out the responsibilities of the municipal and Congressional positions to be filled. Biographical information of the members of the municipal electoral tribunals will also be provided to the electorate.

**Partners:** Key partners in this area include local civil society organizations that USAID supported in the 1996 elections. In order to be more effective, these organizations will work to coordinate their efforts. They will also establish themselves as independent organizations so that USAID funding can be channeled directly to them.

**Indicators:**

- % of voters who voted
- number of citizens trained by USAID-supported partners that monitor the electoral processes

## **D. Strategic Objective No. 4: Increased National Capacity to Produce Environmentally Sound Energy**

### **1. Problem Analysis**

**Sector issues:** The continuing lack of clean, reliable energy is a serious constraint to broad based and sustainable economic growth in the Dominican Republic. All segments of the population are affected, especially the urban and rural poor. The inadequacy of government-owned and contracted electric power production has been pointed out as a major bottleneck to development for over twenty years. Existing capacity of 900 MW satisfies barely two-thirds of the estimated daily requirements for some 1,400 MW of energy. Fifty percent of available capacity is often off-line due to equipment failure or water shortages resulting from droughts and siltation in major hydroelectric facilities which currently account for about one-quarter of available power. The permanent daily rationing caused by inadequate energy supply generates significant economic disruptions and is a disincentive to investment. Unstable electrical supply also decreases the working life of machinery and other equipment. Many on-grid consumers rely on emergency generators, which constitute a major additional cost, entail increased petroleum imports, and have serious pollution implications. Concern over the environmental consequences of increasing electrical power generation is a deterrent to planned major investments by the IDB, World Bank, and the commercial sector.

The GODR is in the process of developing 14 new major hydroelectric projects that could more than double production capacity and account for 50% of the total electrical energy production in the country. However, rapid sedimentation seriously threatens this environmentally clean power source. Soil erosion due to deforestation (20,000 hectares per year and an additional 60,000 hectares degraded by fuelwood and charcoal extraction) and destructive hillside farming practices in critical watersheds causes sedimentation of hydroelectric reservoirs. This is estimated to reduce the life of the investments in hydroelectric power by half, in addition to raising their maintenance costs. Increasing vegetative cover to reduce soil erosion and improve the absorption and water retention capacity of soils in major catchment areas is essential to protect this source of energy.

About 25% percent of the total population (some two million people, representing about 70% of rural families) live beyond the reach of the centralized utility grid. These communities are currently forced to rely upon inefficient, unsafe, environmentally damaging, and expensive power sources to provide for their minimal energy needs (e.g., fuelwood, kerosene lamps, candles, car batteries). In addition, the absence of electricity severely limits their economic opportunities. Faced with such constraints, the Dominican Republic has the opportunity to take advantage of its excellent prospects for commercially viable, environmentally sound renewable energy that can be made readily accessible to off-grid populations without depleting the natural resource base. Proven, cost-effective renewable energy options exist, including household-scale solar photovoltaic systems and wind and micro-hydro systems, that are suitable for small users, rural entrepreneurs, and rural community groups. Successful demonstrations should dispel local skepticism about their cost effectiveness and ability to collect payments, leading to private sector and community initiatives in renewable energy.

**Successes and Lessons Learned:** In shaping its approach to promoting environmentally sound energy, as with the other Strategic Objectives, USAID has capitalized on successful past investments, its role as a catalyst, and its experience in participatory development with NGOs and communities.

The enthusiastic local response to a pilot program in solar energy for communities outside the reach of the formal energy grid, and strong indications of its commercial viability following the pilot period, convinced USAID to test other, less expensive forms of renewable energy (wind, microhydro and hybrids) to reach Dominicans off-grid. Successful coordination with the IDB, World Bank, and GODR on conventional energy production has reinforced their commitment to privatize the highly inefficient state-owned electrical power corporation, leveraged about \$200 million for new investments, and set the stage for sector-wide environmental regulation of power production. Environmental standards are largely unknown in the Dominican power sector, but USAID's strong in-country presence, ability to mobilize NGOs, existing covenants with the GODR, and agreements with the IDB and World Bank put the Mission in an excellent position to press for adequate sector-wide standards for environmentally-sound power production.

USAID successes with NGO-led community development models, based upon participation of men and women beneficiaries at all stages of project planning and implementation, have also strongly influenced the strategy. This contrasts sharply with the traditional top-down, paternalistic approach practiced in the Dominican Republic, whereby poor rural populations receive government-financed goods and services with no participation, and consequently feel no responsibility to maintain project infrastructure after the initial project period. Several watershed conservation projects have demonstrated to the GODR and other donors the increased sustainability of community-owned and operated programs when watershed residents have an economic stake in their own development, confirming the findings of a 1996 CDIE impact assessment of sustainable agriculture projects in various countries. Excellent cooperation with the U.S. Peace Corps efforts in the area of community organization has also contributed to the successes in this area. Much of the recent efforts in community-managed projects are a result of the highly successful pioneering work completed under the USAID-financed On Farm Water Management Project that terminated in 1993, whereby the GODR allowed water user associations to own and operate two major irrigation systems. Based upon the success of this project, classified by the Development Strategies for Fragile Lands Project (DESFIL) in a 1990 evaluation as one of the top projects of its type in the world, IDB, World Bank and GODR decided to invest an additional \$168 million to replicate the model on a national basis in all other irrigation districts. USAID's Pan-American Development Foundation-FIRENA watershed management project has also been recognized as a successful model, leading to its replication by the World Bank in a neighboring watershed.

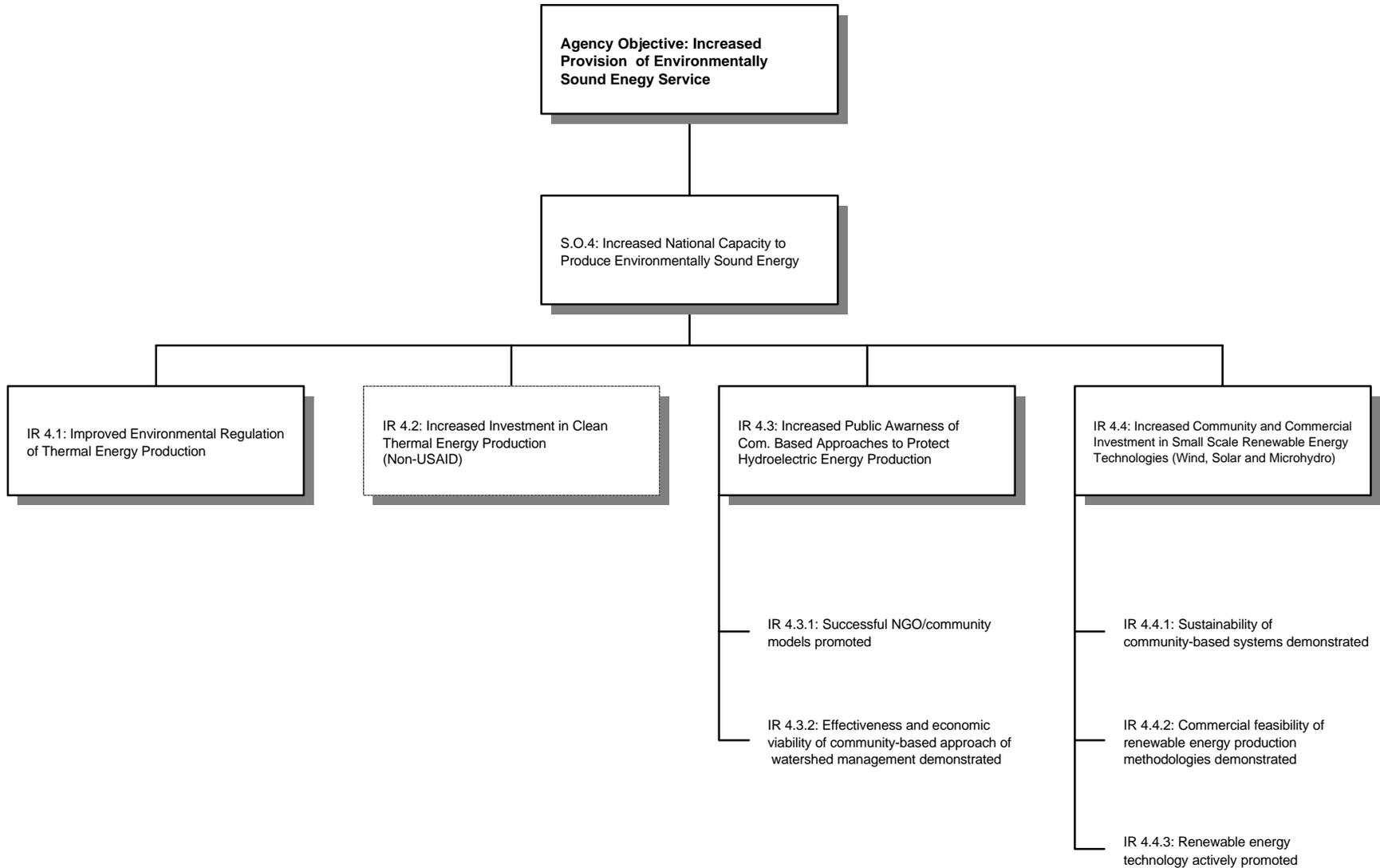
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A nationwide contest was recently held to recognize the significant contributions of NGOs to the development of the country. Five large local private companies contributed prize money. Over 700 NGO projects were studied of which USAID-funded community-based projects took 9 out of the 12 awards granted, including first and second place. The majority of the top projects recognized were in the area of watershed management and renewable energy.

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**Regional Opportunity:** USAID has identified an excellent opportunity to use this positive NGO/community experience with natural resource management and participation in self-governance to resolve a critical environmental problem shared by the Dominican Republic and Haiti. The Artibonito watershed, the largest on the island of Hispaniola with 9,000 Km<sup>2</sup> (6,780 Km<sup>2</sup> in Haiti and 2,220 Km<sup>2</sup> in the DR), has been severely eroded due to destructive exploitation of its natural resources. In addition to loss of agricultural productivity on both sides of the border, the resultant sedimentation has raised the water level of the Peligre Dam reservoir in Haiti, resulting in flooding on the Dominican side of the border and limiting the effective regulation of irrigation water for Haiti's most fertile valley. In addition, increasing pressure is being placed on natural resources in the Dominican Republic as encroaching Haitians cut down Dominican forests, a situation which grows worse each year. Given favorable prospects for tangible cooperation between the two countries in seeking joint solutions to common problems, environmental degradation looms high on the list of issues that might be explored. However, a worst case scenario would be for the two countries to develop joint programs that would then be imposed upon residents of this watershed. World Vision currently implements a small sustainable agriculture project in six communities on both sides of the border, demonstrating the feasibility of cooperation at the grassroots level where Haitian and Dominican farmers share the poverty. USAID believes that it is timely to develop a limited watershed protection demonstration program, designed with NGOs and local communities and funded by both governments and donors. The proposed activity would establish the base for further cooperation between NGOs working in the area, communities on both sides of the border and both governments. (See Annex B for a further description of this idea and the preliminary results expected). This is a historic moment to initiate regional cooperation with proven methods, between two traditionally hostile countries, over an issue that could soon reach crisis proportions.

**Consultations:** The strength of the S.O. 4 strategy is based on the successes of our NGO partners. Activities are jointly designed by USAID-supported NGOs and their clients, with continuous dialogue and negotiations between contractors, NGO grantees, other donors and the appropriate GODR agencies. Unsolicited funding proposals developed by NGOs have helped identify the main approaches to be used to achieve the current objective and the progress indicators to be measured. USAID has established close working relations with government agencies now led by former directors of several of the leading environmental NGOs. The experience gained by these leaders in technology, approaches, and community participation is proving to be instrumental in the formulation of new GODR development plans.



Partners/Counterparts: WINROCK, KBN, CDE, IDB, World Bank

Critical Assumptions:  
A regulatory unit which will enforce the Environmental standards for energy production is created (1997).

Partners/Counterparts: IDB, World Bank, Commercial Sector

Critical Assumptions:  
Privatization of energy production and distribution proceeds.

Note: USAID is not directly responsible for this IR.

Partners/Counterparts: PADF, ADESJO, ADEPE, Hermandad, FUDECO, CRS, PRONATURA, APEDI, TNC, Sec. of Agriculture, Parks Dept, Parks-in Peril

Critical Assumptions:  
-Increasing vegetative cover will have a positive impact on hydroelectric energy production.  
- GODR and other donors will finance proposed national reforestation plan.

Partners/Counterparts: WINROCK Int'l, ENERSOL, ADESOL, FUNDASUR, NREL, U.S. ECRE, CDE, INDRHI, UNPHU, NRECA, New Mexico State Univ.

Critical Assumptions:  
Private sale of energy legalized.

## 2. Results Framework

### a. Strategic Objective

**Rationale:** USAID initially intended to contribute to increased production of environmentally sound energy in the Dominican Republic. However, given the time limitation imposed on this strategic objective (which will terminate at the end of FY 1999), USAID reduced its scope in order to focus on increasing the national capacity to produce clean energy. To achieve this result, USAID will help improve the regulatory framework for conventional thermal energy production that complements large planned investments financed by the World Bank and IDB, demonstrate and promote the commercial and social viability of renewable energy systems and increase public awareness of community-based approaches to protect important hydroelectric energy sources. Through supportive activities, USAID has the opportunity to promote markets for US environmental technology, a world leader in this field.

Installation of new, environmentally sound thermal energy and the conversion of existing thermal energy plants to more environmentally sound operation will require substantial private sector investment. In cooperation with the IDB and World Bank, USAID will lay the groundwork needed in the area of sector-wide environmental regulations to trigger some of these large investments.

NGO-led and community managed interventions in watershed management that respond to local priorities and contain short-term economic incentives ensure the sustainability of the activities. This approach highlights USAID's role as a catalyst for support from other donors, the GODR and the private sector. The GODR has recently announced a new national reforestation program, Quisqueya Verde, which was designed largely by former directors of major environmental NGOs who are now in high government positions. USAID plans to work closely with the GODR to help ensure that some of the successful community-based watershed conservation models are replicated under the umbrella of this new GODR initiative. USAID will also help NGOs to promote their models to other donors.

USAID's contribution in the area of renewable energy is also catalytic, having laid the foundation for expansion of the renewable energy industry in the Dominican Republic. The principal hypothesis underlying this portion of the strategy is that the availability of reliable, cost-effective energy will improve the standard of living of the poor through increased productivity and economic opportunities leading to continued demand for the service. USAID is convinced that successful demonstrations of the commercial and social viability of renewable energy systems will lead to increased investments by the public and private sectors, because of the large unmet demand for low cost, reliable energy. In most cases, there is no reasonable alternative available. In addition, the experience of a U.S. NGO, ENERSOL, is proving that poor campesinos will pay for domestic solar electrification systems, given the high priority placed on home lighting. USAID believes they would pay for less expensive renewable energy as well.

**S.O. Linkage to Agency Goals:** USAID's S.O. 4, *Increased National Capacity to Produce Environmentally Sound Energy*, fosters sustainable development by supporting the Agency's Goal 4, Environment Managed for Long-term Sustainability. It contributes directly to the Agency's

Objective 4.4, Increased Provision of Environmentally Sound Energy Services, by laying the foundation necessary for increased production of clean energy in the country.

**Transition and Sustainability:** By the end of 1997, environmental regulations and the GODR unit to apply and enforce them should be in place, clearing the way for increased investments in the clean production of conventional thermal energy. Planned investments by the IDB and World Bank for two new power plants should be initiated in 1997, with construction underway in 1998. Conversion of existing power plants should begin after the regulations are in place and environmental audits completed on the distribution system and the existing power plants.

With the possible exception of the new TNC conservation/protection activity in the Cordillera Central, USAID's watershed management and renewable energy pilot and demonstration activities will be completed by the end of FY 1999. The TNC-led project may continue with funding under the Parks in Peril Program after 1999. Successful community watershed conservation models and renewable energy demonstrations will be documented and promoted for replication by the GODR and other donors. Revolving loan funds for renewable energy promotion will continue financing the expansion of the nascent renewable energy industry in the DR and generate enough funds from interest collected at market rates to sustain technical assistance and training services needed to support the industry. Meteorological data will also be collected to demonstrate the availability and quality of renewable resources for further expansion of the industry. All supportive activities are now in place and fully funded, although the in-country demand for renewable energy resources is such that additional limited financing could be absorbed for short-term support such as marketing the model to the private sector as well as to other donors, and strengthening government policy support for renewable energy generation. Success of these could lead to the Dominican Republic becoming a center for renewable energy in the Caribbean.

Finally, various USAID-funded models for watershed conservation currently being developed throughout the country by NGO partners are demonstrating the importance of incorporating beneficiary community organizations into the design, implementation, maintenance and expansion of watershed conservation practices (reforestation, soil conservation, etc.). This will lead to improved sustainability of environmentally sound resource management systems in critical watersheds that feed hydroelectric systems. USAID's participatory approach seeks to ensure replicability of proven watershed conservation models through other donors and increased GODR involvement in order to reverse deforestation rates and increase the provision of hydroelectricity, which is one of the cleanest forms of power generation.

Due to funding limitations and the management decision to phase out of S.O.4 activities, biodiversity and coastal zone management will be terminated once the Samana Bay Natural Resources Management Project with the Center for Marine Conservation is finished in 1998.

**Expected Results:** S.O. 4 will increase national capacity to produce environmentally sound energy by laying the foundation for increased investments in clean thermal energy and renewable energy and by increasing the long-term protection of hydroelectric sources. By the end of FY1999, USAID will have achieved the following:

1. The GODR will be applying environmental regulations to new and existing thermal power plants.

Indicator and Target: The number of new and existing plants applying clean standards will have increased from 0 in 1994 to 5 in 1999 (there are about 20 existing plants).

2. The ability will exist in the Dominican Republic to continue expanding renewable energy technology for electrification.

Indicators and Targets: a) Installed capacity of project-funded systems increases from 200 kilowatts in 1995 to 450 1999, and b) number of rural households under USAID activities obtaining electricity or water services from renewable energy sources increases from 0 in 1995 to 1,500 in 1999.

3. There will be an increase in the awareness and application of appropriate soil conservation practices in areas where USAID-developed community participation models are being applied.

Indicator and Target: The area under sound soil conservation practices in target areas increases from 300 hectares in 1994 to 3,600 hectares in 1999.

#### **b. Intermediate Results**

***Intermediate Result 4.1:***            *Improved Environmental Regulation of Thermal Energy Production*

**Rationale:** Major expansion of electric power is being planned for the immediate future. This includes a \$200 million IDB and World Bank loan for two new privately owned power plants. In addition, additional private sector investment in new plants is foreseen once the regulatory framework is in place. Although this generating capacity is sorely needed, there is significant concern over the potential environmental consequences of such investments. Therefore, the development by the GODR of environmental standards for new investments, together with the establishment of a regulatory body for the power sector, is a condition for the approval of these loans. USAID has worked closely with the other donors to bring this about, and there is general agreement on an overall strategy. Together, an integrated, coordinated package of activities has been developed, with USAID taking the lead on the environmental regulation component.

**Critical Assumptions:** A GODR regulatory unit which will enforce the environmental standards for energy production is created by law or decree in 1997.

**Illustrative Approaches:** USAID will assist the Dominican Republic to develop and institutionalize appropriate environmental standards and norms for thermal energy production. There are two phases to this component. The first phase is an assessment of the Dominican electric power sector, which has largely been completed. The second phase will involve the provision of technical assistance and training to the GODR unit responsible for environmental regulation of electrical power production and distribution. Environmental audits of existing power production and distribution facilities will identify where investments are needed to improve the environmental soundness and energy efficiency

of those facilities. These, in turn, will guide investments in the conversion of existing power production facilities to more environmentally sound approaches.

**Partners:** National Electricity Corporation (CDE), the National Energy Commission, WINROCK International, KBN Engineering, IDB, World Bank, and the local NGO PRONATURA.

**Indicators and Targets:**

- Environmental component of energy sector regulatory framework in place (1997). (y/n)
- Environmental audits completed on ten existing power plants (1997-1998). (y/n)

***Intermediate Result 4.2: Increased Investment in Thermal Clean Energy Production***

**Rationale:** Major expansion of electric power is being planned for the immediate future. This includes a \$200 million IDB/World Bank loan for two new privately owned power plants. I.R. 4.1 will support this plan. USAID is not directly responsible for this intermediate result.

**Critical Assumptions:**

- The privatization of energy production and distribution proceeds as expected.
- Environmental standards and norms will have to be in place prior to the installation of new power plants financed by multilateral donors.

**Partners:** IDB, World Bank, GODR, private sector.

***Intermediate Result 4.3: Increased Public Awareness of Community-based Approaches to Protect Hydroelectric Production***

**Rationale:** The improved management of watersheds is critical to increasing the production of environmentally sound energy sources in the long run. Hydroelectric power is the most important source of renewable energy. Siltation of reservoirs, which results from excessive soil erosion, is estimated to be reducing the life of costly hydroelectric investments by 50%, as well as substantially increasing their maintenance costs. To reduce this soil erosion requires effective management of the watersheds, including the control of deforestation and the introduction of sound soil conservation practices. Declining tree cover is also decreasing the "sponge effect" of this delicate island ecosystem and threatening drinking water supplies.

**Critical Assumptions:**

- GODR and other donors will finance the proposed Quisqueya Verde reforestation plan.
- Increasing vegetative cover will ultimately have a positive impact on hydroelectric energy production.

**Illustrative Approaches:** Technical assistance will be provided to the GODR to help assure that successful NGO community action models are replicated within the context of Quisqueya Verde.

Economically attractive models for effective natural resource management in critical hydroelectric watersheds will be demonstrated, with ample community participation in design and implementation of the activities. It is anticipated that residents neighboring demonstration sites will replicate successful conservation measures throughout the larger watershed for their own benefit. A new grant to The Nature Conservancy (TNC) to be jointly administered by a group of NGOs, community groups and the Parks Department of the GODR, will promote soil conservation and reforestation activities in buffer areas adjacent to five national parks in an area where 90% of all rivers in the Dominican Republic are born.

The impact of watershed protection on hydroelectric production will not be measurable in the near-term, but the replication of the community-based approach to watershed management will be. USAID plans to work closely with the GODR to help ensure that some of the successful NGO-led community-based conservation models are replicated under the new national reforestation program. USAID will also help NGOs to promote their models to other donors.

**Partners:** Local and U.S. NGOs (including the Pan-American Development Foundation and The Nature Conservancy), Secretariat of Agriculture, Parks Department, Parks-in-Peril project, USDA Regional Forester, Institute for Tropical Forestry, LAC-TECH project.

**Indicators and Targets:**

- Number of appropriate models tested and documented increases from 1 in 1996 to 8 in 1999.
- Number of farmers participating in conservation activities in project areas increases from 360 in 1994 to 6,000 in 1999.

***Intermediate Result 4.4: Increased Community and Commercial Investment in Small-Scale Renewable Energy Technologies (Wind, Solar and Microhydro).***

**Rationale:** For the two million people beyond the reach of the formal energy grid, renewable energy offers attractive opportunities including access to economic opportunities, healthier living, and savings of time. Proven, cost-effective technologies are suitable for small users, rural entrepreneurs, and rural community groups. Women will benefit highly from these activities by securing access to pumped water in community water systems, home electrification and opportunities for education at night.

The spread of this technology in the Dominican Republic is limited by the lack of sufficient available credit (given the perceived high risk involved with a relatively new technology), the lack of reliable data on quality and quantity of wind and water resources, and the general lack of knowledge and understanding regarding renewable energy applications. USAID will address these constraints through four basic approaches: (1) demonstrating the ability of community-based institutions to operate renewable energy systems, (2) directly demonstrating the commercial feasibility of renewable energy, (3) broadly promoting renewable energy to the private sector, and (4) encouraging the GODR to become more actively involved in promoting renewable energy.

**Critical Assumptions:**

- The GODR will allow for the private sale of electricity in the future as currently proposed by the CDE.
- The demonstration of commercial feasibility of renewable energy will encourage increased levels of investment by the private sector.

**Illustrative Approaches:** USAID will demonstrate the ability of community-based institutions to own and sustainably operate renewable energy systems for potable water and electrification by working with U.S. and local NGOs to test various models. USAID will also demonstrate the commercial feasibility of using solar, wind, microhydro and hybrid sources for electrical energy production. Clients will be expected to pay back loans for renewable energy systems at market rates of interest. USAID expects an increase in the number of microenterprises initiated as a result of having energy. Grants will be awarded to NGOs to finance expansion of solar energy on a full-cost recovery basis to demonstrate the social feasibility of community owned and operated renewable energy systems. The quantity and quality of wind and microhydro resources will be measured with help from the National Renewable Energy Lab, WINROCK International, and the local institute for hydraulic resources, (INDRHI). A microenterprise network will be expanded to provide sales and services to renewable energy customers. Technical assistance and training will be provided to these small suppliers and links promoted with U.S. suppliers of renewable energy technology. Throughout the country, USAID will actively promote renewable energy technology through workshops, tradeshows, newsletters and advertisements.

**Partners:** U.S. NGOs: WINROCK International, National Rural Electric Cooperative Association, New Mexico State University, ENERSOL, U.S. Export Council for Renewable Energy.

Local NGOs: PRONATURA, FUDECO, FLORESTA, ADESOL, FUNDASUR

GODR Agencies: Dominican Energy Corporation (CDE), Dominican Council for Hydraulic Resources (INDRHI)

Other Donors: Germany, Spain, European Union, IDB.

**Indicators and Targets:**

- Number of photovoltaic panels installed in the country as a result of USAID funding increases from 0 in 1995 to 1,500 in 1999.
- Number of wind and micro-hydro systems installed in the country as a result of USAID funding increases from 0 in 1996 to 15 in 1999.

### **III. RESOURCE REQUIREMENTS**

#### **A. Program Funding Request by Strategic and Special Objective**

USAID/Dominican Republic's strategic framework for the planning period relies substantially on the availability of funds for democracy, population, and AIDS programs, with a modest but extremely important requirement for unrestricted growth funds to maintain the economic policy dialogue with the government through FY 2001. A modest amount of microenterprise funds will also be required in FY 1998 to complete the commitment to start up CAMPE, the technical assistance center for small and microenterprises, and environment funding in FY 1998 and FY 1999 to develop the regional watershed management activity if it is approved.

The funding level of \$12 million per year over the planning period reflects USAID/W's recognition of the momentous changes taking place in the Dominican Republic following the 1996 presidential election, and the Agency's commitment to supporting the consolidation of democracy in the country. The activities to be funded are fully consistent with USAID/W and LAC Bureau priorities; difficult decisions have been made in planning the transition from a Full to a Limited Sustainable Development Mission. The transition will be successful in part due to USAID's ability to play a catalytic role in attracting other donor and government attention, as well as that of the private sector (where economically attractive), to areas such as community-managed water and sanitation provision, natural resources management, alternative energy, and microenterprise skills development.

**S.O. 1:** The economic development portfolio, which will close at the end of FY 1998, requires microenterprise funding of \$300,000 and unrestricted funding of \$300,000 in its last year. Including FY 1997 activities, total funding to completion for the S.O. amounts to \$1.8 million. However, the economic policy dialogue implemented under this S.O. must continue as a Special Objective. USAID deliberately positioned itself during FY 1996 to be able to respond to the possibility of advising a reform-minded government. This move paid off and, as a result, extremely timely and well-placed advice was provided, helping to shape the new government's economic reform agenda. USAID can fill a special niche for the next few years by helping to strengthen the government's capacity to plan reforms, build consensus for their adoption, and carry through on implementation despite the political turmoil that can be expected as the whole society transforms itself into a participatory democracy. Political, democratic, and economic reforms are intimately linked in the Dominican Republic. It is therefore critical that USAID be able to continue a modest level of assistance throughout and somewhat beyond the next presidential elections in FY 2000. New funding of \$900,000 is needed to carry out the economic policy dialogue for the period FY 1999-2001.

**S.O. 2:** The need for population funding will diminish slightly over the planning period as direct service delivery activities through NGOs wind down. USAID's efforts will shift to helping the government establish a productive partnership with NGOs to improve coverage and quality of primary health care, including reproductive health. Technical assistance to support health sector policy and management reforms, closely coordinated with the IDB, World Bank, and European Union -- the major donors to the sector, will become more important. USAID counts on bilateral funding of \$11.9 million over the period. Most of the Field Support

requirements of \$1.1 million per year starting in FY 1998 will continue to be for family planning activities, including sector policy reform.

Support for HIV/AIDS awareness and prevention will expand to meet burgeoning needs. In FY 1997 USAID will de-link AIDS activities from the Family Planning and Health project and initiate a new implementation mechanism. The target group will expand from populations at risk to the general population, including married women, to stem the rising rate of HIV infection in this group. The total effort implies bilateral funding needs of \$13.5 million over the planning period, with Field Support requirements estimated at about \$300,000 per year starting in FY 1998.

As USAID enters into a Strategic Objective Agreement for interventions in health, family planning and AIDS prevention with a government which has little experience in management of foreign aid and will be only just starting to develop rational investment programming and budgeting procedures, it will be extremely important to be able to assure stable funding for our program. Because of our strong reliance on G Bureau for program support, each change in overall funding availability has required a multiplicity of changes in funding for each program. The population funds metering experience of the past two years has been extremely frustrating for us and would be exceedingly difficult to have to explain to government officials whom we are trying to enlist as full partners. If this situation were expected to continue, we might decide to forego the S.O. Agreement.

**S.O. 3:** USAID's democracy portfolio will be both expanded and deepened throughout the planning period, requiring total funding of \$ 35.9 million (including \$1.8 million in ESF). An initial phase of major new assistance to the government for justice sector reform is planned as a six-year, 10.8 million effort (9.0 million DA and \$1.8 million ESF). During the first two years, FYs 1997 and 1998, USAID will closely monitor the currently favorable implementation environment for justice sector programs. By FY 1999, USAID anticipates that the groundwork will be laid for expanding to a national level those programs that have been demonstrably successful. While in FY 1999 the government and other donors should begin to assume the additional financial burden related to the nationally expanded programs, USAID will continue to make substantial investments in technical assistance and training. Throughout the strategy period, and especially after the elections in 1998 and 2000, USAID and its partners will assess the commitment of GODR partners to program goals. Based on these assessments, tools and tactics will be adjusted as necessary. We also foresee special needs for funding civil society activities during the upcoming election years FY 1998 and FY 2002 (congressional) and FY 2000 (presidential), when it will be critical to provide support in a well-planned and timely manner (\$ 9.4 million required). Finally, undergirding all Dominican efforts to implement a transition to a participatory democracy, broad-based civic education activities managed by a local NGO and implemented by an increasingly broad network of other NGOs and community groups will continue to be essential (\$13.8 million required).

**USAID/DR PROGRAM RESOURCE REQUIREMENTS BY FISCAL YEAR  
STRATEGY PERIOD FY 1997 - FY 2002  
(US\$000)**

| S.O./ACTIVITIES                 | 1997   | 1998   | 1999   | 2000   | 2001   | 2002   | TOTAL<br>FY97-<br>FY02 |
|---------------------------------|--------|--------|--------|--------|--------|--------|------------------------|
| DEVELOPMENT ASSISTANCE          |        |        |        |        |        |        |                        |
| S.O. 1                          | 1,199  | 600    | 0      | 0      | 0      | 0      | 1,799                  |
| PIED 517-0267 - Microenterprise | 219    | 300    | 0      | 0      | 0      | 0      | 519                    |
| PIED 517-0267 - Economic Policy | 500    | 300    | 0      | 0      | 0      | 0      | 800                    |
| PVO CO-FINANCING 0247           | 480    | 0      | 0      | 0      | 0      | 0      | 480                    |
| GLOBAL                          |        |        |        |        |        |        |                        |
| S.O.2                           | 6,659  | 5,800  | 5,400  | 5,100  | 5,000  | 5,200  | 33,159                 |
| PVO CO-FINANCING 0247           | 350    |        |        |        |        |        |                        |
| FAM. PLANNING & HEALTH 0259     | 2,759  | 2,700  | 2,300  | 1,500  | 1,500  | 1,100  | 11,859                 |
| AIDS Follow-up                  | 1,600  | 2,000  | 2,000  | 2,500  | 2,400  | 3,000  | 13,500                 |
| GLOBAL                          | 1,950  | 1,100  | 1,100  | 1,100  | 1,100  | 1,100  | 7,450                  |
| S.O.3                           | 2,500  | 5,400  | 6,100  | 6,600  | 6,700  | 6,800  | 34,100                 |
| DEM. INITIATIVES 0265           | 1,482  | 2,000  | 2,200  | 2,500  | 2,800  | 2,800  | 13,782                 |
| STRENGTHENING RULE OF LAW -0272 | 418    | 1,000  | 2,000  | 2,000  | 1,800  | 1,500  | 8,718                  |
| CIVIL SOCIETY II - 0275         | 600    | 2,000  | 1,500  | 1,700  | 1,600  | 2,000  | 9,400                  |
| GLOBAL                          | 0      | 400    | 400    | 400    | 500    | 500    | 2,200                  |
| S.O.4                           | 500    | 200    | 200    | 0      | 0      | 0      | 900                    |
| PD&S                            | 0      | 200    | 200    | 0      | 0      | 0      | 400                    |
| PVO CO-FINANCING 0247           | 500    | 0      | 0      | 0      | 0      | 0      | 500                    |
| GLOBAL                          |        |        |        |        |        |        |                        |
| SPECIAL OBJECTIVE 0267          |        |        |        |        |        |        |                        |
| Economic Policy                 | 0      | 0      | 300    | 300    | 300    | 0      | 900                    |
|                                 |        |        |        |        |        |        |                        |
| TOTAL D.A.                      | 10,858 | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 | 70,858                 |
| ESF (S.O.3)                     | 300    | 1,500  | 0      | 0      | 0      | 0      | 1,800                  |
| TOTAL D.A. AND ESF              | 11,158 | 13,500 | 12,000 | 12,000 | 12,000 | 12,000 | 72,658                 |

- 1) SO2: The population component of the FPH project will have no mortgage after FY99. Out year resources will be for follow-on activities.
- 2) SO4: Funding in FY98 and FY99 is to design a regional watershed project, if approved.

**S.O. 4:** USAID wishes to flag a possible regional Special Objective to address watershed management issues on the Dominican/Haiti border as an opportunity that merits discussion now and possible development within the next year. If the issue is addressed, planning would be initiated under S.O. 4 as soon as USAID/W approval is received, and implementation would begin no later than FY 1999. Additional funding would be required, since the only amounts currently budgeted are to cover program design. Activities would continue to be carried out as a Special Objective through FY 2001. Total USAID funding of \$2 million, available principally in FY 1999 and FY 2000 due to the forward-funding needs of NGO activities, is anticipated. These funds would be complemented by GODR, NGO, and local community funds. USAID/Haiti would also need to budget its own requirements.

## **B. Staffing Requirements and Operating Expenses**

The next several years of transition to a Limited Sustainable Development Mission, FY 1997 to FY 1999, will pose several challenges for USAID resources. Although by FY 2000 USAID will have a more limited and focussed portfolio with only two full Strategic Objectives and possibly two highly focused Special Objectives, the transition period will involve winding down 50% of current activities along with simultaneous start-up of a major new initiative in Democracy and the assumption of new regional support roles. The process of phasing out of the two S.O.s will involve significant staff time not only through the actual activity closeout period but even through the year following closeout, especially in the Controller and RCO offices. The new program initiative for justice sector reform, as well as civil society and AIDS prevention activities, will be notably staff intensive in nature. The support offices will also need more OE-funded staff in order to shoulder the new regional responsibilities; adapting to the NMS has already created unanticipated demands on Management Office and PDO staff time. As reflected in the OE budget and staffing tables, resource requirements will remain more or less level through FY 1999, then begin to fall as USAID completes the transition to a Limited Mission in FY 2000. Slight increases in OE in FYs 1998 and 1999 are due to severance payments, inflation (5%), and, in FY 1999, home leave and/or transfers for all but two USDH employees. Several underlying factors, as outlined below, will impact heavily on program management resource requirements throughout the strategy period.

### 1. USAID's Highly Participatory Approach:

USAID/Santo Domingo continues to believe strongly in its reengineered way of doing business, which focuses heavily on empowerment, participation and teamwork among all of the players in the development process. The Mission spent much time and effort as an Agency CEL developing this new approach and, as confirmed in laudatory GAO briefings last year, the results have been highly positive. Although the Mission is very satisfied with the impressive results of this new process and simply could not return to the old ways, the downside is that participation is very staff intensive. We will continue to investigate ways to streamline personnel requirements but, given what we now know can be achieved, we do not want to sacrifice this new way of doing business by cutting staff.

### 2. The Increasing Importance of the Democracy Portfolio:

As the highest priority objective for USAID and the Country Team in the coming years, the Democracy portfolio will consume an ever-increasing portion of OE and staff resources simply due to the nature of the work in this area. It is generally recognized that Democracy programs are significantly more staff-intensive to carry out than many other types of development work. This will be very much the case for USAID's expanded efforts in the area of civil society and justice sector reform. Due to the highly participatory nature of democracy and governance programs in the Dominican Republic, and given the limited funding available, it is preferable not to use an institutional contractor to manage program components. An increase in staff will be needed to spearhead these new initiatives. The Mission is recruiting a program-funded Fellow, and needs immediate approval from USAID/W for a full-time USFSC to manage the justice program. We also anticipate the need to expend significant OE resources to fund TDY assistance from AID/W Direct Hire staff with Democracy expertise.

### 3. Regional Service Hub

USAID/Dominican Republic is slated to become the regional service hub for the Caribbean. USAID already hosts a Regional Contracting Office which supports the Missions in Jamaica and Guyana, and provides Financial Management (Controller) services for Guyana and the closeout activities of RDO/C. As a result of these existing regional responsibilities, USAID is already experiencing the staff intensive and partly unexpected effects (on PDO and Management Offices) of the implementation of NMS in providing regional support. USAID will begin adding some additional staff in the Controller's Office in late FY 1997 in order to prepare to assume additional financial management responsibilities for Jamaica by the summer of 1998. The exact number of new staff and OE resources needed will be determined once we have had the opportunity to discuss with USAID/Jamaica how best to implement this change. Until an agreement is reached, we will need flexibility with OE-funded staff ceilings and OE levels.

For the time being, USAID anticipates that it will need 1 USDH and 3 OE funded local hire employees in the Controller's office to assume such responsibilities. One USDH will be needed for 2 - 3 years to assist the Controller to plan and implement the initial assumption of Financial Management responsibilities and to hire and train 3 new local hires. These additional staff will also assist USAID/DR in cleaning up MACS transactions and performing reconciliations for itself and client missions that arose during the conversion to NMS/AWACS. By the end of FY 2000 it is projected that the increase in regional responsibilities will be offset by a decrease in USAID/DR program activities, allowing the elimination of the second USDH position.

The Controller's Office in the Dominican Republic is already understaffed in light of the demands placed on it by reengineering and the NMS. Controller staff serve as core (though part-time) members of USAID's Strategic Objective teams, providing "one stop shopping" financial services that are invaluable in streamlining team operations, but at the same time stretching total Office resources thin. The Controller's Office also needs to be reorganized to better service additional client posts and to reflect changes in work processes brought about by the NMS. There is the possibility that existing staff skills will not match the future needs of the Controller's Office. This could lead to new positions being created (and others deleted) but, aside from the positions needed to cover regional

responsibilities, should imply no increase in overall staffing levels. Reorganization will be one of the first steps of the plan to implement assumption of Controller responsibilities for USAID/Jamaica.

The impact on OE of increased regional responsibilities would be a one-time OE increase of \$15,000 for the USDH post assignment and \$7,000 for ADP equipment, as well as an average annual increase of \$130,000 for FSN salaries, USDH entitlements and housing, increased communication costs and travel. After departure of the USDH (FY '00), average annual costs for 3 FSNs, communications and travel will be \$45,000 per year.

#### 4. Special Objective for Regional Watershed Management

The proposed regional Special Objective would bring its own staffing implications, should it be developed and implemented. As discussed in Section II.D., and Annex B, this Objective would involve relatively limited direct interventions with beneficiary populations. It would build upon USAID/DR's achievements in community-based natural resources management, in close coordination with USAID/Haiti. Substantial coordination with participating NGOs on both sides of the Dominican/Haitian border and between the Dominican and Haitian governments, as well as with supportive donors, is also foreseen. Given this reality, USAID is fully aware that at least two full time staff positions would need to be dedicated to achieving this Objective. However, the opportunity to take advantage of currently improving relations between the two countries to address compelling problems clearly merits these additional resources.

**USAID/DR RESOURCE REQUIREMENTS  
STRATEGY PERIOD FY 1997 - FY 2002**

**Summary of Workforce Totals**

|                 | <b>1997</b> | <b>1998</b> | <b>1999</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> |
|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>USAID/DR</b> |             |             |             |             |             |             |
| USDH            | 9           | 9           | 9           | 8           | 8           | 7           |
| Int'l Recr      | 0           | 0           | 0           | 0           | 0           | 0           |
| Local Hire      | 52          | 52          | 50          | 47          | 45          | 42          |
| Program         | 14          | 13          | 13          | 12          | 10          | 9           |
| sub-total       | 75          | 74          | 72          | 67          | 63          | 58          |
|                 |             |             |             |             |             |             |
| <b>Regional</b> |             |             |             |             |             |             |
| USDH            | 0           | 1           | 1           | 1           | 0           | 0           |
| Local Hire      | 1           | 3           | 3           | 3           | 3           | 3           |
| sub-total       | 1           | 4           | 4           | 4           | 3           | 3           |
|                 |             |             |             |             |             |             |
| <b>TOTAL</b>    | <b>76</b>   | <b>78</b>   | <b>76</b>   | <b>71</b>   | <b>66</b>   | <b>61</b>   |

**Operating Expenses Resources**

|            | <b>FY 97</b> | <b>FY 98</b> | <b>FY 99</b> | <b>FY 00</b> | <b>FY 01</b> | <b>FY 02</b> |
|------------|--------------|--------------|--------------|--------------|--------------|--------------|
| OE Dollars | 1,461.9      | 2,080.0      | 2,570.0      | 2,515.0      | 2,505.0      | 2,455.0      |
| Trust Fund | 1,100.0      | 500.0        | 0.0          | 0.0          | 0.0          | 0.0          |
| sub-total  | 2,561.9      | 2,580.0      | 2,570.0      | 2,515.0      | 2,505.0      | 2,455.0      |
| Regional   | 13.1         | 150.0        | 130.0        | 140.0        | 85.0         | 90.0         |
| Total      | 2,575.0      | 2,730.0      | 2,700.0      | 2,655.0      | 2,590.0      | 2,545.0      |

## C. Issues

1. Additional resources for the Democracy program. USAID appreciates the efforts made by the LAC Bureau for FY 1997. Yet given the opportunity at hand to rapidly start up activities that will have a significant impact on the future of democracy in the Dominican Republic, more resources are required. USAID will be able to complete the design of the Rule of Law program, but will face severe limitations on its ability to implement supportive activities during FY 1997. These activities are expected to set the pace for other donors, as well as to leverage additional funding as more is learned about the justice sector and its critical bottlenecks and opportunities. The other essential need is to be able to fund the civil society-led election support program on a timely basis. With elections scheduled for May 1998, it is critical to be able to count on sufficient start-up funding.
2. Approval of a full-time USPSC position is required for management of the justice program. This position can be accommodated under the current staff level ceiling.
3. Probable assumption of role as ICASS Service Provider. USAID has formally offered to provide procurement services to all Agencies at Post, and to provide warehouse services for a limited number of Agencies. The ICASS Council referred the matter to a working group for further study, but USAID expects that it will become a service provider for one or both of these services beginning in FY 1998. A small number of additional FSN personnel would need to be brought on board to handle the additional workload, but they would be financed through the ICASS mechanism and would have no effect on USAID OE requirements. Indeed, the medium term impact should be a reduction in USAID costs for providing these services to the Mission, because the overall costs will be shared over a larger client base.
4. Agency funding dictums and USAID priorities. The LAC Bureau recently suggested that USAID should absorb additional funding for microenterprises in FY 1998. There needs to be an agreement as to whether Agency funding priorities are going to affect even more the strategy put forward by the Mission. Any change will have an impact not only on the program, but on staffing as well.

## IV. ANNEXES

### ANNEX A: Macroeconomic Issues

Despite several years of reasonably good, and improving, macroeconomic indicators, the Dominican economy is based on fragile underpinnings. Growth averaging some 5.4% between 1992 and 1996 -- and reported at over 7% for 1996 -- has been fueled largely by tourism and the free trade zones. These sectors represent only 10% of GDP and together they absorb an estimated 20 percent at most of the approximate 61,000 yearly new entrants into the labor force. The dynamic telecommunications sector is small in terms of employment potential. The protected, stagnating manufacturing sector and the declining agricultural sector, combined with the pressure of a large pool of Haitian immigrant workers willing to work at low wages in sugar cane fields and on construction projects, have been unable to absorb a significant number of unemployed Dominican workers. Microenterprises already provide jobs for about 23% of the labor force, and generate about the same percentage of GDP.

Stable monetary management since the last quarter of 1994 has reduced inflation by more than half from the 14.3 % rate reported for 1994: the 12-month rate reported at end-March 1996 was 6.5%, and this fell to 4% by the end of the year. However, the pent-up demand for better social services and higher public sector wages, increases in the cost of petroleum and other imported goods, the legacy of heavy internal public debt obligations, and a major bank bail-out financed by the Central Bank fuel fears that the government may not be able to contain a resurgence in inflation.

Fiscal accounts look good on the surface, with a slight surplus for the central government accounts reported for 1995. However there are huge internal public debt arrears, recently estimated at RD\$ 12.5 billion, or about 7.8% of 1995 GDP. Estimated financing required in 1997 for two major parastatals, the electricity corporation (CDE) and the sugar refinery (CEA) amounts to over RD\$ 3 billion, almost 10% of the proposed 1997 budget. External debt service is twice that amount. The government has not hesitated to rely on the Central Bank to finance critical extra-budgetary expenditures, through public bond sales and, when necessary, money creation. Since an initial round of reforms in the early 1990s, measures to broaden the tax base and improve revenue administration have been repeatedly put off. Public revenues are far too dependent on import taxes and the petroleum differential. The former constituted about 27% of the 1995 tax receipts; the latter, which represented about 14% of tax revenues in 1995, has now practically disappeared due to the increase in world prices while domestic prices remained unchanged. Faced with this unsustainable situation, the new government proposed a comprehensive package of fiscal measures aimed at sustainable revenue generation, shifting the tax burden from trade to domestic activities and consumption, while stimulating investment and job creation. In addition to re-establishing balanced public accounts, one of the government's priorities is to redress the balance in social expenditures, which lag far behind the regional average.

Remittances from Dominicans abroad, generated primarily in the United States, were estimated at over US\$ 1 billion in 1995, or about one and a half times merchandise export receipts, and weigh heavily in maintaining a positive current account balance. Foreign aid receipts (net ODA) are modest, amounting to \$69 million, or less than \$9.50 per capita, in 1994. Following rescheduling of official external debt in 1991, the ratio of debt service to exports of goods and services fell from over 30%

to about 17%. The government by and large has made an effort to stay current on most of its external debt obligations, but continues to owe the Commodity Credit Corporation some \$140 million.

## **ANNEX B: Regional Special Objective : Artibonito Watershed Protection, FY 00-02**

USAID proposes a regional Special Objective aimed at promoting cooperation between the Dominican Republic and Haiti in the area of sustainable natural resources management. The focus of the activities will center upon reduced soil erosion in the Artibonito Watershed, the largest watershed on the island of Hispaniola and shared by both countries, and promotion of innovative renewable energy alternatives for rural areas. Active community participation in design and implementation of activities will be the foundation for approaches to be undertaken in critical areas throughout the watershed. Appropriate economic incentives will be tailored to the needs of the communities and prevailing circumstances on both sides of the border. Participating Haitian and Dominican farmers in the upper basins will benefit in the short-term from soil conservation and reforestation activities aimed at increasing incomes. Haitians downstream will benefit in the long-term from decreased siltation in the Lac Peligre reservoir, leading to improved regulation of the water flow for irrigation and human consumption. Long-term benefits for the Dominican Republic are less flooding in the border areas and less pressure on Dominican hillsides from migrating Haitians. Expected intermediate results to be achieved within a three year period are:

- An integrated management plan for the Artibonito Watershed developed and approved by the governments of Haiti and the D.R. The plan should be developed with participation of NGOs, local communities and agencies of both governments.
- A watershed management committee established with representation from local communities, NGOs, and agencies from both governments.
- Economically attractive forestry and soil conservation activities demonstrated by NGOs throughout the watershed at the community level.
- Increased area reforested and treated with soil conservation practices.
- Active interaction of ideas and best practices promoted in the Artibonito Watershed for sustainable use of natural resources.
- Joint NGO-led programs established for the promotion of renewable energy for rural areas in the Artibonito Watershed.

### **Problem:**

The Artibonito Watershed which is the largest on the island of Hispaniola, has been severely eroded due to destructive exploitation of its natural resources (soil, trees, water), by Haitian and Dominican residents (users) of the watershed. While destruction of the resource base has proceeded at a much faster rate in Haiti, the rate of deforestation in the Dominican Republic is increasing rapidly due, in part, to increasing Haitian encroachment. The consequences have been loss of agricultural productivity on both sides of the border and the inability of Peligre Dam in Haiti to effectively regulate the flow of water for human consumption and irrigation for Haiti's most fertile valley, due

to excessive siltation of the reservoir. This siltation has raised the water level in the reservoir resulting in flooding of Dominican land along the border.

A long-term solution to this critical problem must be found in order to conserve the remaining vegetative cover in the Haitian and Dominican portions of the watershed. Past animosities between Haiti and the Dominican Republic, at all levels, has hampered mitigation of this common environmental problem. However, the newly elected governments of the Dominican Republic and Haiti would like to increase cooperation between the two countries and have appointed high level commissions to develop various joint development programs along the border. One of the priority programs identified by Dominican authorities is to resolve the problem described above in the Artibonito Watershed. In addition, an effort initiated by World Vision on the border about a year ago is demonstrating that small Haitian and Dominican farmers, who share the same poverty, are willing to cooperate at the grassroots level to resolve common problems. This special objective could serve as a catalyst for cooperation and take advantage of this historic moment. USAID funding to encourage cooperation in this area would demonstrate the feasibility of designing and implementing viable watershed management activities with active participation of communities, NGOs and government agencies of both countries. This effort also has the possibilities of leveraging much larger amounts of funding from the EEC and IBRD. Representatives from the European Union in the DR have expressed some interest in using some of their regional environmental funds to finance joint development efforts along the border. USAID has a comparative advantage in working with NGOs and community groups on watershed management activities.

Experience gained on various NGO-led pilot watershed management projects and renewable energy demonstration projects financed by USAID have repeatedly shown the financial viability of agroforestry projects and renewable energy applications and the critical nature of involving local communities in the design and implementation of projects affecting them. This positive NGO/community experience with natural resource management and participation in self-governance must be incorporated into the development of any long term-solution for this common developmental problem along the Artibonito Watershed on both sides of the border. The GODR, GOH and donors should be active partners in the development process but must not lead the way. The initiative for self preservation of the watershed must derive from those most affected and with most to gain.

**Parameters:**

- LOP: 3 Years
- Funding (rough estimate): USAID: US\$3,000,000 (Could include USAID/Haiti Funds)  
GODR: US\$1,000,000 (May be some Debt Swap money)  
GOH: US\$1,000,000  
NGO/Community: US\$1,000,000
- Funding Mechanism: NGO Grants
- Implementation: NGOs/Communities
- Beneficiaries: Numerous upstream Dominican and Haitian farmers in the short-term; Haitian communities downstream and Dominican communities along the border in the long-term.