REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO

THE DOMINICAN REPUBLIC

FOR

THE SOUTH WESTERN REGION SMALL FARMERS PROJECT - PHASE II
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<td>15</td>
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</tbody>
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CURRENCY EQUIVALENTS

Currency Unit = Dominican Peso (DOP)
USD 1.00 = DOP 15.00
DOP 1.00 = USD 0.06

WEIGHTS AND MEASURES

1 kilogram (kg) = 2.204 pounds (lb)
1 000 kg = 1 metric tonne (t)
1 kilometre (km) = 0.62 miles (mi)
1 metre (m) = 1.09 yards (yd)
1 square metre (m²) = 10.76 square feet (ft²)
1 acre (ac) = 0.405 ha
1 hectare (ha) = 2.47 acres

ABBREVIATIONS AND ACRONYMS

ADEMI  Asociación para el Desarrollo de la Microempresa
(Association for Microentreprise Development)
APA  Agencia de Promoción de Área
(Area Promotion Agency)
DGPM  Dirección General de Promoción de la Mujer
(National Directorate for the Promotion of Women)
GTZ  German Agency for Technical Cooperation (Germany)
IAD  Instituto Agrario Dominicano
(Dominican Agricultural Institute)
IDB  Inter-American Development Bank
INDRHI  Instituto Nacional de Recursos Hídricos
(National Institute for Water Resources)
NGO  Non-governmental organization
ONAPLAN  Oficina Nacional de Planificación
(National Planning Office)
PMU  Project Management Unit
POC  Planning and Operative Committee
PRODAS  Agricultural Development Project in San Juan de la Maguana
SEA  Secretaría de Agricultura
(Secretariat of Agriculture)
STP  Secretaría Técnica de la Presidencia
(Technical Secretariat of the Presidency)
TA  Technical assistance
UNDP  United Nations Development Programme

GOVERNMENT OF THE DOMINICAN REPUBLIC

Fiscal Year

1 January - 31 December
The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.
**DOMINICAN REPUBLIC**

**SOUTH WESTERN REGION SMALL FARMERS PROJECT - PHASE II**

**LOAN SUMMARY**

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<tr>
<th>INITIATING INSTITUTION:</th>
<th>IFAD</th>
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<tbody>
<tr>
<td>BORROWER:</td>
<td>Dominican Republic</td>
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<tr>
<td>EXECUTING AGENCY:</td>
<td>Technical Secretariat of the Presidency/National Planning Office (STP/ONAPLAN)</td>
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<td>TOTAL PROJECT COST:</td>
<td>USD 17.6 million</td>
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<td>AMOUNT OF IFAD LOAN:</td>
<td>SDR 8.75 million (equivalent to approximately USD 12.0 million)</td>
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<tr>
<td>TERMS OF IFAD LOAN:</td>
<td>20 years, including a grace period of five years, with an interest rate of one half of the reference interest rate per annum as determined by the Fund annually</td>
</tr>
<tr>
<td>COFINANCIERS:</td>
<td>None</td>
</tr>
<tr>
<td>CONTRIBUTION OF BORROWER:</td>
<td>USD 2.5 million</td>
</tr>
<tr>
<td>CONTRIBUTION OF BENEFICIARIES AND NGOs:</td>
<td>Beneficiaries: USD 2.6 million, NGOs: USD 0.5 million</td>
</tr>
<tr>
<td>APPRAISING INSTITUTION:</td>
<td>IFAD</td>
</tr>
<tr>
<td>COOPERATING INSTITUTION:</td>
<td>IFAD supervised</td>
</tr>
</tbody>
</table>
PROJECT BRIEF

The project area comprises 19 municipalities in three provinces — Bahoruco, Independencia and Elías Piña — located in the south-western part of the country, on the border with Haiti. In the Poverty Map of the Dominican Republic produced by the National Planning Office (ONAPLAN), all three provinces figure among the country’s poorest, with 86% of the area’s 43 419 families living below the poverty line.

The area’s rural poor are small producers, microentrepreneurs and landless wage earners; and women are most consistently affected. Poverty is associated with difficult climatic and soil conditions, limited access to land, unemployment, weak agricultural and financial services and a history of low government investment in the area. Small agricultural producers supplement their farm incomes with poorly-paid seasonal employment. Rural youth have limited local employment and income-earning opportunities, resulting in widespread migration. Women, in particular, tend to emigrate to Santo Domingo City or abroad.

The general objectives of the project are to improve general living conditions, increase the incomes of the rural poor, alleviate extreme poverty and improve agricultural and microenterprise production and prices. Its specific objectives are to: (i) create and improve family income-generating opportunities in agricultural and non-agricultural production; (ii) improve access to investments and capital resources for agricultural and microenterprise operations through local financial sources; (iii) improve the area’s social and productive infrastructure, roads and living conditions; and (iv) strengthen the capacity of local organizations and non-governmental organizations (NGOs) to offer both social and productive services to communities.

The participatory methodology to followed by the project underlines the synergy required to promote, design and implement self-help projects and investments. Such promotion will be undertaken by intermediary organizations, including NGOs organized as area promotion agencies (APAs), to help grass-roots organizations develop project activity lists reflecting their needs. Beneficiary communities will design their own initiatives with the help of APAs. Implementation will be achieved by means of a matching grant programme to guarantee “ownership” of the project on the part of the communities and the selection of more achievable, effective proposals. The same methodology may be applied to beneficiaries whose productive investments are supported by an appropriate savings mobilization and credit system.

The project is expected to bring together a network of agricultural producers, microenterprises, water users’ groups and women’s, youth and village groups and organizations. Trained leaders will be actively involved in local development efforts and closely linked to provincial development plans and programmes. All action will have a gender-balanced focus and approach. It is estimated that at least 10 500 families will benefit from social infrastructure and roads; 2 800 small farm families from agricultural credit, technical assistance (TA) programmes and irrigation, including at least 1 000 women heads of household; and 1 350 agricultural and non-agricultural wage workers, of which at least 50% will be women, from credit, TA programmes and credit for rural microenterprises.

The overall cost of the six-year project is expected to amount to approximately USD 17.6 million, of which IFAD will provide a loan of USD 12.0 million (68% of project costs). The remaining USD 5.6 million (32% of project costs) will be provided from local sources (beneficiaries, NGOs and the Government).
I submit the following Report and Recommendation on a proposed loan to the Dominican Republic for SDR 8.75 million (equivalent to approximately USD 12.0 million) on intermediate terms to help finance the South Western Region Small Farmers Project - Phase II. The loan will have a term of 20 years, including a grace period of five years, with an interest rate of one half of the reference interest rate per annum as determined by the Fund annually. It is proposed that this IFAD-initiated project be supervised directly by the Fund in view of its innovative implementation approach in collaboration with public and private institutions.

PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY

A. The Economy and Agricultural Sector

1. The Dominican Republic occupies the eastern two thirds (49,000 km²) of the island of Hispaniola in the Western Caribbean Sea. By 1997, the population of the country had reached an estimated at 8 million, of which 35% were located in the rural areas. The economically-active population was estimated at 3 million in 1995, of which 25% was involved in activities related to agriculture.

2. The structural adjustment programme initiated in 1990 successfully reduced public debt and inflation (currently about 8%) and stabilized the exchange rate. This, together with government support for construction and tourism, led to strong economic growth after a prolonged crisis and put the 1997 real Gross Domestic Product (GDP) back to levels prevailing in the 1970s. Tourism, industry and non-traditional agricultural products for export are becoming increasingly important to growth, employment and revenue. Despite reforms and policy shifts, the Dominican Republic’s macroeconomic situation remains fragile owing to a very narrow tax base and severe economic distortions.

3. The agricultural sector represents about 13% of GDP and more than 30% of exports. This sector has more slowly than the national GDP during recent decades. Indeed, with the exception of a few non-traditional crops, agricultural production has declined steadily since 1983. Although production of new products such as pineapple, banana, citrus and flowers is on the increase, medium and small producers engaged in growing traditional products have seen a reduction in their total cultivated areas and in employment opportunities and income. A distorted land-holding system, vast government ownership of land and the large numbers of producers engaged in informal land-use situations contribute to this situation.

1 See Appendix I for additional information.
4. Rural poverty has been a constant feature throughout the history of the Dominican Republic and it is the main cause of migration. The incidence of poverty and extreme poverty is greatest in the western provinces that share a border with Haiti, including those selected for the project area – Independencia, Bahoruco and Elías Piña. Macroeconomic policies applied since 1990 have slightly modified poverty patterns in the country, but while urban unemployment has been reduced to some extent, the rural areas have been left untouched.

5. The National Development Plan of the Government of President Leonel Fernández (elected in 1996) accorded high priority to the fight against rural poverty. A survey conducted in 1997 set the poverty benchmark for the project area at USD 2/person/day for all basic needs and at USD 1/person/day for the food basket (critical poverty). In all three provinces, more than 85% of the rural population have incomes below the poverty line and about 40% below the critical poverty line.

B. Lessons Learned from Previous IFAD Experience in the Dominican Republic

6. Operations. IFAD has financed four projects in the Dominican Republic (for a total of USD 36.1 million on intermediate terms), three of which have closed and one is ongoing. These are the Consolidation and Development of Rural Settlement Project (loan 028-DO) (closed in July 1989); the Small Scale Food Producers Development Project (loan 098-DO) (closed in December 1989); the South Western Region Small Farmers Project (loan 216-DO) (phase I of the present project) that closed in December 1997; and the ongoing Agricultural Development Project in San Juan de la Maguana (PRODAS) (loan 345-DO) initiated and cofinanced by the Inter-American Development Bank (IDB).

7. Lessons learned. Phase I of the South Western Region Small Farmers Project gave mixed results. While water users’ and women’s groups were organized satisfactorily, credit targeted to small farmers for agricultural production provided fewer tangible results; and there was little coordination between components and among government and other institutions. In the long run, the top-down approach acted as a disincentive to the beneficiaries. Moreover, the first-phase project’s strong bias towards infrastructure investment (irrigation and drainage) has made it difficult to implement a demand-driven approach.

8. The lessons learned during the first phase, and that influenced the design of the present project, highlighted the importance of: (i) selecting projects identified by community and beneficiary groups in order to help the greatest number of beneficiaries; (ii) involving beneficiary groups as equal partners in the process of identifying, designing and building infrastructure, and ensuring their participation in monitoring the quality of design and execution; (iii) performing a rigorous ex ante analysis of the institutions in charge of managing credit; (iv) balancing institutional participation with a mix of public and private institutions and local associations contracted through competitive mechanisms; and (v) promoting women’s participation and providing equal opportunities for rural women at all levels of project activities and organization.

C. IFAD’s Strategy for Collaboration with the Dominican Republic

9. Country policy for poverty eradication. The policies for poverty eradication and rural development implemented by the Government since 1996 include social investment and poverty alleviation programmes; multi-sectoral coordination of government action; incremental funding for education and health; land distribution programmes; and credit programmes for small enterprises. Such activities have been coordinated by the Technical Secretariat of the Presidency (STP) through the National Planning Office (ONAPLAN), and the responsibility for land distribution and titling rests with the Dominican Agricultural Institute (IAD). Other government policies focus on programmes for improving the well-being of urban and rural women under the auspices the National

2 See Appendix II for additonal information.
Directorate for the Promotion of Women (DGPM). Government modernization and decentralization policies, implemented through ONAPLAN, give increasing responsibility to provincial and municipal government agencies for local development plans and programmes. Multi-sectoral provincial planning offices provide technical support to provincial development councils in collaboration with local government and grass-roots organizations. Small and microenterprise development has been promoted as a means of combating poverty through the Promotion Programme for Micro and Small Enterprises.

10. **Poverty eradication activities of other major donors.** The IDB and IFAD are currently the major donors involved in Dominican Republic poverty alleviation programmes. IDB has provided financial resources to PRO-COMUNIDAD ("For the Community"), a programme for financing urban and rural community investment projects. IDB and IFAD are also financing PRODAS, the most important component of which is the construction of a dam and an irrigation system. The German Agency for Technical Cooperation (GTZ) is currently supporting an environmental project for dry forests, and the German Credit Institution for Reconstruction (KfW) is in the process of preparing a proposal for the provision of further financial support to PRO-COMUNIDAD. The United States Agency for International Development (USAID) has allocated resources for a special strategic programme to provide economic development training and financial support for innovative lending institutions, and is currently collaborating in a multi-agency environmental programme for the Artibonito River watershed (IFAD will also support this programme). The United Nations Development Programme (UNDP) is funding a sustainable human development programme aimed at strengthening local government institutions and grass-roots organizations to promote, coordinate and execute local development plans and programmes. The proposed new IFAD project is expected to coordinate its activities with PRO-COMUNIDAD, the only programme of those mentioned above that is active in all three provinces of the project area.

11. **IFAD strategy.** The Government is committed to a policy of modernizing government institutions, privatizing services and decentralizing planning. A new perception of development places greater emphasis on project “ownership” by beneficiaries and their accountability for results. The Dominican Republic is presently moving from a closed to an open economy, and from centralized decision-making to policy-making by grass-roots organizations. IFAD’s strategy for the Dominican Republic incorporates all these elements, addressing rural poverty through an approach based on participation, flexibility and decentralization; and seeks to establish democratic mechanisms for identifying investment priorities, thus constituting a community demand-driven approach. The Fund acknowledges the need for community empowerment and institutional strengthening through concerted action on the part of public and private institutions, grass-roots organizations and strategic coalitions, that will lead to greater access of the rural poor to productive assets. The project’s strategy also favours inter-agency collaboration in the project area so as to encourage cooperative planning and prevent duplication of activities.

12. **Project rationale.** This six-year IFAD-initiated project will contribute to alleviating rural poverty and consolidating government priorities. It is also expected to: (i) introduce a participatory, demand-driven annual planning process for project activities; (ii) introduce private sector-based delivery of organizational and technical services; (iii) support rural financial services, making use of the local non-formal financial network and the lessons learned in the delivery of microcredit by institutions involved in first- and second-tier operations; and (iv) incorporate gender-oriented policies for implementation at all project levels. A community initiatives fund, to be set up with project resources, will assist rural communities in selecting investments for social and productive infrastructure and help establish procedures that will be coordinated with provincial development plans and programmes. The Fund will also provide support for watershed management activities along the Artibonito River and for sustainable production throughout the project area.
PART II - THE PROJECT

A. Project Area and Target Group

13. Project area. The provinces of Bahoruco, Independencia and Elías Piña comprise 19 municipalities located in the south-western part of the Dominican Republic. The Neiba Sierra cuts east-to-west through the project area in two separate ridges enclosing a large valley watered by the Valle Juéo River. The Enriquillo Lake in the north-west, between the Neiba hills to the north and the Bahoruco hills to the south, is a vast salt-water lake 40 m below sea level that has twice the saline content of the nearby sea. The lower watershed is a semi-arid tropical zone with scant natural vegetation and an average for rainfall 600-700 mm per year, while the northern watershed averages 1 800 mm annually and is a source of fresh water. Average annual temperatures range from 26.3°C to 27.9°C, average relative humidity is 73% and evapotranspiration ranges from 1 200 mm to 1 800 mm.

14. Most of the agricultural population participates in the economy by means of sharecropping or a form of squatting. More than 60% of the smallholders work plots of less than 2.5 ha, with no communal lands. Rainfall is inadequate, the irrigation systems are often in a state of disrepair, and much of the area under irrigation is used for subsistence farming. Problems of transportation and storage result in extremely low returns on agricultural and horticultural production and losses of up to 50% of the harvest. Government agencies in charge of regulating prices have been often responsible for distortions that have harmed, rather than helped, the beneficiaries. Subsidized imported products are still available at prices lower than the cost of locally-produced goods.

15. High poverty levels have brought several international organizations and NGOs to the project area. These include: (i) Mujeres en Desarrollo (Women in Development) which is specialized in women-in-development programmes and is implementing a training, TA, health and microcredit project assisted by the United Nations Population Fund (UNFPA); (ii) Fundación para el Desarrollo de la Región Sur (Foundation for the Development of the Southern Region), which provides TA and microcredit in some rural communities of the project area; (iii) World Vision, which is responsible for training and technical programmes in sustainable agriculture, microenterprises and credit through the Investment Fund for Microenterprise Development; (iv) the Association for Microenterprise Development (ADEMI), specializing in microenterprise development; and (v) Fundación para el Desarrollo Comunitario (Foundation for Community Development), which is engaged in community development operations in the province of Elías Piña.

16. The principal government agencies operating in the project area include: (i) National Institute for Water Resources (INDRHI) in the Enriquillo Irrigation District; (ii) IAD, through its regional offices; (iii) the National Agricultural Bank, with four agencies in the area; and (iv) the Secretariat of Agriculture (SEA) through its provincial extension agencies. Provincial development councils set up through the Government’s reform and modernization policies, have been entrusted with overseeing services traditionally controlled by the central government and work to strengthen the public sector by coordinating the efforts of provincial governments, municipalities, provincial agencies and grass-roots civil organizations.

17. Target group. Some 208 300 persons live in the project area, of which 138 000 have been settled in rural areas. An estimated 86% (118 000 inhabitants) of the rural population lives below the poverty line and 42% in conditions of extreme poverty. The target population comprises 21 500 families (of a total of 43 419 in the area), including small farmers, microentrepreneurs and agricultural and non-agricultural landless labourers. Women are heads of households in 27% of all rural families.
The agricultural producers (both male and female) in the project area are mainly peasant farmers that are partially linked to the markets. Production is for family consumption, and any with surplus is sold at local markets. Factors contributing to poverty include: (i) lack of appropriate technology and TA; (ii) limited access to financial services; (iii) lack of land title; and (iv) poor marketing systems. The small agricultural producers supplement their farm incomes with poorly-paid seasonal employment. Rural youth, particularly girls, have few opportunities for local employment or earning money, resulting in widespread migration to Santo Domingo City and abroad.

B. Objectives and Scope

Objectives and scope. The overall objective of the project is to improve the incomes and living conditions of the rural poor and alleviate extreme poverty. Specific objectives are to: (i) create and improve income-generating opportunities in agricultural and non-agricultural production; (ii) improve access by family members to local financial sources for investments and capital resources for agricultural and microenterprise initiatives; (iii) improve the area’s social and productive infrastructure, roads and market channels; and (iv) strengthen the ability of local organizations and NGOs to provide communities with social and productive services.

Methodology. The project will focus on two main areas: community development and family income-generating activities. The participatory methodology to be adopted stipulates that the project may finance only initiatives selected and prioritized by the community. Selection will be made from a "project menu" of activities that may be undertaken by rural families or peasant communities to strengthen the productive social fabric. Efforts will be made also to strengthen community grass-roots organizations with a view to improving their local development, managerial capacity and links with the Government's provincial planning and development agencies.

C. Components

The project has three components: community development; financial services; and project management and monitoring. A community initiatives fund will be set up to provide non-reimbursable financial support for poor rural communities' social and productive investment. The fund will managed by a project management unit (PMU). Reimbursable credit will be provided to eligible clients through a credit fund; and savings mobilization mechanisms will be promoted.

Community development. Local NGOs or formally-organized grass-roots organizations contracted by the project as APAs will help promote proposed works and train local communities in organizing themselves in groups and making their needs known. These APAs, which will be organized by geographical area, are expected to strengthen the organizational and productive capacity of community groups and to identify the productive needs and social infrastructure to be financed from the community investment fund. Annual programming will proceed naturally from the identification and prioritization of initiatives by beneficiaries and communities, thus constituting a bottom-up participatory methodology. The initiatives thus selected will be financed by the project and cofinanced by participating communities.

Cofinancing of initiatives selected by the community will be in the form of labour and local materials, together with limited cash contributions towards productive initiatives. Such a matching-grant approach will ensure beneficiary "ownership" of sub-projects selected and initiated by the community.

3 See Appendix III, Logframe.
4 See Appendix IV.
24. Investments may include small-scale community irrigation works, community water supply, soil conservation and watershed protection, beneficiary-construction of houses and improvements to rural settlement (bateyes), time-saving domestic devices for women, as well as construction, repair and maintenance of rural roads. Priority will be given to opening up or improving market access for agricultural and microenterprise production, and legal support provided in order to formalize the beneficiaries’ land ownership status.

25. Proposals will be selected and prioritized by the beneficiaries themselves. Subprojects will be evaluated by the Planning and Operative Committee (POC) on the basis of their social, economic and environmental impact, and incorporated into the project’s annual workplan.

26. The community investment fund will operate in accordance with the provisions of an operations manual prepared by the PMU to IFAD’s satisfaction. Quality control measures and the evaluations of contracted works will involve direct beneficiary participation.

27. Financial services. The main objective of this component is to ensure access to financial services for small farmers and entrepreneurs of both sexes in the project area, in support of their productive initiatives. To meet eligibility criteria, beneficiaries may have access to no more than 4 ha of irrigated land or 12 ha of dry land. Microenterprise screening criteria will stipulate both the level of gross income and the number of hired employees.

28. In view of its effective track record, ADEMI has been selected to handle onlending and savings mobilization for small producers and microentrepreneurs as of project. Comparable second-tier onlending institutions will be contracted during the second and third year to broaden project’s outreach. Such second-tier financial institutions will in turn grant credit to first-tier intermediaries, engaging a network of local village banks, NGOs and savings and loans cooperatives for the purpose of providing credit to the beneficiaries. Competition and risk-bearing will thus be promoted at both first and second-tier levels. Short, medium and long-term loans will be available for investments and short-term agricultural production needs, microenterprises and innovative marketing initiatives. In order to reduce the financial spread and ensure sustainability, efforts will be made to strengthen informal first-tier lending institutions by providing training, TA and equipment at local level. Financial services will operate at market interest rates, taking particular care to ensure that the purchasing power of the credit fund is maintained.

29. Project management and monitoring aims at improving the quality of activities designed in participation with the beneficiaries, including overall project administration. In addition, an independent institution will be contracted to evaluate – in collaboration with the beneficiaries – the impact of project activities on the beneficiaries themselves and the development of the project area.

D. Costs and Financing

30. Total project costs, including physical and price contingencies, are estimated at USD 17.6 million, as summarized in Table 1. Of this, IFAD will finance approximately 68%; the Government about 14%; the beneficiaries 15%; and the NGOs will contribute 3%. The financing plan of the project is given in Table 2. The disbursement period is estimated at six years.
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<th>Components</th>
<th>Local</th>
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<th>Total</th>
<th>% of Foreign Exchange</th>
<th>% of Base Costs</th>
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<tr>
<td>Strengthening of community</td>
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<td>1758</td>
<td>-</td>
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<td>Community initiatives fund</td>
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<td><strong>Subtotal</strong></td>
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<td><strong>Financial services</strong></td>
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<td>Credit fund</td>
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<td>1938</td>
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<td>12</td>
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<tr>
<td>Institutional strengthening</td>
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<td><strong>Subtotal</strong></td>
<td>2447</td>
<td>-</td>
<td>2447</td>
<td>-</td>
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<td><strong>Project management unit</strong></td>
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<td></td>
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<tr>
<td>Administration and management</td>
<td>2814</td>
<td>661</td>
<td>3475</td>
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<td>Monitoring</td>
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<td>-</td>
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<td><strong>Subtotal</strong></td>
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<td>3745</td>
<td>18</td>
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<td>249</td>
<td>552</td>
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<td>Price contingencies</td>
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<td>1151</td>
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<td><strong>Total project costs</strong></td>
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<td>3492</td>
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*Discrepancies in totals are due to rounding-up of figures.*
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a Discrepancies in totals are due to rounding-up of figures.
E. Procurement, Disbursement, Accounts and Audit

31. **Procurement.** Goods and services financed by IFAD will be procured in accordance with the Fund's guidelines. Vehicles and equipment will be procured through local competitive bidding. Private rural development agencies and TA will be contracted through local bidding, following procedures acceptable to IFAD and in accordance with government regulations regarding the purchase of services. Civil engineering works costing less than USD 30 000 will be contracted directly. Irrigation projects costing more than USD 30 000 will be executed by INDRHI on the basis of an agreement with the PMU acceptable to IFAD. Each contract for the supply of goods and services estimated to cost USD 200 000 equivalent or more shall be awarded on the basis of international competitive bidding. Contracts for the supply of goods and services estimated to cost USD 100 000 equivalent or more but less than USD 200 000 equivalent shall be awarded on the basis of competitive bidding advertised locally, in accordance with procedures satisfactory to the Fund. Each contract for the supply of goods and services, estimated to cost USD 30 000 equivalent or more but less than USD 100 000 equivalent, shall be awarded on the basis of an evaluation and comparison of bids invited from at least three local suppliers eligible under the terms of the loan agreement, in accordance with procedures acceptable to the Fund.

32. **Disbursements.** Disbursements for operating costs, salaries and civil engineering work amounting to less than USD 10 000 will be made against statements of expenditure (SOEs). Civil engineering projects of more than USD 10 000, payments to local contractors involved in development activities, and TA will require detailed documentation. A Special Account will be opened at the central bank in the name of the project, and all loan funds will be maintained in United States dollars. Counterpart fund disbursements following loan agreement signature and before loan effectiveness will be authorized up to USD 500 000. After project start-up, IFAD will advance USD 1 200 000, corresponding to approximately six months of project costs. The project will also have a local currency account at the National Reserve Bank into which counterpart funds will be paid by the Government on a yearly basis. During the negotiation of the loan agreement, the Fund agreed to finance retroactively all eligible expenditures involved in setting up the PMU and to respond rapidly to urgently needed social-community activities to alleviate the consequences of Hurricane “George”. In collaboration with the local UNDP office, the Government will submit a plan of the above-mentioned activities for the approval of the Fund. All goods and services will be procured following procurement procedures established in the loan agreement. The closing date of the loan will be 31 December 2005.

33. **Accounts and auditing.** Immediately after loan effectiveness and prior to the initial deposit of loan proceeds into the Special Account, the project will arrange for its accounting and internal control systems to be installed by a specialized accounting firm. Accounting will be carried out by component, categories and by Government expense classification procedures. A firm, satisfactory to IFAD, will be selected, by the project to perform annual audits of the accounting and management systems. Other agencies will keep separate accounts for project-related expenditures. The audited project accounts and audit report, including a separate opinion on the SOEs and the Special Account, will be submitted to IFAD no later than six months after the end of the project's financial year.

F. Organization and Management

34. **Beneficiary participation.** During the course of project implementation, beneficiaries will be involved in identifying, selecting and prioritizing their requirements for social and productive investments, TA, training and microenterprise ventures, priority to be accorded to gender-balanced community initiatives, and social and productive activities. Beneficiary representatives will be elected to participate in both the POC and the Steering Committee, and gender parity will be

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5 See Appendix V.
observed. The quorum and voting power requirements for both committees will ensure the beneficiaries participate closely in any decision-making.

35. **Project implementation.**\(^6\) STP/ONAPLAN will have overall responsibility for project implementation. A Steering Committee will be set up, composed of the director or deputy director of ONAPLAN as chairperson; governor of one of the project provinces (on a yearly rotation basis); a representative of DGPM, the Under-Secretary of SEA, IFAD's Country Portfolio Manager for the Dominican Republic or his representative (man observer capacity); a representative of the NGOs working for the project (on a yearly rotation basis); and three beneficiary representatives, one from each province. The Steering Committee will be responsible for approving and supervising the annual workplans and budgets and for providing guidance, ensuring that the project’s overall objectives are met and that investment activities are carried out in accordance with the policies of the Dominican Republic, IFAD and with the provincial planning strategy.

36. A PMU with financial and administrative autonomy will be established within the project area to administer and coordinate project implementation on behalf of ONAPLAN. The community investment fund will be managed by an administrator. The PMU will consist of a project director and two coordinators (community development and financial services), supported by a monitoring officer, an administrator, a gender specialist, and, during the first two years of project implementation, by an international senior technical advisor. Given the remoteness of Elías Piña province and the special character of the Artibonito River watershed management activities, a sub-PMU will be established in that area. The PMU will be also responsible for coordinating and contracting services for the different activities involved and, with support from UNDP, for selecting local agencies to take charge of the APAs and for making arrangements with executing agencies for the TA, social and productive infrastructure, training and other services required during project implementation. UNDP will also coordinate services and TA provided to the project by international agencies (GTZ, the Inter-American Institute for Cooperation on Agriculture (IICA) and the Food and Agriculture Organization of the United Nations (FAO)).

37. The PMU will operate through the POC, which will comprise representatives of the beneficiary groups (one representative per APA, with all APA representation equally divided between men and women), and two local representatives from the NGOs in charge of the APAs. The PMU will be represented by the project manager, the coordinators for community development and financial services, and the administrator of the community initiatives fund. Beneficiary initiatives will be selected in accordance with the procedures stipulated in the community development component. The POC will review and approve the projects presented by the community, group or organization; drew up annual workplans; review and approve quarterly progress reports prepared by the monitoring unit; and propose implementation alternatives if it is considered that the project is not meeting its stated objectives. INDRHI participation will be based on an umbrella agreement with the PMU, to IFAD’s satisfaction. The irrigation system works selected by the beneficiaries will be approved and financed on a yearly and case-by-case basis.

38. **Gender considerations.** Gender-related action will be implemented and monitored by the project’s gender specialist, on the basis of recommendations emanating from seminars organized by IFAD in South and Central America. In all opportunities created by the project, gender parity will be observed. Gender-balanced representation will be guaranteed within POC and the Steering Committee; and, within the NGOs contracted to operate the APAs, half the field community promoters will be women. Training in gender-related matters, policies and working strategies is planned both for staff of the project and of the selected NGOs.

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\(^6\) See Appendix VI.
39. **Monitoring and evaluation.** A planning and monitoring unit will be created within the PMU. The unit will be responsible for delivering management information to the project director and the POC, and for ensuring feedback and performance information to the beneficiaries. Social auditing will be the major source for a management information system, designed to improve the decision-making process within the PMU.

40. IFAD will contract an independent national entity to carry out periodic reviews of project activities, including mid-term and final evaluations. This entity will be expected to focus on obtaining information on the performance of the demand-driven approach and to subcontract a baseline survey to a local specialized institution.

41. The above-mentioned baseline survey will serve to clarify beneficiary demand, components, and gender-specific indicators and benchmarks identified during appraisal, and will further establish gender-differentiated indicators of participation and performance. The periodic evaluation system will be based on performance indicators which are gender-, space- and time-specific and include the population living below the poverty line.

**G. Economic Justification**

42. It is estimated that: (i) at least 10,500 families will benefit from the social infrastructures and roads; (ii) 2,800 small farm families will benefit from agricultural TA programmes, irrigation projects and credit, including at least 1,000 female heads of household; and that (iii) 1,350 agricultural and non-agricultural wage workers, of which at least 50% will be women, will benefit from TA programmes and credit for rural microenterprises.

43. The project’s overall objective of alleviating poverty among small producers and entrepreneurs is shown in the different models proposed for economic and financial analysis. These models were selected on the basis of local and national market opportunities for the products, including rice, corn, beans, coffee, banana and irrigated horticultural production. The same criteria were used for small-scale enterprise proposals. National prices are not expected to be affected by incremental production in the area due to the existence of market niches and because such production levels represent a relatively low percentage of national production.

44. An analysis of the project’s economic indicators shows an internal rate of return (IRR) of 14.5%, with an opportunity cost of capital of 8% and a benefit/cost ratio of 1.23. The production net present value has been calculated at USD 5.7 million. A sensitivity analysis of the project’s financial and economic indicators showed that a decrease of 10% in project incomes could reduce the IRR to 11.1%.

**H. Risks**

45. The following represent the main project risks: (i) unwholehearted commitment on the part of the Government to implement decentralization and State modernization programmes; and (ii) resistance by State-run institutions to participating in activities associated with NGOs in a demand-driven approach. The choice of STP/ONAPLAN as the executing agency is a direct reflection of the Fund’s concern to minimize such risks. Moreover, the participation of IFAD’s Country Portfolio Manager in the Steering Committee and direct IFAD supervision of the project is expected to lead to the Fund having more dialogue and influence in decision-making on poverty and decentralization policies. The project presents a low productive and marketing risk and its solidity is demonstrated by the results of the sensitivity analysis of financial and economic mentioned earlier. Furthermore, any negative environmental impact may be minimized by the proposals given below.
I. Environmental Impact

46. The project has been classified as Category B since any possible environmental impact may be addressed by the following recommendations and interventions. Investments and action made under the project's environmental policies will alleviate and recover some of the areas in danger of degradation. Agricultural and microenterprise TA will be consistent with safe practices in terms of soil, water and vegetation conservation and the regulated use of pesticides and chemicals (FAO/World Health Organization Codex Alimentarius Standards). Caution will be exercised when providing assistance in slope cultivation and herd management so as to avoid overgrazing, soil compacting and erosion. To this end, guidelines have been drawn up as part of the Environmental Screening and Scooping Note\(^7\).

J. Innovative Features

47. The project will be innovative in the following areas: (i) introduction of a participatory, demand-driven yearly planning process with regard to project investments and activities. The project will finance only the initiatives of beneficiary groups; (ii) use of the private sector for organizational and technical services. The PMU will not be directly involved in project execution but will contract private and public institutions for this purpose; (iii) support for rural financial services, involving the local, informal financial network in first-tier operations; and (iv) implementation of gender-oriented policies at all levels of the project.

PART III - LEGAL INSTRUMENTS AND AUTHORITY

48. A loan agreement between the Dominican Republic and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.

49. The Dominican Republic is empowered under its laws to borrow from IFAD.

50. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

PART IV - RECOMMENDATION

51. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Dominican Republic in various currencies in an amount equivalent to eight million seven hundred and fifty thousand Special Drawing Rights (SDR 8,750,000) to mature on and prior to 15 January 2019 and to bear an interest rate of one half of the reference interest rate per annum as determined by the Fund annually, and to be upon such other terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Fawzi H. Al-Sultan
President

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\(^{7}\) See Appendix VII.
SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT

(Loan negotiations concluded on 17 October 1998)

1. The Government of the Dominican Republic will legally constitute a decentralized PMU with financial and administrative autonomy, furnished with the necessary technical and administrative facilities to serve the agencies, organizations and rural communities participating in the project.

2. The Government will cause ONAPLAN to designate the director of the PMU, subject to the presentation to IFAD of the qualifications of the three final candidates.

3. The Government will designate the administrator of the PMU, subject to the approval of IFAD.

4. The Government will open and maintain a project account at the National Reserve Bank or other bank acceptable to IFAD and will deposit counterpart funds into this account from its own resources, equivalent to USD 254 000, for the first year of project execution, and will later deposit counterpart funds as estimated in the annual work plan. The PMU director and administrator will be fully authorized to operate said account.

5. No withdrawals shall be made by the Government from the loan account or the Special Account in relation to Category IV (credit) until:

   (a) the subsidiary agreement has been duly concluded between PMU and ADEMI or any other financial institution duly selected by PMU, subject to the approval of IFAD; and

   (b) the regulations for the financial services component have been adopted by ADEMI or any other financial institution duly selected by PMU.

6. No withdrawals shall be made by the Government from the loan account or the Special Account:

   (a) in the event that a situation were to develop that, in the considered opinion of IFAD, would impede or prevent the successful realization of the project, or would determine that PMU or any project executing agency was unable to carry out any one of its obligations by virtue of the same; or

   (b) the regulations for the financial services component or the subsidiary agreement or any of their respective provisions have been suspended or terminated, totally or partially, or revoked or amended, or have not been respected so that, in the considered opinion of IFAD, the execution of the financial services component is materially and adversely affected.

7. The Government will authorize a local, independent institution, to be contracted by ONAPLAN subject to the approval of IFAD, to undertake the ongoing evaluation of project outcomes and of the socio-economic impact of its components on the beneficiaries.
8. An international senior technical advisor will be selected by agreement between the national director of ONAPLAN and IFAD for a period of one year, renewable for a second year, subject to evaluation by the director of ONAPLAN. The senior technical advisor will support the PMU director in the areas of rural development, financial and contractual aspects of personnel management and modes of beneficiary participation.

9. The local representative of UNDP, together with the ONAPLAN director, will determine the technical assistance needs to be met by the bilateral and multilateral organizations present in the country. UNDP will be contracted by ONAPLAN to administer the required resources.

10. During project implementation, the Government and IFAD will periodically review the interest rates applied to credits granted from loan resources. If necessary, the Government will adopt appropriate measures, in accordance with IFAD policies, in order to harmonize the interest on those credits with the IFAD policy on relending rates.
## COUNTRY DATA

| Land area (km² thousand) 1995 | 48 | GNP per capita (USD) 1996 | 1,600 |
| Total population (million) 1996 | 8 | Average annual real rate of growth of GNP per capita, 1990-96 | 3.1 |
| Population density (people per km²) 1996 | 160 | Average annual rate of inflation, 1990-96 | 12.3 |
| Local currency | Dominica Peso | Exchange rate: USD 1 = | DOP 15.00 |

### Social Indicators

- **Population (average annual population growth rate) 1980-96**: 2.1
- **Crude birth rate (per thousand people) 1996**: 26
- **Crude death rate (per thousand people) 1996**: 5
- **Infant mortality rate (per thousand live births) 1996**: 40
- **Life expectancy at birth (years) 1996**: 71
- **Number of rural poor (million)**: 1
- **Poverty % of rural population**: 29.8
- **Total labour force (million) 1996**: 3
- **Female labour force % of total, 1996**: 29.3

### Economic Indicators

- **GDP (USD million) 1996**: 13 169
- **Average annual rate of growth of GDP 1990-96**: 3.0
- **Sectoral distribution of GDP, 1996**: 4.7
- **% agriculture**: 12.9
- **% industry**: 31.6
- **% manufacturing**: 17.0
- **% services**: 55.4

### Education

- **Primary school gross enrolment (% of relevant age group) 1995**: 103.0
- **Adult literacy rate (% of total population) 1994**: 81.5
- **Daily calorie supply per capita, 1992**: n.a.
- **Index of daily calorie supply per capita (industrial countries=100) 1992**: n.a.
- **Prevalence of child malnutrition (% of children under 5)**: 6.0
- **Health expenditure, total (as % of GDP) 1990-95**: 5.3
- **Physicians (per thousand people) 1994**: 1.1
- **Access to safe water (% of population) 1990-96**: 65
- **Access to health service (% of population) 1990-95**: 78
- **Access to sanitation (% of population) 1990-96**: 78
- **Food imports as percentage of total merchandise imports 1996**: n.a.
- **Fertilizer consumption (hundreds of grams per ha of arable land) 1994-96**: 727
- **Food production index (1989-91=100)**: 104

### Health

- **Health expenditure, total (as % of GDP) 1990-95**: 5.3
- **Physicians (per thousand people) 1994**: 1.1
- **Access to safe water (% of population) 1990-96**: 65
- **Access to health service (% of population) 1990-95**: 78
- **Access to sanitation (% of population) 1990-96**: 78
- **Food imports as percentage of total merchandise imports 1996**: n.a.
- **Fertilizer consumption (hundreds of grams per ha of arable land) 1994-96**: 727
- **Food production index (1989-91=100)**: 104

### Agriculture and Food

- **Food imports as percentage of total merchandise imports 1996**: n.a.
- **Fertilizer consumption (hundreds of grams per ha of arable land) 1994-96**: 727
- **Food production index (1989-91=100)**: 104

### Land Use

- **Agricultural land as % of total land area, 1994**: 80.8
- **Forest area (km² thousand) 1995**: 16
- **Forest area as % of total land area, 1995**: 32.7
- **Irrigated land as % of cropland, 1994-96**: 13.7

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n.a. not available.

Figures in italics indicate data that are for years or periods other than those specified.

## PREVIOUS IFAD LOANS TO THE DOMINICAN REPUBLIC

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Note: I = Intermediate
## Logical Framework

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<th>GENDER SPECIFIC INDICATORS</th>
<th>MEANS OF VERIFICATION</th>
<th>ASSUMPTIONS AND EXTERNAL RISK</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Development Objectives</strong>&lt;br&gt;Sustainable improvement in the standard of living of the rural poor achieved through increased real income from enhanced agricultural production and improved social and productive infrastructure</td>
<td>– Fewer unmet basic necessities&lt;br&gt;– Decrease in percentage of poverty level&lt;br&gt;– Increased monetary income (women, men)&lt;br&gt;– Degree of recapitalization of family farm enterprise or microenterprise&lt;br&gt;– Rural employment created (seasonal, permanent)</td>
<td>Mid-term, final and ex post evaluation</td>
<td>– Complementary services (health, education sectors) provided by specialized government agencies, or projects are in place for effective implementation of social infrastructure&lt;br&gt;- Government ensures continued prioritization of rural development and eradication of poverty within the modernization and decentralization programmes</td>
</tr>
<tr>
<td><strong>Project Objective</strong>&lt;br&gt;Poor beneficiary communities (men and women) participate actively through organizations in the social and productive development of their region, within the framework of integrated natural resource management</td>
<td>– Improved production and productivity&lt;br&gt;– Degree of development of local organizations&lt;br&gt;– Increased price margins negotiated by farmers’ organizations&lt;br&gt;– Performance of financial portfolio (amount, delinquency)&lt;br&gt;– Representation of beneficiary organizations in provincial councils&lt;br&gt;– Number of projects planned and completed by beneficiary organizations through their own efforts&lt;br&gt;– Community initiatives fund investments incorporated in provincial development plans&lt;br&gt;– Increased microenterprise profits&lt;br&gt;– Percentage of beneficiaries in new economic pursuits&lt;br&gt;– Increase of products in market for all three provinces&lt;br&gt;– Degree of women’s participation in positions of responsibility in beneficiary organizations&lt;br&gt;– Number of water user groups with management capabilities&lt;br&gt;– Increased level of responsibility for operation and maintenance of infrastructure put in place through community initiatives fund</td>
<td>– Mid-term, final and ex post evaluation&lt;br&gt;- Participatory rural appraisal&lt;br&gt;- Tracking by monitoring and planning unit&lt;br&gt;- Subcontractor reports&lt;br&gt;- Specific studies</td>
<td></td>
</tr>
<tr>
<td><strong>Outputs</strong>&lt;br&gt;1. Local institutions promote, offer orientation and support services in response to client demand to carry out productive and social initiative projects</td>
<td>– Number of feasible productive projects presented to PMU for [X] high watershed communities&lt;br&gt;– Number of feasible productive projects presented to PMU for potential irrigable lands&lt;br&gt;– Number of feasible social infrastructure projects presented to PMU&lt;br&gt;– Number of farmers’ organizations with by-laws, etc. averaging 40 members with at least 40% of women&lt;br&gt;– Year-by-year improvement in project formulation measured as a percentage of projects presented to PMU&lt;br&gt;– Number of beneficiaries trained in agricultural aspects, marketing, microenterprise, business administration, vocational skills, etc.&lt;br&gt;– Number of farmers supported by TA required for effective use of productive and social infrastructure</td>
<td>– Information system of monitoring unit&lt;br&gt;- Promotion contracts&lt;br&gt;- Signed implementation contracts&lt;br&gt;- TA and training database&lt;br&gt;- Regular, periodic reports</td>
<td>1. On completion of training, personnel of local institutions continue in their posts within respective organizations&lt;br&gt;2. Community initiatives are implemented unimpeded by local authorities or administration&lt;br&gt;3. Fluctuation of financial spread does not distort the beneficiaries’ interest rate&lt;br&gt;4. Political change does not negatively impact on PMU&lt;br&gt;5. Potential executing agencies do not hamper the process of using the community initiatives fund</td>
</tr>
<tr>
<td>NARRATIVE SUMMARY</td>
<td>GENDER SPECIFIC INDICATORS</td>
<td>MEANS OF VERIFICATION</td>
<td>ASSUMPTIONS AND EXTERNAL RISK</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>Outputs (cont.) 2. First and second-tier rural financial services are accessible to users in user-friendly modalities, reflecting real demands and recapitalization potential</td>
<td>- Number of disbursements to microenterprises and non-agricultural activities</td>
<td>- Archive of first and second-tier financial services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Number of disbursements for agricultural activities</td>
<td>- Transfers, contracts</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Percentage of loan repayment</td>
<td>- Monitoring and evaluation formats</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Intermediary financial institutions portfolio growth rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Time lapsed between request and credit delivery reduced to X days</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Amount and type of revolving funds for microenterprises</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Community initiatives fund implements productive and social projects</td>
<td>- 80% of projects presented to the PMU are executed in time allotted</td>
<td>- Formats for monitoring and evaluation, social auditing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Number of implemented investments in social infrastructure with X groups in place with Y participants</td>
<td>- Contracts with executing agencies</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Number productivity investments in X groups in place with Y participants</td>
<td>- Reports by coordinator of community initiatives fund</td>
<td></td>
</tr>
<tr>
<td>4. A management system for the project is functioning, integrating public and private institutions and beneficiary organizations</td>
<td>- Annual workplan agreed by consensus at end of each year</td>
<td>- Monitoring and evaluation formats</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Planning and implementation gap decreased 10% annually</td>
<td>- Agreements</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Number of agreements signed with NGOs, executing agencies</td>
<td>- Maintenance of planning and monitoring unit archives</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Governmental and non-governmental institutions involved in planning, implementation and evaluation of project activities complete 90% of signed contracts</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- External evaluations performed</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## DESARROLLO COMUNITARIO

Diagrama 1

Plan de incorporación de beneficiarios y APA por provincias y municipios

<table>
<thead>
<tr>
<th>APA</th>
<th>Provincia</th>
<th>Municipios</th>
<th>1er. Año</th>
<th>2do. y 3er. Año</th>
<th>4to. Año</th>
<th>5to.-6to. Año</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Familias</td>
<td>Familias</td>
<td>N° Promotores</td>
<td>Familias</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Atendidas</td>
<td>Atendidas</td>
<td></td>
<td>Atendidas</td>
</tr>
<tr>
<td>1</td>
<td>Bahoruco</td>
<td>Neiba</td>
<td>1 000</td>
<td>1 500</td>
<td>7</td>
<td>520</td>
</tr>
<tr>
<td>2</td>
<td>Elías Piña</td>
<td>Galván</td>
<td>1 000</td>
<td>1 500</td>
<td>7</td>
<td>520</td>
</tr>
<tr>
<td>3</td>
<td>Independencia</td>
<td>Hondo Valle</td>
<td>800</td>
<td>1 000</td>
<td>6</td>
<td>560</td>
</tr>
<tr>
<td>4</td>
<td>Independencia</td>
<td>Duvergé</td>
<td>340</td>
<td>200</td>
<td>1</td>
<td>100</td>
</tr>
<tr>
<td>5</td>
<td>Bahoruco</td>
<td>Jimani</td>
<td>780</td>
<td>200</td>
<td>3</td>
<td>100</td>
</tr>
<tr>
<td>6</td>
<td>Elías Piña</td>
<td>Poster Río</td>
<td>Por determinar</td>
<td>1 200</td>
<td>3</td>
<td>840</td>
</tr>
<tr>
<td>Total familias incorporadas por año</td>
<td>2 920</td>
<td>8</td>
<td>4 900</td>
<td>22</td>
<td>2 680</td>
<td>14</td>
</tr>
<tr>
<td>Total acumulativo familias</td>
<td>2 920</td>
<td>7 820</td>
<td>10 500</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Diagrama 2

Etapas en la metodología participativa por demanda de los beneficiarios del proyecto

<table>
<thead>
<tr>
<th>Etapa</th>
<th>Descripción</th>
<th>Productor intermedio</th>
<th>Responsables</th>
<th>Apoyo externo</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Preparación y diagnóstico</td>
<td>Promoción y diagnóstico participativo de la comunidad</td>
<td>Diagnóstico comunal identificando limitaciones y potencialidades sociales y productivas</td>
<td>Comunidades, grupos y organizaciones, ONG contratadas como APA</td>
<td></td>
</tr>
<tr>
<td>2 Identificación de iniciativas</td>
<td>Discusión y selección participativa de las iniciativas y proyectos sociales y productivos comunitarios</td>
<td>Relación priorizada de iniciativas comunes sociales productivas</td>
<td>Comunidades, grupos y organizaciones, ONG contratadas como APA</td>
<td></td>
</tr>
<tr>
<td>3 Pre-factibilidad</td>
<td>Iniciativas sociales y productivas de la comunidad preparadas a nivel de pre-factibilidad</td>
<td>Portafolio de iniciativas comunes, sociales y productivas a nivel de pre-factibilidad</td>
<td>Líderes de las comunidades, grupos y organizaciones y ONG contratadas como APA</td>
<td>Asistencia Técnica Local disponible de acuerdo con las necesidades y naturaleza de las iniciativas</td>
</tr>
<tr>
<td>4 Factibilidad</td>
<td>Iniciativas sociales y productivas de la comunidad son preparadas a nivel de factibilidad</td>
<td>Portafolio de iniciativas comunes, sociales y productivas a nivel de factibilidad</td>
<td>Líderes de las comunidades, grupos y organizaciones y ONG contratadas como APA</td>
<td>Asistencia técnica Local disponible de acuerdo con las necesidades y naturaleza de las iniciativas</td>
</tr>
<tr>
<td>5 Evaluación y selección de iniciativas/proyectos</td>
<td>Iniciativas comunitarias en forma de proyectos son priorizados y seleccionados para cada provincia</td>
<td>El Plan Operativo Anual preparado en base a las iniciativas comunitarias presentadas como proyectos para el FIC o créditos</td>
<td>Comité de Planificación y Operación (CPO), representantes de las comunidades, ONG, IFI y personal de la UGP</td>
<td></td>
</tr>
<tr>
<td>6 Aprobación del Plan Operativo Anual</td>
<td>La UGP presenta el Plan Operativo Anual (POA) al Comité Directivo</td>
<td>El POA es analizado y aprobado por el Comité Directivo</td>
<td>Comité Directivo, Líderes de las comunidades, grupos y organizaciones, ONG y otras instituciones técnicas contratadas</td>
<td></td>
</tr>
<tr>
<td>7 Implementación de proyectos comunitarios seleccionados</td>
<td>Los proyectos seleccionados son implementados bajo supervisión de la comunidad</td>
<td>Las inversiones en proyectos sociales y productivos están en ejecución</td>
<td>Líderes de las comunidades, grupos y organizaciones, ONG y otras instituciones técnicas contratadas</td>
<td>Asistencia Técnica Local apoya la implementación de los proyectos sociales y productivos</td>
</tr>
<tr>
<td>8 Seguimiento de iniciativas y proyectos implementados</td>
<td>Las iniciativas/proyectos son monitoreados</td>
<td>Informes de evaluación analizados por POC y UGP Acciones correctivas tomadas de acuerdo a las necesidades</td>
<td>Unidad de Seguimiento de la UGP y miembros seleccionados de las comunidades beneficiarias</td>
<td></td>
</tr>
</tbody>
</table>
ORGANIGRAMA DE LA UNIDAD GERENCIAL DEL PROYECTO

Comité Directivo

Unidad Gerencial del Proyecto

Gerente del Proyecto

Asesor Técnico
Principal Internacional

Unidad de Administración

Especialista en Género

Unidad Planificación y Monitoreo

Coordinador Desarrollo Comunitario

Coordinador Servicios Financieros

Sub-administrador Oficina Provincial Elías Piña
ORGANIZACION Y ADMINISTRACIÓN

1. La agencia ejecutora del presente proyecto es la Secretaría Técnica de la Presidencia (STP), a través de la Oficina Nacional de Planificación (ONOPLAN). Las funciones que han sido encomendadas por el presente Gobierno a la STP incluyen, entre otras, las políticas y programas de alivio a la pobreza; descentralización y modernización del Estado; promoción de la mujer, a través de la DGPM; y la planificación y preparación de los presupuestos anuales. Dentro de este marco institucional, ONAPLAN es directamente responsable de las políticas y acciones de gestión territorial, planificación ambiental, social, económica, de ciencias y tecnología, y de la cooperación internacional.

2. La naturaleza y objetivos del proyecto lo ubican en cuatro planos de acciones y operaciones: (i) alivio a la pobreza rural; (ii) fortalecimiento a la descentralización/modernización del Estado; (iii) privatización de la oferta de servicios a los beneficiarios; y (iv) desarrollo productivo agropecuario y microempresarial. Estas características del proyecto requieren de un agencia ejecutora nacional con capacidad de acción multisectorial y de coordinación interinstitucional, función que supera los marcos sectoriales de acción, tanto de la Secretaría de Agricultura, como también del BARD y el INDRHI, los cuales son organismos altamente especializados en los temas de crédito y manejo de los recursos hídricos. Es en base a estos requerimientos operacionales del proyecto que la Misión de Evaluación ratificó la selección de STP/ONAPLAN como agencia coordinadora nacional del proyecto.

3. La implementación del proyecto, bajo ONAPLAN, requerirá de la participación de otras instituciones nacionales tanto privadas, como públicas, así como del apoyo y asistencia técnica de organismos internacionales. La estrategia del proyecto de trabajar “por demanda”, requiere por un lado de una flexibilización del diseño, de tal manera que dentro del “menú” de ofertas del proyecto, los beneficiarios puedan presentar sus iniciativas para el financiamiento de inversiones de tipo social y productivo. Sin embargo, dentro de esta lógica, el proyecto debe definir la direccionalidad del desarrollo rural local, y los marcos de acción dentro de la direccionalidad seleccionada. Es en esta lógica que se estima a priori que un conjunto de instituciones privadas, públicas e internacionales podrán jugar roles de apoyo especializado a las distintas acciones del proyecto.

4. Es así, que en el diseño se estima que las actividades de apoyo y servicios directos a las comunidades beneficiarias será realizado por instituciones privadas, entre las que se incluyen a ONGs, fundaciones y organizaciones formales de naturaleza local. Entre los posibles participantes puede citarse a MUDE, FUNDESUR, Visión Mundial, Patronato de Duvergé, FDD, FUDECO e IDEAC, entre otras. Los servicios financieros serán ejecutados por instituciones formales privadas como banca de segundo piso (Banco ADEMI) y formales e informales como banca de primer piso entre las que se encuentran ADEMI, FDD, FIME/Visión Mundial, MUDE, FUDECO, COOPACRENE, Cooperativa La Sureña y COOTRALCOA.

5. Dentro de la organizaciones estatales, el apoyo especializado en las áreas de diseño y construcción de obras de riego lo brindará INDRHI, mientras que los temas de extensión y desarrollo agropecuario, así como comercialización contarán con la participación de las distintas reparticiones de la SEA. El BARD, organismo ejecutor de la Primera Fase, tendrá una evaluación luego del primer año del proyecto, en base a la cual se determinará su posible participación, como parte de los sistemas financieros del proyecto.
ENVIRONMENTAL SCREENING AND SCOPING NOTE

A. Description of the Project and its Components

1. The general objective of the South Western Region Small Farmers Project - Phase II is to reduce poverty and bring about a sustainable improvement in the living conditions of the poor rural population and their communities. This will be achieved by increasing the beneficiaries’ real incomes through enhanced agricultural production and productivity; support to non-agricultural productive activities; improvements in social and productive infrastructure; and increased access to financial resources. The project, which is expected to build on experience gained during the first phase, provides an opportunity to expand the project area and activities on the basis of a decentralized, flexible and demand-driven approach. The project will comprise the following components.

Community Development

2. This component-activity will finance project promotion activities in the project area through training and the provision of TA to community-based, grass-roots organizations; agricultural producers and individuals or groups responsible for operating productive microenterprises or associations and cooperatives; and private institutions responsible for project implementation in the field.

Financial Services

3. Community Investment Fund. This component is intended to finance services and investments required by the beneficiaries by means of: (i) a community initiatives fund, and (ii) financial services and credit.

   (i) A non-reimbursable community initiatives fund will finance basic productive infrastructure (irrigation (gravity and pump) and drainage works, soil conservation and watershed protection, road repairs and feeder road construction, etc.) and social infrastructure (aqueducts, wells, latrines). Technical support services will be contracted for productive and marketing activities (intensification of agricultural production by adopting soil conservation and agroforestry techniques, integrated pest management and the adoption of high-yielding sustainable crops). Given the importance of irrigation works in the area, more than 50% of the project funds have been allocated to rehabilitation, repairs or new works for water distribution and use.

   (ii) Financial services and credit. It is estimated that credit demand for agricultural and non-agricultural microenterprises will be of the order of approximately USD 782,000. Based on expected irrigation and watershed management subproject proposals, it is estimated that the credit component will benefit approximately 2,855 beneficiaries.

Project Management and Monitoring

4. The PMU will be responsible for managing and coordinating project implementation, with the support of an independent monitoring and evaluation system. The PMU will enter into contracts with public and/or private agencies in order to support project activities implemented by the communities and their beneficiaries.
B. Major Site Characteristics

5. The project area covers the three provinces of Independencia, Elías Piña and Bahoruco, including more than 150 km of frontier with Haiti. The total surface area amounts to 3,745 km², or the equivalent of 7.7% of the national territory (48,400 km²), and 19 municipalities. The Neiba sierra which runs westward across the whole area is the tectonic pillar of the island and its interior houses a valley which is situated between two mountainous ranges. Lake Enriquillo, a geographic watershed located between the Neiba and Bahoruco mountains, is a vast saline water reservoir 40 m below sea level with a saline content twice that of the sea. The level of the lake varies according to climatic conditions (hurricanes) and, during the periodic floods, the salinity levels of the productive agricultural areas become high for extended periods of time. The area has also been recently affected by drought.

6. Four major agroecological areas can be identified according to the altitude within the watershed and the proximity to Lake Enriquillo:

- The lower (0-200 m. a.s.l.) watershed around Lake Enriquillo (in Bahoruco and Independencia provinces) is a semi-arid tropical zone with scant natural vegetation, poor rainfall (600-700 mm per year) and a potential evapotranspiration (PET) approximately three times higher than the rainfall. Crop production is only possible with irrigation.

- The middle part (200-500 m. a.s.l.) of the watershed around Lake Enriquillo corresponds to the foothills of the mountains. It is an area of transition, where the PET is 60% higher than the rainfall. The vegetation in the area belongs both to the dry sub-tropical and the sub-humid forest.

- The lower part of the watershed, situated in the province of Elías Piña, has better rainfall (1,200-1,400 mm/year) levels and the PET is around 20% lower than the rainfall, resulting in a sub-tropical wet forest vegetation. Rainfed agriculture is possible, although irrigation is necessary for intensive rice cultivation (El LLano).

- Finally, in the highest part (>500 m. a.s.l.) of the watershed, both on the northern shore of Lake Enriquillo and the southern part of Elías Piña, rainfall is heavier (approximately 1,800 mm/year) and the land is covered by a wet sub-tropical forest that provides most of the fresh water used in the lower irrigated area.

C. Natural Resource Management

7. Water is one of the most critical natural resource management (NRM) issues affecting Neiba, Duvergé and Jimaní where there is high evaporation (2,000 mm/year) and a moisture deficiency during the entire year. In Duvergé, there is a problem of a slow permeability, poor drainage and an increase of the highly saline freatic level and the same occurs in El Llano (Elías Piña) during the dry season (November-April).

8. Soils on the bordering strip of Lake Enriquillo are relatively saline. Before planting, farmers leach their land twice to remove the sodium. However, treating the soils in this way, without solving the drainage problem, could lead to increased saline freatic levels. No sprinkers or dripp systems have been set up in the project area. INDRHI proposes to build/repair small-scale on-farm water reservoirs to regulate water distribution and overcome tedious night irrigation shifts.

9. In the upper watersheds of the project area, agricultural production hinges on natural rainfall. Perennial crops, mainly coffees of the arabica type, and fruit trees are grown alongside annual crops such as beans, yam and cassava. Yields are low, generally below the national average, and very little
fertilizer is used. Weeds grow rapidly on cultivated land and fire is used to clean long-established fallow. Soil and water conservation measures are seldom practised and erosion can lead to severe soil and fertility losses which have often forced people to abandon their plots after growing crops on them for many years. Agricultural intensification through soil and water conservation techniques (terracing, live hedges, ensuring continuous soil cover through perennial crops, organic manuring and composting, etc.) are the recommended techniques for improving crop yields and preventing abandonment of landholdings. At the present time, yields largely depend on the climate, and can vary by as much as 50-100% from one year to another. Climatic variability and the prevailing high humidity also give rise to widespread damage by pest and disease. In Apolinar Perdomo, on the northern side of Neiba, a farmers’ school on sustainable agriculture principles has been engaged in demonstrating organic farming techniques for over five years. About 600 farmers from the same watershed are already engaged in organic coffee production and their certified produce is exported to European markets. The project intends to strengthen these efforts by establishing close working relationships with grass-roots organizations involved in the same activity and with Visión Mundial, an NGO that has been involved in organizing and financing the above-mentioned farmers’ school and the surrounding network of organic producers.

10. On the valley plains, a large number of farmers (60% of the total) have no access to irrigable land. These farmers work as sharecroppers or in the higher parts of the watershed where rainfed agriculture is possible and where the land is owned by local people (land ownership is not a controversial issue in these areas). The project’s soil conservation and agroforestry activities will be therefore undertaken on private lands.

11. In the same areas, however, the lack of transportation is a serious disincentive to producing high-value marketable products other than basic foodstuffs and thus to adopting new technological alternatives and soil conservation techniques. Moreover, environmental stabilization in these situations may depend on the successful organization of credit and marketing cooperatives/associations, easier access to market opportunities, and the provision of set-up costs for adopting recommended agroecological farming systems.

12. While deforestation of long-established fallow areas in the upper watersheds in favour of bean cultivation is indeed a serious problem, it is not linked directly to siltation in the lower part of the watershed due to the absence of conventional water dams. However, rural road rehabilitation is one the interventions most requested by the communities living in the upper part of the watersheds, and thus there is both a major demand for wood products and a resource to be exploited. The regulations governing exploitation and conservation measures should be carefully monitored on the basis of experience with a 10-year GTZ project where a dry sub-tropical forest (bosque seco) is strictly controlled and managed on a sustainable basis by well-established, efficient forest associations.

D. Legal and Institutional Framework for Environment and Natural Resource Management

13. At national level, the project will interact with executive branch agencies such as ONAPLAN, INDRHRI, SEA, IAD, and the National Reserve Bank.

14. ONAPLAN is in charge of approving all external financing operations within the framework of public investment programmes, and for coordinating action by State agencies responsible for social and economic development programmes. It is currently engaged in implementing programmes financed by the World Food Programme and is expected to be involved in a World Bank environmental programme in the near future.

15. INDRHRI is responsible for managing national water resources. To this end, the organization covers a wide range of operations including watershed protection, construction and supervision of
water works for energy and agricultural use, and the operation and maintenance of irrigation systems. These irrigation systems are slowly being transferred to the users through the establishment of irrigation committees and water users’ associations. INDRHI has a substantial budget and receives financial resources from the World Bank and IDB and cofinancing from the IDB/IFAD-financed PRODAS project. With respect to watershed protection activities, there is close collaboration at provincial level between INDRHI staff and the Directorate-General for Forestry (see paragraph 25).

16. SEA is in charge of agricultural development, extension services and rural development. However, due to budget restrictions during recent years, its operations have been largely reduced.

17. IAD was formerly in charge of agrarian reform in the Dominican Republic, contributing to the establishment of land resettlements for landless farmers who could work the land and thus increase their incomes. Apart from the physical aspects of the settlements, IAD was also responsible for the provision of agricultural, social and financial services. It did not play a very active role in the first phase of this project, but there are several IAD settlements in the area proposed to be covered by the present project.

E. Potential Environmental Impact/Concerns

18. Rehabilitation of irrigation works may increase the demand for water, reduce downstream water availability, and hence impact downstream users. It is therefore recommended that water requirements be calculated beforehand as a pre-condition for the approval of works to be financed with project funds.

19. In areas with poor drainage, supporting irrigation development may be associated with a greater risk of waterlogging and salinization. In this case, appropriate drainage works will need to be included in the package of works financed under the project.

20. Insufficient attention to environmental factors in the design of rural road rehabilitation works, i.e., lack of upslope/downslope protection, cross-drainage structures or run-off channels, may have a negative impact during operation. This risk could be avoided by earmarking funds for an environmental impact assessment study to be conducted prior to any before a final decision is taken with regard to financing road rehabilitation works, particularly in areas susceptible to erosion. Specific expertise in road design should be made available by the project through funds earmarked for ad hoc technical expertise. Rural road construction may be associated with the potential impact resulting from improved access to isolated areas. To the extent that forests or national parks are part of, or adjacent to, the project area, this matter should be given careful consideration.

21. With respect to the interface between road rehabilitation and potential deforestation, it should be noted that the only forest area that these roads cross is the Bosque Seco (dry forest) at the bottom of the watersheds. This forest is closely controlled and managed by well-established, efficient forest associations.

22. It is to be noted that the project does not foresee the opening up of new access tracks. On the contrary, it will seek to improve existing tracks to reduce the isolation of communities located in the upper watersheds. Proper design, modification and maintenance of existing tracks, often the source of heavy water runoff during the rainy season – will effectively protect all the watersheds.
F. Environmental Classification

23. The project has been classified as Category B. The tentative nature of the classification is inherent to the nature of the project’s demand-driven approach and is based on the fact that the potential impact can be addressed through ensuring environmentally-sensitive design of the initiatives identified and proposed by the beneficiaries. In addition, since an environmental screening system is proposed for project implementation, an environmental assessment is not considered appropriate.

G. Follow-up Information and Specific Features of Project Design to Improve Natural Resource Management and Mitigate Environmental Problems

24. At present, there is no specific environmental legislation in the Dominican Republic concerned with the ex ante assessment of environmental impact for rural infrastructure development projects. Specific environmental legislation proposals are being formulated for future discussion in Parliament. In particular, a proposal has been made to merge the institutions dealing with environmental issues, leading to the creation of the Ministry for the Environment and Natural Resources and of a specific National Institute for the Preservation of Natural Resources with linkages to other new institutes that are not yet functioning, as in the case for the National Institute for Forestry Resources.

25. During project negotiations, the status of Parliamentary discussions on environmental legislation proposals should be ascertained so as to identify any IFAD responsibilities under the current proposals.

26. Under current legislation, the only specific environmental aspects refer to water (código de agua), the establishment and effectiveness of water users’ associations and the progressive shift of responsibility for the functioning and maintenance of the irrigation system from the state owned institution (INDRHI) to the private sector (the final users).

H. Environmental Screening of Micro-Project Proposals

27. In order to ensure that due attention is paid to environmental factors, and in line with the demand-driven nature of project implementation, there will be need to screen individual community proposals with regard to their environmental impact prior to approval. Ideally, this should be done during the pre-appraisal/appraisal of individual proposals. One of the functions of the APAs will be to prepare operational plans (according to selection criteria) for evaluation by the PMU and inclusion in the plans of the community initiatives fund. Environmental screening and scoping of operational plans might best be undertaken by APAs for subsequent review by the PMU (environmental concerns could be integrated into the selection criteria for operational plans). A checklist of potential environmental impacts and appropriate mitigation measures could be prepared and used by APA staff in undertaking environmental screening/scoping exercises. The rural sponsors will be asked to pay their share of any environmental mitigation costs that emerge from the screening process as a condition for obtaining project support. The project should obtain Government assurances that subprojects will be undertaken only on the basis of technically proficient environmental screening and scoping during pre-appraisal/appraisal.

28. A list of potential environmental issues has been drawn up (see below). This list may be enlarged during the course of project implementation together with the institutional modalities and implementation arrangements for the screening system:

(a) With respect to tapping surface water flows, a detailed site-specific assessment of downstream impact due to reduced flow (both in terms of the social impact to downstream users and the physical/hydrological impact) should be performed.
(b) As to water resource development for agriculture, soils in the proposed target areas (especially in high-risk areas such as Duvergé) should be examined, particularly with regard to the risk of salinization and waterlogging. To a large extent, mitigation will depend on careful site selection and well-designed drainage systems. With respect to the sodium problem in the Neiba Valley, one way of maintaining the soil structure would be to apply gypsum while leaching.

(c) An analysis should be made of the risk of water-borne disease associated with irrigation development. Information should be obtained on existing baseline infection rates so as to assess the likely impact of the planned irrigation interventions. As a general rule, mitigation measures will involve, among other things, providing support to local health infrastructure and raising public awareness.

(d) Environmental aspects and pro-active measures will be analysed as a pre-condition for the submission of any watershed microplanning exercise.

(e) With regard to road rehabilitation/construction, the potential erosion and impact should be examined. Exercising due diligence will normally be limited to ensuring good engineering design (careful alignments, adequate mitigation measures, upslope/downslope protection, cross drainage structures, etc.) and careful monitoring during construction. However, should major consequences be likely, contingency measures should be carefully rationalized.

29. With reference to (c) above, specific expertise for road design will be made available by the project with funds earmarked for *ad hoc* technical expertise in order to strengthen local capacity and ensure environmental diligence in the siting, design and construction of rural roads rehabilitation works.

I. Institutional Strengthening/Capacity-Building

30. Where necessary, environmental management training will be provided for technical staff of the PMU and APAs so to ensure adequate implementation of the above-mentioned screening procedure.
OBJETIVOS, COMPONENTES, ACTIVIDADES Y PARÁMETROS PRODUCTIVOS Y FINANCIEROS

OBJETIVO GENERAL
Contribuir a mejorar las condiciones de vida de la población rural pobre mediante el incremento de sus ingresos a través del aumento de la productividad y el mejoramiento de la infraestructura social y productiva.

OBJETIVOS ESPECÍFICOS
1. La oferta de servicios por parte de organizaciones locales en promoción y asesoramiento, orientados por las demandas de los beneficiarios, para la ejecución de iniciativas y proyectos productivos y sociales.
2. El acceso de los beneficiarios a servicios financieros locales a través de mecanismos ágiles y acordes a sus demandas y potencialidades de capitalización.
3. El funcionamiento del Fondo de Iniciativas Comunitarias para la realización de inversiones de tipo productivo y social.
4. El buen desempeño del sistema gerencial del proyecto, contemplando la integración del sector público y privado y las organizaciones de base.

COMPONENTES Y ACTIVIDADES

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C. Unidad Gerencial del Proyecto

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APPENDIX .....