

PD-ARM-540  
98498  
A.I.D. EVALUATION SUMMARY - PART I

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS.  
2. USE LETTER QUALITY TYPE, NOT "DOT MATRIX" TYPE.

IDENTIFICATION DATA

| A. Reporting A.I.D. Unit: EDT/PDO   |                               | B. Was Evaluation Scheduled in Current FY annual Evaluation Plan?<br>Yes <input type="checkbox"/> Slipped <input checked="" type="checkbox"/> Ad Hoc <input type="checkbox"/> |                          | C. Evaluation Timing<br>Interim <input checked="" type="checkbox"/> Final <input type="checkbox"/><br>Ex Post <input type="checkbox"/> Other <input type="checkbox"/> |                                |
|---|-------------------------------|---|--------------------------|---|--------------------------------|
| Mission or AID/W Office USAID/DR<br>(ES# 517-0262)  |                               | Evaluation Plan Submission date: FY * Q *   |                          |   |                                |
| D. Activity or Activities Evaluated (list the following for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.) |                               |   |                          |   |                                |
| Project No.   | Project /Program Title        | First PROAG or Equivalent (FY)  | Most Recent PACD (Mo/Yr) | Planned LOP Cost (000)  | Amount Obligated to Date (000) |
| 517-0262  | Economic Policy and Practices | 06-19-92  | 05/97                    | \$6,000   | \$3,115                        |

ACTIONS

| E. Action Decisions Approved By Mission or AID.W Office Director   | Name of Officer Responsible for Action     | Date Action to be Completed                  |
|--|--|--|
| <p align="center">Action(s) Required</p> <p>1. Decision to redirect the project from among the four options presented in the evaluation report.</p> <p>2. Implementation of actions necessary to redirect the project.</p> | <p>Mission Director</p> <p>E. Laureano</p> | <p>January 15, 1996</p> <p>April 1, 1996</p> |

APPROVALS

| F. Date Of Mission Or AID/W Office Review Of Evaluation: |                         |                                    |                    | (Month)                          | (Day) | (Year) |
|--|-------------------------|------------------------------------|--------------------|----------------------------------|-------|--------|
| G. Approvals of Evaluation Summary And Action Decisions: |                         |                                    |                    |                                  |       |        |
| Name (Typed)   | Project/Program Officer | Representative of Borrower/Grantee | Evaluation Officer | Mission or AID/W Office Director |       |        |
| Signature  | Efrain J. Laureano      |                                    | Luis González      | Marilyn A. Zak                   |       |        |
| Date   | 3/7/96                  |                                    | 3/7/96             | 3/9/96                           |       |        |

**ABSTRACT**

**H. Evaluation Abstract (Do not exceed the space provided)**

The Economic Policies and Practices (EPP) project (#517-0262) was initiated in June 1992 with the goal of encouraging the adoption of, and adherence to, sound economic policies that promote investments, productive employment, and export-led economic diversification and sustained economic growth. This is an innovative project which attempts to promote policy change by strengthening, deepening, enhancing, and making more dynamic the participation of non-governmental organizations in economic policy design and sustained implementation. The EPP project was authorized for a period of five years with a total of \$6,000,000 of planned funding, much of which was to be channeled in sub-grants to Dominican Republic non-governmental organizations (NGOs). The project is implemented through a Cooperative Agreement with SRI International. Based on interviews with over 50 project participants, and review of all key project documents, the evaluators found that the project is not likely to achieve its goals, and the effort to affect economic policy indirectly through NGOs will not be successful. This is due to the project's limited time horizon and to the fact that the Dominican Republic is undergoing a fundamental political transition that has diminished its ability to focus on economic reform. Four options are presented for redirecting project activities in order to increase chances of success. Selection from among these options will require clarification of USAID's objectives and resource levels.

**COSTS**

**I. Evaluation Costs**

| 1. Evaluation Team   |                   | Contract Number OR<br>TDY Person Days                            | Contract Cost OR<br>TDY Cost (U.S. \$) | Source of Funds                       |
|--|-------------------|--|--|---------------------------------------|
| Name   | Affiliation       |  |  |                                       |
| Stephen Wingert  | MSI/J.E.Austin    | 32.0   | \$76,014.00                            | Cooperative Agreement<br>No. 517-0262 |
| Benjamin Crosby  | MSI               | 19.0   |  |                                       |
| Samuel Skogstad  | MSI/Georgia Tech. | 13.0   |  |                                       |
| Roberta Wareng   | MSI/Wash.         | 5.25   |  |                                       |
| 2. Mission/Office Professional Staff<br>Person-Days (Estimate) |                   | 3. Borrower/Grantee Professional<br>Staff Person-Days (Estimate) |  |                                       |
| 6.0  |                   | 3.0  |  |                                       |

**A.I.D. EVALUATION SUMMARY - PART II**

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)

Address the following items:

- Purpose of evaluation and methodology used
- Purpose of Activity(ies) evaluated
- Findings and conclusions (relate to question)
- Principal Recommendations
- Lessons learned

Mission or Office:

USAID/DR

Date This Summary Prepared:

Dec-22-95

Title And Date Of Full Evaluation Report:

Econ. Pol. & Pract. Proj. Mid-Term

**Purpose of Activity Evaluated**

The Economic Policy and Practices (EPP) Project was initiated in June 1992 with the goal of encouraging the adoption of, and adherence to, sound economic policies that promote investments, productive employment, and export-led economic diversification and sustained economic growth. This is a highly innovative project which attempts to promote policy change by strengthening, deepening, enhancing, and making more dynamic the participation of non-governmental organizations in economic policy design and sustained implementation. The EPP project, implemented through a Cooperative Agreement with SRI International, was authorized for a period of five years with a total of \$6,000,000 of planned funding. The project was to have been supported by a Consultative Council comprised of outstanding Dominican economists, selected by SRI and USAID. Sub-grants are provided under the Cooperative Agreement to local Dominican NGOs to carry out policy research, action plan development, consensus-building, public awareness-raising, and networking.

**Purpose of the Evaluation and Methodology Used**

Management Systems International was contracted by the USAID Mission to the Dominican Republic to conduct this mid-term evaluation for the period up to June 30, 1995, and field work was initiated in October, 1995 (three years and four months after the project began). Interviews were carried out with over 50 project participants, and the principal project documents were reviewed.

**Summary of Findings and Conclusions**

- A. The economic policy framework in the Dominican Republic was created under an import substitution model, which attempted to stimulate domestic production by limiting competition from imports. The result has been reduction of export competitiveness and slow growth. Important strides have been made to stabilize the economy and open it to imports/exports over the past several years, but structural constraints persist.
- B. The project strategy, to promote economic policy change by strengthening, deepening, enhancing and making more dynamic the participation of NGOs in economic policy design and sustained implementation, rather than engaging directly with the host government, is unique and difficult for a donor to execute under the best conditions. Given the limited time frame for the project, and the environment of profound political transition in the Dominican Republic, it is unlikely that the project will achieve either significant reforms of economic policy or a sustainable involvement of NGOs in public dialogue concerning these reforms.
- C. There is wide-spread confusion concerning the relative priority to be given to the objectives of the project, i.e. whether the project should actually achieve policy reforms or merely stimulate broad discussion of reforms (goal versus purpose statements). Project participants have therefore been free to take action based on their own set of priorities, and this has caused the project to become a focus of controversy, as different actors are judging actions against different criteria. The shift of the Mission's strategic objective, from "economic stabilization and structural reform needed to attract private foreign and domestic investment", to "increased economic opportunities and benefits for the Dominican majority", and the frequent change in USAID project management responsibility, have exacerbated the confusion concerning project objectives.

SUMMARY (Continued)

D. Obligations and expenditures are below planned. It is estimated that as of December 31, 1995, over \$600,000 will remain available under the project after allowing sufficient funds to complete already approved sub-grants, and \$2,885,000 remain unobligated. SRI quickly established its Santo Domingo office, staffed it with well qualified personnel, and created sound sub-grant implementation monitoring and control systems. However, the sub-grant approval process has been slow due to inability of NGOs to meet proposal submission guidelines in a timely manner. This, combined with the requirement of a 50% counterpart contribution, the policy against sub-grant advances, and delays in reimbursement, have all contributed to fewer than expected sub-grant requests, and lower than planned project expenditures. Actions have been taken to remedy these constraints, but these improvements have yet to be tested.

E. While SRI's implementation monitoring has been good, SRI did not fulfill expectations under the cooperative agreement to assure collection of adequate base-line data concerning public knowledge of economic policies, in order to measure project progress (it is unclear whether this was a realistic requirement, however). Likewise, SRI did not require sub-grant recipients to measure changes in knowledge and perceptions about policy as a result of sub-grant activities.

F. Quantitative outputs to date exceed life of project targets. However, impact of outputs on project purpose and goal is less than that contemplated in the design. This is due in part to concentration on a disperse set of policy priorities, and a disproportionately high number of very small sub-grants with limited cumulative impact. Also, networking between local and international NGOs has been virtually non-existent. Economic policy reforms reported by SRI as achieved to date tend to be either studies/agreements that might lead to reforms someday, or are measures that, while they have been formally adopted, are limited to targeted adjustments within a framework of a negative policy environment. While the project may have laid the groundwork for future policy reform, it is not likely that significant progress will be achieved within the life of project.

G. The project has assisted established NGOs to improve their understanding and acceptance of economic policy reforms, and to pursue coalitions in favor of reform with other interest groups. It has also assisted small NGOs to sponsor public information events and broaden public debate of policy, but these activities have been very limited in time and impact. Project resources have not been directed toward building increased institutional capacity among the NGOs. To achieve the project purpose would require more time and resources than are available under the project.

H. There is no effective Dominican ownership of the project, which is implemented directly by USAID and SRI. The role of the Consultative Council in the project was very limited, and it serves no effective function at this time. The CC does not represent the broad array of economic interests contemplated in the initial project design. The CC has formally proposed redirection of the project, focusing on a few, well-credentialed NGOs.

I. Gender implications were not formally incorporated into the project, although the economic policy issues the project attempts to address are of particular concern to women-run households and microenterprises.

**Principal Recommendations**

The principal recommendation is to redirect the project in order to increase the probability of impact on economic policy reform and/or achievement of broader, sustainable participation by NGOs in policy design and implementation. At this point redirection can be done within the context of the present project design and authorization, and through the existing cooperative agreement. However, a formal modification of project design and additional resources may be appropriate if the new government that takes office in August demonstrates strong commitment to reform.

Four options for redirection of the project are presented:

- Accept the CC proposal to focus on preparation of a package of legislative measures to be presented to the next government;
- Continue the existing strategy while extending the project time frame and focusing on a limited policy reform agenda;
- Dedicate remaining resources under the cooperative agreement to consensus-building activities during the pre-election period; and,
- Reduce EPP activities to a minimum and conserve resources to assist the new GODR.

Selection from among these options depends on clarification of the USAID project objectives and of the resources available for their implementation. If resource availability is limited to the funds already obligated under the project, it is recommended that these resources be dedicated to a short-term proactive effort to impact on specific priority economic policies, and that the investment in deepening and broadening NGO participation in economic policy dialogue be abandoned. Given the USAID Mission's strategic focus on increased economic opportunities and benefits for the Dominican majority, the proactive effort should focus on issues that are key to this objective.

**Lessons Learned**

- A strategy to achieve modification of macroeconomic policy by providing grants to non-governmental organizations to stimulate increased public debate and research of those policies requires: a) a long time frame; b) a political environment that responds to public influence; and, c) a competent set of viable NGOs. This strategy should not be used if rapid reform is the objective.

- Setting a high counterpart requirement can leverage additional resources and assure that the activities to be undertaken are of sincere interest to local participants. However, this may bias the project toward less costly local inputs and minimize involvement of costly outside assistance. It may also skew policy research toward positions endorsed by domestic interest groups.

- Modification of USAID Mission objectives during implementation of a project, dramatic reduction of resource availability, and frequent shifts of project management responsibility can contribute to confusion by all project participants concerning project direction. Care must be taken to clarify these changes and their implications for project responsibilities.

ATTACHMENTS

K. Attachments (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier; attach studies, surveys, etc., from "on-going" evaluation, if relevant to the evaluation report.)

Interim evaluation report: "Economic Policy and Practices Project - Mid-term Evaluation," prepared by Management Systems International, December 1995.

COMMENTS

L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

Mission agree with conclusions and recommendations outlined on the evaluation report. Base on the findings, Mission is rethinking the validity of the approach followed under the project to promote the adherence of sound economic policies which could have a demonstrable impact on the Dominican poor. Fundamental policies that affect the poor in the DR will not be implemented without the participation of the GODR in the policy definition/implementation process. Future involvement in the policy area will be gained from the experience acquired through this project but will also consider a more proactive role for both Mission and the GODR in the implementation phase. With regard to the EPP project, no additional money will be obligated through this project mechanism. A final major activity will be undertaken to examine poverty taking a comprehensive approach and focussing on reforming the public budget for the benefit of the Dominican poor.

January 19, 1996 at 9:17 am  
File: u:\pdopub\docs\evalepp.rep

# ECONOMIC POLICY AND PRACTICES PROJECT

MID-TERM EVALUATION

PROJECT No. 517-0262

SUBMITTED TO:  
USAID/DOMINICAN REPUBLIC

MANAGEMENT SYSTEMS INTERNATIONAL  
600 WATER STREET, S.W.  
WASHINGTON, D.C. 20024  
TELEPHONE (202) 484-7170  
FAX (202) 488-0754

JANUARY 1996



600 Water Street, S.W.  
Washington, D.C. 20024  
USA

F:\WPDATA\REPORTS\3023-006\3023-006 W61

202/484-7170  
Fax: 202/488-0754

## TABLE OF CONTENTS

|   | <u>Page</u> |
|---|-------------|
| Acronyms .....  | i           |
| Evaluation Abstract .....   | iii         |
| Executive Summary .....   | iv          |
| Project Identification Data Sheet .....   | vii         |
| <br>  |             |
| I. Introduction .....   | 1           |
| A. Purpose of Evaluation  |             |
| B. Methodology Used In The Evaluation   |             |
| C. Acknowledgments  |             |
| <br>  |             |
| II. Economic Policy .....   | 3           |
| A. Economic Policy Environment in the Dominican Republic Prior to the Project                       |             |
| B. Constraints to Increased Economic Opportunities for the Dominican Majority                       |             |
| <br>  |             |
| III. Actual Versus Planned Progress .....   | 7           |
| A. Evaluation of Inputs   |             |
| B. Evaluation of Outputs (Results Packages)   |             |
| C. Project Purpose and End of Project Status (Results Indicators)                                   |             |
| D. Project Goal and Measures of Goal Achievement (Strategic Objective Indicators)                   |             |
| <br>  |             |
| IV. Project Administrative Structure .....  | 18          |
| A. Role/performance of the Consultative Council   |             |
| B. Subgrant Award Process   |             |
| C. Requirement of 50% Counterpart, Funds Delays in Voucher Processing<br>and Policy Against Project |             |
| D. Potential to Accomplish Project Objectives   |             |
| E. Role of USAID in Project Implementation  |             |
| <br>  |             |
| V. Performance of Prime Grantee, SRI International .....  | 25          |
| A. Management of the Cooperative Agreement  |             |
| B. Subgrant Monitoring and Maintenance of Data Banks  |             |
| C. Networking with Other Country Experiences  |             |
| D. Selection of NGOs and Policy Priorities  |             |
| <br>  |             |
| VI. Project Design Assumptions .....  | 28          |
| A. Relevance of Graham Allison's Model III to the Dominican Republic                                |             |
| B. Existence of Competent NGOs  |             |
| C. Policy Change Without Direct GODR Involvement  |             |

|  |    |
|--|----|
| VII. Sustainable Policy Dialogue Channels .....  | 33 |
| A. Impact of EPP on NGOs as Sustainable Channels to Promote Policy Change  |    |
| B. Demonstrated NGO Capabilities   |    |
| VIII. Lessons Learned: Implications for Future Project Direction .....   | 34 |
| A. Project Strategy and Impact   |    |
| B. Program Option: Focus on Preparation of Pro-Posals for next Government  |    |
| C. Program Option: Continue Existing Strategy (with Some Modifications to<br>Broader Public Understanding of and Participation In Economic Reform        |    |
| D. Program option: Dedicate Existing Resources to Consensus-Building During<br>Pre-election Period, and Consider New Initiatives with The New Government |    |
| E. Program Option: Reduce EPP Activities to a Minimum and Conserve Resources<br>to Assist The New GODR   |    |
| IX. Summary of Findings and Conclusions .....  | 43 |
| X. Summary of Recommendations .....  | 45 |
| Annexes  |    |
| A. List of Contacts  |    |
| B. Statement of Work   |    |
| C. Economic Setting  |    |
| D. Obstacles to Poverty Alleviation in the Dominican Republic  |    |
| E. Estimate of Uncommitted Project Resources   |    |

## ACRONYMS

|         |   |
|---------|---|
| ACOPRO  | Acción Comunitaria para el Progreso, Inc. (Community Action for Progress)                                   |
| ADOEXPO | Asociación Dominicana de Exportadores, Inc. (Dominican Exporters Association)                               |
| AIRD    | Asociación de Industrias de la República Dominicana Inc. (Association of Dominican Republic Industrialists) |
| APROFED | Asociación Pro-Fundacion Estudios Dominicanos (Association for Dominican Studies)                           |
| CC      | Consultative Council  |
| CDIE    | Center for Development Information and Evaluation   |
| CEA     | Consejo Estatal de Azucar (State Sugar Council)   |
| CIEA    | Centro de Investigación y Economía Aplicada, Inc. (Center for Investigation and Applied Economics)          |
| CIECA   | Centro de Investigación Económica para el Caribe (Center for Economic Investigation for the Caribbean)      |
| CNHE    | Consejo Nacional de Hombres de Empresa (National Council of Businessman)                                    |
| COE     | Centro de Orientación Económica ( Center for Economic Orientation)  |
| DR      | Dominican Republic  |
| EPP     | Economic Policies and Practices   |
| FEyD    | Fundación Economía y Desarrollo, Inc. (Foundation for Economics and Development)                            |
| FTZ     | Free Trade Zone   |
| FUSADES | Fundación Salvoreña para el Desarrollo (Salvadoran Development Foundation)                                  |
| GATT    | General Agreement on Tariffs and Trade  |
| GDP     | Gross Domestic Product  |
| GODR    | Government of the Dominican Republic  |
| IBRD    | International Bank for Reconstruction and Development   |

|       |  |
|-------|--|
| IDB   | Inter-American Development Bank  |
| IDDI  | Instituto Dominicano de Desarrollo Integral, Inc. (Dominican Institute for Integral Development) |
| IDSS  | Instituto Dominicano de Seguridad Social (Dominican Social Security Institute)                   |
| IFI   | International Financial Institutions   |
| IMF   | International Monetary Fund  |
| INTEC | Instituto Tecnológico de Santo Domingo (Technological Institute of Santo Domingo)                |
| JAD   | Junta Agroempresarial Dominicana, Inc. (Dominican Agro-Business Board)                           |
| MSI   | Management Systems International   |
| NGO   | Non-Government Organization  |
| PACD  | Project Assistance Completion Date   |
| SRI   | Cooperative Agreement recipient (formerly Stanford Research Institute)                           |
| TDY   | Temporary Duty   |
| UNDP  | United Nations Development Program   |
| USAID | United States Agency for International Development   |
| WTO   | World Trade Organization   |

## EVALUATION ABSTRACT

The Economic Policy and Practices (EPP) project (#517-0262) was initiated in June 1992 with the goal of encouraging the adoption of, and adherence to, sound economic policies that promote investments, productive employment, and export-led economic diversification and sustained economic growth. This is an innovative project which attempts to promote policy change by strengthening, deepening, enhancing, and making more dynamic the participation of non-governmental organizations in economic policy design and sustained implementation. The EPP project was authorized for a period of 5 years with a total of \$6,000,000 of planned funding. The project is implemented through a Cooperative Agreement with SRI International. The evaluation found that the project may not achieve its goals, and thus, the effort to affect economic policy indirectly through NGOs would not be successful. This is due to the project's limited time horizon and to the fact that the Dominican Republic is undergoing a fundamental political transition that has diminished its ability to focus on economic reform. Four options are presented for redirecting project activities in order to increase chances of success. Selection from among these options will require clarification of USAID's objectives and resource levels.

## EXECUTIVE SUMMARY

The Economic Policy and Practices (EPP) project was initiated in June 1992 with the goal of encouraging the adoption of, and adherence to, sound economic policies that promote investments, productive employment, and export-led economic diversification and sustained economic growth. This is a highly innovative project which attempts to promote policy change by strengthening, deepening, enhancing, and making more dynamic the participation of non-governmental organizations in economic policy design and sustained implementation. The EPP project was authorized for a period of 5 years with a total of \$6,000,000 of planned funding.

The project is implemented through a Cooperative Agreement with SRI International, and was to have been supported by a Consultative Council comprised of outstanding Dominican economists, selected by SRI and USAID. However, the role of the Consultative Council (CC), and of a subsidiary Activity Selection Committee, was reduced early in the project, and project implementation has been left to SRI and USAID. Subgrants are provided under the Cooperative Agreement to local Dominican NGOs to carry out policy research, action plan development, consensus-building, public awareness-raising, and networking. A participation manual, prepared by SRI, guides the preparation of subgrant proposals and identifies the procedures for selection and award of the subgrants.

Management Systems International was contracted by the USAID Mission to the Dominican Republic to conduct this evaluation for the period up to June 30, 1995, and field work was initiated in October 1995 (3 years and 4 months after the project began). As of June 30, 1995, \$3,097,926 had been obligated under the cooperative agreement, and actual and accrued expenditures as of that date totaled \$1,822,491. Of the \$1,274,798 available for future expenditures, \$337,674 are committed to complete funding of approved subgrants, and an additional grant of \$75,000 was initiated after June 30. It is estimated that as of December 31, 1995, \$614,000 will remain unexpended within the current level of obligation, and \$2,885,027 remain to be obligated.

SRI contracted well qualified staff for its Santo Domingo office, and established effective financial control and project monitoring procedures. Subgrant application, review, and approval procedures are complex, however, and the average subgrant has taken 13 months to be executed (as the participating NGOs often have only part-time staff, they have been slow in preparing and revising program documents). Also, it has been very difficult for the NGOs to meet a 50 percent counterpart requirement, and this has limited the number of applicants. The policy against provision of implementation advances, and long delays in reimbursement processing (again, often due to inexperienced and part-time NGO staff) have caused severe cash flow problems for the NGOs. Measures have been designed, in conjunction with USAID re-engineering efforts, to remedy these constraints, but they have yet to be tested.

As of June 30, 23 subgrants had been awarded to 20 different Dominican NGOs, exceeding the life of project (LOP) target of 16. All other LOP quantitative output targets were also exceeded: total participants in training events were five times the number planned; newspaper articles were three times the number planned; and TV and radio spots were double the planned level.

Despite the excellent progress in meeting output targets, there has been limited progress toward meeting the purpose and goal level indicators. The subgrants provided to date under the project have a much higher proportion of small grants than was planned, and while these grants have helped broaden participation of NGOs in public education and policy dialogue, they have often been single event activities that have not demonstrated potential for lasting impact on policies. The larger subgrants have been provided to more established NGOs for in-depth studies/analyses, producing specific policy recommendations disseminated through conferences or mass media campaigns. Actual policy changes achieved to date by the larger grants tend to be targeted, regulatory improvements which, while providing concrete assistance to affected businesses, have not significantly altered the protectionist trade policy environment. Other large grants may have laid the groundwork for certain major policy reform measures, but little has been achieved as of the date of the evaluation (subsequent to the period covered by the evaluation, for example, a major Foreign Investment Law was approved, after direct intervention and support by several NGOs assisted under EPP).

The environment for reform has not been favorable for the project. By the time SRI staff was contracted, subgrant procedures established, and initial subgrants approved, the Dominican Republic was in the midst of Presidential elections. The results of these elections were questioned, leading to a political crisis, strained relations between the Dominican Republic and the international community, and agreement to schedule new elections in 1996. It is now unlikely that major reforms can be adopted before fall, 1996, leaving only 6 to 9 months before the EPP project assistance completion date.

Within the microcosm of Dominican NGO economic policy analysts, the USAID objective of broadening the democratic discussion of and influence on economic policy formulation has been controversial. Since initiation, there has been confusion and conflict over the priority to be given to broad NGO participation in dialogue about reform versus actually achieving "good" economic reforms. It appears that within USAID, relative priority attached to these varying objectives changed over time, particularly with the frequent reassignment of project management. The project's Consultative Council has proposed limiting activities under the project to the preparation, by a small group of experienced, well-credentialed NGOs, of a package of policy reforms for the next GODR, in effect jettisoning the broad participation objective.

A fundamental weakness of the project is that there is no effective Dominican "ownership" or control of it. There is a degree of ownership of specific subgrant activities by those Dominican NGOs that have provided at least 50 percent counterpart funding, but there is no effective counterpart institution responsible for success or failure of the project as a whole. It is hard enough for USAID to attempt to promote policy reform without directly engaging the government in policy

discussions, but even harder to attempt to do so through NGOs without obtaining strong leadership from the Dominican NGO community. In the project design, the Consultative Council was to have had a degree of control over program direction, but this was to be limited due to concern about potential conflict of interest between CC members and subgrant applicants. In effect, the CC was isolated from program direction, and the current environment of controversy grew.

Subsequent to design and start-up of the EPP project, the USAID Mission significantly modified the strategic objective for this sector, emphasizing "increased economic opportunities and benefits for the Dominican majority." Although this shift was not formally introduced into program documents, it led SRI and Mission staff to emphasize grants to grass-roots type organizations. This resulted in criticism by the CC, which considers many of these organizations technically weak and led by individuals ideologically opposed to free market reforms.

Although progress has been made in laying the groundwork for certain policy reform measures and in involving a broad group of NGOs in public dialogue about economic policy, more time would be required than is available under this project to consolidate this process. It is unlikely that the project will reach any of its objectives prior to its PACD.

This evaluation proposes four options for redirection of the project:

- Accept the CC proposal to focus on preparation of a package of legislative measures to be presented to the next government;
- Continue the existing strategy while extending the project time frame and focusing on a limited policy reform agenda;
- Dedicate remaining resources under the cooperative agreement to consensus-building activities during the pre-election period; and,
- Reduce EPP activities to a minimum and conserve resources to assist the new GODR.

Selection from among these options depends on clarification of the USAID project objectives and of the resources available for their implementation.

## PROJECT IDENTIFICATION DATA SHEET

1. Country: Dominican Republic
2. Project Title: Economic Policy and Practices Project
3. Project Number: 517-0262
4. Project Dates:
  - a. Project Authorization: May 29, 1992
  - b. First Project Agreement: June 19, 1992
  - c. Planned Project Assistance Completion Date: May 31, 1997
5. Project Funding: (amounts up to June 30, 1995 in dollars or dollar equivalents)
  - a. USAID bilateral obligations (grant): \$3,114,973
  - b. USAID expenditures and accruals: 1,912,557
  - c. Host country counterpart funds: 1,027,925
6. Mode of Implementation: Cooperative Agreement with SRI/International
7. Project Designers: USAID/Dominican Republic; SRI International; the Council of Economic Advisers (an informal group of Dominican economists created by USAID).
8. Responsible Mission Officials: (for the life of the project to date)
  - a. Mission Directors: Ray Riffenberg, Marilyn Zak
  - b. Project Officers: Ken Beasley, Ben Severn, Kate Varley, Tom Miller, Larry Laird, Efrain Laureano
9. Previous Evaluations: None

## I. INTRODUCTION

### A. Purpose of Evaluation

In June 1992, USAID/Dominican Republic signed a 5 year, \$6,000,000 cooperative agreement with SRI International to implement a program providing matching grants to local Dominican non-governmental organizations (NGOs) to assist them to promote sustained implementation of sound economic policies through policy research, action plan development, consensus-building, public awareness-raising, and networking. The purpose of the project was "to strengthen, deepen, enhance, and make more dynamic the participation of NGOs in economic policy design and sustained implementation."

This mid-term evaluation has been undertaken after 3 years of program implementation. The objectives of the evaluation are to provide a retrospective assessment of what has been accomplished by the project, and to provide a forward analysis of how to best assure project success given the new Mission Strategic Objective: "Increased economic opportunities and benefits for the Dominican majority."

Management Systems International (MSI) was contracted by the USAID Mission in the Dominican Republic to conduct the evaluation. The evaluation team was comprised of three people: Mr. Stephen Wingert, Senior Associate, MSI, Dr. Ben Crosby, Director, MSI, and Dr. Samuel Skogstad, Professor, Georgia State University.

### B. Methodology Used in the Evaluation

The three member evaluation team initiated the evaluation by meeting in Washington, D.C. with CDIE economist, Mr. Jim Fox, who provided background on USAID-funded economic policy projects and a description of methodologies used in analysis of such projects. The team then reviewed project documentation and developed questionnaires to guide the interview process. The team also met with Mr. John Mathison of SRI/Washington, D.C., and with various USAID/Washington officials knowledgeable about the project.

The team began the in-country evaluation on October 30, 1995 with entry meetings with USAID staff, the Embassy economic section, the USAID Director, and the SRI in-country staff. The team then met with all 12 members of the Consultative Council, the eight large subgrant recipients/implementors, and six of the 15 smaller subgrant recipients. Team members also met with various Dominican economists and political leaders to obtain independent viewpoints on the Project, and with the key USAID staff involved with the project. A list of all contacts is included in Annex A.

The evaluation team also reviewed project documentation at the SRI office in Santo Domingo and reviewed implementation procedures with staff. The USAID financial status report was also reviewed and compared with SRI's financial information.

The draft evaluation report and a verbal briefing were provided to the Mission on November 20, 1995. The USAID Mission and SRI International provided comments on the draft report in December, and the final evaluation report was submitted to the Mission in January 1996.

This report is structured in keeping with the six sections of the Statement of Work (SOW) (See Annex B), and responds to each of the specific questions included under each of the six sections of the SOW. As some questions are repeated between different sections, there may be some appearance of redundancy within the report.

### **Acknowledgments**

The MSI evaluation team received excellent cooperation from the USAID Mission in Santo Domingo, particularly from the Results Package Team Leader, Dr. Efrain Laureano. The cooperation of the SRI staff was invaluable and contributed greatly to completion of the evaluation in the prescribed time frame. Finally, the broad array of outstanding Dominican economists and political leaders involved directly or indirectly with the Project gave freely of their time in assisting team members to understand the project and the current Dominican setting. Through the EPP Project, USAID has developed and maintained direct communication with an incredibly knowledgeable, competent, and influential set of Dominican leaders, who are also remarkably diverse in their perspectives.

## II. ECONOMIC POLICY

The following sections summarize an analysis of the economic policy environment and constraints included in Annexes C and D.

### A. Economic Policy Environment in the Dominican Republic Prior to the Project<sup>1</sup>

For the better part of three decades, the Dominican Republic followed an import-substitution development strategy. The strategy assumed that the Dominican Republic needed a period of respite from competition with the more advanced industrial countries. It was believed that careful planning and relief from foreign competition, would enable the DR to gain experience and form capacity in industrial production.

Accordingly, policies were adopted with the express purpose of achieving economic outcomes that would differ from free market outcomes. Most such policies were centered on external trade and finance. The objective was to exclude imports in competition with domestic industry, or tax them so heavily that they were ineffective competitors. This strategy was highly import-intensive, as most of the intermediate inputs for industrial products had to be imported. To assure that the required foreign exchange was available, exchange controls were usually employed that forced exporters to surrender their foreign exchange to the Central Bank (at exchange rates well below market rates) and gave preferential access to the protected importers. Financial markets were directed or induced to provide the required credit, often at negative real interest rates.

Beginning in the 1980's, and particularly at the end of the decade, it became evident that countries pursuing such anti-market policies were, in general, lagging far behind those that had opted to integrate into the competitive world market economy. This is reflected in the broad acceptance of market-oriented policies that can now be seen in countries around the world. The Dominican Republic's 1990 "New Economic Program" and its International Monetary Fund (IMF) Stand-by Agreements of 1991 (19 months) and 1993 (9 months), suggest that it too had decided to move in the free-market direction. Despite some "backsliding" in 1994, these programs moved the DR unambiguously in the direction of freer trade and a more market-directed economy. Of course, following the scheduled May 1996 elections, and the assumption

---

<sup>1</sup> The data cited in this section are, primarily, from two sources: (1) The Dominican Republic: Growth with Equity: An Agenda for Reform, IBRD, May 15, 1995, and (2) Estabilization, Apertura y Pobreza En Republica Dominicana, 1986-1992, by Andres Dauhajre, hijo, Jose Achecar Chupani and Anne Swindale, 1994, Fundacion Economia y Desarrollo, Inc. This latter work was financed by USAID Grant No. 517-000-G-00-2014-00.

of office by the new Government in August, the commitment to the move toward a market economy may weaken. Nevertheless, given the DR's international treaty obligations (GATT, WTO), a retreat into the degree of protectionism of the 1980's is unlikely.

In the Dominican Republic, there was good reason for dissatisfaction with the import substitution approach. Real growth of GDP was below the population growth rate through the decade of the 1980's. In 1989 and 1990 GDP declined, as inflation soared to over 50% in the latter year. (At the end of the year the annualized rate of consumer price inflation was a murderous 80%.)

Moreover, the data in this aggregated form make the economy look better than it was. All during this period, as the domestic-oriented economy was stagnating, there was vigorous growth occurring in the Free Trade Zones (FTZs) and the tourism sector. For the period 1982-1993, the World Bank reports that real growth in the DR, excluding tourism and the FTZs, averaged only 2.5 percent per year while tourism and the FTZs grew at 23.6 percent and over 30 percent, respectively. This duality of economic performance, with the foreign sector dramatically outperforming the domestic economy, undoubtedly helped to undermine the credibility of the import substitution strategy.

The deterioration of the economy followed more or less classic patterns in the 1980's. Excessive government spending relative to revenue, excessive monetary expansion to finance deficits, increasing price inflation, overvaluation of the exchange rate, capital flight, and loss of international reserves were the standard symptoms of an economy seeking to provide for a growing population out of production unable to keep pace with the population growth.

Price inflation and loss of international reserves are symptoms of inappropriate demand management policies. A government that is able to impose sufficient fiscal and monetary discipline can usually bring these symptoms under control. Moreover, such discipline is necessary to achieve stability, and stability is an essential part of an environment that is hospitable to private investment and job creation.

Thus the most urgent "policy reform" needed when the Dominican economy hit bottom in the 1990-91 period was reform of the main elements of macroeconomic policy---monetary, fiscal and foreign exchange policy. However, that set of policies alone could not be expected to restart the economy and set it on a path reflecting the DR's comparative advantage in a competitive international economy. In the period preceding the project, the DR had in place a variety of policy measures designed precisely to prevent that. These policies, which we include in the category of "structural economic policies", were more numerous and much more difficult to correct.

The structural policies which constrain growth of the Dominican economy as well as resolution of chronic poverty issues are typical of an import substitution model, including: high tariffs and non-tariff restrictions on finished good imports, multiple exchange rates favoring import substitutes, foreign currency exchange controls penalizing exporters, restrictions on

capital repatriation, price controls and public subsidies, and regulation of the structure of assets and liabilities and of interest rates charged and paid by commercial banks.

## **B. Constraints to Increased Economic Opportunities for the Dominican Majority**

The current situation in the Dominican economy is mixed. Since 1990, important strides have been made toward opening the economy to more competition. The tariff regime has been simplified and import duties generally lowered. Yet, the degree of effective protection of domestic industry remains exceptionally high, reportedly increasing from 99 percent to 152 percent. Prices paid by consumers on many goods remain punitively high, reflecting the continuing use of policies, regulations and discretionary authority. Invariably, these policies result in higher prices and lower quality to most Dominicans. It is the poor upon whom the most egregious burden of these policies rests.

There are many areas of policy that still distort the economy to the disadvantage of the poor. However, the area of trade policy and administration is probably the area in which policy reform would have the most significant and most immediate beneficial effect on the condition of the poor. Nevertheless, it is not clear that it would be politically possible to reform the trade sector before the fiscal and financial sectors are significantly strengthened.

Taxes on trade are not only a major source of protection for entrenched and influential private economic interests, but are also a disproportionately important source of government revenue. The IMF estimates that trade taxes represent an extraordinary 40 percent of total tax revenues. In addition, high rates of effective protection raise the prices against which other taxes are levied. Finally, the public sector's expenditures include large transfers and subsidies to state enterprises which must be financed until their finances can be put in order. (Public enterprises had overall budget deficits estimated to be equivalent to 2.7 percent of GDP, in 1994.)

The Dominican financial system is also precarious. The system's illiquidity reflects, in part, assets of dubious value. The system's capitalization is well below international prudential norms. Thus a sudden and quantitatively significant reduction of protection enjoyed by Dominican industries could contribute further to the problem by rendering some firms incapable of servicing their debt to banks. This is not offered as a reason not to liberalize the trade sector, but rather as a reason to proceed simultaneously with reforms on all three fronts, and to recognize the interrelationships among them. Trade sector reforms, tax reforms that include a comprehensive reformulation of the tax structure as well as its administration, reform of the expenditure planning and execution processes and, finally, financial sector reforms are the areas of most immediate importance in relieving the plight of the Dominican Republic's poor.

In the Dominican Republic, lists of policy reform requirements abound. The National Association of Business Men and the Foundation for Economics and Development have both produced widely circulated policy reform agendas. The World Bank has produced another agenda in its May 1995 report, "The Dominican Republic: Growth with Equity: An Agenda for

Reform." The IMF's 1995 Article IV Consultation Staff Report includes an implicit agenda for policy reform (particular emphasis on macroeconomic policy) in its macroeconomic scenarios.

The various agendas all point in the same general directions. They differ in areas of emphasis and in the amount of detail they offer, but all identify the need for: 1) More consistent exercise of discipline in fiscal and monetary policy; 2) operation of a market-compatible foreign exchange regime; 3) integration of the DR into the broader international economic system; 4) reform of the banking and financial system and establishment of stronger capital markets; 5) reorientation of the public sector tax and expenditure systems; and 6) strengthening of the public sector's provision of social services, and diminution of the public sector's involvement in economic activities that are more appropriately the domain of the private sector and private market forces. Thus the suggestion above that the trade, fiscal and financial sectors receive top priority would probably be found consistent with the other agendas, particularly those promulgated by general interest organizations as distinct from lobbying organizations.

A specific agenda for beginning to address issues of poverty in the Dominican Republic could be: a) direct measures providing a safety net for the poorest; b) making the public finances sound by focusing government expenditures and energies on genuine public services and infrastructure; by decentralizing to collect inputs from sub-national jurisdiction; by quality projects in education and health; by developing a system of direct, targeted income transfers to the poor in place of wasteful and ineffective general subsidies; by putting together a simple, sensible tax system with clear rules, flat rates and no exemptions, and eliminating punitive taxation of external trade; and c) identifying a small number of significant financial sector reforms.

### III. ACTUAL VERSUS PLANNED PROGRESS

In keeping with the project paper, cooperative agreement, and evaluation scope of work, this evaluation is structured according to old USAID terminology of inputs, outputs, purpose, and goals. Where appropriate, cross-reference will also be made to new concepts emanating from USAID re-engineering; i.e., results packages, performance indicators, and strategic objective indicators.

#### A. Evaluation of Inputs

Findings (Annex E provides greater detail):

- USAID obligation of funds to the cooperative agreement to date has been less than projected. The original cooperative agreement financial plan calls for total USAID obligations to reach \$4,101,813 by 6/21/95. However, total resources obligated to the cooperative agreement as of were \$3,097,289, or 76 percent of planned. (An additional \$17,289 was obligated separately by USAID under the Project through a Personal Services Contract.) Of total planned obligations, \$2,400,000 were to be reserved for subgrants to participating NGOs, but only \$1,521,883 were made available for this purpose, or 63 percent of planned. USAID obligation of funds has been postponed due to slower than expected rate of subgrant approval and implementation, and reduced USAID resource levels. Total actual and accrued expenditures as of June 30, 1995 were \$1,822,491.
- SRI actual and accrued administrative expenditures as of 6/30/95 were near the total amounts planned for obligation to these line items for the first 3 years of the project (despite the 24 percent short-fall in total USAID obligations to the project). The costs incurred by SRI in administering the cooperative agreement (direct labor, benefits, overhead, rent, equipment, travel, communications, and burden and G&A not associated with subgrant activity) as of 6/30/95 totaled \$949,881, or 85 percent of the level of \$1,111,029 in the original obligation plan. The SRI administrative costs are incurred principally to create and maintain an in-country office and staff and cannot be rapidly adjusted to delays in USAID obligations or to the level of subgrant activity.

As USAID has provided incremental funding to the project, it has adjusted cooperative agreement line items to adjust for this reality. In fact, funding has been increased above the planned level for direct labor and benefits, overhead, and general and administrative line items, and by decreasing planned funding for "other direct costs" (principally for pre-award audits) and for subgrants, in addition to reducing overall funding for the project.

- Subgrant activity has been substantially slower than planned. As of 6/30/95, life of project commitments for approved subgrants totaled \$1,043,428, with total expenditures and accruals estimated at \$705,754. As noted above, the total planned obligations as of June 1995 under the cooperative agreement that would have gone to subgrant activities was to have been

\$2,400,000, and actual obligated funds to this line item are \$1,521,883. Two other cooperative agreement line items are directly tied to subgrant activity and were not included in the analysis of administrative costs above. Subcontractors are hired to perform pre-award assessments of all grants over \$25,000, and a consultant services line item is included, presumably to support subgrantees. Expenditures and accruals are 24 percent of the planned level for pre-award audits, and 66 percent of the planned level for consultant services. (For the two line items, combined expenditures and accruals are \$114,056 compared to \$309,471 planned).

In effect, the shortfall in USAID obligations has been applied to the subgrant line item. As will be discussed later, the level of subgrant activity has been reduced by: a) limited number of qualifying proposals requesting large subgrants; and, b) delays in subgrant approval/rejection.

- The ratio of SRI administrative expenditures and accruals to subgrant expenditures and accruals as of 6/30/95 was 1.35 to 1. The original obligation plan included in the cooperative agreement would have resulted in a ratio of administration to subgrants of 0.46 to 1.00. As noted above, this has been caused more by a lower than planned level of subgrant activity than by an increase in administrative costs.
- Total counterpart contributions to the project have been substantially larger than one would expect given the reduced level of subgrant activity. Total counterpart contributions as of 6/30/95 were \$1,017,560, or 72 percent of the planned \$1,404,000 for this stage of the project. Counterpart directly linked to subgrant activity was \$776,778, or 98 percent of planned, despite the fact that cooperative agreement accrued expenditures for subgrant activity were only 29 percent of planned. Most of the higher than expected counterpart is due to the fact that the financial plan assumes that sub-grantees will contribute 25 percent of the subgrant costs, whereas the project has required 50 percent contribution.
- Significant resources remain available for project activities. Of the funds obligated under the cooperative agreement as of 6/30/95, \$1,274,798 remained unexpended, of which \$337,674 are committed to complete subgrants. An additional subgrant of \$75,000 was awarded subsequent to this date, and SRI has continued to incur administrative expenses. It is estimated that as of 12/31/95, net of estimated administrative costs to that date, and providing for full funding for approved subgrants and associated SRI burden and G&A expenses, approximately \$614,000 will be available for project activities. All current subgrants will be completed by the second quarter of calendar year 1996. Of the projected \$614,000 of uncommitted resources as of 12/31/95, \$478,000 are restricted under the cooperative agreement for use on subgrants. The remaining \$136,000 would be sufficient to cover SRI administrative expenses for just over 5 months.

In addition, total USAID obligations under the project are still \$2,885,027 below authorized. Therefore, depending on USAID's ability to fully fund the project, total resources available for future activities are between \$614,000 and \$3,498,000.

Conclusion:

- Investment in subgrants is far less than anticipated at this stage of project implementation, and administrative costs are far higher as a percentage of total expenditures than planned. The total obligation of USAID resources is considerably less than planned for this stage of the project. However, significant uncommitted resources remain available under the cooperative agreement.

**B. Evaluation of Outputs (Results Packages):**

Findings:

- All of the quantitative output targets established for the anticipated 5 year life of project have been met after 3 years of implementation, as demonstrated below (data provided by SRI):

| 6/30/95<br><u>Output</u>                                  | LOP           |               |
|---|---------------|---------------|
|   | <u>Target</u> | <u>Actual</u> |
| · NGO subgrant recipients                                 | 16            | 20*           |
| · NGOs audited or with financial control systems reviewed | 8             | 9             |
| · Newspaper articles printed on project funded activities | 200           | 601           |
| · TV/Radio spots  | 100           | 208           |
| · Participants in training events                         | 1000          | 5,550         |

\* 23 subgrants managed by 20 subgrantees

- The project contemplates one qualitative output; i.e., "Target groups receiving training and assistance shall demonstrate a marked increase in their level of understanding of economic reform and its benefits." The target groups for the project, according to the project paper, include consumers, entrepreneurs, exporters, savers, and investors. The project does in fact focus on these target groups (few Dominicans would fall outside of these groups).

Some of the NGO subgrant recipients included survey instruments as part of their programs, but most were intended to measure the degree of satisfaction of the participants with the way seminars or programs were carried out, rather than measure impact. Asociacion Pro Fundacion de Estudios Dominicanos (APROFED) gathered information on attitudes toward privatization of the Consuelo sugar mill among workers, colonos, and communities near the mill, and showed a positive change in these attitudes after the project. ACOPRO gathered information

during its programs on attitudes toward the government electric company and options for privatization.

However, insufficient information is available to adequately assess the change in knowledge of program participants before and after subgrant activities were carried out.

- Although the quantitative output targets established for the life of project have apparently been met, the output targets may not be sufficiently defined to assure that by meeting them the project is likely to succeed in achieving the anticipated end of project status. The following factors contribute to this concern:

- As will be described later, the project's Consultative Council was to establish a sharply focused priority policy agenda, and only subgrant proposals addressing these priority issues would be approved. The actual agenda approved by the Consultative Council was very broad, capable of encompassing most any proposal submitted. Seventy-four specific policy areas, grouped around three themes, were cited as priorities. As the subgrants approved can address a wide range of policy issues, attention is not focused where it might have the greatest impact. There is some concentration on the trade liberalization agenda (7 subgrants), and expenditure/tax reform (5 subgrants). Privatization is addressed under 3 subgrants and decentralization under 2. Remaining grants focus on social security reform, housing issues, land titling, Constitutional reforms related to the economy, and general economic advice to the Congress.
- In order to maximize impact, the original project design contemplated concentrating resources on a limited number of fairly large subgrants, with few small grants (under \$25,000) and none under \$10,000. Of the 23 executed subgrants, 8 are greater than \$25,000, and 14 are \$10,000 or less. Many of the subgrants consist of co-financing for single event seminars or workshops. While these events appear relevant to the project's purpose of promoting broad debate of economic issues, they likely have had only limited impact on achieving policy change. The proliferation of small subgrants reportedly results from fewer than planned large subgrant proposals, and calls into question whether the quantitative output objective has in fact been achieved.
- To achieve the impact on the project purpose and goal, the subgrants must be carried out in a technically competent manner, and achieve some degree of broad based discussion of the issues related to market oriented economic reform. There is considerable controversy concerning whether the project is in fact funding technically competent activities focused toward the project purpose and goal. These issues will be addressed in later sections of this report.

Conclusion:

- While the project has met the quantitative and qualitative output targets defined in the log frame, the concentration on a disperse set of policy issues through a number of very small subgrants is not in keeping with the project design, and actual impact of the outputs may be less than originally intended for an equivalent number of outputs.

**C. Project Purpose and End of Project Status (Performance Indicators):**

- The end of project status as defined in the project paper envisions concrete improvement of the economic policy framework in the Dominican Republic, increased knowledge of economic issues among the general population, and institutionally strengthened NGOs capable of continuing to engage decision makers in efforts to improve the policy framework.
- The 3 year period covered by this evaluation includes the period leading up to the controversial 1994 Presidential election, the political crisis following that questioned election, and the period leading to the 1996 election. It is extremely difficult in a period such as this to achieve approval of significant, concrete measures to modernize economic policy. It may, however, be possible to sustain activities that improve NGO competence in addressing these issues and increase popular debate of economic policies.
- Although the performance indicators are established for the end of the project, and in general do not include quantitative targets, SRI has attempted to quantify impact of the program to date. The following sections will discuss each indicator and SRI's indication of impact:

**1. Significant impact improving economic policies in areas identified by the Consultative Council**

- The analysis presented below of the impact to date of subgrant activities on economic policy, while directly tied to the first performance indicator for project purpose achievement as identified in the project paper, really relates more to the project goal as a strategic objective indicator than it does to the project purpose. That is, the goal of the project is adoption of and adherence to sound economic policy, the purpose is "to strengthen, deepen, enhance, and make more dynamic the participation of NGOs in economic policy design and sustained implementation." The adoption of sound policies is the "what should be achieved" of the project, and involvement of NGOs is the "how to achieve it."

Findings:

- SRI indicates that six NGOs have achieved 30 improvements in economic policies or regulations related to areas identified as priorities by the CC. According to SRI, the other 14 NGOs have had no concrete impact on improving policies as of this stage of the project.

- Fourteen of the 30 policy changes reported by SRI were achieved by one organization, Asociacion Dominicana de Exportadores (ADOEXPO). The policy or regulatory changes achieved by ADOEXPO represent reductions in specific export taxes or fees, improved customs procedures, increased exporter control over foreign exchange proceeds, and increased access under quota to the European banana market. As a whole, these are targeted improvements which, while providing valuable, concrete assistance to businesses involved in export activities, do little to change the general trade policy framework.

It should be noted that the original ADOEXPO proposal contemplated achieving passage of legislation formally adopting a new, export-oriented trade policy, and this has not happened. ADOEXPO did draft such a law, but the GODR Secretary of Commerce and the President's Office disagreed with certain articles, and it was never submitted to Congress.

ADOEXPO unilaterally canceled the subgrant after expending only 46 percent of committed grant funds, arguing that they counter part contribution had effectively "decapitalized" the organization.

- Six of the SRI reported policy changes were achieved by the Consejo Nacional de Hombres de Empresa (CNHE). These changes related to creation of a unified position by CNHE concerning efforts by the Dominican Republic to associate itself with the various free trade zones that are developing in the region, in preparation for the Latin American Free Trade Area by 2005. This position has been shared with the GODR, and reportedly is influencing public sector trade policy. This is a potentially important activity in relation to increased public participation in economic policy, but has not as yet been translated into concrete economic policy improvements.
- Four of the SRI documented policy changes relate to activities by the Centro de Orientacion Economica (COE) in its role under its subgrant as advisor to the Dominican Congress. Through its activities, COE influenced the language of and assisted in obtaining approval of laws concerning foreign investment, education reform, external debt renegotiation, and approval of Dominican membership in the World Trade Organization. It has also reportedly influenced the yet to be approved general electricity law and other important measures. Finally, COE has played a key role in laying the ground work for passage of the Foreign Investment Law in November 1995.

While some economists we interviewed criticized the COE interventions as biased in favor of special interests, or of having only a marginal role in obtaining adoption of these measures, we believe that this activity has had an important, positive impact on policy.

- The Asociacion Pro Fundacion de Estudios Dominicanos (APROFED) has reportedly achieved three policy changes. APROFED has negotiated an agreement between the Consejo Estatal de Azucar, and workers and farmers associated with the Consuelo Sugar Mill, to proceed with privatization of the mill. In the process, APROFED has obtained

greater consensus between the three sectors in favor of privatizing the entire state sugar industry, and APROFED has submitted a subsequent request to SRI to fund this larger endeavor. This activity appears to have increased acceptance of privatization, but it has not yet been translated into formal adoption of specific policy changes that would put the process into effect.

- The CNHE, with technical support from the Fundacion Siglo XXI, also sponsored a tripartite analysis of the Dominican Republic's social security administration. This process has involved considerable public participation and has led to a common strategy, agreed to by the GODR social security institute, labor, and business leaders, to reform the sector. It is hoped that legislative measures to implement this strategy will be adopted following the next presidential elections.
- Finally, the Centro de Investigacion y Economia Aplicada (CIEA) has carried out a small subgrant that sponsored a series of seminars that resulted in the incorporation in the GODR expenditure budget of its external debt payment obligations.

#### Conclusion:

- In summary, few of the EPP-supported subgrants, at this mid-point of project implementation, have resulted in adoption of the type of economic policy improvements envisioned in the project design. However, several of the projects appear to have established a basis for such policy changes in the future.

## **2. More/strengthened channels for public opinion to reach GODR on economic issues**

#### Findings:

- The subgrants funded under EPP can be divided between: a) large grants (generally \$90,000-200,000) which typically funded in-depth studies/analyses, sometimes involving sectors in conflict, and producing specific policy recommendations disseminated through conferences or mass media campaigns; and b) small grants (generally under \$10,000) which typically funded one or several public seminars or workshops that were designed to increase knowledge about a particular economic issue either among the general public or a specific segment of the population.
- The large grants have generally been provided to organizations (CNHE, JAD, ADOEXPO, COE) that either directly represent established interests or are in effect consulting firms/think tanks associated with such interests. These "established interests" in fact already have the ability to influence the direction of economic policy in the Dominican Republic, but through provision of the subgrants the EPP has assisted these groups to: a) deepen the quality of economic analysis available to them and as a result broaden their own thinking concerning reform; b) directly engage other stakeholders in policy analysis and begin development of

a consensus that will facilitate adoption of reform policies; and/or, c) increase public awareness and perhaps acceptance of the favored reforms. One must conclude that these subgrants probably do strengthen channels for opinion of a segment of the population to reach the GODR on economic issues.

- Two exceptions exist to the general classification of large grants described above. APROFED and IDDI are NGOs that have a more popular sector base and would not normally have ready access to GODR decision makers concerning economic policy. APROFED has successfully used subgrant resources to broker a potential privatization strategy between the GODR state sugar industry and labor and farmer groups associated with that industry. If APROFED is able to further broker this strategy with central GODR decision makers and other interest groups, a new NGO channel will have been successfully supported under the project. Similarly, IDDI has used subgrant resources to promote greater understanding of economic issues among community groups in the poor barrios around Santo Domingo, focusing specifically on the budget process that dictates resource flows and public services to the barrios. It is not clear yet whether IDDI has also been able to create channels through which the community leaders can effectively translate this increased understanding into influence on policy decisions.
- The smaller subgrants have provided assistance to a wide range of organizations, most of which are not associated with groups that have traditionally influenced formulation of economic policy in the Dominican Republic. To this extent, these subgrants do appear designed to create "more...channels for public opinion to reach the GODR." In some cases the seminars supported under the subgrants involved direct discussion between popular interest groups and public sector decision makers, but it is unclear whether these exchanges represented interesting exchanges of views or went further to actually influence policy thinking. As the small subgrants usually funded very few actual events, there is also no evidence that these subgrants have strengthened channels of any permanence, which is integral to this performance indicator.
- Have participating NGOs been strengthened institutionally and in their effectiveness in promoting sound economic policy changes? We must assume that generally the organizations have gained experience in preparing proposals required by international donors, and in implementing activities that were broader than those that they had typically carried out previously. In addition, passing through the rigors of a USAID financial management review and undertaking the necessary budgetary/accounting improvements strengthened the organizations. Finally, the in-country SRI staff was frequently praised for the variety of informal support provided to the NGOs. However, we were unable to ascertain any specific assistance directed at improving the efficiency of the participating NGOs as organizations, as an integral part of the subgrants.

Conclusion:

- At this mid-term point of project implementation, it appears that the project is effectively pursuing the performance indicator of "more/strengthened channels for public opinion to reach GODR on economic issues." However, while we can argue that already existing channels have been strengthened by experience gained under the project, it is too early to determine whether additional channels have been created. Success in this latter effort will probably be dependent on evolving political changes in the Dominican Republic, and may require more time than available in the life of this project.

**3. Better-informed populace on economic issues, as measured by surveys of participants in project seminars, workshops, etc.**

- As described in Section III.B. above, no surveys have been conducted under the subgrants to measure the change of knowledge among program participants. Considerable data was gathered by some organizations which describe the individuals attending the programs, but not the impact of the program on them. We can assume that some degree of positive impact has been achieved, but in the absence of data cannot evaluate it.

**4. Size of dues-paying membership of the 15 most active of these NGOs increases by at least 5 percent per year**

- Two NGOs (CNHE and ADOEXPO) had gains of more than 5 percent in membership. Most NGO subgrant recipients are not membership organizations, however, and this indicator was not relevant to them.
- In the case of APOEXPO, we were specifically informed that the activities of the project led to a membership increase substantially less than planned, and did not result in sufficient, increased dues collection

**5. At least 16 NGOs are developing position papers and working to bring about sound and feasible GODR policy modifications each year. This number is increasing by 2 each year**

- It appears that there were more than 16 NGOs already "working to bring about" such modifications before the project started. However, whether the policy modifications they supported were "sound and feasible" in most cases is open to debate. Certainly the 20 NGO subgrant recipients existed before the project began (a criterion for participation is existence for at least 1 year). The real issue is whether their efforts are having an impact. This was analyzed in detail in above.

**D. Project Goal and measures of goal achievement (strategic objective indicators)**

- The goal of the project is "the adoption of, and adherence to, sound economic policies that promote investments, productive employment, and export-led economic diversification." There has been some controversy concerning the definition of what is a "sound" economic

policy. We understand the Mission's definition of "sound" policy, as policy leading in the direction of freer trade and greater reliance on market forces in the allocation of resources.

- As was described in the analysis of purpose achievement above, the EPP project has had limited impact on adoption of economic policy reforms at this stage of implementation. In fact, the Project Paper Logical Framework identifies specific policy reform targets; i.e., trade, taxation, banking, and investment, which were never formally identified as specific targets in the cooperative agreement. Instead, the identification of priority policy issues was to be left to the CC, and as the CC proposed a fairly inclusive list, subgrants have been awarded for a wide variety of activities. As noted above, the principal focus of subgrants has, in fact, been trade, and taxation issues have also been addressed but usually in relation to lost revenues from trade reform. No major policy reforms of clear, quantitatively-significant benefit to the general interest can be directly attributed to this project.
- The second indicator identified for goal achievement, "more support for economic reform among Dominican populace," was to be measured through polls of business and citizen attitudes and opinions. No such polls have been carried out under the project to establish a base or to measure impact to date.
- The third measure, "macroeconomic indicators specified by the Consultative Council," cannot be evaluated as the CC has not identified any such measures. As discussed in the Section II, Economic Policy, the Dominican Republic has succeeded in achieving an acceptable degree of price stability, fiscal constraint, and exchange rate equilibrium, and has been able to sustain moderate growth. Economic issues have more to do with structural issues of poverty and rigidities that limit growth of trade and investment, rather than purely macroeconomic concerns.
- Subsequent to design and start-up of the EPP project, the USAID Mission significantly modified the strategic objective for this sector. It is now defined as "increased economic opportunities and benefits for the Dominican majority." Even though the cooperative agreement was not modified to incorporate this change, it has had an impact on project implementation. Almost all of the subgrants approved since modification of the strategic objective have gone to small, often grass-roots, NGOs that focus on directly bringing the interests of the Dominican majority to bear on the debate of economic issues. However, as the analysis in Section II argues, increasing opportunities and benefits to this population can most effectively be achieved by actually modifying the policies which harm them. Mere participation in a variety of short-term events may be of no benefit if the policy constraints remain unaffected.
- Impact on women: There was no specific analysis included in the original project design of the possible differential impact of the project on women. SRI has, in its mid-term project review, argued that as women-run households and microenterprises are particularly victimized by the existing policy environment, then the policy reforms pursued by the

project, if achieved, will greatly benefit this target group. They also note that certain subgrants; i.e., ADOEXPO, JAD, and IDDI, have particularly sought to focus benefits on women. This data appears anecdotal, however, and it would be useful for SRI to include disaggregated data on project participation by women in its quarterly reports.

## IV. PROJECT ADMINISTRATIVE STRUCTURE

### A. Role/Performance of the Consultative Council

#### Findings:

- The Consultative Council, composed of 12 members, has met 32 times since the inception of the project. It was most active during the early months of the project, although rarely have all members attended meetings. The Council was expanded from an original six members to its current level in September 1993.
- The Consultative Council has not functioned as originally anticipated in the project paper. According to the project paper, the CC was to meet annually (through several meetings) to discuss and decide on a set of priority issues to be addressed in the assignment of subgrants. At the beginning of the project, the Consultative Council did follow this model and met several times in order to develop a document to serve as a guideline for subgrant selection. According to several of those then present on the Council, however, the document was ignored by both USAID and SRI, while others point out that the original set of priorities identified by the CC were so broad that any activity could be justified.
- Almost all members of the current Consultative Council are dissatisfied with the Council's marginal role. The dissatisfaction has reached a level where several members argue that the Council "no longer exists". Others have said that if the role does not change, they will resign. The dissatisfaction over the role of the Council appears to have reached a crisis point over the last several months.
- According to several members of the Council, the meetings serve as a mechanism to get together to discuss interesting themes but have no more purpose than that. Several members expressed their dissatisfaction that they had "never seen a single proposal" and had only recently begun to receive meeting minutes. The original concept of the CC's role, limiting it as a body to identify overall policy priorities, was intended to avoid potential conflict of interest in actual project selection, since many CC members were expected to apply for subgrants. Originally, subgrant selection was to be carried out by a separate committee, but this entity was abolished early in the project.
- Several interview subjects observed that the Council has grown increasingly argumentative. In at least one case, tensions within the Consultative Council have caused member(s) to stop participating on the Council. In part, the tensions appear to arise from the concern among a majority of the Council that the project is not pursuing a "market-oriented" approach to economic reforms, and a tendency for some Council members to engage in personal criticism of subgrant recipients and to some degree of program management.

- There is a predominance of CC members who appear to place greater emphasis on assuring that the project supports activities emphasizing market approaches to economic issues, rather than on assuring that there is broad participation in economic policy debate. Most Council members believe the debate and dialogue of the project was meant to promote how to implement pro-market, pro-trade policies, not whether to implement them. The composition of the CC, in fact, is not balanced among the broad range of viewpoints involved in the economic debate currently underway over whether to reduce protectionist policies or not. It should be mentioned that some observers feel this is justified because of an under-representation of those arguing for market-oriented reforms to the DR's problems in the media and other forums.

#### Conclusions:

- If the Consultative Council was to be the Dominican "link", or the mechanism for representing host country views and for providing local ownership, it is clearly not working. The Consultative Council feels no ownership of the project -- instead, it is a project that is clearly in the hands of USAID and SRI. If there are Dominican "owners" of this project, they are the subgrant recipients, but they really only own their specific grant concept, not the overall project objective.
- The Consultative Council clearly is not functioning. It has no role other than that of, as one member said, "a club". The role that was spelled out for it in the project paper has not materialized.
- As currently constituted, the Council does not have a representative balance of economic policy interest groups, as was called for in the project paper. As will be discussed further, if the project's purpose remains valid (to strengthen, deepen, enhance, and make more dynamic the participation of NGOs in economic policy design and sustained implementation), for the consultative Council to play a real role it will need to be reconstituted to restore balance of viewpoints and approaches.

The initial proposal for formation of the CC contemplated drawing participants from fourteen sectors, such as: small businesses, large businesses, importers, exporters, bankers, capital markets, foreign investors, agro-industry, domestic industry, labor unions, community and consumer groups, political technocrats, etc. This list is not fully representative, as it does not include universities or economic think tanks, and some of these interest groups share viewpoints to an extent that one could represent several, but this list does portray a group more likely to pursue the stated project purpose.

#### **B. Subgrant Award Process**

##### Findings:

- The project participation manual appears to be applied rigorously. The manual was revised earlier this year in order to streamline and to make it somewhat more user-friendly. The local director of SRI indicates that the participation manual and the proposal evaluation criteria established for judging proposals constitute the major guidelines for selection of subgrants.  
Selection criteria are not considered entirely transparent by several subgrantees. They believe that the participation manual and the proposal evaluation criteria are only part of the actual decision criteria employed by SRI and USAID for selection of projects. They allege that at times, decisions are made based on other than strictly technical or competence criterion. These decisions are seen as opportunistic and give the impression of being ad hoc. As with other issues with the project, this one may be related to the confusion concerning the project's objectives.
- The application process is universally perceived by the NGOs as overly and unnecessarily lengthy, bureaucratic, time-consuming, costly, and complicated. Most applications have taken no less than six months to fully process and have averaged over one year for approval. Most NGOs do not understand why the process takes so long. At least one important economic policy NGO has refused to participate in the project simply because they feel the process is too bureaucratic and costly.

It should be added that the larger subgrants tend to take the longest to approve. This has serious implications for administrative costs to disbursement ratios, since it is the expedient approval of the larger projects that contributes most to economies in the disbursement process. The fact that such projects are slow to approve and that the Contractor, in some cases, has little control over important parts of the approval process, tends to make the Contractor look inefficient.

- Some of the sub-grantees found that the participation manual was not particularly clear (one of the areas criticized was use of the logical framework.) However, the same respondents also said that Mr. Eman-Zadé was particularly helpful and patient in answering questions and in helping them to better understand the Manual.

Two factors appear to be largely responsible for the lengthy approval process: First, errors committed in preparation of the proposal documents caused them to be returned to the proposer for correction -- in some instances this occurred several times before the proposal was deemed acceptable -- and as the NGOs often lack adequate administrative staff, these corrections are not made quickly; second, the lack of clear and agreed upon criteria for final approval by SRI and the Mission certainly contributed, in some cases, to slowing the process through lengthy consultation processes.

Conclusion:

- As a mechanism for developing discipline and improving proposal presentations, the participation manual appears to be a useful, if somewhat tedious, mechanism.

However, as a mechanism for selection of subgrants, the fact that no two subgrants are the same and therefore not particularly comparable, limits its usefulness. Moreover, since decisions for actual selection are made based on conversations between SRI and USAID, at times using criteria not necessarily contained in the Participation Manual, the transparency purposely developed by the Manual is eroded.

### **C. Requirement of 50% Counterpart Funds, Delays in Voucher Processing, and Policy Against Project Advances**

#### Findings:

- Financial issues in project selection and implementation, including the 50 percent counterpart fund requirement, policy against provision of advances, and delays in voucher processing under the project were the aspects most criticized by each of the subgrantees. These problems, particularly the counterpart requirement, were also mentioned frequently by members of the Consultative Council as obstacles to greater interest and capability for solicitation of subgrants.

One NGO stated that the counterpart requirement, and the fact that the organization had to borrow funds at high interest rates to cover activities during long delays in reimbursement, were responsible for the de-capitalization of the organization. It had to cash in coupon-bearing certificates of deposit in order to meet project requirements and financing, and has now been left without working capital.

- The more resource-endowed organizations (such as CNHE, AIRD, JAD, and ADOEXPO) said that the counterpart presented serious burdens to their organization but also observed that the burden would be far more difficult for the smaller NGOs.
- One highly respected organization has decided not to request a subgrant to assist with preparation of trade reform legislation, as the subgrant counterpart requirement would force it to seek co-financing from private sector sources, which would then dictate the direction of reform.
- There were instances where an initial proposal was rejected for lack of clear counterpart funding sources but we were unable to verify whether or not the counterpart requirement actually had an effect on the quality of any proposal submitted.
- Several organizations stated that SRI was very helpful in explaining the counterpart requirement and the mechanisms available for calculating the subgrantee contribution, but SRI was also criticized for delays in reimbursements.

- Although the counterpart requirement is criticized, no one suggested that it be eliminated, only reduced. The 50 percent level stipulated is perceived as too high and inflexible. It should be mentioned, however, that according to SRI's calculations, the overall level of counterpart contribution was actually around 55 percent. It would seem that most organizations actually surpassed the 50 percent required level.
- All of those interviewed agreed that for the smaller NGOs, greater flexibility in the counterpart should be granted. That demand has apparently been remedied through the small grant window. The decision to consider "proactive" grants with no counterpart also partially responds to concerns about counterpart.
- It was not evident from the interviews with the subgrantees whether or not the pre-award evaluation process was useful. Rather, it appears to have been bundled with other processes and viewed as one other element of a slow and highly bureaucratic process.
- SRI has revised its procedures and processes for subgrant proposals and claims that it will significantly speed the process. However, the new process has yet to be tested, since its adoption coincided with the decision to suspend subgrant approvals pending this evaluation. SRI's claims to improvements remain to be seen.

Conclusion:

- The requirement of a 50 percent counterpart, policy against provision of advances to subgrantees, and delays in reimbursement of expenditures have seriously weakened program implementation and reduced the universe of NGOs that are attracted to the project. Efforts to remedy these issues have yet to be tested.

**D. Potential to Accomplish Project Objectives**

- A more proactive approach might be more effective in improving the quality of proposals, since USAID/SRI (or some other decision-making mechanism) would be required to more clearly state the criteria for an acceptable study. Achieving national impact would depend on: a definition of national impact, the group selected to carry out the activity, the ability of the group to access and then actually influence the correct decision-makers, and the congruence of the activity selected and implemented with the agenda of those policy decision-makers.
- Accomplishment of increased participation in the national dialogue would depend on the issues to be addressed by the activity, the group selected to carry out the activity, and the group's interest in expanding the dialogue beyond the normal set of "dialogue actors". It should also be pointed out that several respondents during the evaluation expressed skepticism over whether any activity can achieve national policy impact (as gauged by real

changes in policy). They indicated that it will be extremely difficult, if not impossible, to accomplish significant reforms over the next months leading up to the election.

#### Conclusion:

- It is difficult to estimate or evaluate the likelihood of accomplishment of project objectives under the current design -- mainly because of lack of clarity and agreement on a set of objectives. Under the current management practices, the project will be unable to fully expend its authorized levels for subgrant disbursements. To that extent the possibilities of achieving national policy impacts are seriously reduced. Likewise, if subgrant resources are not utilized, the project objective of increasing participation in the economic policy debate will be less likely to be fully achieved.

#### **E. Role of USAID in Project Implementation**

##### Findings:

- USAID's primary role in the project is to concur or decline to concur with subgrant proposals, based on review first of initial concept papers and then of two-page summaries of the final proposals. These decisions were to be based on an analysis to determine if the subgrant approvals had been made using the pre-established selection criteria. USAID was also to concur or decline to concur with the composition of the Consultative Council and the Activity Selection Committee, and to review and comment on annual work plans and quarterly reports.
- The failure of the Consultative Council to set a focused priority policy agenda, and the elimination of the Activity Selection Committee, resulted in an increased role for USAID in the project. Weekly meetings between the SRI team leader and the USAID project manager were reportedly used to encourage or discourage certain types of subgrant proposals. Also, USAID decisions to withhold concurrence with some subgrant proposals, after having concurred with the initial concept papers, has led some project participants to question the Mission's consistency and objectivity.
- USAID modified the definition of the strategic objective which guides EPP project activities in April 1995, although it had in fact begun this change at least 6 months previously. Emphasis was switched from "promote sustained implementation of a governmental program of economic stabilization and structural reform needed to attract private foreign and domestic investment in key areas of economic opportunity," to "increased economic opportunities and benefits for the Dominican majority." This shift of strategic focus was never formally incorporated into the project, but has apparently been applied by USAID and SRI in selecting subgrant activities.

- USAID project management responsibility (now results package team leadership) has been reassigned five times during the 3 years of project implementation. The absence of established priorities against which to judge project proposals, shifting USAID strategic focus, and the ambiguity concerning allocation of priority between the project goal's emphasis on "good" policies and the purpose's emphasis on broad participation, may have resulted in variable treatment of project proposals as project managers have changed.

Conclusions:

- USAID has had a more direct involvement in project implementation than was anticipated or is normal under a cooperative agreement. Project participants do not view USAID participation as consistent nor necessarily objective, and this has contributed to, rather than diminished, controversies related to the project. The initial project design, which envisioned the Mission as "half-a-step behind" and responsive to the Dominicans, who would define and pursue the reform agenda, has not been implemented.

## V. PERFORMANCE OF PRIME GRANTEE, SRI INTERNATIONAL

### Findings:

#### A. Management of the Cooperative Agreement

- SRI participated in the initial concept development for the project, and has demonstrated clear awareness of project objectives and of the Dominican environment for the project. It was quick to staff the positions funded under the project, and has responded rapidly to changing conditions in the project over time. The technical quality of the SRI in-country staff is excellent, and subgrantees frequently praised SRI for its efforts to assist them with their activities. Files are complete and up to date, project documentation appears to be complete and is easily accessible, and the level of equipment available to staff is adequate and in satisfactory working condition.
- There does not appear to be obvious bias or favoritism toward one group or another. In one case where the SRI project manager was indirectly linked to an organization under consideration for a subgrant, he recused himself from the analysis and selection process. Likewise, there did not appear to be any bias or favoritism in the promotion of the project. Although the largest of the grants were given to prominent organizations, given the conditions and requirements for qualification prescribed in the manual, such "bias" is predictable and probably unavoidable. There seems to be a wide range of organizations represented among those soliciting subgrants. The evaluation team found no evidence of conflict of interest. SRI is to be congratulated for maintaining both objectivity and balance under occasionally rather difficult circumstances.
- Subgrantees consistently criticized the complexity of the grant application procedures; the long periods (on average 13 months) required for subgrant analysis and approval; the requirement that subgrantees cover half of the cost of subgrant activities; and the absence of advances that requires NGOs to fully fund the activities up front and then wait for reimbursement. While steps have been taken to design measures to accelerate this process, SRI appears to have been slow in seeking improvements, and adoption of reforms only occurred in conjunction with the USAID re-engineering process. SRI argues that the delays in subgrant approval are due to inadequate staff in the NGOs, not to delays by SRI itself. Even if true (which it probably is), the delays remain a significant design weakness that have seriously impeded achievement of project objectives.
- In addition to in-country staff, the cooperative agreement funds one-third salary of an SRI professional staff person in Washington. This person provides close implementation monitoring of the program, and approves all concept papers and subgrant proposals before they are submitted to USAID. In addition, all requests for disbursement must be approved by this official and his superior in Washington (there is no direct charge for involvement of

the second official), before being forwarded to SRI/California for payment. Although procedures have been established which appear to expedite this layered approval process, it adds to project cost.

## **B. Subgrant Monitoring and Maintenance of Data Banks**

- The cooperative agreement requires the SRI to "assure the collection of adequate base-line data from which to measure project progress. The base-line data will include economic, sociological, and public-opinion data." No base line data or data banks on macroeconomics and economic policies in the DR have been created or maintained. SRI in-country staff has access to and tracks considerable information and data on the status of the economy, but has not organized this information in an accessible format.

It is not clear why the grantee should have the responsibility for developing and maintaining a data bank. It would seem to be more appropriate if this service were undertaken by an organization with more permanence than the project's grantee.

- Although some of the sub-grantees have attempted to use simple questionnaires to assess satisfaction of participants with specific activities, it appears that most activities lack established procedures for assessing performance and impact. SRI staff does closely monitor subgrant performance, attends scheduled events, and reviews project files maintained by sub-grantees, and sub-grantees consistently praised the support they received from SRI. SRI quarterly reports tend to be statistical compilations of reported activities, but provide little analytical substance on performance. A detailed midterm project review report was prepared by SRI, and proved of great assistance to the evaluators.
- SRI conducts formal quarterly interviews (using a structured format) with its large sub-grantees both to analyze progress toward completion of subgrant objectives and to gauge impact as activities progress. These impacts are then reported in SRI's quarterly report to USAID. It was not clear to the evaluation team how useful these interviews were/are for detecting implementation problems. Progress monitoring is not done with the small grants -- most of these are one or two event grants and are reviewed when activities have been completed.

## **C. Networking with Other Country Experiences**

- Both Washington and Dominican-based SRI staff indicated that they have long favored a more proactive role in the project, identifying specific policy issues for review, and undertaking analyses and seminars using outside experts. They indicated that these proposals have not been approved by USAID officials, although the cooperative agreement has been amended recently to provide for limited proactive activities.

- To date there has been limited involvement in the project of individuals from outside the Dominican Republic with experience with economic policy reforms similar to those now being promoted in this country, and there has been little effective networking of domestic NGOs with sources of experience and specialized technical advice from outside. The ability to provide such assistance is one of the principal justifications for the cost of involving a center of excellence like SRI in management of this project. One of the principal reasons for under-utilization of networking by Dominican NGOs under the project is the fact that they must contribute 50 percent of the total subgrant cost, and contracting international consultants can be extremely costly. Consideration might be given to excluding these costs in calculating the counterpart requirement.
- SRI's mid-term project review contains an appendix which is a lengthy list of Latin American non-governmental organizations (and contact persons in each of those organizations) with interests in economic policy analysis and reform. This list could serve as a valuable resource for the project.

#### **D. Selection of NGOs and Policy Priorities**

- SRI's mid-term project review report includes a list of NGOs that were originally pre-qualified to participate in the project, and a comparison with those that are now considered qualified. It is unclear what "pre-qualification" means in this case, as it is independent of financial review information. It is unclear what this classification has contributed to the project.
- Some of SRI's decisions in recommending approval of specific subgrants have been controversial, as certain members of the Consultative Council have considered these subgrants to be technically misdirected. As SRI has sought to reach out and provide small subgrants to a broader group of NGOs, in response to the USAID shift of strategic objective, it has had to gamble on service providers that have not previously participated in the program. The evaluators believe that SRI has performed appropriately under the circumstances. It appears that the remedy to this controversy lies in clarifying the project's objectives among all project participants.

#### **Conclusions:**

- While SRI rapidly initiated implementation of the cooperative agreement, and has provided effective support for the NGO subgrant proposers and recipients, the level of SRI technical involvement and costs (although in keeping with planned levels) appear excessive for the level and type of subgrant activity that has developed. This is particularly true considering the near total absence of networking and outside technical input to the local NGO activities.

- The subgrant process has been slow and costly for participants, and this has decreased the number of organizations participating in the project. Efforts to remedy this problem were developed late and have yet to be tested.

## VI. PROJECT DESIGN ASSUMPTIONS

### A. Relevance of Graham Allison's Model III to the Dominican Republic

- The Dominican political environment is currently characterized by a highly centralized decision-making process. However, most of those interviewed feel that the next President will be unable or unwilling to maintain the same degree of central decision-making power as has been the case with President Balaguer. It is generally agreed that the next President will not have a solid majority, and will be forced to construct a political coalition based on exigencies produced by a run-off election. Regardless of who wins the next election, there appears to be agreement that management of conflicting political interests will be an extremely important but much more difficult task than it has been for the current administration.

The Allison model argues that policy decisions are made on the basis of political bargaining derived from the need to balance political interests and to generate and maintain political support for the policy decision-maker. Deals are made; bargains are struck. If policies are to be implemented, then critical interests must be made supportive and potential opposition must be compensated or neutralized, so that there may be consensus. In so doing, trade-offs will be made, of which may not suit those who maintain strict adherence to one set of tenets or another.

In the particular case of the Dominican Republic, most of those interviewed argued that the DR's characteristic fragmentation will continue. Therefore, it is most likely that the next set of policy decision makers will need to strike deals and learn to make trade-offs. The DR's policy making process, if successful, will be based on bargaining and consensus building, conditions which closely parallel those found in Allison's Model III.

- Most of those involved in the project are unfamiliar with the Allison model and/or do not appear to understand how it applies to the project. At the same time, there does not seem to have been any serious effort to try to either explain or to apply the model directly and consciously.
- It can also be observed from the interviews that there is an implicit acceptance or rejection of the Allison model as a construct for project implementation between the DR's competing approaches to economic policy reforms. Those advocating project activities based on a phased reform package appear to implicitly accept the premises of Allison's Model III, whereas the more strict adherents to an internationally open, market-driven approach part

from premises based on a more centralized, top-down policy formulation process, one more consistent with Allison's Model I.

#### Conclusions:

- It appears that the Allison model will become more, rather than less, relevant under the next government.
- Although the Allison model will continue to have a high degree of relevance under the next government, at this point it is not understood by the stakeholders as an underlying criterion or assumption of the project.
- Some project participants would argue that the deal-making process in final decision making is a given, but that the project should fund technically correct policy definition to provide a "sound" starting point, rather than present compromise positions that would later be further weakened.

#### **B. Existence of Competent NGOs**

##### Findings:

- Although there are many more than 16 NGOs in the Dominican Republic that are focused on economic policy (or which have, at least, a major focus on economic policy), there is considerable disagreement among those interviewed as to whether these are 1) technically competent, and/or 2) capable of avoiding special interests.
- Among many of those interviewed, judgement of technical competence is often biased by whether or not the evaluator sees the other as agreeing with his/her own particular approach to economic issues. Certainly, some subgrants are guided by individuals whose technical credentials are superior to others, but these individuals may be less competent at communicating to divergent interests and building consensus. Several of those interviewed stated that judgement of competence is based more on economic ideology than on technical abilities.
- Certainly, the number of people in the DR with the kind and amount of training required to form an understanding of and to gather the data to describe the complexities of economic interactions, policies, and their implications are exceptionally small. Among the smaller NGOs, there is a lower level of formal economics training, and what training there is, tends to be from local universities, and frequently from an approach inconsistent with a framework of internationally open, market-oriented policies.
- According to some of those interviewed, there is a belief that only a single criterion (formal economic training) was applied to judge technical competence, with little or no regard to the

type of activity being undertaken. This was particularly true in reference to evaluating the technical competence of the smaller, "grassroots" NGOs.

- Criteria for what constitutes technical competence are not spelled out in the Project Paper, nor among any of the other principal project documents. There does not seem to be a consensus on what these criteria are among those interviewed.
- With only one or two exceptions, the studies and activities produced by the project thus far, have been found sound and useful by some of the stakeholders involved. The polarization of economic approaches, however, has caused most studies and activities to come under attack by one or another group or individual.
- All of the studies and activities carried out to date reflect the interests in one degree or another, of particular interest groups. However, since the project takes Allison's Model III as a point of departure, the reflection of particular interests in the studies and activities is both expected and presumably welcome.
- The premise of sufficient administrative capability appears to have been largely well-founded, but with a caveat. For the most part, large complex grants were only considered for those groups which already had the capability of executing large complex grants. The selection process employed by SRI assured that there would be adequate capacity for the size and complexity of each grant awarded.
- Many, if not most, of the prominent NGO subgrantees (Siglo 21, COE, FEyD) have some degree of association with special interests, consulting firms, or are themselves special interests (CNHE, ADOEXPO, JAD). Some economic policy oriented NGOs are housed in the same offices as economic consulting firms. Other economic policy NGOs may eschew consulting with local firms or organizations but have significant contracts with international organizations.

The market for highly trained economists in the DR is extremely small, and it is argued that no one can make a living as a "pure economist". Thus, economic consulting firms have been created by most of the more prominent economists, firms which frequently work for "special interests". For several NGO economists, this has created problems of conflict of interest, and several have been accused of adopting inconsistent economic policy positions to fit the needs of the interests they represent in the consulting firms.

#### Conclusions:

- Some of the NGOs visited have world class economic analytical capability and can be relied upon to provide strong technical contributions to the debate of economic reform measures, and are therefore worthy of support under the project.

- These high powered NGOs, however, often have little or no credibility with the more grassroots, populist elements of the Dominican society that are also included in the project's target group. If the Mission means to promote participation of these groups in the dialogue concerning economic reform, it will need to support efforts by these grassroots groups to formulate their arguments with the most appropriate resources available.
- This should not mean that SRI and the Mission must abandon all attempts to evaluate technical competence of proposal submissions and subgrant outputs. If work is poorly prepared it should be criticized, and if conclusions are misleading they should not be disseminated. This places SRI in a difficult position, attempting to remain ideologically neutral in the midst of controversy while still applying a quality standard, but that is the nature of the project. It would certainly be helpful if this role could be shared with a more broadly constituted Consultative Council.

### **C. Policy Change without Direct GODR Involvement**

- The assumption that economic policy design, formulation, and sustained implementation can be obtained without direct participation of the government is erroneous. Decisions about which policies to adopt and then implement are taken by the government and not the NGO sector.

Several of the NGOs financed under the project have worked directly or indirectly with the GODR to advance their policy positions or to actually obtain policy change. ADOEXPO lobbied directly with officials in the trade areas of government; COE worked extensively with the Congress; APROFED would not have advanced very far in its proposed policy for privatization of the Consuelo Ingenio without the participation of CEA; and the IDSS was a major actor in Siglo 21's work with health sector reform.

#### **Conclusions:**

- The project assumption was not necessarily that the GODR would be excluded from involvement in this policy reform project, but that participating NGO subgrantees would interface with the GODR rather than USAID as a foreign donor. This has, in fact, happened.
- GODR involvement, however, has tended to be through specialized sector institutions rather than the central government (i.e., the President). In the Dominican centralized government structure, the decisions taken at the periphery are often of little importance, and partially explains the limited impact by the project on major policies.

### **D. Logical Framework Assumptions**

- Logical framework assumptions concerning inputs, outputs, and purpose level objectives have all been met. Goal level assumptions concerning political stability, support for

economic reform by the GODR, and response of the private sector to improved conditions have been only partially met, as documented elsewhere in the evaluation. In particular, changes in the project's setting resulting from the irregularities in the 1994 elections distracted from the ability to obtain significant economic policy reforms.

## VII. SUSTAINABLE POLICY DIALOGUE CHANNELS

### A. Impact of EPP on NGOs as Sustainable Channels to Promote Policy Change

- The NGO participants have received little or no direct assistance to establish sustainable and effective economic policy channels capable of reaching both the decision making groups and the general public. SRI's role is designed to be more reactive, although some informal advice and assistance is provided by in-country staff. Participating NGOs do gain experience through the project which will make it easier for them to continue activities to the extent resources permit. Of those subgrant recipients whose subgrants have terminated, some are attempting to continue similar activities, but at a much lower level due to resource constraints.

### B. Demonstrated NGO Capabilities

- NGOs participating in the project have demonstrated the ability to formulate and promote economic policies that are of interest to them. The quality of economic analysis has not always been adequate, and a procedure does not exist to give feedback to the participating NGOs concerning the products of the subgrants before they are completed. There have been few effective efforts at consensus building, although there have been several very interesting opportunities to expose interest sectors to viewpoints to which they do not normally have access. Most subgrants include a procedure to disseminate the results of studies or to share information presented at seminars or workshops. No measurement has been made of the impact of the disseminated information. As noted earlier, there have been few efforts to establish networks between Dominican NGOs and outside experts or organizations. Finally, there was no indication that the actual subgrant proposals originated from any source other than the NGO requesting the assistance.
- Most of the NGOs have narrowly focused interests. But the needed policy reforms are extremely broad; e.g., eliminate quantitative import restrictions; get bank capital up to 8 percent of risk-weighted assets; use a simple, flat income tax and the VAT as the main sources of revenue, and reduce trade taxes dramatically; shift public sector capital outlays in favor of the social sectors and away from "public works" type infrastructure; develop a statistical system for tracking the condition of the poor; change from generalized to targeted subsidies; privatize public enterprises or make them subject to hard budget constraints (i.e., cease covering their uneconomic deficits with public subsidies and bank "credit" they cannot service). If these changes must await development via NGOs of broad public demands for them, the wait will be a long one. The prospect of NGOs influencing policy makers in these directions is more plausible, but the number that can combine the intellectual analyses and the influence to do so is small.

## VIII. LESSONS LEARNED: Implications for Future Project Direction

### A. Project Strategy and Impact

#### Discussion:

- Within the microcosm of Dominican NGO economic policy analysts, the USAID objective of broadening the democratic discussion of and influence on economic policy formulation is, to say the least, controversial. In fact, 3 months before this evaluation was initiated, nine of the 12 members of the Consultative Council signed a letter to USAID proposing that activities under the project be limited to a small group of NGOs, led by one, all of which would meet a narrow set of criteria which would exclude nearly all of the subgrant recipients to date. The task of these NGOs would be to produce concrete legislative proposals for the next GODR administration, not broaden debate of these issues.
- Economic policy formulation in most countries is the domain of high level officials, whether they be host country Central Bank Presidents, Ministers of Finance, or international experts representing the IMF, IBRD, USAID, etc. Other experts influence the process to the degree they have access based on personal relationships, prestigious independent positions, or economic power. Economic policy decision making and adoption, however, is the domain of politicians; i.e., Presidents and influential Congressmen (or occasionally Congresswomen), labor and business leaders, and others who can facilitate or thwart reform. This has certainly been the case in the Dominican Republic, which has a political tradition of centralized, presidential rule.
- The EPP project represents an attempt at a dramatic departure from this norm. The Project Paper states that despite intensive study and dozens of reports that outline rational policy and implementation plans, little has been achieved. The failure, according to the Project Paper, was due to a lack of political will on the part of the GODR caused by its perception that there is no public support for the reforms. By offering matching funds under grants to NGOs, USAID sought to contribute to a consensus-building process in support of appropriate policy reform. The project paper turned to Graham Allison's Model III, in which political consensus-building is pursued as the most effective process for achieving government action.
- The Graham Allison Model III concept is perhaps more correctly seen as a deal-making, negotiation model, where policies are reached through a political process where participants accept compromise solutions where necessary in order to obtain sufficient support for policy enactment. The actors in this negotiation process, in addition to the government policy makers, are the stakeholders who have an interest in and sufficient power to influence the outcome of the decision.

- The EPP project proposed to increase the "capacity to influence" of NGOs representing sectors of the Dominican population interested in and affected by economic policy reform that do not normally have a voice in the policy dialogue and debate. A second approach pursued by the project has been to assist existing stakeholders that already have power to influence GODR economic policy setting. In this instance, the project has sought to improve the quality of economic analysis available to these sectors in a manner that would encourage them to support reforms congruent with their long range interests, thus overcoming internal opposition based on short-term interest; or to help them build alliances with interest groups normally opposed to reforms favored by the grant recipients, thus encouraging adoption.
- USAID apparently turned to the indirect approach to influencing GODR economic policy out of frustration with previous efforts to achieve reform through more normal channels. It was also perhaps a necessary shift of strategy due to decreased USAID budget levels that eliminated the ability to affect policy in conjunction with large cash transfer programs. This approach was later reinforced by USAID's strategic shift toward greater emphasis on popular participation in development programs, and by concern for other issues which decreased the ability to maintain direct bilateral activities with the GODR.
- As could be expected, those NGOs representing disadvantaged segments of the Dominican population not normally included in deal making concerning economic policy strongly support the USAID approach. Those NGOs consisting of experts who are normally directly involved in such negotiations criticize the approach as a waste of resources.
- While the strategy adopted by USAID for the project is highly innovative, there are a number of issues with this approach:
  - First, the project may have been ahead of its time. Many observers commented that under the present political system in the Dominican Republic, which centralizes power in the President, it is unrealistic to expect increased public participation in economic policy decision making. Most anticipate that the new president taking office next August will have far reduced power, and a parallel USAID project is actively pursuing opening the democratic process, under the leadership of an influential group of Dominicans including key representatives of the major political parties. Almost all observers commented that any serious effort to change economic policies will have to await the 1996 elections and changes in the composition of the GODR.
  - Second, little time remains, prior to the EPP project completion date, to be able to consolidate development of alternative channels to influence policy. Incorporating new actors into a policy formulation and approval process on a permanent basis requires a rearrangement of relationships which cannot happen quickly. The EPP project has about 18 months remaining in its LOP, and much of this time will be

consumed by the presidential election process described above. If USAID wishes to pursue an approach that focuses on promoting broad participation in economic policy setting, it may need to commit itself to either extending the project or funding a follow-on effort.

- A third issue is whether a bilateral donor, particularly the United States, will be allowed over an extended period to pursue a strategy of directly supporting efforts by non-governmental organizations to bring pressure on official decision making in the GODR. It is generally accepted (though with frequent public protest) that international organizations influence economic policies through direct pressure as a condition for resource transfers, but it is quite different to provide direct support to the development of internal opposition groups. This issue has not been the focus of controversy thus far, but a new GODR administration may have a different perspective.
- Fourth, in pursuit of this model, USAID renounced its ability to influence the types of economic advice that would be provided by the subgrantees. Although the Project Paper in its technical analyses (p. 34) refers to the essential importance of "the scope, pace and duration of market-oriented, private sector-based policy reforms," it also explicitly states (p. #7) that "In no part of project design, or design and approval of individual activities, has USAID mandated that certain policies or certain points of view be promoted." The project purpose statement rests instead on the implied assumption that deal making involving informed public interest groups would in fact produce the desired policy outcomes (i.e. market-oriented, free trade policies). A corollary is that any USAID attempt to limit support only for competitive, market-oriented policy positions might inhibit the debate that would eventually lead to adoption of the correct policies.

This strategy has already opened the project to strident criticism from individuals in the Dominican Republic who consider expenditure of resources on studies of an "anti-market oriented nature", and this, a misuse of U.S. government resources. This leaves USAID vulnerable to criticism from other sources, potentially including key U.S. Congressional interests, who may not appreciate or consider appropriate a longer term time frame for the project.

#### Conclusion:

- USAID has not successfully clarified, either in the Project Paper or directly to project participants, the relative weight it gives in this project to adoption of economic policies as opposed to stimulating broad, democratic discussion of and involvement in those decisions. As it is presently being implemented, the project is unlikely to achieve either objective, particularly during a period of fundamental political transition. Four options for redirecting

the EPP program are described below, and are further discussed in B, C, D and E (the options are not listed in any order of preference). Each of these options represents a feasible alternative for project redirection, depending on a clearer definition of the Mission objective for this project and of the funding and time horizon available for its implementation.

- If the objective is actually to achieve policy reform, the project has not been successful. As documented in earlier sections, the EPP project has had a marginal impact on adoption of economic policy reforms during its first 3 years of implementation. Given the political transition period that will occupy the country for the next 9 to 12 months, little actual policy impact can be anticipated during this period. One option, which will be further outlined in Section VIII.B below, would be to concentrate on developing, as the CC has suggested, a package of policy reform measures and hope that the next administration can be convinced to adopt them.
- If the primary project objective is to stimulate broad participation in, and sharpen stakeholder skills at, economic policy analysis and formulation, it can be argued that, while this objective has not been achieved, the project has initiated a series of activities that contribute to this objective. A second option, outlined in Section VIII.C below, would be to continue this effort, with perhaps greater training provided to project participants in order to increase their chances of continuing activities after the project concludes. Realistically, this option would require an extension of the EPP or approval of a follow-on activity to assure success.
- A third option, described in Section VIII.D below, would be to focus on the best possible use of remaining resources in the Cooperative Agreement to support consensus development around a reform agenda for the new government, and begin design of a modified project, or a new project, which would pursue the reform agenda directly with the new GODR administration once elected.
- A final option, described in Section VIII.E, would be to place implementation of the EPP project on hold, and await election of a new government and creation of a more propitious environment for reform. With its declining resource base, USAID has very few resources to dedicate to economic reform, particularly since funding for this sector must also compete with its "Increased Participation in Democratization" strategic objective. If this option is adopted, the EPP project would be reduced to the minimum required to continue monitoring existing subgrants. As soon as it is clear who has won the May election, the Mission would offer assistance under the cooperative agreement to the President-elect's economic team in preparing their economic program, using both Dominican NGOs and outside experts as requested.

**B. Program Option: Focus on Preparation of Proposals for Next Government.**

- Nine of the twelve members of the CC (partially supported by a tenth) formally proposed to USAID on July 31 that the project be redirected and focused on preparing a series of

documents related to a specific reform agenda, as well as subsequent laws, decrees, and resolutions that would be required for its implementation. These documents would be presented to the new government after the May elections, and subsequent support would be provided to assure implementation. Under this proposal, USAID and the CC would select a group of Dominican NGOs that: a) have a solid national and international reputation; b) have highly qualified economists; c) have experience in preparing structural reform legislation and supporting documents in the Dominican Republic; d) have experience implementing reforms and contracting experts for this purpose; and e) have demonstrated since they were created a commitment to the principles of free markets and open competition. One organization would then be selected from among those qualifying to assume responsibility for the process, presumably under a direct grant from USAID, not through SRI.

- During our interviews with CC members, we asked signatories of the proposal what organizations met the above criteria, and only one was clearly identified. This organization has performed excellent economic analyses under prior USAID funded projects as well as for the IBRD and the IMF. It is currently coordinating an IBRD-funded training program for the Central Bank and is leading a review of monetization policies. Unfortunately, in addition to having many supporters, this organization itself has become controversial. A significant portion of interviewees indicated concern that this organization has alienated itself from the process of open dialogue concerning policy. Representatives of several important interest sectors and political parties indicated that proposals presented by it would likely be rejected.
- Supporting the CC proposal is the fact that the CC itself is a highly impressive group of individuals, distinguished by their knowledge, credentials, contacts, and influence. Preparation of a technically-sound, mutually reinforcing set of reform packages would provide an optimum starting point for policy formulation by the new GODR, and might achieve collateral support from the IFIs. Supporters of the CC proposal would argue that design of sound, market-oriented reform policies is technically complex and should be performed by the best minds available prior to being subjected to the tests of a democratic process.
- There are many risks involved in supporting preparation, by a group of experts, of a legislative package for a yet to be elected government, including: a) without knowing what party will be elected, recommendations cannot be framed to meet their priorities and concerns; b) a newly elected government will want to craft the program for which it will be held responsible; and, c) the proposed legislative package may be technically correct but divorced from the political realities that shape decision making. The proposal from the CC cites the example of FUSADES in El Salvador, which prepared such a reform program which was largely endorsed (but not necessarily enacted) by the incoming Cristiani government. In the case of El Salvador, however, the leaders of the Cristiani government had in fact been

closely associated with FUSADES prior to election. No equivalent organization exists in the Dominican Republic, nor are the resources available to create one.

- If USAID/DR possessed a large cash transfer budget, it might be useful to fund creation of such a reform package which could then be the basis of discussion with the next government. These resources do not exist, however, and even if they did, one can argue that it would still be better to elaborate the proposed reforms jointly with the new government. There are a large number of organizations currently drafting proposals to submit both during the campaign and after the election for consideration by the new government. An agenda that might be identified as the "USAID" agenda would be received as one among many. Conversely, the presentation to the new government of an agenda funded by USAID but over which USAID had no direct control could result in policy recommendations contrary to U.S. government policy, with the strong possibility of creating some level of confusion.
- Finally, at the time the CC proposal was made 10 months remained before the elections. This period has now been reduced in half, leaving little time to implement it.

#### **C. Program Option: Continue Existing Strategy (with Some Modifications) to Broaden Public Understanding of and Participation In Economic Reform**

- There are presently 12 proposals pending review, requesting \$461,250 in funding, as well as others that are in varying stages of proposal or review. Once the NGO community becomes aware of the efforts to re-engineer the program and make it more accessible (simplified application procedures, selective reduction of counterpart contribution requirements, and potential for provision of an implementation advance), the number of applications could snowball.
- Adoption of significant reform in the Dominican Republic remains highly controversial. Neo-liberalism, a term used by some to describe open, free-market economic policies, is an epithet avoided by all in the political process. Although a new president is to be elected, none of the principal candidates thus far have publicly supported a full, market-driven, reform agenda. In any case, the present Congress will continue to serve for 2 more years after this election, and it has proven reluctant to approve a reform agenda. In this environment, the best investment of USAID resources may be to adopt a long-term approach, continuing to support a wide array of activities which promote public discussion and understanding of the reform agenda, especially understanding of who wins and loses in the present system. USAID could also continue to support efforts by special interest groups to broaden their knowledge of economic issues affecting their long-term interests, or to form alliances with or attempt to neutralize sectors that oppose reform. A potential parallel activity could be to increase funding for Masters and Ph.D. level training in economics outside of the Dominican Republic, to assure a continual flow of competently trained economists who could orient this discussion.

- If this option were adopted, the CC should be reconstituted to represent more sectors of the economy and a greater range of interests. The EPP project would also need to be extended (with additional funding) at least until the year 2000, in order to allow the public dialogue process to remain constant well into the next Congressional period. In order to reduce costs and increase impact, the agenda of policies on which discussion would be focused should be reduced, either to the poverty agenda described in Section II above, or to the set of policies affecting trade liberalization.
- The disadvantages of this option are that it would require a level of resources and a program time horizon that may be unrealistic for USAID/DR. It also commits the Mission, through raised expectations with the NGOs, to a long-term, grassroots, public education strategy, which may not be the one the Mission would prefer once it knows what kind of new government is installed next August.

**D. Program Option: Dedicate Existing Resources to Consensus-building During the Pre-Election Period, and Consider New Initiatives with the New Government**

- This option would provide a two-phase approach to support for economic reform. The resources currently available in the Cooperative Agreement would be dedicated to a series of activities, in some cases planned proactively and in others in response to targets of opportunity, to encourage development of consensus in favor of economic reform. The reform agenda would need to be limited, perhaps to the sets of issues affecting either (or both) poverty alleviation and trade liberalization.
- The objective would be to stimulate an active debate of issues, and it would be necessary to reconstitute the Consultative Council to assure representation of a broader range of interests groups and, in particular, the principal political parties. As the CC assumed greater control over the direction of the program, SRI and USAID would need to assume supportive roles rather than that of prime implementors. Among the potential activities which could be explored are:
  - A public information, public education campaign could be organized to focus on issues such as how the poor are impoverished by prices 50 to 500 percent above prices of the same things in Miami, or how indispensable investment in human beings has been to achievement of relative prosperity in other countries.
  - A series of open debates of selected critical issues among the principal interest groups affected by these issues. The CC could commission specific papers for presentation representing the key positions, as well as bring in international experts with experience with the issues. Provision would be made for dividing the audience into working groups in order to maximize participation in seeking solutions.

Orientation trips for influential individuals from the various interest groups and political affiliations to visit other countries which have successfully implemented reforms.

Preparation of studies based on joint analysis of critical issues by teams made up of conflicting interest groups, in order to highlight areas of agreement and potential ameliorating approaches.

- This effort would be seen by all as a short-term strategy. Once the results of the election are known, USAID could then undertake discussions with the new economic team concerning potential future assistance. Consideration could be given to continued support for consensus-building efforts, or a more direct approach could be undertaken to assist the new GODR, in conjunction with other donors, to develop its economic program.
- Resources presently available under the Cooperative Agreement would have to be reprogrammed in order to allow SRI to cover its administrative costs until August. The Mission would also need to be prepared to add resources subsequent to the election if it appeared that it were feasible to pursue activities in this sector after that date.
- The disadvantage with this approach is that it assumes that serious consensus building efforts can be successful in the midst of a partisan political campaign. At least one observer pointed out that the objective of a campaign is to distinguish positions rather than blend them. It is also a period when interest groups seek to obtain commitments from candidates in favor of their positions, making them less amenable to compromise.

**E. Program Option: Reduce EPP Activities to a Minimum and Conserve Resources to Assist the New GODR**

- Many observers commented on the improbability that significant economic reforms will be approved between now and inauguration of a new President next August. Although the Dominican Congress, in fact, approved in early November major legislation giving foreign and domestic investors equal rights, this body will soon adjourn and turn full time to politics.
- Once a new President is elected, his economic advisors will need to pull together quickly their economic program. The EPP project is ideally positioned to: a) provide quick-response, short-term assistance from outside and domestic experts; b) facilitate effective communication of concerns and proposals to the new GODR from domestic NGOs; and c) assist with consensus building around priority reform initiatives. No other donor (except perhaps the UNDP) is likely to have on line a source of assistance to provide immediate support to the new government.
- USAID would then be in position to add resources to the project in the future, if available and if it determined that the new government was seriously committed to major reform. Or,

if it became apparent that the new GODR did not support reform, remaining resources in the project could be deobligated if the Mission decided to abandon this sector.

- The USAID Mission is facing severe resource constraints which make it unlikely that it can fully fund all currently authorized projects. In this environment, it may be necessary to conserve the funds currently available under the Cooperative Agreement in order to concentrate them on assisting the new government. Under this option, implementation of the EPP project in effect might need to be suspended, reducing staff to the minimum required to monitor the few remaining subgrants.
- Obviously, this option places SRI in a very difficult position. The suggested reduction of staff, corresponding to suspension of all activities except the completion of already approved subgrants (scheduled for completion by second quarter CY96), would likely lead the staff whose positions were reduced or eliminated to undertake other responsibilities. Ideally, this staff could be reincorporated if and when the project is restarted. However, if they are not available, replacement staff would need to be contracted, or other implementation arrangements would have to be sought (perhaps in partnership with an existing NGO or using part-time TDY services from SRI/Washington. If the partial suspension option were selected, the Mission would need to undertake frank discussions with SRI to explore a mutually acceptable solution.
- The disadvantage of this approach is that the Mission would disengage from assisting NGOs during the campaign period, when many of them feel that they may have the greatest opportunity to influence economic policy. The majority of the current Consultative Council, as described above, also see this as the critical period to develop legislative proposals for presentation to the next government.
- The issue really is to what extent the new President will be locked into a policy framework when he assumes office. Whatever his economic policy orientation, the new President must adopt a policy congruent with evolving economic and trade relationships in the region and with the economic realities of the Dominican Republic. SRI and leading NGOs, with EPP resources, could be in a valuable position to influence this adaptation process.

## **IX. Summary of Findings and Conclusions**

**A.** The economic policy framework in the Dominican Republic was created under an import substitution model, which attempted to stimulate domestic production by limiting competition from imports. The result has been reduction of export competitiveness and slow growth. Important strides have been made to stabilize the economy and open it to imports/exports over the past several years, but structural constraints persist. The policy improvements that would greatly assist the Dominican majority include trade policy reform (protectionist policies directly lead to higher prices on products purchased by the poor), public finance improvement (focusing government expenditures on genuine public services and infrastructure), and direct measures providing a safety net for the poorest. The project did not have a clear focus on policy priorities, however.

**B.** The project strategy, to promote economic policy change by strengthening, deepening, enhancing and making more dynamic the participation of NGOs in economic policy design and sustained implementation, rather than engaging directly with the host government, is unique and difficult for a donor to execute under the best conditions. Given the limited time frame for the project, and the environment of profound political transition in the Dominican Republic, it is unlikely that the project will achieve either significant reforms of economic policy or a sustainable involvement of NGOs in public dialogue concerning these reforms.

**C.** There is widespread confusion concerning the relative priority to be given to the objectives of the project; i.e., whether the project should actually achieve policy reforms or merely stimulate broad discussion of reforms (goal versus purpose statements). The Mission appears to want both -- achieve policy reforms through popular dialogue -- but as stated above this is not possible given the project's time horizon and the current political transition. Project participants have therefore been free to take action based on their own set of priorities, and this has caused the project to become a focus of controversy, as different actors are judging actions against different criteria.

**D.** The shift of Mission strategic objective, from economic stabilization and structural reform needed to attract private foreign and domestic investment to increased economic opportunities and benefits for the Dominican majority, and the frequent change in USAID project management responsibility, have exacerbated the confusion concerning project objectives.

**E.** Obligations and expenditures are under the levels planned. It is estimated that as of December 31, 1995, over \$600,000 will remain available under the project after allowing sufficient funds to complete already approved subgrants, and \$2,885,000 remain unobligated.

**F.** SRI quickly established its Santo Domingo office, staffed it with well qualified personnel, and has created sound subgrant implementation monitoring and control systems. However, the subgrant approval has been very slow, and the requirement of 50 percent counterpart contribution, the policy against subgrant advances, and delays in reimbursement have all contributed to fewer than expected subgrant requests, and lower than planned project expenditures. Actions have been taken to remedy these constraints, but these improvements have yet to be tested.

**G.** While SRI's implementation monitoring has been good, SRI did not fulfill expectations under the Cooperative Agreement to assure collection of adequate baseline data concerning public knowledge of economic policies, in order to measure project progress (it is unclear whether this was a realistic expectation, however). Likewise, SRI did not require subgrant recipients to measure changes in knowledge and perceptions about policy as a result of subgrant activities.

**H.** Quantitative outputs to date exceed life of project targets. However, impact of outputs on project purpose and goal is less than that contemplated in the design. This is due in part to concentration on a disperse set of policy priorities, and a disproportionately high number of small subgrants with limited cumulative impact. Also, networking between local and international NGOs has been virtually non-existent.

**I.** Economic policy reforms reported by SRI as achieved to date tend to be either studies/agreements that might lead to reforms, or are measures that, while they have been formally adopted, are limited to targeted adjustments within a framework of a negative policy environment. While the project may have laid the groundwork for future policy reform, it is not likely that significant progress will be achieved within the life of project.

**J.** The project has assisted established NGOs to improve their understanding and acceptance of economic policy reforms, and to pursue coalitions in favor of reform with other interest groups. It has also assisted small NGOs to sponsor public information events and broaden public debate of policy; however, these activities have been limited in time and impact. Project resources have not been directed toward building increased institutional capacity among the NGOs. To achieve the project purpose would require more time and resources than are available under the project.

**K.** There is no effective Dominican ownership of the project, which is implemented directly by USAID and SRI. The role of the Consultative Council in the project was very limited, and it serves no effective function at this time. The CC does not represent the broad array of economic interests contemplated in the initial project design. The CC has formally proposed redirection of the project, focusing on a few, well-credentialed NGOs.

## X. SUMMARY OF RECOMMENDATIONS

The principal recommendation is to redirect the project in order to increase the probability of impact on economic policy reform and/or achievement of broader, sustainable participation by NGOs in policy design and implementation. At this point, redirection may be accomplished within the context of the present project design and authorization, and through the existing cooperative agreement. However, a formal modification of project design and additional resources may be appropriate if the new government that takes office in August demonstrates strong commitment to reform.

Four options for redirection of the project are presented. Selection among these will depend on clarification of Mission objectives and resource levels. The four options are:

- Accept the CC proposal to focus on preparation of a package of legislative measures to be presented to the next government;
- Continue the existing strategy while extending the project timeframe and focusing on a limited policy reform agenda;
- Dedicate remaining resources under the Cooperative Agreement to consensus-building activities during the pre-election period; and,
- Reduce EPP activities to a minimum and conserve resources to assist the new GODR.

## Annex A

### LIST OF CONTACTS

#### A. USAID

1. Ms. Marilyn Zak, Mission Director
2. Mr. Michael Deal, Deputy Mission Director
3. Mr. Brian Rudert, Strategic Objective Team Leader
4. Mr. Efrain Laureano, Results Package Team Leader
5. Ms. Colette Cowley, Program Officer
6. Mr. Tom Miller, Economist
7. Mr. Manuel M. Ortega, Strategic Objective Team Leader
8. Mr. Luis C. Gonzalez, Program Development Specialist
9. Mr. Jim Fox, CDIE, USAID/Washington

#### B. U.S. Embassy

1. Mr. Milton Drucker, Economics Counselor
2. Mr. William R. Meara, Economics Officer

#### C. Stanford Research Institute/International

1. Mr. John A. Mathieson, Executive Director, Economics Practice, SRI/Washington
2. Mr. Frederic Emam-Zade, Project Manager, EPP
3. Ms. Zuleica Brea, Finance Manager, EPP
4. Ms. Yvette Herrera, Administrative Assistant, EPP

#### D. Consultative Council Members

1. Mr. Andres Dauhajre, hijo
2. Mr. Jaime Aristy
3. Mr. Rosendo Alvarez III
4. Mr. Eduardo Garcia Michel
5. Ms. Maritza Amalia Guerrero
6. Mr. Mario Davalos
7. Mr. Frank Moya Pons
8. Father Jose Luis Aleman
9. Mr. Anibal de Castro
10. Ms. Ellen Perez de Cuello
11. Mr. Luis Manuel Piantini

✓

12. Mr. Hector Guiliani Cury

E. Subgrant Recipients, Applicants, and Others

1. Mr. Francisco Jose Castillo, CNHE
2. Mr. Horacio Alvarez, ADOEXPO
3. Mr. Carlos Despradel, COE
4. Mr. Roberto Despradel, COE
5. Mr. Alfonso Abreu Collado, DASA
6. Mr. Luis Vargas, APROFED
7. Ms. Milagros Uribe L., APROFED
8. Mr. Isidoro Santana, Fundacion Siglo 21
9. Mr. Hugo Guiliani Cury, BANACO
10. Mr. Osmar C. Benitez, JAD
11. Ms. Margarita Gil, JAD
12. Mr. Celso Marranzini Perez, AIRD
13. Mr. Antonio Rodriguez Mansfield, AIRD
14. Mr. Fernando Pellerano Morilla, CIEA
15. Mr. Frank Guerrero Pratts, CIEA
16. Mr. Bernardo Vega, Economist
17. Mr. Danilo Medina, Ex-President, Camara de Diputados
18. Mr. David Luther, IDDI
19. Mr. Victor Medina, IDDI
20. Mr. Miguel Ceara Hatton, CIECA
21. Mr. Rafael D. Toribio, INTEC
22. Mr. Jeffrey R. Lizardo, INTEC
23. Mr. Guillermo Caram, Former Governor, Central Bank

## Annex B

### STATEMENT OF WORK

#### Background

In May 1992, USAID signed a \$6,000,000, 5-year Cooperative Agreement with SRI International. The goal of the Cooperative Agreement is to encourage adoption of, and adherence to, sound economic policies promoting investments, productive employment and export-led-economic-diversification and sustained growth. The purpose of the project is to strengthen, deepen, enhance, and make more dynamic the participation of NGOs in economic policy design and sustained implementation.

The grant, administrated by SRI, co-finances economic policy initiatives emanating from Dominican NGOs, within the priority areas selected annually by the project's consultative council (CC). That are: (1) policies to reduce poverty promoting economic growth and employment through trade and investment; (2) Resizing, restructuring and modernization of the State; and (3) economic education and dissemination. To date 24 subgrants totaling \$1.16 million have been awarded.

USAID is seeking a forward looking evaluation to identify the Project's policy impacts to date. The evaluation should recommend where and how the project should channel future resources. Recently, several members of the project's CC are recommending significant re-design and/or termination of the project. Some argue that, to date, the project's impact on sound national policy formulation and implementation is inadequate.

#### Objectives of the Evaluation

The general objective of this contract is to conduct a mid-term evaluation of the USAID/DR Economic Policy and Practice Project (517-0262). The evaluation will take into consideration both the Mission Strategic Objective environment and the relevant project implementation experience to June 30, 1995. Specific objectives are listed below. Objectives(a)to(c)provide a retrospective assessment of what has been accomplished by the project as stated in the Cooperative Agreement (50 percent of the evaluation effort); while objectives (d)to(f) provide a forward analysis on how to best assure project success (50 percent of evaluation effort) given the new Mission Strategic Objective #1: "Increased economic opportunities and benefits for the Dominican majority."

- a. Review Actual versus planned progress toward achieving the project's goal and purpose as well as its outputs, its milestones and their impact; and performance of the 24 subgrants and subgrantees.
- b. Appropriateness of established subgranting procedures and activity selection criteria for awarding subgrants.

48"

- c. Performance of SRI International as Grantee/Administrator
- d. Validation of original project assumptions as well as the changes that have occurred in the project's setting.
- e. Project impacts on promoting the establishment of sustainable economic policy channels capable of reaching decision making groups.
- f. Lessons learned.

### **Scope of Work**

The evaluation team will prepare and deliver an Economic Policy and Practice Project Evaluation Report. The team should include a Senior Economist--Team Leader-- with ample experience in economic policy formulation and analysis and good understanding of the Dominican economic environment; a Senior Public Policy Analyst/Economist, with broad knowledge of agenda setting, policy formulation and implementation; and an institutional Economic Consultant, who can be hired locally. All team members should be fluent in Spanish and English.

1. Review actual versus planned progress toward achieving the Project's goal and purpose as well as its outputs, its milestones and their impact; review the role and performance of the 24 subgrants and its subgrantees, vis-a-vis the project's goal and purpose; identifying problems and delays, making recommendations for their resolution and measuring impact with respect to :
  - macroeconomic impacts on selected priority areas;
  - impacts on NGOs and their effectiveness in promoting sound economic policy changes;
  - impacts on public opinion and general public understanding of both economic and policy impacts and whether these are achieved through consensus-building.

Also answering the following questions:

- Is the project reaching the target groups specified in the project agreement and its amendments?
- How is the project contributing toward poverty alleviation and benefitting women?
- How well is the Consultative Council (CC) functioning? Are focal-areas narrow enough to guarantee the project's impact?
- Are proposals being received from technically capable NGOs which are strong enough to exert national level impact? Are subgrants financed by the EPP project contributing to the opening of the economy? Are measures being proposed an improvement over actual policies?

2. Review the overall process of subgrant awarding and analyze possible causes of delays. Evaluate solutions implemented to overcome these constraints, if any, and recommend other measures that could be taken to avoid them. What further measures, if any, could be recommended in order to exert national impact on selected policy areas through the Economic Policy and Practice Project.

- To what extent is the project participation manual applied consistently and objectively? What is the perception of the NGO community in this regard?
- What effect does the requirement of 50 percent in counterpart funds contribution have on NGOs (both, those which have received subgrants and those that have not) and on the quality of the proposals received?
- How useful has the pre-award evaluation process been for the subgrantees.
- How has the Mission's Reengineering efforts expedited the subgrant process, focussing on value-added steps and making the project more responsive to its customer needs?
- Will the Project be able to accomplish its objectives under the current design?
- Would a proactive approach improve the quality of proposals and obtain better policy impact? How can USAID best assure project success, in this regard?
- Are the current criteria responsive to Mission Strategic Objective No.1? What needs to be adjusted or change?

3. Review the role and performance of SRI International as Grantee and Project Administrator to determine:

- How well is SRI project management functioning and how objective are their decisions when analyzing subgrants and promoting the project?
- How effectively has the project monitoring procedure been in identifying early implementation problems and recommending appropriate solutions?
- Are data banks on macroeconomics and economic policies in the DR maintained and periodically updated?
- How effective has SRI "networked" to exchange other country experiences with the DR NGO community?
- To what extent is the SRI's monitoring system adequate for assessing performance and measuring impact?
- Have SRI pre-qualified a list of NGOs capable of promoting sound economic policies for the DR? If no, should they?
- To what extent subgrants selected by SRI project management contribute to sound policy solutions? Could they lead to sustained implementation of broad-based economic reforms in the DR?

4. Examine assumptions made during the project design, included in the project's theoretical model: Graham Allison's Model III, project's Log Frame and participation manual; to determine whether they are still valid, how they affect the project and how would they affect

it in the future.

In addition attention will be given to assumptions such as whether: (1) at least 16 NGOs could be found in the country capable of designing, formulating and promoting economic policy changes which would benefit the Dominican majority; (2) these NGOs will promote a sound policy agenda for the country in spite of existing economic special-interests; and (3) that economic policy design, formulation and sustained implementation can be obtained through NGOs' action without direct participation of the government. Also, the team will examine the changes in the project's setting and determine if the changes were appropriate or adequate.

In addition the following questions should be answered:

- Do project indicators reflect the project's real impact?
  - Does the project have appropriate mechanisms to gather needed data to keep track of progress and impact?
  - Can indicators accurately measure the project's impact on adoption of, and adherence to, sound economic policies in the Dominican Republic?
5. Evaluate steps being taken under the Cooperative Agreement to ensure that NGOs in the DR will be able to establish sustainable and effective economic policy channels capable of reaching both the decision making groups and the general public.
- How capable are participating NGOs in terms of formulating and promoting sound economic policies, consensus building, public awareness-raising and education, information dissemination and networking?
  - Do NGOs that already participated in the project, remain active in promoting policy changes, specially in areas where they received project financing?
  - To what extent are financed subgrants fully emanating from participants NGOs?
6. Review lessons learned to determine the following:
- Which are the lessons learned regarding the philosophy, strategy, project impact and success, and methodology used under the Economic Policy and Practice Project, that can be used in future USAID project in this area?
  - Do NGOs in the country, specially project subgrantees, consider this project as a solid vehicle to promote the adoption of, and adherence to sound policy reforms in the country?
  - Given Mission limited resources, can EPP project be considered a wise investment of USAID funds? If so, Does the project need a re-design? What re-design options would be recommended? If not, what are the recommendations for future Mission involvement in this area?
  - Given the Mission's status as a Reengineering Lab, how can this project more

directly support Mission's strategic objectives and emphasis on 'managing for results'?

The team should consult with SRI staff, the 24 subgrantees, the Consultative Council members, and a selected sample of decision makers, business, labor and grass-roots NGO representatives and the general public to assess project impacts. They will review the Dominican economy in which the project operates and make appropriate recommendations as to how the project can be more cost-effective, and how it can make a greater contribution to promoting adoption of, and adherence to, sound economic policies in the country. The team will also review the 24 subgrants already financed under the project. They should examine the quality, impact and appropriateness of methods used to promote sound policy changes by all the sub-projects financed. The team will also advise SRI and the CC about the experiences of similar projects in other countries. They should also analyze whether or not the project has addressed Women in Development (WID) issues and how successful it has been in this regard.

## Annex C

### ECONOMIC POLICY ENVIRONMENT IN THE DOMINICAN REPUBLIC

No specific set of economic policies, or of policy "reforms", is ideal for all countries. Rather, the appropriateness of a particular country's economic policies depends upon the way the economy is performing, its potential for better performance, and the kind of economic system it seeks to establish. If elements of current policy impede progress toward the attainable objectives, then "policy reform" means correction of those impediments.

For the better part of three decades, the Dominican Republic followed an import-substitution development strategy. The strategy assumed that the Republic needed a period of respite from competition with the more advanced industrial countries. Careful planning and relief from foreign competition, it was believed, would enable the DR to gain experience and form capacity in industrial production.

Accordingly, policies were adopted with the express purpose of achieving economic outcomes that would differ from free market outcomes. Most such policies were centered on external trade and finance. The objective was to exclude imports in competition with domestic industry, or tax them so heavily that they were ineffective competitors. This strategy was highly import-intensive, as most of the intermediate inputs for industrial products had to be imported. To assure that the required foreign exchange was available, exchange controls were usually employed that forced exporters to surrender their foreign exchange to the Central Bank (at exchange rates well below market rates) and gave preferential access to the protected importers. Financial markets were directed or induced to provide the required credit, often at negative real interest rates.

Beginning in the 1980s, and particularly at the end of the decade, it became evident that countries pursuing such anti-market policies were, in general, lagging far behind those that had opted to integrate into the competitive world market economy. This is reflected in the broad acceptance of market-oriented policies that can now be seen in countries around the world. The Dominican Republic's 1990 "New Economic Program" and its IMF Stand-by Agreements of 1991 (19 months) and 1993 (9 months), suggest that it too had decided to move in the free-market direction. Despite some "backsliding" in 1994, these programs moved the DR unambiguously in the direction of freer trade and a more market-directed economy. Of course, following the scheduled May 1996 elections, and the assumption of office by the new Government in August, the commitment to the move toward a market economy may weaken. Nevertheless, given the DR's international treaty obligations (GATT, WTO), a retreat into the degree of protectionism of the 1980s is unlikely.

## A. Policy Environment Prior to Project

### 1. Macro-economic Policy<sup>1</sup>

By the end of the decade of the 1980's, the ability of the import substitution strategy to hasten development and improve living standards was in serious doubt. The gap between the incomes of import-substituting and market-directed economies had widened. The collapse of the former Soviet Union and the Warsaw Pact countries was widely considered to have been attributable, in significant measure, to their economic malaise. Their predominantly planned, inward looking, economic systems had failed to produce real incomes comparable to those of the economies directed more by market-determined relative prices and vigorous foreign trade sectors.

In the Dominican Republic, there was good reason for dissatisfaction with the import substitution approach. Real growth of GDP was below the population growth rate through the decade of the 1980s. In 1989 and 1990, the GDP declined, as inflation soared to over 50 percent in the latter year. (At the end of the year, the annualized rate of consumer price inflation was 80 percent.) Moreover, the data in this aggregated form make the economy look better than it was. All during this period, as the domestic oriented economy was stagnating, there was vigorous and dynamic growth occurring in the Free Trade Zones (FTZ's) and the tourism sector.

For the period 1982-1993, the World Bank reports that real growth in the DR, excluding tourism and the FTZ's, averaged only 2.5 percent per year while tourism and the FTZ's grew at 23.6 percent and over 30 percent respectively. This duality of economic performance, with the foreign sector dramatically outperforming the domestic economy, undoubtedly helped to undermine the credibility of the import substitution strategy.

The deterioration of the economy followed more or less classic patterns in the 1980s. Excessive government spending, relative to revenues, excessive monetary expansion to finance deficits, increasing price inflation, overvaluation of the exchange rate, capital flight and loss of international reserves were the standard symptoms of an economy seeking to provide for a growing population out of production that cannot keep pace with the population growth.

Price inflation, and loss of international reserves, are symptoms of inappropriate demand management policies. A government that is able to impose sufficient fiscal and monetary discipline

---

<sup>1</sup> The data cited in this section are, primarily, from two sources: (1) The Dominican Republic: Growth with Equity: An Agenda for Reform, IBRD, May 15, 1995, and (2) Estabilization, Apertura y Pobreza En Republica Dominicana, 1986-1992, by Andres Dauhajre, hijo, Jose Achecar Chupani and Anne Swindale, 1994, Fundacion Economia y Desarrollo, Inc. This latter work was financed by USAID Grant 517-000-G-00-2014-00.

can usually bring these symptoms under control. Moreover, such discipline is necessary to achieve stability, and stability is an essential part of an environment that is hospitable to private investment and job creation.

Thus the most urgent "policy reform" needed when the Dominican economy hit bottom in the 1990-91 period was reform of the main elements of macroeconomic policy---monetary, fiscal and foreign exchange policy. However, that set of policies alone could not be expected to restart the economy and set it on a path reflecting the DR's comparative advantage in a competitive international economy. As we shall see, in the period preceding the project, the DR had in place a variety of policy measures designed precisely to prevent that. These policies, which we include in the category of "structural economic policies", were more numerous and much more difficult to correct.

## 2. Structural Economic Policies

As suggested earlier, the import substitution strategy considers the international free market economy a game that is stacked against developing countries. To stay in the game, in this view, would leave the developing countries permanently behind the industrial countries. The latter would always be able to hold on to their lead in the high capital-per-worker, high value-added industrial sector. The classical economic view that, in the long run, the higher returns to capital in "capital-poor" countries would, *ceteris paribus*, attract capital from the relatively richer, abundant-capital countries, enabling incomes in the former to converge with those in the latter, was rejected.

What was needed, according to this view, was intervention in the market to permit domestic production of finished goods. This would not occur in the short- to medium-run, if market forces governed. Therefore, the first category of policies required would be policies limiting foreign trade. Specifically, this involved various policy provisions that prohibited or strongly discouraged imports of goods that could be produced locally. High tariffs and non-tariff restrictions on finished goods imports were imposed. However, a large proportion of the inputs required had to be imported, particularly machinery, equipment, and tools. Therefore, it was judged appropriate to impose low or zero tariffs on imports of inputs.

Although imports of consumer goods were effectively curtailed, large amounts of foreign exchange were required to pay for the imported inputs. This led to multiple exchange rates, with lower rates available to producers of import substitutes, low rates paid to exporters, who were required to surrender all or some of their foreign exchange earnings, and high rates for imports of consumer goods. Thus, consumers of goods with import content (i.e., everyone), and net exporters, were in effect taxed to subsidize the import substituting industries. This is not a policy structure to be recommended for a country seeking to encourage exports. Ironically, by way of policies that favored the relatively capital-intensive industrial sector, (lower taxation, and below-market exchange rates, directed, low-cost credit) incentives were created to substitute capital for labor in these countries that generally had surplus labor and shortages of capital.

Although it is possible to operate an import substitution strategy with a floating exchange rate system, this generally has not been done. To facilitate forward planning of income and expenses, and because exchange devaluation was regarded as a leading cause of price inflation, the DR and most other import substituting countries tried to operate fixed (multiple) exchange rate systems. As long as the domestic rate of price inflation was not significantly out of line with rates among their major trading partner countries, this arrangement was not particularly harmful in terms of efficiency. However, in years of high price inflation, particularly when caused by monetary and fiscal indiscipline, holding the exchange rate constant created correspondingly attractive incentives to buy imports rather than domestic goods and services. It also meant that exporters suffered disincentives due to rising local costs and the obligation to sell their foreign exchange at the same price as when there was no domestic inflation. Thus, production for domestic consumption was made more profitable and production for export less so.

In the DR and elsewhere, the import substitution strategy was also accompanied by policies that imposed exchange controls on capital account transactions. The objective, of course, was to give government greater control over the uses to which scarce foreign exchange were put. Capital flight was a constant problem, particularly when confidence in the national economic strategy waned. High rates of inflation combined with a fixed exchange rate system usually provokes expectation of devaluation. Thus a person who can exchange local currency for, say, dollars now, and then repurchase local currency after the devaluation, can make a handsome profit. Similarly, interest rate differentials can create strong incentives for arbitrage. Exchange controls on capital account and current account transactions are often targeted on such speculation.

Anti-market financial sector policy was also part of the structural economic policy of the DR in the period leading up to the EPP project. Regulation of the structure of assets and liabilities and of interest rates charged and paid by commercial banks were part of the means by which the government sought to direct resources into uses consistent with its economic development strategy. This included directing credit to favored sectors and to state-owned enterprises.

Price controls and public subsidies were elements of policy of the Dominican governments of the 1980s as well. The objective of these policies usually is to attempt to protect the low income groups from low and falling real incomes, often due to price inflation. However, as shown in the section on policy and the poor, they have not been very successful.

By 1990, economic conditions had become so bad that they precipitated a crisis. In August, he initiated an economic policy reform program that, according to the World Bank:

"focused on fiscal and monetary restraint, liberalization of trade and financial markets, exchange rate unification, elimination of substantial foreign debt arrears (exceeding US \$1.5 billion), and accumulation of international reserves, which had plunged to less than two weeks of imports."

It is a tribute to the seriousness of the program that it began almost immediately to show

positive results, particularly in terms of stabilization. Price inflation persisted into 1991, though at a rate just over half the rate it had reached at the end of 1990. By 1992 it had dropped to 4.3 percent and the following year to 2.8 percent. The fiscal deficit was virtually eliminated. Real output resumed positive growth in 1992. International reserves began to accumulate in the central bank, despite a jump in the current account balance of payments deficit to 8 percent of GDP.

The project that is the subject of this evaluation was approved by the USAID Mission Director on May 29, 1992. The project's preparation coincided with the Government's negotiation of a stand-by agreement with the IMF, which went into effect in August 1992. Assuming that the Mission was supportive of the programs of the Government and the IMF, the project was undoubtedly considered complementary to, and compatible with, those programs. In its May 1995 report (prepared jointly with the IMF), the World Bank opined:

"Rather, the rest of the economy must become more like the two enclaves (tourism and the FTZs). To achieve this goal will require a stable macro framework coupled with a deepening of recent structural reforms designed to increase outward orientation, remove constraints on the private sector, improve financial intermediation, modernize the State apparatus and considerably expand the level and efficiency of human capital formation."

Nowhere in the project documentation is it stated explicitly that it is intended to support a shift toward a more market- directed economy with fewer restrictions and obstructions to international trade and financial flows. The project goal, however, is:

"To encourage adoption of, and adherence to, sound economic policies that promote investments, productive employment, and export-led economic diversification and sustained growth."

There is some ambiguity between the statement of goal and the statement of purpose, which we take to be addressed to the more immediate concerns of the project. The latter is:

"To strengthen, deepen, enhance and make more dynamic the participation of NGOs in economic policy design and sustained implementation."

It has become clear from our discussions with Mission officers, members of the project's Consejo Consultivo (CC), SRI and project subgrantees that there are different perceptions of the weights that the Mission assigns to pursuit of these outcomes. The problem is that the purpose can be achieved by activities that might be considered antithetical to achievement of the goal. In fact, a sizeable majority of the CC members are of the opinion that the project has indeed financed activities that are critical of free-market and freer trade policies. They believe the project has strengthened NGOs whose principals have worked as lobbyists against liberalization of trade and foreign investment. This would not seem consistent with the goal, but it may be perfectly consistent with the purpose. This is one of the central issues with which the Mission must come to grips before

deciding how, or whether, to proceed with the project from here.

Because of the foregoing ambiguity, it is important to make clear in any judgements made about the contribution of project activities relative to "sound" policy, we understand the Mission to mean by "sound policy", policy leading in the direction of freer trade and greater reliance on market forces in the allocation of resources.

## **B. Current Environment**

Since the adoption of the government's program in late 1990, the IMF stand-by agreements of 1992 and 1993, and the inauguration of the EPP project, the Dominican Republic has made significant strides toward a free market policy environment. It appears that the main elements of the liberalization were put in place by the GODR prior to (perhaps as preconditions to) concluding the stand-by agreement in August 1992.

Many of the budget-straining generalized subsidies (as opposed to subsidies targeted on the poor) were eliminated (and produced price increases in combustible products and electricity, and triggered the political crisis of late 1990). Measures to increase government revenues and reduce expenditures dropped the public sector deficit from 5 percent of GDP in 1990 to nothing in 1991. Exchange rates were unified and put under a managed float. Interest rate policy was significantly liberalized and moved toward market rates. Most price controls were removed in tandem with adoption of an exceptionally tight monetary policy program for 1991.

A major reform of the import regime was part of the Government's 1990-91 program. Dauhajre et al report that the number of rates in effect was reduced to seven and that a significant proportion of the then existing quantitative restrictions were removed. However, the quantitative restrictions were removed "informally". The statutory basis for their imposition remains in place and they could be restored easily and quickly if the enterprises that benefit from them could mount a sufficiently effective lobbying effort. With another election season now underway, this possibility looms larger. Moreover, other policy changes have occurred in the intervening period that have dampened the salutary effects of these reforms on opening the economy.

Progress has also been made toward increasing the competitiveness of the economy by reducing barriers to the establishment of new enterprises. It is widely expected that a new law of foreign investment will be passed in the near future and that the law will eliminate many elements that have prevented or impeded foreign investment in activities in competition with domestic enterprises. Nevertheless, a deepening of this process is required, and opposition to some of its liberalizing features is ongoing.

Reforms have begun in the financial sector that should also make the environment more hospitable to investment in productive activity. These address prudential requirements for banks and the soundness of the banking system which had slipped badly under the weight of loans of dubious quality and a level of liquidity that was inordinately low relative to the level and illiquidity of their

liabilities.

### **C. Constraints to Increased Economic Opportunities for the Dominican Majority**

The current situation in the Dominican economy is mixed. Since 1990, some important strides have been made toward opening the economy to more competition. The tariff regime has been simplified and import duties generally lowered. Yet, as noted in an earlier section, the degree of effective protection of domestic industry remains exceptionally high. Prices paid by consumers on many goods remain punitively high, reflecting the continuing use of policies, regulations and discretionary authority to confer special advantage on favored economic groups. Invariably, these policies result in higher prices and lower quality to most Dominicans. As always, it is the poor upon whom the most egregious burden of these policies. Rent seeking lives!

There are many areas of policy that still distort the economy to the disadvantage of the poor. However, the area of trade policy and administration is probably the area in which policy reform would have the most significant and most immediate beneficial effect on the condition of the poor. Nevertheless, it is not clear that it would be politically possible to reform the trade sector before the fiscal and financial sectors are significantly strengthened.

Taxes on trade are not only a major source of protection for entrenched and influential private economic interests, but also are a disproportionately important source of government revenue. The IMF estimates that trade taxes represent an extraordinary 40 percent of total tax revenues. In addition, high rates of effective protection raise the prices against which other taxes are levied. Finally, the public sector's expenditures include large transfers and subsidies to state enterprises which must be financed until their finances can be put in order. (Public enterprises had overall budget deficits estimated to be equivalent to 2.7 percent of GDP, in 1994.)

The Dominican financial system is also precarious. The system's illiquidity reflects, in part, assets of dubious value. The system's capitalization is well below international prudential norms. Thus a sudden and quantitatively significant reduction of protection enjoyed by Dominican industries could contribute further to the problem by rendering some firms incapable of servicing their debt to banks. This is not offered as a reason not to liberalize the trade sector, but rather as a reason to proceed simultaneously with reforms on all three fronts, and to recognize the interrelationships among them. Trade sector reforms, tax reforms that include a comprehensive reformulation of the tax structure as well as its administration, reform of the expenditure planning and execution processes and, finally, financial sector reforms are the areas of most immediate importance in relieving the plight of the Dominican Republic's poor.

In the Dominican Republic, lists of policy reform requirements abound. The National Association of Business Men and the Foundation for Economics and Development have both produced widely circulated policy reform agenda. The World Bank has produced another agenda in its May 1995 report, "The Dominican Republic: Growth with Equity: An Agenda for Reform." The IMF's 1995 Article IV Consultation Staff Report includes an implicit agenda for policy reform

(particular emphasis on macroeconomic policy) in its macroeconomic scenarios.

The various agendaae all point in the same general directions. They differ in areas of emphasis and in the amount of detail they offer, but all identify the need for: 1) more consistent exercise of discipline in fiscal and monetary policy; 2) operation of a market-compatible foreign exchange regime; 3) integration of the DR into the broader international economic system; 4) reform of the banking and financial system and establishment of stronger capital markets; 5) reorientation of the public sector tax and expenditure systems; and 6) strengthening of the public sector's provision of social services, and diminution of the public sector's involvement in economic activities that are more appropriately the domain of the private sector and private market forces. Thus, the suggestion above that the trade, fiscal and financial sectors receive top priority would probably be found consistent with the other agendaae, particularly those promulgated by general interest organizations as distinct from lobbying organizations.

## Annex D

### OBSTACLES TO POVERTY ALLEVIATION IN THE DOMINICAN REPUBLIC

Poverty is an oppressive and dehumanizing condition. It is a condition that reflects low real income, which in turn reflects the lack of market-worthy assets of the poor, and the low market value of the usually unskilled labor they have to offer. The symptoms of poverty include malnutrition, hunger, poor health, little or no educational attainment and premature death. In the absence of interventions, the symptoms of poverty tend to trap its victims and their children in conditions that afford poor prospects for escape from poverty. The alleviation, in the short term, of the symptoms of poverty requires the direct transfer of real income to the poor.

However, the alleviation of poverty itself, in a manner that is definitive and permanent, requires moving beyond the symptoms to the causes. It requires investment in the facilities and institutions that convert raw population to human capital. Thus a comprehensive assault on poverty requires short term measures to address its immediate symptoms, and investment in the formation of human capital.

Economic policy plays an important role in both aspects of poverty alleviation. In the Dominican Republic, inappropriate policies have a strongly adverse effect on the position of the poor in economic markets. Such policies, far from alleviating poverty, further immiserate the poor. Correction of such policies can offer immediate and significant relief from the symptoms of poverty. To lift the poor out of poverty generally calls for significant doses of public investment. Undernourished children do not learn well. Sick adults are not good members of the labor force, unhealthy living conditions are associated with short life expectancy, and illiteracy and innumeracy are barriers to productivity gains.

This section has three parts. In part one we present a brief description of poverty in the Dominican Republic. Part two identifies policy reforms that can alleviate the most immediate symptoms of poverty. In part three, we recommend policy adjustments to attack the fundamental causes of poverty.

#### **A. The Face of Dominican Poverty<sup>2</sup>**

It is estimated that 21 percent of Dominicans live in poverty, and that half of those live in extreme poverty. Among the rural population, the situation is worse, with poverty and extreme poverty rates of 30 percent and 14 percent respectively. Moreover, while there has been some

---

<sup>2</sup> Data cited in this section are attributable primarily to the Fundacion Economia y Desarrollo (FED). This NGO is cited by the World Bank, the IMF and the Consejo Consultivo of AID's EPP project. FED cites two earlier studies.

improvement since the economic reform programs of 1990 and 1991, the incidence of poverty in 1992 was nevertheless above its 1986 level. The combined poverty and extreme poverty categories claimed a total of 30 percent of the population in 1992, compared to 21 percent in 1986.

Just how poor are the Dominican poor? The average income in 1986 was \$856.30. It dropped to \$630.90 (in terms of 1986 purchasing power) in 1992, and then rebounded to \$931.20 in 1992 (which raised it to about the level it had reached in 1976!) However, the distribution of income is highly skewed, and the poorest 20 percent of the population collected only 4.4 percent of the income. Using a population estimate of 7.2 million, this implies per capita income in 1992 of about \$205 per year for the poorest 20 percent.

According to the FED study, 70 percent of Dominicans do not have private "sanitary facilities", 80 percent lack water faucets in their homes, and 400,000 Dominicans suffer from critical malnutrition. The population per medical doctor is higher than it was 25 years ago. Pensioners' real incomes are estimated to be about 8 percent (yes, eight, not eighty) of their level of 25 years ago, thanks to price inflation. Over one-third of the poorest 20 percent of households are headed by persons with no formal education at all.

## **B. Alleviating the Immediate Symptoms of Poverty**

The poverty that attends so many Dominicans today can be attributed largely to two classes of flawed economic policy. First is the undisciplined monetary and fiscal policies that have resulted in high rates of price inflation for the better part of the last 25 years. In the 1985-1990 period, for example, total production increased a meager 6 percent. However in the same period, the money stock increased 300 percent. So much paper money chasing so few real goods can only produce price inflation and international payments difficulties. For those with fixed incomes, such as pensioners, and incomes that increase more slowly than general price inflation (such as casual and unorganized laborers), financing government deficits in this manner is a poorly disguised tax imposed on the poor to finance whatever it is that government is spending on. It is clear from the experience of the past 5 years that the Government is capable of controlling price inflation when it decides to. However, there also is good reason to suspect that during political campaigns, relatively more government spending and inflationary finance will tend to recur.

The second class of policy that injures the poor is protectionist policies, and government-granted monopolies. A few examples are shown below.

- In 1993, the Government subsidized propane gas for 589 million pesos (about \$46 million, or \$32 per member of the lowest-income quintile). The subsidy made propane gas available to everyone, rich or poor, at the subsidized price. By targeting the subsidy exclusively on the lowest one-half of the population (e.g., by way of "propane stamps"), the subsidy that reached them could be increased to 3.2 times their share under the present system. Or, if only the poorest 20 percent were targeted they could get 10 times their current benefits and the cost of the program could be cut in half. This could also induce less use of wood as a

fuel and thus help protect the environment against deforestation.

- Strict limitations on the import of rice help to keep its price well above the world market price. The poorest 10 percent of the population spend 17.5 percent of their income on rice while the richest 10 percent spend only 2.6 percent of their income on rice. Thus the excessive price falls much more heavily on the poor than on the rich. Again, the poor are, in effect, taxed in order to subsidize rice growers.
- Edible oils and milk offer examples of policy reforms that have benefitted the poor. In both cases, import liberalization resulted in significant price reductions and increases in consumption. Beans and sugar offer examples of cases in which more stringent restrictions triggered reductions in per capita consumption.

These examples do not seem to be isolated. In a sample of 518 goods sold both in Santo Domingo and in Miami, it was found that half of the goods had prices in Santo Domingo between two and six times their prices in Miami. After adjusting for taxes and tariffs in Santo Domingo, and transportation costs to Santo Domingo, 49 percent of the goods still had prices between 50 percent and 500 percent above their Miami prices. This "unexplained" difference is attributed to non-tariff restrictions on imports.

The policy implications are straightforward. By removing restrictions that limit supplies, from foreign sources or domestic, or both, the resulting competition is likely to bring down prices. Moreover, if they do not have that effect, then it doesn't seem that any harm has been done. Similarly, tariffs are exceptionally high. Even though there was a tariff system reform in the early 1990s, the median effective protection of domestic goods has increased from 99 percent to 152 percent.

Reform of the policies governing commodity supplies are among the most urgently needed reforms to provide relief for the poor. Of course, the beneficiaries of the present system will not welcome changes. Politically, it is neither possible nor desirable to ignore the interests of such stakeholders. However, if subsidies are to be paid to such interests, it is certainly preferable to make the subsidies open and above board. By converting them to direct subsidies, they can be financed in a manner that is less regressive than the current system.

### **C. Alleviating the Root Causes of Poverty**

As noted earlier, significant investment is required to redress the root causes of poverty. Women and men with little or no education or marketable skills earn commensurately low incomes. This forces them to live in humble circumstances in which conditions of health and sanitation are likely to be sub-standard. At the present, the public sector is not a highly significant force to break this cycle by way of provision of public services. State spending on health is less than 1 percent of GDP as is spending on education. Twenty percent of the overall population is illiterate, and the rate is much higher among the poor.

The issue, of course, is how to finance the needed public sector investment in social infrastructure. There are answers that can be found, but it requires very careful and sensitive study. Unquestionably, the answers will be some combination of the following: Improving the quality of planning and selection of public expenditures. For example, from 1984 to 1992, the state power company ran a deficit of 2 billion pesos. In addition, the company received a "price differential tax" of 2 billion pesos, and received a de facto subsidy in the form of below-market exchange rates for imports, totaling an additional 200 million pesos. At today's official exchange rate, this amount totals approximately US \$326 million. The resources could have been used for genuinely "public" goods and services. In its Social Security system, the DR has three times as many workers per recipient as the average for Latin America.

The DR is not a federal form of government, and has a highly centralized system of governance. Nevertheless, there are ways of organizing non-federal systems in order to collect information on the needs and requirements of particular local communities. These needs are normally quite varied from one community to another, and finding ways to encourage local participation in the selection of public services to be delivered is an integral part of both political and economic democratization. As the World Bank commented in its May 1995 study:

"---improved allocations and efficiency within the social sectors need to be complemented by a more decentralized approach to meeting the basic social needs of poor communities. The public sector in the Dominican Republic is highly centralized and the lack of responsive mechanisms to meet the needs of the poor will hamper efforts to improve the targeting of social interventions."

Many of the suggestions contained in this section have significant tax and/or expenditure implications. Therefore, they may well be accompanied by a comprehensive review of the Government's fiscal administration, both the tax and the expenditure sides. As of 1994, the Government still had a total of 141 taxes and rates; yet 107 of the 141 produced only 2 percent of the total tax revenue. It is likely that the maintenance of administrative machinery for most of these taxes costs far more than the revenue they generate.

If the Government seriously intends to switch from an import substitution strategy to a market-led strategy, it is virtually certain that the tax policy structure it needs is very much different from the existing policy structure. It is understood that the IDB is embarking on a tax reform project. However, that apparently is to be a tax administration project, aimed strictly at raising more revenue. If, as seems likely, the present tax structure, and the expenditure structure as well, have a net regressive impact, then the advisability of strengthening the administration of the system without simultaneously implementing reform of the entire tax (and expenditure) structure is questionable.

## Annex E

### ESTIMATE OF UNCOMMITTED PROJECT RESOURCES

(as of 12/31/95)

#### Calculation of pipeline:

|   |                  |
|---|------------------|
| Total obligations to cooperative agreement      | \$3,097,289      |
| Less total accrued expenditures 6/30/95 per SRI | <u>1,822,491</u> |
| Pipeline as of 6/30/95                          | \$1,274,798      |

#### Calculation of funds required for active subgrants:

|  |                |
|--|----------------|
| Total approved subgrants                                       | \$1,043,428    |
| Less accrued expenditures 6/30/95                              | <u>705,754</u> |
| Pipeline: approved subgrants 6/30/95                           | \$ 337,674     |
| Plus grant to Fed approved after 6/30/95                       | <u>75,000</u>  |
| Total pipeline approved projects                               | \$ 412,674     |
| Plus SRI burden and GSA on subgrants<br>pipeline (7.8 percent) | <u>32,189</u>  |
| Funds committed to subgrants                                   | <u>444,863</u> |
| Pipeline less subgrant commitment                              | \$ 829,935     |

#### Calculation of estimated non-subgrant expenditures to 12/31/95:

|   |                |
|---|----------------|
| Estimated SRI expenditures to 12/31/95<br>(\$23,000 x 6 months per SRI/Santo Domingo) | \$ 138,000     |
| Evaluation earmark  | <u>75,000</u>  |
| Total estimated non subgrant expenditures to 12/31/95                                 | <u>215,705</u> |

**Estimated uncommitted project resources 12/31/95** \$ 614,230