



CHEMONICS INTERNATIONAL INC.

POLICIES TO IMPROVE COMPETITIVENESS
IN THE DOMINICAN REPUBLIC

BASE-PERIOD (JUNE 2001-JUNE 2002) WORK PLAN

Submitted to:
USAID/Dominican Republic

Submitted by:
Chemonics International Inc.

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In Support of Strategic Objective (SO) No. 1,
Policies Adopted that Promote Good Governance for Sustainable Economic Growth

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TABLE OF CONTENTS

SECTION I	Introduction	1
SECTION II	Implementation Methodology	2
SECTION III	Proposed Component Activities	7
	A. Regional and Product (Cluster) Competitiveness Initiatives	7
	A1. Objective	7
	A2. Key Activities	8
	B. Trade, Investment and Financial Policy Activities	8
	B1. Objective	9
	B2. Key Activities	9
	C. Small and Microenterprise Policy Activities	9
	C1. Objective	9
	C2. Key Activities	9
	D. Poverty Reduction Policies and Initiatives	10
	D1. Objective	10
	D2. Key Activities	10
SECTION IV	Reporting	10
SECTION V	Timeline	10

POLICIES FOR A MORE COMPETITIVE DOMINICAN ECONOMY: BASE-PERIOD (JUNE 2001-JUNE 2002) WORK PLAN

I. Introduction

USAID/Dominican Republic (DR) has contracted Chemonics International (Chemonics) under the Rural and Agricultural Incomes with a Sustainable Environment (RAISE) Indefinite Quantity Contract (IQC) to provide assistance in promoting policy dialogue and reform for a more competitive Dominican economy. The task order is effective from June 15, 2001, to June 14, 2002; an optional one-year extension has been budgeted which can be exercised by USAID.

The objective of the task order, and our overall implementation philosophy, is to change public and private-sector mindsets regarding competitiveness and key economic and social policies leading to rapid, broad-based economic growth, wealth creation and poverty reduction. Specifically, the task order will support a participatory strategic-planning process that will result in the preparation of competitiveness strategies, the identification of priority investment projects, and the identification of policy measures or reforms needed to ensure the long-term competitiveness and equitable economic development of the DR. The competitiveness strategies will be widely disseminated in order to further support their adoption by target groups and to garner support among key public and private-sector audiences as well as the international donor community. The process will also establish strategic alliances for the implementation of priority projects and in the design, revision or adoption of key economic or social policies needed to promote the competitive position of the DR. The task order's activities directly support USAID/DR's Strategic Objective No. 1 (SO1): *Policies Adopted that Promote Good Governance for Sustainable Economic Growth* in the DR.

The task order has the following four interrelated components.

1. Regional and Product (Cluster) Competitiveness Initiatives
2. Trade, Investment and Financial Policy Activities
3. Small and Microenterprise Policy Activities
4. Poverty Reduction Policies and Initiatives

The activities and initiatives to be implemented will be highly focused, geared to changing policies and promoting strategic thinking and mindset changes. All activities carried out will demonstrate the following characteristics:

- involve strategic linkages (forward and backwards) between global markets, national government, local development associations, local government and citizens
- create/build partnerships among the community, the public and private-sector and international private associations and foundations;
- be environmentally friendly or promote environmental protection;
- employ and use information technology and technology transfer; and

- be based upon strategic business-planning methods.

The task order's activities will be managed by a Competitiveness Strategy Center (the Center) composed of six individuals: a project director, an economist, a competitiveness/strategic-planning specialist, a research assistant, a project assistant, and an administrative assistant/accountant. The Center, supported by international and national consultants when required, will provide technical assistance, policy design and analysis, training coordination (observation tours and workshops) and information support to component activities, in particular to the strategy and working groups formed to support competitiveness initiatives. The main task of the Center is to facilitate the participatory strategic-planning process, assisting counterpart groups in accessing the necessary information, best practices and expertise required to make informed decisions.

The following work plan presents our initial work program for the June 2001-June 2002 base period. This work plan is being viewed as a work in progress, as a precise timeline and specific activities can only be defined once work gets underway with each of the recipient organizations or groups. As was learned during the first phase of the competitiveness program, each group has its own timeframe for implementing the strategic-planning process and has different requirements regarding the amount of assistance and expertise needed to implement this process.

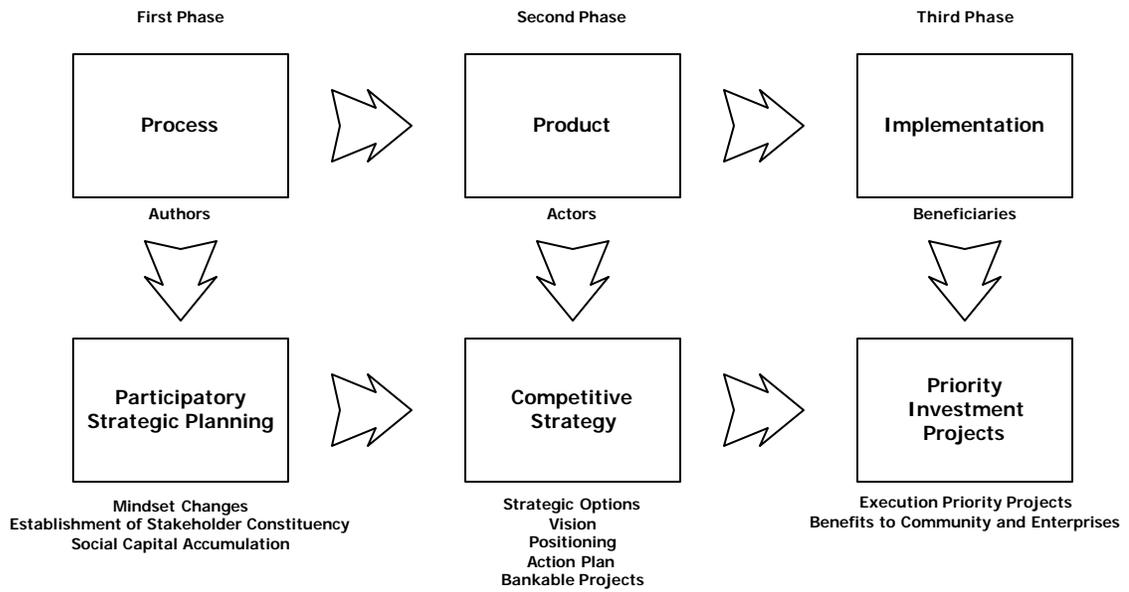
Section II defines our implementation methodology, while Section III describes the objective and proposed activities for each of the four components. Section IV identifies the reports that Chemonics will submit during the year, and Section V presents an illustrative timeline for this work plan.

II. Implementation Methodology

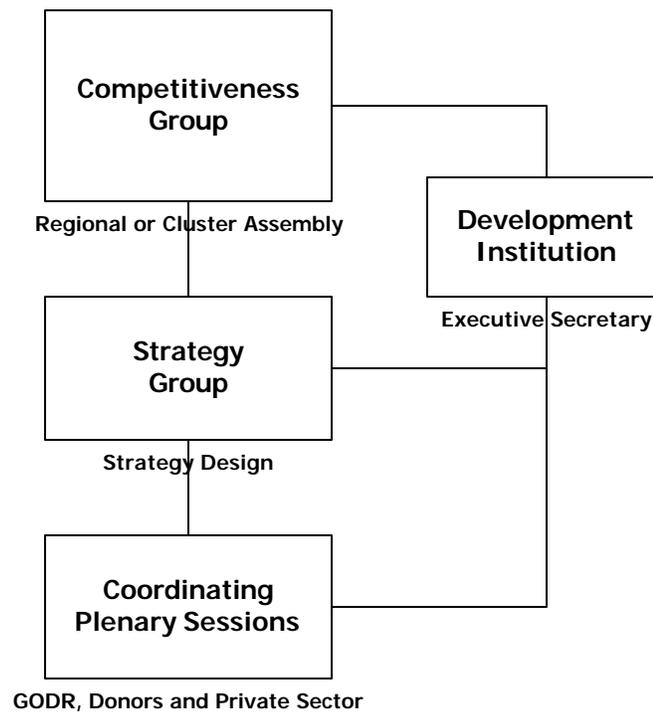
Task order activities will be implemented adhering to the following key principles:

1. A proven *methodological framework* will guide all work undertaken as part of the task order. This framework (See Figure I-A for a diagram of the framework, in addition to the supporting institutional structure required to manage the framework) was utilized and perfected during the previous stage of the competitiveness project and consists of three distinct phases:
 - *Process*, which involves standard participatory strategic-planning procedures. An ongoing goal of the process phase is the establishment of vested stakeholder constituencies, the change in mindsets regarding developing competitiveness strategies, and the accumulation of social capital. Although the length of this phase varies depending upon the level of counterpart commitment in each particular case, in general the process stage can be completed within six months.

FIGURE I-A: METHODOLOGICAL FRAMEWORK



SUPPORTING INSTITUTIONAL STRUCTURE



- *Product*, which consists of the finalization of a competitive strategy or strategic action plan. The strategy defines strategic options, a vision statement, competitive positioning, an action plan, and the identification of priority investment projects and policy reform initiatives. In essence, the product phase is a snapshot of the decisions made during the process stage, and serves as the roadmap for the third phase, implementation.
- *Implementation*, which consists of the execution of priority investment projects and policy reform initiatives identified in the strategic action plan.

Although the most obvious application of this framework will be in assisting regional or cluster groups create competitiveness strategies, the methodology is also essential for any policy reform process. Policy reform cannot take place without the involvement and guidance of key interest groups. By utilizing the strategic-planning process detailed above, any policy reform effort initiated with Center support will have a far greater chance for success.

Throughout all strategic-planning processes, every effort to sensitize, educate and transmit information on competitiveness will be taken. It is imperative that as broad an audience as possible be continuously introduced to work taking place in order to ensure widespread support for any competitiveness or policy reform initiative. Moreover, as was seen after the previous phase of competitiveness work, continuous promotion should generate further interest from additional regional or cluster groups to initiate their own strategic-planning processes.

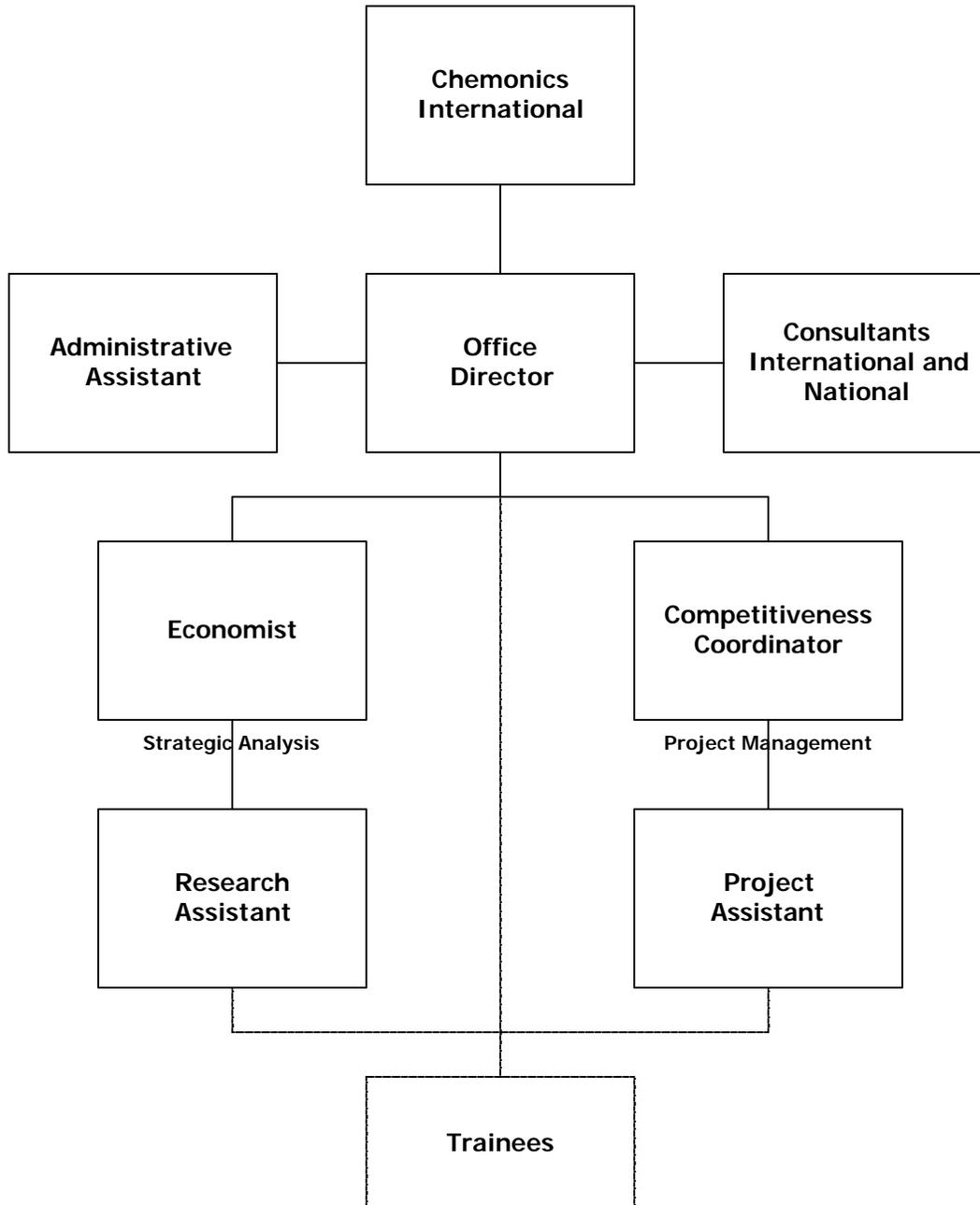
2. In applying the above-described framework, counterpart organizations must demonstrate a firm *commitment* to continuously support competitiveness processes. Requisite commitments include dedicating substantial amounts of time and a willingness by members, in particular decision-makers, to accept new ideas. In addition, counterparts will be required to cover a portion of activity costs, either through financial or in-kind contributions.

Commitments must remain strong throughout any strategic-planning effort; moreover, initial commitment does not guarantee the long-term success of strategy implementation. If results are not being achieved as projected or organizations are not demonstrating sufficient commitment to the process, particularly by its leadership or decision-makers, the Center will have the flexibility to redirect resources to those activities showing greater progress and results. No counterpart organization should be seen as a permanent actor in any competitiveness process. From time to time certain groups may lose momentum to carry forth a competitiveness initiative due to any variety of reasons. If a counterpart group fails to carry out integral steps in the strategic-planning process, the Center will not take over the process. When strategies are developed on behalf of counterparts, there is little hope for long-term strategy success.

3. Due to the scarcity of project resources, every effort to *leverage available resources* and to *cooperate with other similar projects* will be made. This includes collaborating with other donor programs, or seeking their support for future activities. Collaboration is important both for key areas of policy reform as well as for the successful implementation of competitiveness strategies.
4. The project unit, or Center (See Figure I-B), will serve as a *facilitator* to the strategic-planning process, providing targeted technical assistance and analytical support to move the process forward in those areas showing the greatest promise. When required, the Center will identify and provide to counterparts highly focused technical assistance from outside experts (national, regional or international). Counterpart groups that will be the beneficiary of technical assistance will be expected to conduct the majority of work under the program, as highlighted above. The Center will merely assist in keeping the efforts on target and moving them forward. While this philosophy may signify that particular strategic-planning processes may take longer than others, in the past it has proven effective in developing stakeholders and process leaders as well as promoting long-term sustainable results.

Key to fulfilling the role of facilitation will be flexibility, which also ties into the resource constraints highlighted above. The Center, as outlined in the official scope of work, cannot serve as all things to all people. The Center must closely monitor counterpart commitments, be it for regional/cluster competitiveness initiatives or for policy reform activities, and determine where to focus its limited resources. The Center will remain in continuous contact with USAID/DR throughout implementation of the project to determine which areas will receive project assistance. During the initial months of the program, regional and cluster competitiveness initiatives will serve as the main thrust of Center support. The primary reason for this focus is that key regional or cluster counterparts (see Section III for more detail on selected project initiatives) have already come forward and demonstrated an interest and commitment in carrying forth strategic-planning processes. In turn, policy reform efforts of a national scope will be identified over time, with an understanding that of the myriad potential policy reform efforts, only the most relevant initiatives impacting the competitiveness of the DR and demonstrating the widest counterpart support will be the focus of targeted Center assistance.

FIGURE I-B: COMPETITIVENESS STRATEGY CENTER



III. Proposed Component Activities

Immediately following task order signature, Chemonics hired the project director, Antonio Rodríguez-Mansfield. Mr. Rodríguez has conducted initial discussions with USAID/DR and a variety of organizations interested in participating in the project. In addition, and with assistance from the Chemonics Home Office Project Management Unit, he has been identifying candidates for the Center, evaluating possible office locations, and been involved with other project start-up activities. We anticipate that most of the Center's staff and at least a temporary office arrangement will be identified and contracted by August 1, 2001.

A. Regional and Product (Cluster) Competitiveness Initiatives

A1. Objective

The objective of this component is to provide technical assistance to private and public-sector organizations undertaking participatory strategic-planning processes as part of specific regional or product (cluster) competitiveness development efforts.

A2. Key Activities

USAID/DR has received official requests from two regional development associations (La Vega and San Pedro de Macorís) and two tourism clusters (Romana-Bayahibe and Puerto Plata) for assistance in launching, facilitating and managing participatory strategic-planning processes. Each group has demonstrated sufficient interest and political will to support a strategic-planning process.

In the case of La Vega, which is the furthest advanced in terms of programming, four priority project areas have already been identified: a regional strategic development plan, an ecological corridor (possibly looking at ecotourism and forestry activities), an agro-industrial consortium (possibly focusing on processed vegetables), and an IT educational component. All four project areas will identify both investment activities as well as necessary policy reforms.

San Pedro de Macorís is focusing on a regional development strategy, examining agricultural opportunities (particularly to diversify away from sugar), logistics, tourism development and industrial free-trade zones opportunities.

Regarding the tourism cluster groups in Puerta Plata and Romana-Bayahibe, counterpart groups are requesting assistance to define a competitive tourism strategy in order to address critical issues impacting the long-term competitiveness and sustainability of their tourism product.

Presentations were made to counterpart groups in La Vega and Puerto Plata on July 12, 2001, and July 13, 2001, respectively, to offer project assistance and provide instructions for commencing strategic-planning exercises. These presentations served as the official launch of both projects. Similar presentations will be made in San Pedro Macorís and Romana-Bayahibe during the week of July 16, 2001. Thereafter, each counterpart group will be establishing a competitiveness group, a strategy group and various working groups. All four counterparts

organizations have made initial efforts to begin forming these groups. The competitiveness group will serve as the general assembly that will officially approve and promote strategic plans. In turn, the role of the strategy group will be to develop the work plan for the strategic-planning process, conduct external analyses required for effective decision-making, identify strategic options, prepare a vision statement, identify priority projects involving both investments and policy reform, and prepare an integrated competitive strategy. It is imperative that strategy groups are composed of decision-makers, such that ideas presented to the broader competitiveness group will not be continuously overturned or rejected, leading to delays in the strategic-planning process. The strategy group will be further divided among working groups in order to better manage work on specific items to be included in the strategic plans. The Center will provide technical assistance, conduct analysis and provide strategic experts as required to support the strategic-planning process. The end result for each regional or cluster group assisted will be a competitive strategy and an action plan for implementation. In general, the strategic-planning process takes six months although it is best not to set one timeframe for the process as each group has its own time table depending on internal and external factors.

In addition to the four identified regional and cluster projects to be assisted by the Center, USAID/DR has been providing technical assistance to the specialty coffee and cacao clusters under Hurricane George Reconstruction Funds. This funding ends in December 2001, and as such USAID/DR is interested in having the Center provide strategic-planning assistance to these clusters as a mechanism to promote industry collaboration and growth. In particular, niche market opportunities have been identified that the DR could leverage as a source of increased future income. Discussions will be held with the key players in the two clusters, in addition to the USAID/DR-financed groups currently supporting them (such as the U.S. Department of Agriculture (USDA) in the case of coffee, and the American Cocoa Research Institute (ACRI) in the case of cacao), to determine how best to provide the necessary strategic-planning assistance to the coffee and cacao clusters once Reconstruction funding is no longer available. A major aspect of these interactions will be a determination of how current USAID/DR partners like ACRI can contribute their own resources to any future strategic-planning efforts carried out with the support of the Center.

The above regional and product competitiveness initiatives will be the focus of the majority of project resources, given the high level of demand and interest already in place.

B. Trade, Investment and Financial Policy Activities

B1. Objective

The objective of this component is to accelerate the trade, investment and financial policy and institutional reforms needed to make the DR more competitive in global markets and prepared for membership in the Free Trade of the Americas Agreement (FTAA). At a minimum, the activities will identify those priority policy measures or reforms needed which USAID/DR can then monitor or provide assistance to either under this task order, or under other contracting mechanisms.

B2. Key Activities

The Center will consult with key public and private-sector organizations to determine their interest and commitment to strategic-planning processes to address trade, investment and financial policy activities. Based on preliminary discussions, it is anticipated that most assistance to be provided under this component will focus on helping the DR prepare itself for the Free Trade Agreement of the Americas (FTAA). It is likely that support will be provided to the Ministry of Trade's Comisión Nacional de Negociaciones Comerciales (CNNC) as it prepares to represent the DR in upcoming FTAA negotiations. Although CNNC most likely requires assistance in all of the nine FTAA negotiating areas, any assistance provided by the Center will focus on just one or two of these areas, such as intellectual property rights or alternative dispute resolution.¹

As part of its assistance provided under this component, the Center will maintain contact with PROALCA, the USAID/G-CAP-financed program established to assist Central American nations to participate in FTAA negotiations. The Government of the DR (GODR) has already had contact with PROALCA regarding labor issues. The Center will evaluate upcoming PROALCA activities to determine if there are any relevant events that can be used as training opportunities for GODR officials. Additionally, an ongoing dialogue will be opened with the Organization of American States' (OAS) Foreign Trade Information System (SICE) group to determine what regional resources are available through this organization that can be leveraged in providing assistance to CNNC.

Further clarity on which topics or key policies to be addressed will be based upon ongoing discussions with both USAID/DR and possible counterpart organizations.

C. Small and Microenterprise Policy Activities

C1. Objective

The objective of this component is to strengthen the network of small and microenterprise (SME) associations so that they may become an effective lobbying force for policy change and to improve the legal framework to support the role of the SME sector.

C2. Key Activities

The Center will consult with representative SME organizations and associations to determine how the Center can support a competitiveness strategy planning process and related initiatives. The SME sector will also play a major role in regional and cluster competitiveness initiatives described in Section A above. As part of the Center's work under this component, conversations have already been held with the Centro de Apoyo para la Micro, Pequeña y Mediana Empresa (CAMPE) to request that CAMPE serve as a strategic partner to ensure SME sector involvement in all project activities.

¹ The nine FTAA negotiating areas are: market access; investment; services; government procurement; dispute settlement; agriculture; intellectual property rights; subsidies, antidumping and countervailing duties; and competition policy.

Any assistance to be provided by the Center in the SME policy area will be determined in conjunction with USAID/DR after the IDB-sponsored IV Forum on Microenterprise, to be held in Santo Domingo in November 2001. Prior to the meeting, the Center will help CAMPE define its potential role at the Forum and evaluate opportunities that both the Center and CAMPE will have during the event to solicit other donor support for ongoing activities.

D. Poverty Reduction Policies and Initiatives

D1. Objective

The objective of this component is to support the design and implementation of strategic poverty-reduction initiatives, to be implemented through experienced non-governmental organizations (NGOs) and in collaboration with the public and private-sectors and selected sugar-producing communities (*bateys*).

D2. Key Activities

On an ongoing basis, the Center will consult with NGOs and related organizations working on poverty-reduction initiatives. Specifically, the Center will work with NGOs to introduce them to the competitive strategic-planning process as a means to identify, in a collaborative manner, priority development options and means and resources to achieve them. The process will serve as a tool that the NGOs can use, in turn, to promote a common development strategy in the participating *bateys* and with the investor groups supporting the *bateys'* development initiatives.

IV. Reporting

To ensure that USAID/DR is continuously updated on project activities, Chemonics will submit a brief monthly report within ten days after the close of each calendar month. Additionally, Chemonics will submit quarterly financial updates (to be included in relevant monthly reports) on the financial and in-kind contributions being provided by all counterpart groups under the four project components. Finally, an annual report will be submitted to USAID/DR within 30 days after the end of the base period.

V. Timeline

Figure I-C presents the proposed timeline for the one-year base period. It is illustrative and will be continuously refined in conjunction with USAID/DR as work progresses.

FIGURE I-C: Timeline for Base Period Work Plan (June 2001 - June 2002)

Project/Activity	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
PROJECT EXECUTION UNIT	Start		End									
Establishing Office Facilities and Logistics												
Importing and Installing IT Equipment												
Staff Recruitment and Training												
REGIONAL AND CLUSTER DEVELOPMENT	Prep		Start				Rev					End
La Vega Regional Development Project												
Romana-Bayahibe Tourism Cluster Development Project												
Puerto Plata Tourism Cluster Development Project												
San Pedro de Macoris Regional Development Project												
Coffee and Cacao Cluster Groups												
POLICY REFORM		Prep	Start				Rev					End
Trade Reform												
CNNC Support Strategy												
Technical Assistance to the CNNC												
Comparative Tariff Analysis												
FTAA Briefing Sessions and Workshops												
Investment												
International arbitration												
Competition policies												
Intellectual Property Rights												
Financial												
Internal Debt												
Capital Market												
MSE Financing												
Credit Unions and Cooperatives												
MICRO AND SMALL ENTERPRISE			Prep						Start			End
Technical Assistance to REDIMYPE												
MSE Policy Papers												
POVERTY REDUCTION			Prep						Start			End
Technical Assistance to NGOs and Bateys												
Technical Assistance to the GODR												

Rev = Review checkpoint

Prep = Preparatory work