A WORLD BANK COUNTRY STUDY

DOMINICAN REPUBLIC

Economic Prospects and Policies to Renew Growth

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The World Bank
Washington, D.C., U.S.A.

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Library of Congress Cataloging in Publication Data

Main entry under title:

Dominican Republic : economic prospects and
policies to renew growth.

(A World Bank country study)
1. Dominican Republic--Economic policy.
2. Fiscal policy--Dominican Republic. 3. Food
prices--Government policy--Dominican Republic.
4. Dominican Republic--Commercial policy.
I. World Bank. II. Series.
HC153.5.D65 1985 338.97293 85-12249
ISBN 0-8213-0570-0

PREFACE

As part of its continuing discussions with member governments, the World Bank regularly prepares analyses of macroeconomic and sectoral policy issues countries face. The objective is to present thorough analyses of problems and suggest alternative ways to overcome them. Occasionally, these reports are of sufficient public interest and scope that the Government and Bank decide to make them available to a wider audience.

This is such a report. It analyzes several dimensions of the economic and financial crisis that Dominican authorities confronted in the early 1980s. The country's terms of trade had fallen dramatically, its debt burden was rising, and its export volume had dropped with the recession in the industrial countries. These factors aggravated deep-seated long-term problems: an overvalued and inflexible foreign exchange rate, an eroded tax revenue base, an antiquated trade regime, complicated management problems in state enterprises, and pricing distortions in the agricultural sector. Since this report was written, the administration of Salvador Jorge Blanco has taken actions to address several of these persistent and long-standing problems. But problems that have developed over years cannot be eradicated in a short time; they require continued attention over many years. In the spirit of improving knowledge of the macroeconomic and sectoral challenges the country confronts over the long run, the Dominican authorities and the Bank have decided to publish this report.

A. David Knox
Regional Vice President
Latin America and the Caribbean
Regional Office

Synopsis

The Dominican Republic is confronting the worst economic crisis in its recent history. This memorandum examines its long-term prospects, its public finances, pricing policy in food crops, and the incentive structure facing importers and exporters. It concludes that, unless major policy initiatives are taken, growth in the second half of the 1980s will not resume the high rates experienced in the early 1970s. The foreign trade regime should be reformed to eliminate imbalances in trade, to make import-substitution more efficient and promote new exports. Disincentives facing exporters should be reduced to encourage exports. New taxes and improvement in the performance of public enterprises are necessary to reduce fiscal deficits; the public investment program, constrained by the lack of public savings, should concentrate on high-return projects already underway. The country's natural endowments favoring food production could be exploited more fully if government price distortions were eliminated.

DOMINICAN REPUBLIC - ECONOMIC DATA
GNP per capita, 1982: US$1,400 a/

GROSS DOMESTIC PRODUCT IN 1982

	US$ Million	%
GDP at Market Prices	7,877.0	100.0
Gross Domestic Investment	1,637.0	20.1
Gross National Savings	1,195.0	15.2
Current Account Balance	-441.9	5.6
Export of Goods, NFS	1,141.8	14.5
Import of Goods, NFS	1,534.6	19.5

ANNUAL RATE OF GROWTH (% in constant prices)

	1960-75	1970-75	1975-82
GDP at Market Prices	6.1	9.2	4.0
Gross Domestic Investment	13.4	17.6	5.9
Gross National Savings	4.7	16.0	-0.2
Current Account Balance	-	-	-
Export of Goods, NFS	3.5	11.1	0.8
Import of Goods, NFS	4.37	12.5	-1.4

OUTPUT AND PRODUCTIVITY IN 1982
(constant 1970 prices)

	Value Added	
	US$ Million	%
Agriculture, Livestock, Forestry and Fishing	528.8	17.3
Mining	95.9	3.1
Industry	810.5	26.5
Services	1,622.6	53.1
Total	3,057.8	100.0

GOVERNMENT FINANCE

	General Government			Central Government		
	DR$ Million	% of GDP		DR$ Million	% of GDP	
	1983	1975	1983	1983	1975	1983
Current Receipts	1,052.0	21.6	12.3	914.6	18.2	10.7
Current Expenditures	1,019.6	8.5	12.0	896.3	8.0	10.5
Current Surplus ( ) or Deficit (-)	32.4	13.1	0.4	18.3	10.2	0.2
Capital Expenditures	261.4	11.6	4.0	320.6	9.1	3.8
External Assistance (net)	--	--	--	126.3	0.3	1.5

MONEY, CREDIT AND PRICES

	1970	1977	1978	1979	1980	1981	1982
	(DR$ million outstanding End of Period)						
Money and Quasi-Money	283.7	1,240.9	1,376.0	1,653.1	1,803.0	2,064.3	2,353.0
Bank Credit to Public Sector	213.1	302.8	426.7	552.8	652.8	995.6	1,379.2
Bank Credit to Private Sector	174.9	779.2	828.9	893.1	1,044.5	1,019.9	1,113.5
	(Percentages or Index Numbers)						
Money and Quasi-Money as % of GDP	19.1	27.1	29.1	29.9	27.1	27.3	29.4
Consumer Price Index (Base 1976-77= 100)	57.0	100.0	107.1	116.9	136.3	146.8	158.0
Consumer Price Index in Annual Percentage Changes	3.8	8.7	7.1	9.2	16.6	7.7	7.6
Bank Credit to Public Sector as of % of GDP	14.3	6.6	9.0	10.0	9.8	13.2	17.2
Bank Credit to Private Sector as of % of GDP	11.8	17.0	17.5	16.2	15.7	13.5	13.9

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a/ IBRD World Atlas Basis.

DOMINICAN REPUBLIC - TRADE PAYMENTS AND CAPITAL FLOWS

BALANCE OF PAYMENTS

	1976	1977	1978	1979	1980	1981	1982	1983 a/
				US$ Million				
Export of Goods, NFS	840.4	917.9	828.0	1,134.9	1,271.3	1,512.6	1,141.8	1250
Import of Goods, NFS	1,005.0	1,109.1	1,154.0	1,484.3	1,918.7	1,818.4	1,534.6	1550
Resource Gap (deficit = -)	-164.6	-191.2	-326.0	-349.4	-647.4	-305.8	-392.8	-300
Net Factor Income	-123.8	-123.4	-135.7	-187.7	-210.2	-293.1	-254.1	-289.0
Net Transfers	46.5	50.1	149.8	205.8	187.8	193.0	205.0	215.0
Current Account Balance	-241.9	-264.5	-311.9	-331.3	-669.8	-405.9	-441.9	-374.0
Direct Foreign Investment	60.0	45.9	39.6	-13.4	62.7	79.7	-1.4	35.0
Net MLT Borrowing	93.3	104.3	97.7	210.7	252.7	153.6	192.8	-53.1
Disbursements	(131.3)	(150.5)	(192.7)	(361.7)	(382.2)	(320.2)	(355.8)	(265.0)
Amortization	(38.0)	(46.2)	(95.0)	(151.0)	(129.5)	(166.6)	(163.0)	(318.1)
Other items, n.e.i.	45.4	185.5	79.5	46.5	236.6	21.7	-60.1	51.7
Change in Net Reserves (- = increase) b/	43.2	-71.2	95.1	87.5	117.8	150.9	310.6	--
Gross Reserves	165.0	224.0	199.3	339.1	402.5	555.8	200.0	
Net Reserves	-11.0	60.2	-34.9	-122.4	-240.2	-391.1	-701.8	-680.9 c/
Fuel and Related Materials								
Imports	170.0	176.7	199.0	314.9	448.8	497.4	449.5	458.0
Exports	--	--	--	--	--	--	--	--

MERCHANDIXE EXPORTS (Average 1978-83

	US$ Million	%
Sugar (raw)	285.3	32.6
Coffee (unprocessed)	85.0	9.7
Cocoa (raw)	60.3	6.9
Tobacco (leaf)	43.8	5.0
Petronickel	84.8	9.7
Dore	166.9	19.1
Other	149.5	17.1
Total	875.6	100.0

EXTERNAL DEBT, DECEMBER 30, 1982

	US$ Million
Public Debt including guaranteed private	1,932.1
Non-Guaranteed Private Debt	326.1 d/
Total Outstanding and Disbursed	2,258.2 b/

DEBT SERVICE RATIO FOR 1982

Public Debt, including guaranteed e/	16.6
Non-Guaranteed Private Debt	16.0
Total Outstanding and Disbursed f/	32.6

IBRD/IDA LENDING (December 31, 1982)

	US$ Million
Outstanding and Disbursed	137.6
Undisbursed	148.9
Outstanding including undisbursed	286.5

a/ Estimate.
b/ Includes arrears.
c/ As of August 31, 1983.
d/ Registered: unregistered private debt could more than duplicate this amount.
e/ Only medium- and long-term.
f/ Includes an estimate for short-term debt.

DOMINICAN REPUBLIC

ECONOMIC PROSPECTS AND POLICIES TO RENEW GROWTH

Table of Contents

This report is based on the findings of economic missions which visited the Dominican Republic in April and December 1983. The main mission of April was comprised of Marcelo Selowsky (Chief), Desmond McCarthy and Mario Reyes-Vidal; and David Morawetz, Luis A. Ramirez, David Franklin, and Robert Girling (consultants). The December mission, focusing on the public investment program, was comprised of Richard Newfarmer (Chief), Thorkild Juncker (Young Professional) and James Loome (Research Assistant). Paul Meo provided extensive comments and made a substantial contribution to the final version of the report.

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CURRENCY EQUIVALENTS

Official Rate:

Dominican Peso (DR$) = United States Dollar(US$1.00)
US$1.00 = DR$1.00

Parallel Rate:

The US$ floats freely on the Parallel Market;
during 1983 the range has been about
DR$1.45 to DR$1.98: US$1.00

ABREVIATIONS

CAASD	Corporacion del Acueducto y Alcantarillado de Santo Domingo (Water and Sewage Corporation of Santo Domingo)
CAC	Certificado de Abono Cambiorio (Tax Credit Certificate)
CAT	Certificado de Abono Tributario (Tax Certificate)
CDE	Corporacion Dominicana de Electricidad (Dominican Electricity Corporation)
CEA	Consejo Estatal de Azucar (State Sugar Council)
CEDOPEX	Centro Dominicano de Promocion de Exportaciones (Dominican Export Promotion Center)
CONAPE	Comision Nacional de Politica Energetica (National Comission on Energy Policy)
CORDE	Corporacion Dominicana de Empresas Estatales (Dominican State Enterprise Corporation)
EFF	Extended Fund Facility
EPZ	Export Processing Zone
IAD	Instituto Agrario Dominicano (Dominican Agrarian Reform Institute)
IDB	Inter-American Development Bank
IMF	International Monetary Fund
INAPA	Instituto Nacional de Aguas Potables y Alcantarillados (National Drinking Water and Sewerage Institute)
INAVI	Instituto Nacional de Auxilios y Viviendas (Housing and Welfare Institute)
INCAT	Instituto de Capacitacion Tributaria (Tax Training Institute)
INDRHI	Instituto Nacional de Recursos Hidraulicos (National Water Resources Institute)
INESPRE	Instituto Nacional de Estabilizacion de Precios (National Price Stabilization Institute)
INVI	Instituto Nacional de Vivienda (National Housing Institute)
ONAPLAN	Oficina Nacional de Planificacion (National Planning Ofice)
ONAPRES	Oficina Nacional de Presupuesto (National Budget Office)
SEA	Secretariado de Estado de Agricultura (Ministry of Agriculture)
SFZ	Special Free Zone
VAT	Value-Added Tax

FISCAL YEARS

Central Government: January 1 to December 31.
State Sugar Council (CEA): October 1 to September 30.

SUMMARY OF MAJOR CONCLUSIONS

i. In his inaugural address of August 1982, President Salvador Jorge Blanco recognized the serious economic situation confronting the Dominican Republic. He stressed the severe external imbalance in the economy and the magnitude of the external payment arrears of the Central Bank. He also elaborated on the crisis facing the public finances resulting from a weak tax system and the substantial deficits of public enterprises. He explicitly pointed out that many of the present problems could be attributed to past public policies and that only by changing easy-going public policies to strong austerity measures could the present crisis be overcome.

ii. Many of the initiatives taken during this first year of the Administration were aimed at addressing the short-term aspects of this crisis. The most important were a containment of Central Government expenditures, particularly wages, a liberalization of foreign exchange policies, the EFF arrangement with the IMF, and negotiations to reschedule and consolidate the external debt. However, as the President recognized, the crisis was also a result of long-term policies undertaken in the past that had to be corrected. The purpose of the World Bank missions, which visited the country in April and December 1983, was to assist the Government in looking at these long-term issues and assemble a series of suggestions for addressing them over the medium-term. Both the Government and the Bank mission are fully aware that, while the fiscal/balance of payments situation is the nation's most acute problem, other problems also remain to be resolved--urban and rural poverty, educational and health deficiencies, and administrative weaknesses. The most acute problems, however, must be addressed first. This report is hence restricted in scope to these problems.

iii. As recognized in the President's inaugural speech, the short-term problem can only partly be explained by external conditions outside the control of government policy--high international interest rates, low prices for the country's major exports coming together with suddenly high prices of imports such as petroleum. The roots of the problem go much deeper--to a long-term deterioration that began in the early 1970s. Since that time, public sector receipts have experienced a steady drop; the volume of exports has grown little; and industrial and GDP growth decelerated.

iv. The mission's projections reveal that the country's present problems could persist unless further, long-term actions are taken. World prices of sugar and mineral exports could recover in the medium-term, but the potential increase in volume in these exports is limited. Under pessimistic assumptions about export volumes and prices, per capita consumption would fall by 2.4 percent annually in 1984-86 and unemployment would rise to nearly 30 percent of the labor force. Debt service would rise from its current 20 percent of export earnings to 43 percent in 1986 and over 50 percent by 1990, presuming the nation could increase its access to non-concessionary foreign funds. Since this may be an optimistic expectation (see Annex I) the decline in per capita GDP and consumption could be even greater. Unless major policy changes are made soon, or the external environment is far more

buoyant than expected, the economic and social gains made since the mid-1960s may be put at risk, and the country's creditworthiness for long-term loans may be jeopardized.

v. To avoid this pessimistic scenario, the Dominican Republic will have to undertake some major (and perhaps painful) policy reforms. These involve changes in prices as well as public policies, institutions and attitudes. If policy changes are undertaken and export revenues grow, GDP could grow in real terms by 3.4 percent in 1984-86 and accelerate to nearly 6 percent by the end of the decade. The debt service ratio would not rise above 35 percent and fall to nearly 25 percent in 1990. The Government is aware of the magnitude of the task it confronts to realize this optimistic scenario; some of these changes have already begun. Some others are under active consideration by the Government. This report has been prepared to assist the authorities in their deliberations. This section summarizes the report's major recommendations, leaving the analyses and detailed recommendations to the main text.

A. Policies Regarding the External Sector

vi. The macroeconomic projections of Chapter I show that, to recover GDP growth rates of 4-6 percent per annum at the end of the decade, the volume of exports must grow more rapidly. The real growth rate required of exports ranges between 5 and 10 percent per annum. To achieve these rates, the Government must accord exporters a price incentive that more closely approximates the world price. Similarly, price signals to the import-substitution sector must also reflect international prices if lomestic economic activity is to be efficient. The only effective way to transmit international prices into domestic price signals to both exporters and importers is to reconcile the disparity between the official and parallel exchange rates. The Government has dealt with this problem by transferring increasing amounts of trade into the parallel market, a strategy that if completed will eliminate these price disincentives to growth.

vii. Some categories of exports in the Dominican Republic will respond more quickly to a more attractive exchange rate than others. Non-traditional exports, particularly tourism, agroindustries, and exports of the Export Processing Zones, seem to have a substantially more rapid response to economic incentives, but they have received far lower price incentives than some other sectors, particularly industrial import substitution. Price signals to the non-traditional sectors are especially important because the projections of the mission show that the nation's output and income growth are quite sensitive to alternative rates of expansion of exports in these sectors.

viii. To be sure, the short run responsiveness of some traditional agricultural exports to a more attractive exchange rate will be limited; factors other than short-term price changes have a greater bearing on their production. But given the relatively high share of sugar, mineral and other traditional exports in total exports, every effort must be made to convey

proper price signals to producers to ensure maximum production. Equally important, some traditional exports--such as sugar--are not profitable at the official exchange rate and world price. If the government does transfer traditional agricultural exports to the parallel market, the measure could be complemented by sugar and mineral export taxes--similar to the sugar tax the country had before--where the tax rate would vary with the U.S. dollar world price of the product. At low world prices, approaching domestic cost of production, the rate would be zero; at high international prices, the government would receive the windfall gains.

ix. The non-price incentive measures taken in the past to compensate for the disincentives caused by the trade and foreign exchange regimes have been inadequate. Many of them are highly discretionary, and hence unpredictable. Moreover, incentives like subsidized imported resources or cheap credit discriminate against the use of domestic resources, particularly Dominican workers. The most important reason to rely on price incentives through exchange rate reform is that incentives to exporters will be provided automatically and quickly to the most efficient producers, without creating bureaucratic obstacles to realizing export profits.

x. In addition to expanding exports, the economy can adjust to scarce foreign resources by lowering import requirements while maintaining growth. This can only be achieved if the import-substitution process is efficient--in the sense that it begins in those activities where substitution takes place at the lowest peso cost per dollar substituted. Unfortunately, much of the industrial substitution has been increasingly inefficient because of the unrealistically high levels of protection offered certain industries; other imports are either prohibited or subsidized through access to the official exchange rate market or tariff exonerations. This distorted system of price incentives has partially disguised the fact that much of agriculture is quite efficient economically. Agricultural production--particularly that of foodstuffs and vegetable oils--could be accelerated if the incentive system were revised.

xi. The limited price incentives given to the export sector and efficient import substitution in agriculture compared to the far more generous incentives given to import substitution in manufacturing can be highlighted with the following figures. The current regime of subsidized imported inputs mixed with import prohibitions produces import substitution at a cost to the economy of between two to four Dominican pesos to substitute one U.S. dollar's worth of imports. However, producing export products costs only 1.05 to 1.22 pesos per dollar earned. In some agricultural import substitution activities, such as rice and oil, the cost of substituting one dollar is even less than one peso. 1/ When the peso cost of a product is less than, say, DR$1.50 per US$1.00 earned or saved, then that product is clearly profitable for the country to produce; when it is much higher, the country is the poorer for producing it. The problem then remains how to change the incentive framework to ensure that private producers produce what is most economical for the country.

1/ These figures exclude taxes and the effects of the various incentive and disincentive schemes such as the CACs.

xii. The Government is now revising its trade strategy to remove price and non-price disincentives to exports and agriculture. A major obstacle to reaching this is the disparity between the official and parallel exchange rates. The Government's recent transfer of 83 agricultural products completely to the parallel market is a significant step which will greatly increase the attractiveness of export production. The process of transferring exports to the parallel markets will have to be accelerated if exports are to be expanded at their full potential. In addition, reforms to the customs service could be considered to accelerate the export drive. The vagueness of some customs laws, high turnover in customs officers and limited work hours have made it difficult to import key inputs in a timely manner, even including some EPZ companies. The plethora of export permits required until recently by CEDOPEX also increased exporters' costs; recent efforts to simplify licensing procedures represent improvements and could be extended to the entire administrative infrastructure. CEDOPEX's temporary export prohibitions have deterred exporters from the development of new, stable markets. Many exporters complain about the inadequate quality of domestically produced packing materials. Their high cost in some cases has deterred exports, particularly that of canned fruit and juices.

xiii. The present import regime also has encouraged an inefficient productive structure and deterred exports. Some improvements could be considered for action in the near future: All imported inputs and capital goods now exonerated from regular tariff duties--in 1982 they paid an effective duty of only 12.2 percent--could be subject to a flat and single duty equal to 20 percent. This would lower the incentive for inefficient import substitution and encourage the use of domestic inputs and labor. All import duties could be based on imports valued at the parallel exchange rate, instead of at the official rate. Not only would this improve tax receipts, it would recognize the reality of import costs.

xiv. Steps also should be taken to establish a long-run maximum nominal tariff rate in the 30 to 50 percent range. All tariffs in excess of this range and all import prohibitions would be gradually revised downward. This could be complemented by additional sales taxes for certain luxury consumer durables so as to discourage their sale or use. Automobiles, for example, could have a substantially higher sales tax. In moving toward this long-run objective over a period of say 3-4 years, some immediate first steps could be taken, such as the conversion of quantitative prohibitions and prohibitive tariffs into relatively high tariffs, therefore capturing for the country's treasury the heretofore lost revenues from illegal imports.

xv. Important changes may also be considered regarding external capital flows. The Government must strictly control the borrowing of public enterprises abroad; unfortunately, much of the present public external debt was contracted without an effective central plan or allocation process. In the future, these decisions should be considered and approved more carefully. In addition, the Central Bank should consider declining to grant guarantees to new private debt at the official exchange rate.

B. Public Finances and the Public Investment Program

xvi. The fiscal situation has deteriorated consistently since the early 1970s and reached crisis proportions in 1982. It resulted from a fall in public sector revenues from about 20 percent of GDP in 1971 to 11 percent of GDP in 1982. As a result, savings of the consolidated public sector steadily declined from 8 percent of GDP to a negative figure of 1.1 percent.

xvii. The present Government has taken some quick initiatives to face this fiscal crisis. A policy of wage restraint was a painful but important initiative. A new value added tax on industrial transactions will provide additional fiscal revenues. An initial effort has been made to develop a coordinated public investment program; the recently published program is a first step in this direction. All these measures were supported by a three-year EFF arrangement with the IMF, signed in January 1983. The mission recognizes that these initiatives have been important in addressing the short-term aspects of the crisis. However, this crisis was also partly caused by a long-run deteriorating trend in the public finances of the country; additional measures oriented to the long run will have to be taken to reverse the structural problems that gave rise to this deterioration.

xviii. A major source of the secular decline in fiscal revenues is lower import duty collections, which fell from 6.7 percent of GDP in 1971 to only 2.2 percent in 1982. This resulted from a continuous erosion of the tax base due to a larger share of exempted petroleum imports, the use of specific rather than ad valorem taxes, growing import prohibitions and a widespread system of exonerations which became increasingly discretionary due to the lack of clear regulations.

xix. The second major source of this erosion was the performance of public enterprises. Their savings have also declined continuously over time, reaching a low of minus 1.5 percent of GDP in 1981. External factors, such as higher petroleum prices and lower sugar prices, explain only part of the decline. It also is part of a trend that can be attributed to inefficiencies in the generation and transmission of energy, to high prices paid for colono cane in spite of low sugar prices, to high processing and transport costs for sugar, to inadequate previous management of CORDE, and to inappropriate pricing policies for INESPRE. The ease by which public enterprises were able to finance their deficits through direct foreign loans and Central Bank credit partly explains the past lack of incentives to correct these inefficiencies.

xx. The Government has already undertaken some important actions to improve the financial position of key public enterprises. CEA's new management is already producing positive results. It has improved CEA's efficiency, instituted programs to increase the sucrose content of cane, and now has access to the parallel market for one-fifth of its exports. The new CORDE management is completing a company-by-company review of its enterprises and has already taken determined wage and employment action.

xxi. The weaknesses of public enterprises have developed over a long period, however, and it may also take a long time to reform them. CDE's electricity tariffs are now quite high. The further revenue action required may be far more difficult. First, governmental users must pay their bills. Second, CDE's losses are extraordinarily high; reducing non-billed connections will take time, but is of an extremely high priority. Equally important will be cost reductions. Future investments of CDE must be carefully structured and analyzed. Nonetheless, some operating efficiency can be achieved in the medium-term through reduction of the over-staffed work force and the more efficient operation of the existing plant.

xxii. The Government has taken much-needed action to resolve some of the problems of CEA, but these will have to be complemented by further measures. It is now beginning a major renovation of its mills and transport system. A study now underway may indicate that some mills, however, should be closed. CEA has taken important action to reduce the subsidies to the domestic consumers of sugar; the crude sugar price is below the world price; the domestic molasses price is far below international prices. Both should eventually be raised. Until recent price rises mitigated this problem, CEA's weak financial situation made it unable to pay its internal debt. To complement the rescheduling of its foreign short-term debt, the Government has converted CEA's internal debt into equity. The Government has also provided foreign exchange incentives to raise profitability. CEA, along with other sugar exporters, will need continued expanded access to the parallel market if it is to operate profitably in the long run. Finally, its price to private cane producers should be more rapidly adjusted with international price changes. All of these steps will need the strong support of the Government.

xxiii. The Government has also taken action to restore financial viability to CORDE. In the future, some of CORDE's companies, which seem to have no reason for remaining in the public sector other than their prior Trujillo ownership, could be sold or closed. Other public enterprises could be reduced in scope (e.g., some INESPRE operations) with few effects on policy goals but at considerable fiscal savings. During the 1980s public resources and management talent will be stretched thinly. By reducing and refocusing the public enterprises on more specific tasks with clearer economic goals, the Dominican Republic can improve the overall efficiency of its public sector.

xxiv. The capacity of the public sector to generate savings has been severely crippled with the fall in revenues and the losses of the public enterprises. Public resources are therefore extremely limited in 1984 and will probably continue to be scarce for the next few years. Even if the measures the Government has already taken to reverse these trends are successful, they will not be sufficient to generate enough public savings to reach the levels now programmed for 1984. The program envisions expenditures of about DR$560 million, but it is doubtful that the Government can mobilize--through public savings, non-monetized domestic borrowings, and net foreign borrowing--more than DR$250 to DR$300 million. This means that several projects now programmed will have to be postponed because of the shortage of counterpart funds.

xxv. The alternative to scaling back the program is to starve all projects simultaneously. In this case, projects that could have been completed and begun to generate a return will be delayed along with those that are new or far from completion. This course would reduce the efficiency of all public investment. As all projects are stalled, precious time runs out on the grace period of foreign loans, cost overuns increase, and valuable project construction personnel are lost. Under these conditions, the average productivity of investment would suffer. This would also mean that the public sector would need more tax resources to achieve the same level of output. If the public sector's investment yields a low return, governmental activity acts as a drag on growth rather than a stimulus.

xxvi. It is therefore preferable to scale back the public investment program selectively. This will require several institutional changes as well as changes in the sectoral and project-specific allocation of funds. Institutionally, the Government will have to improve its planning and budgeting procedures; in every year since 1980, the amount planned has differed markedly from the amount budgeted for investment in the same year, and both have differed markedly from the actual amounts invested. The margin of error has commonly ranged from 50 to 100 percent. To improve the planning and budgeting process, amounts programmed should be more carefully planned and budgeted, amounts actually spent should be better monitored and controlled, and criteria for judging potential projects should be more rigorously defined to improve project selection and facilitate cuts. With this in mind, the Government has recently taken action to improve its monitoring unit in the planning office.

xxvii. Another long-term institutional change is necessary to achieve development goals: reducing the fragmentation of sectoral planning and implementation. In agriculture, for example, several agencies now implement agricultural policy: CEA, the Ministry of Agriculture, INDRHI, IAD, and others. But planning to achieve long term sectoral goals, such as agricultural diversification, is virtually absent, largely because no agency is responsible for the formulation and implementation of sectoral goals.

xxviii. Scaling back the program to stimulate growth also requires a different sectoral and project allocation than is now planned. The Plan would allocate nearly 27 percent of total 1983-85 public investment into housing and potable water, a 60 percent increase in the share actually spent in these sectors in the previous triennium. At the same time sectors crucial to increase growth and exports, such as energy and transportation, are reduced. Within sectors, some agencies have sought new projects without adequately assessing the implied costs of postponing or delaying on-going projects, delays incurred because the scarcity of counterpart funds limits the number of projects that can be undertaken; this practice appears to be especially common in irrigation and hydroelectric projects where many projects are already behind schedule.

xxix. As an aid to Government planners, Chapter II presents an illustration of a realistic investment program that roughly approximates anticipated financing capabilities for the 1984-86 period. To be sure, reducing the level of planned activities to financially realistic levels requires difficult choices, and some worthy projects will have to be

delayed. But the country can not afford the heavy costs imposed by delays in all projects that are certain to come as financial constraints begin to appear in the course of the budget year.

xxx. The Dominican Republic must secure new sources of public revenues before any major new public investment can be financed. These resources might be obtained by three new sources of revenues:

(1) The first source, discussed earlier, is to value all imports at the parallel rate to compute their duty and impose a flat 20 percent duty on all non-petroleum exonerated imports (replacing their present rates). These measures would generate fiscal revenues of more than DR$100 million a year.

(2) Present legislation exempts from the new VAT important activities in manufacturing and commerce (processed food, beverages, petroleum and derivatives, fertilizers). If these exemptions were to be eliminated, tax collections would increase by approximately DR$30 million. Substantial increases could also be obtained by lowering evasion. It is also crucial for the Dominican Republic to properly organize and staff the administration of the new VAT.

(3) The lack of property taxes in the Dominican Republic is unusual for a country that has well advanced rural and urban cadasters. In addition, no capital gains taxes on real estate sales exist. New taxes on property and property transactions would also reduce inequities in income distribution. At least DR$50 million could be generated by implementing a 1 percent property tax law.

xxxi. These measures should be accompanied by a complete review and reform of the tax system to improve the system's administration and the equity of the tax burden. Tax measures, such as those discussed above, can of course be undertaken without other reforms. However, to be more effective and service broader development goals, the existing tax system should be reviewed in its entirety.

C. Food Production and Role of INESPRE

xxxii. The Dominican Republic still has considerable untapped potential in agriculture. Much of this could be freed by removal of artificial price disincentives. Placing a greater share of agricultural trade in the parallel market would provide strong incentives for increased production and exports of coffee, tobacco, beef, vegetables and potentially for rice. Price controls on the production of oil seeds should also be lifted. The Dominican Republic has an international comparative advantage in peanut production, both in irrigated and rainfed land. INESPRE's own profit requirements seem to be the principal reason for maintaining the price disincentive on the production of vegetable oils; by importing vegetable oils made artificially

cheap by the official exchange rate and by discouraging the growth of potential substitutes, INESPRE can sell its vegetable oil at high mark-ups.

xxxiii. INESPRE should specialize in stabilization activities in rice, where it has been succesful, and withdraw from other activities. INESPRE does not need to procure and process paddy rice directly from producers as part of its rice control activities. INESPRE's efforts to procure rice at the farmgate lead to high operating expenses and grain losses. The Government has unfortunately strengthened INESPRE's monopoly purchasing power in rice and with it the monopsonistic power of the millers by prohibiting farmers from independently transporting their rice to millers and markets outside designated regions. This organization discourages rice production, especially among small growers.

xxxiv. INESPRE should withdraw from other activities, particularly in vegetable oils, because these interventions have generally distorted prices and not improved market performance. INESPRE's role in handling semi-perishables (onions and potatoes) is also questionable, since there is a requirement for cold storage facilities for INESPRE to play a credible role in the market. The distribution of free or subsidized inputs could also be eliminated. Fiscal resources could instead be allocated towards a more effective agricultural research, extension, and market information systems. These are more efficient ways to solve problems of risk and high initial costs that arise in the process of modernization of agriculture.

D. Final Remarks

xxxv. The analysis of this report suggests that the Dominican Republic is potentially well positioned relative to other small countries to cope with a difficult international economic environment. It is endowed with adequate natural resources, a hard-working labor force, and a location near major international markets. But to benefit from these potential advantages, the Government must remove current policy constraints on growth and put in place a policy framework that will be conducive to expanding exports.

xxxvi. Besides promoting growth, the Government will also need to affirm its creditworthiness by undertaking a sustained effort in the short- and medium-term to address the policy issues discussed in this report: incentives to exporters and efficient domestic producers must be adequate to assure an ever-growing stream of foreign exchange and establish an internationally competitive industrial structure; public sector savings must be increased to finance a dynamic investment program; the public investment program should be made more efficient by concentrating on fewer but vital projects; and food pricing should be adjusted to transmit to producers adequate incentives to produce and expand supply. Such a program will make the allocation of scarce resources more efficient, increase domestic savings, and attract foreign capital and credit.

I. THE COUNTRY'S PAST GROWTH AND FUTURE PROSPECTS

A. The Growth Experience of the 1970s

1.1 As expected in a small open economy, aggregate economic growth in the Dominican Republic has been largely determined by variations in export receipts and external terms of trade. Nevertheless, the country's substantial and sustained investment rate--on the order of 24 percent of GDP during 1969-80--increased productive capacity and growth, particularly in the initial years when the investments had high rates of return.

1.2 Two distinctive periods can be identified in the recent past: the 1968-74 period, when real GDP grew at 11 percent a year, and the 1975-81 period, when this growth rate declined to 4 percent. The first period was one of an external environment without major cycles. It was, moreover, a period when the country was recovering from the long twilight of the Trujillo era and the trauma of the civil disorders and intervention of the mid-1960s. During this period, export earnings grew at an annual average rate of 23 percent; in no single year was the increase below 10 percent. Export prices and volume grew at 15 and 9 percent, respectively. Real value added in mining grew 38 percent a year, although it started from a low base; manufacturing by 14 percent a year; and construction by 18 percent a year. This period stressed those major sectors where the country had a strong comparative advantage: raw sugar exports reached one million metric tons, ferronickel reached 80 thousand metric tons, and tourism began. Manufacturing was directed towards easy import-substitution possibilities.

1.3 Since 1974 several new external factors came into play. Export prices, particularly that of sugar, became substantially more volatile adding complexity to the short-term management of the economy. Export prices reached a peak in 1975, declined by 30 percent in the 1977-79 period, reached a new peak in 1981, and plummeted again by 40 percent in 1982. The oil price shocks of 1974 and 1979-80 increased the fuel import bill tenfold, reaching US$500 million by 1981. As a result of these changes in relative prices, terms of trade deteriorated severely. In 1977 the petroleum bill absorbed only 60 percent of all sugar export earnings, but by 1982 it had risen to 133 percent of sugar earnings.

1.4 Besides the deterioration in terms of trade, a second external factor was the decline in export volume induced primarily by the recession in the industrialized countries. By 1982, the volume index of exports had declined one-fifth below its 1978 value.

1.5 A third external factor was the abrupt rise in interest rates in the OECD countries; this pushed up the cost of the Dominican Republic's foreign borrowing. Service payments on public foreign debt rose from US$87 million in 1978 to US$246 in 1979 and, after dropping slightly in 1980-81, rose to US$250 million in 1982.

1.6 The combination of these factors--terms of trade, export volume declines, and interest rate rises--caused GNP to be 8.8% lower in the 1979-81

period than it would have been in the absence of the shocks. Forty-seven percent of the cummulative effects of the shocks were due to the decline in terms of trade; 35 percent were attributable to export volume; and 23 percent were due to interest rate effects.[1/]

1.7 These external shocks came at a time when long-term structural weaknesses were becoming evident in the economy. Most important, industrialization based upon import substitution behind the prevailing tariff and quota regime had begun to slow; and the fiscal deterioration of the public sector was becoming acute. Thus, the cyclical effects of the shocks aggravated secular trends of economic deterioration.

1.8 The Government's policy responses were insufficient to cope with external shocks and secular stagnation. In spite of the worsened external environment, imports kept growing at rates above that of GDP growth. During the 1975-80 period, capital goods and raw materials imports grew at 8 percent a year in real terms, largely financed by increasing private and public external borrowing. The growth in imports and borrowing was encouraged by an exchange rate policy which made imports artificially cheap and effectively eliminated exchange rate risk to private debtors. Despite the high investment rate (in both the private and public sectors), and a high rate of imports of capital goods and intermediate inputs, the real value added of manufacturing and agriculture grew at only 3.2 and 3.7 percent a year, respectively.

1.9 The fiscal situation also suffered a continuous deterioration. While at the beginning of the decade public savings amounted to 8 percent of GDP, this figure became zero at the end of the decade and negative by 1982. It resulted from a significant decline in tax relative to national income and a deterioration in the finances of public enterprises.

1.10 The slower growth of manufacturing in spite of high protective barriers and subsidized imported inputs and capital goods--the degree of subsidy increased during this period of external crisis--reveals the limits of a policy of protected industrialization in a country of small market size. The slow growth of agriculture can be explained by the fact that subsidized imports of inputs and capital goods did not compensate for the implicit disincentive to growth resulting from subsidized food imports, restrictions on agricultural exports, and generalized price controls on foodstuffs. During the 1975-80 period the more dynamic sectors were precisely those where factor and product price controls were limited, where legislation was less binding, and where foreign investment was relatively unregulated. Foreign exchange received from tourism grew at 20 percent a year reaching over US$200 million by 1981. Although starting from a low base, employment and net foreign exchange generation in the Export Processing Zones grew at 18 and 26 percent a year, respectively, reaching 20,000 workers and US$60 million by 1981.

1.11 A comparison of the GDP growth rate and the investment rate during the 1970-81 period suggests a strong decline in the productivity of new

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1/ See Statistical Appendix Table 2.8.

capital, from over 40 to less than 15 percent.[2]/ Although these are approximate figures, there is no doubt that a substantial change took place within a relatively small period of time. Because three-quarters of total investment takes place in the private sector, much of the declining productivity was attributable to that sector. The declining productivity of investment in the private economy is consistent with the effect of the external shocks and the policy of supporting industrialization by increased protection. The effect of protection is precisely to keep private profits high while the social productivity (the return to the economy) diminishes as the process becomes more inefficient.

1.12 Information regarding the status of the major public investment projects implemented since 1975 suggests that the productivity of public investment also declined. A sample of 15 major projects amounting to DR$1 billion shows that the average project delay was nearly two years and that average over-runs amounted to 27 percent of original budgeted costs.[3]/ Part of this is explained by insufficient domestic counterpart funds; part by a declining absorptive capacity of public agencies in managing an increasing number of investment projects and programs. Unfortunately, there have been many large investment projects in the past that, because of inadequate planning or coordination, have had very limited returns even when completed.

B. Prospects for the Future

1.13 The present situation is serious. The mission estimates that real GDP has been virtually stagnant between 1981 and 1983. The balance of payments current account deficit averaged 6 percent of GNP and the accumulation of foreign payments arrears reached US$450 million at the beginning of 1983, almost 10 percent of GNP of that year. Net foreign reserves (including the arrears) were likely negative by almost US$700 million. In 1982 the public finances were in greater disequilibrium than in any year since 1966.

1.14 The severity of the crisis understandably focused the Government's attention on the short-term. The immediate measures have been wage and other fiscal restraints, a new value added tax, improved public enterprise management, and some change in foreign exchange management and negotiation with commercial banks regarding the rescheduling of external payment arrears.

2/ The annual growth rate of GDP was 9.3 and 4.1 percent in the 1970-75 and 1975-81 period, respectively. With a share of labor in the growth of output of 50 percent and a growth of employment of 3 percent a year, the contribution of labor to growth is equal to 1.5 percent a year. The growth to be explained by investment-- assuming no other source of growth--is 7.8 and 2.6 percent a year for the two periods, respectively. With depreciation equal to 6 percent of GDP (the net investment rate being then 18 percent) the implied return to capital goes down from 43 percent to 14 percent between the two periods.

3/ ONAPLAN: "Lineamientos de Politica Economica y Programa de Inversiones Publicas 1983-85," January 1983.

These actions were supported by an EFF Arrangement with the International Monetary Fund. However, these measures are aimed mainly at near-term stability. To better assess the prospects for recovery in the medium term, the mission developed a macroeconomic model of the economy and used it to explore various future scenarios.

1.15 The most important assumption used for projecting Dominican economic growth is the sugar price. From 1982 to 1990, the World Bank projects the real price of sugar to increase from its present 13 cents to approximately 18 cents (in 1983 prices). This price reflects the long run cost of production across several producing countries and is equivalent to the cost of high fructose corn syrup. The Dominican Republic sells about half of its sugar exports to the United States under the sugar quota agreement. The United States quota price is expected to remain at US$400 per ton in 1983 prices, equivalent to 18 cents per pound. The average price for the Dominican Republic is thus projected to rise from US$300 per ton to US$400 per ton in 1990, all in 1983 prices. Given the projected rate of international inflation, this amounts to about US$600 per ton in current dollars for 1990.

1.16 For all the other traditional agricultural exports--coffee, tobacco, and cocoa--little price increase is projected in constant dollars. In the case of minerals, a strong increase is projected for ferronickel, and less strong for gold and silver (dore). Manufacturing prices are expected to follow international inflation: i.e, no significant changes in real values.

1.17 Each of the mission's three alternative scenarios projects real export growth differently. For the base case no volume growth is projected for sugar and cocoa; the former because of global forecasts[4/] and the fact that the Dominican Republic already enjoys the largest share (17.5 percent) of the United States import quota; the latter because 1983 exports are already substantially above trend. Real coffee exports would expand at 6 percent because of recent investment in that sector. Also, tobacco would expand by 5 percent.[5/] The optimistic scenario sets the sugar quantity growth at 2 percent a year. This could result from increased efficiency in domestic production together with problems in other major producing countries. Coffee and tobacco growth rates are projected at 12 and 10 percent a year. For mineral commodity exports, all three scenarios assume significant real growth in 1983, but volume would remain at 1984 levels thereafter. No new investments appear to be coming on line within the period of analysis.

4/ Ending stocks for 1982-83 are estimated at 37 million tons and for 1983-84 are expected to remain well above normal--about 24 million tons. Substitute sweeteners continue to make inroads into the sugar market in the United States.

5/ This assumption may be slightly optimistic; nonethless, lowering it to zero makes little difference in the outcome of the scenarios because of the relatively small weight of tobacco in total exports.

1.18 For manufactured exports the base case projects an annual growth rate of 5 percent a year. This value reflects their current depressed state and the disadvantageous policy climate. The former leaves plenty of room for expansion and the latter exerts a restraining influence. The optimistic forecast of 10 percent annual growth is based on a more buoyant global economy and a more aggressive domestic policy environment. For the base case, a growth rate of tourism of 5 percent a year is chosen while the optimistic scenario is set at 10 percent.

1.19 The pessimistic scenario assumes zero expansion of volume for all exports, traditional and non-traditional alike. This assumption is conceivable if international conditions should fail to become favorable, and the Government fails to change the structure of incentives facing exporters.

1.20 The Government recently concluded renegotiation of the US$660 million debt owed to private foreign banks, although the final agreement has not been implemented as of this writing. All three projections assume that the State Sugar Council (CEA) debt of US$60.8 million is to be paid entirely in 1986 and the balance of the rescheduled debt repaid in four equal payments beginning in 1985. CEA's interest rate would be 12.8 percent; the rest would pay 11 percent. The net impact of the rescheduling would provide some reduction in debt service payments on the nation's US$2.1 billion total public external debt for 1983 and 1984.6/ However, by 1985 the rescheduling will result in a sharp increase in debt service payments--from about US$450 to US$615 million--as amortization and interest on the US$660 million is added to the overall burden. Near-term payments may be also mitigated by a possible Paris Club rescheduling of official bilateral debt, but payments in 1985 and 1986 will still approximate US$600 million.

Resulting Growth

1.21 The outcome of the three projections is summarized in Table 1.1. In the base case overall GDP growth is projected to ultimately recover to 3.5 percent per year during 1987-90. The implications for overall welfare are not satisfactory: per capita consumption, after declining in the 1984-86 period, would barely increase toward the end of the decade. The unemployment rate would increase to 30 percent from the present level of about 20 percent. Clearly the growth rate would not be sufficient to generate a demand for labor large enough to match the projected increases in the labor force. Even to reach this rather unsatisfactory situation, external

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6/ Note that US$223.5 million of the US$660 million rescheduled was not included in the country's US$2.1 billion medium- and long-term debt because it was short-term. The rescheduling makes it medium-term debt.

borrowing must be substantial. The yearly gross borrowing from private sources required to sustain this growth rate reaches US$800 million per year at the end of the decade (in current dollars).

1.22 The optimistic scenario yields a substantially better situation. Not only would per capita consumption increase in the short-run; it would reach an increase of 3 percent per year at the end of the decade. In addition, the required gross borrowing from private sources would become substantially more realistic, around US$500 million per year. The pessimistic scenario clearly reaches long run crisis proportions. Per capita income declines steadily; unemployment exceeds one-third of the labor force; and the required gross private borrowing--virtually unattainable if output were to drop--would exceed US$1 billion.

Table 1.1: ECONOMIC PERFORMANCE UNDER ALTERNATIVE RUNS
(Yearly averages for the period)

Indicators	Base Case		Optimistic		Pessimistic	
	1984-86	1987-90	1984-86	1987-90	1984-86	1987-90
I. General Indicators (in %)						
GDP growth	1.6	3.5	3.4	5.9	-0.1	1.8
Per capita consumption growth	-0.8	0.7	1.1	3.0	-2.4	0.9
Unemployment rate	28.1	31.3	26.6	26.6	29.6	34.9
Fiscal savings/GDP	1.9	3.4	2.3	4.7	1.5	2.0
II. Balance of Payments (US$million of current dollars)						
Current account balance	-202	-428	-152	-223	-253	-581
Expected net flows	37	151	37	151	37	151
Required additional net flows	165	276	115	71	217	430
Required gross private borrowing	373	807	321	523	428	1,036
Debt outstanding	2,367	3,475	2,287	2,891	2,455	3,967
Debt service ratio (%)	34.3	38.7	32.1	28.9	36.9	50.0

Source: Mission projections; see Annex I.

1.23 The three scenarios assume the same disbursements from official lending agencies as well as from grants and net direct foreign investment (a total of US$728 million and US$50 million respectively in the 1983-85 period). If these flows were themselves to be dependent on the growth prospects of the country, the difference among the scenarios would be even more dramatic. These results clearly show the sensitivity of the growth rate to those export sectors able to respond to better incentives, particularly

non-traditional exports and tourism. The GDP growth rate under the optimistic run is derived under imports that decline as a percent of GDP, from 25 percent in the 1980-82 period to 19 percent in 1990. Maintaining a high growth rate under declining import ratios can only be achieved if import substitution occurs in those sectors where it is least costly, especially agriculture.

1.24 Both the base case and optimistic scenarios require that the savings of the Central Government move into a strong surplus in the near future. This is fundamental to maintaining a level of public investment consistent with the resulting GDP growth rate while avoiding the "crowding out" of private investors in access to domestic and foreign savings. In the base case the savings would reach around 2 percent of GDP in the 1984-86 period and 3.5 percent of GDP in the 1987-90 period. In the optimistic case this figure could reach almost 5 percent of GDP in the 1987-90 period. All projections assume that public expenditures are equally high in returns. This assumption also seems optimistic when considering the pessimistic scenario.

C. Implications of the Economic Projections

1.25 The mission's projections show that the medium-term output growth of the Dominican Republic will be highly dependent on government policies regarding trade and exchange rate management, public sector efficiency, and relative price signals.

1.26 Export expansion is now vital. Although the Government cannot affect the slow response of traditional agricultural exports and minerals to price shifts, every effort must be made to expand their production whenever feasible, particularly for those specific producers which can expand at relatively low cost. Other sources of earnings, especially tourism, agroindustries, nontraditional exports, and activities in the Export Processing Zones, seem to have had a more rapid response to economic incentives. The projections described earlier have shown the sensitivity of the GDP growth rate to growth in these sectors. These sectors have also received lower incentives than other traded sectors, especially compared to the industrial import substitution sector.

1.27 The other mechanism by which the economy can adjust to extremely scarce foreign resources is to maintain growth with lower import requirements. This can be achieved only if the import-substitution process is efficient; that is if those activities where substitution takes place have a peso cost less than the dollar substituted. There are indeed activities that can be substituted without major import tariffs or restrictions. In the Dominican Republic's case, this sector is basically agriculture. Nonetheless, this requires reducing price distortions so that potential producers who are efficient have a price incentive to enter the market. Chapter II shows how the government sector can be made more efficient to support the adjustment process and reduce distortions. Chapter III discusses

some of the policy obstacles preventing agriculture from playing a leading role in the adjustment process. Chapter IV elaborates policy changes that can make import substitution more efficient and export growth more rapid.

1.28 While the following chapters detail specific sectoral problems and actions, it may be well now to present an overview of the major conclusions of the mission to give guidance to the reader. The first conclusion is that trade and exchange rate policies must be used more aggressively to induce the most efficient combination of export promotion and import substitution strategies. The mission's base and optimistic projections both presume a rapid implementation of such strategies; the pessimistic projection does not. The costs of this pessimistic future in economic stagnation, lower living standards, and rising unemployment are high.

1.29 The Government has already undertaken a series of actions to accelerate exports. Export projects receive preferential access to credit. More importantly, the Government has transferred from the official to the parallel market some imports and a share of exports as part of its strategy to meet the goals of its arrangement with the IMF. Many non-processed and non-traditional agricultural exports were recently transferred to the parallel market. The mission supports this approach. To realize the country's future foreign exchange earning potential, more exports should be transferred to transmit price incentives to exporters. For example, all exports other than sugar and minerals could be transferred. These items are probably the most responsive to price changes and such a program would greatly increase the long-run incentives for non-sugar exports. Also, transfers of all non-petroleum imports would improve the efficient use of imported inputs with few short-run adverse effects on the parallel market. If over the medium-term sugar and mineral exports also are placed in the parallel markets, this could be complemented by a tax on these items whose rate would vary with world prices. At low world prices, approaching domestic costs of production, the rate could be zero. If the world price declined below CEA's production cost, it would have to adjust either via lower production or increased efficiency.

1.30 A second major conclusion, discussed in Chapter II, is that the public sector must play a leading role in generating savings and investing them more efficiently. This requires increasing a badly withered tax base and taking measures to convert the public enterprise sector into a net contributor to public savings. Moreover, it is clear that foreign funds will be at a premium, and the public investment program should stress those projects which have high returns and can be financed by official creditors. The need to prune the present program to what can be financed and executed rapidly, as well as the need to stress quick output-producing projects will require a stronger and tighter planning capacity.

II. THE PUBLIC FINANCES: PROBLEMS AND ADJUSTMENTS

2.1 The Dominican Republic is experiencing the worst fiscal crisis in the country's recent history. Public savings--which had averaged over 9 percent in the early 1970s--gave way to a current account deficit in 1982 (Table 2.1). Virtually every state enterprise was suffering from severe illiquidity and operating losses, and taxes had fallen dramatically as a percent of GDP. This decline was matched by a fall in capital expenditures of the public sector. In the early 1970s, capital expenditures had hovered around 10 percent of GDP, almost all financed by public savings; by the early 1980s, they had declined to less than half that level, financed almost entirely by Central Bank credit and foreign borrowing.

Table 2.1: CONSOLIDATED PUBLIC SECTOR INDICES
(as percent of GDP)

	Average 1971-1975	Average 1976-1981	1981	1982	1983 a/
Current Revenues	19.4	14.6	13.7	10.6	12.3
Current Expenditures	10.2	11.1	13.3	11.7	12.3
Current Account Balance	9.2	3.5	0.4	-1.1	0.1
Capital Expenditures	10.2	7.7	6.5	4.9	5.7
Overall Public Sector Deficit b/	-0.6	0.4	-5.8	-5.4	-5.4

a/ Estimates; sums do not total exactly due to rounding.
b/ Includes Capital Revenues

Source: Statistical Appendix tables 5.2 - 5.4.

2.2. A sharp fall in tax revenues from exports precipitated a crisis in 1982. Central Government revenues dropped more than two percent of GDP due to reduced taxes and other revenue related to international trade. Central Government savings declined from positive DR$153 million in 1981 to negative DR$33 million in 1982. The deficits of the rest of the public sector drove the public sector deeper into the crisis.

2.3. The new authorities responded to the crisis by implementing some new tax measures and cutting 1982 expenditures. Taxes on imports were raised slightly. The Government held its current expenditures about constant by limiting its purchases of goods and services and transfers to the private sector. Wages and salaries costs increased by 7 percent; without determined action by the Government soon after its August inauguration, the annual rise

would have been much higher. The main burden of the adjustment, however, fell on the public investment program as the Central Government reduced its 1982 capital outlays by one-fourth. As a result of these stabilization efforts, the current account performance of the public sector improved slightly in 1983.

2.4 The causes of the current crisis, however, go much deeper than the downturn in trade-related taxes in 1982. A more fundamental cause is a decline throughout the 1970s in the public sector's capacity to generate savings. These trends in public savings are clear from Table 2.2. This situation had three causes: tax revenues fell as a percent of national income, expenditures rose, and several major public enterprises experienced a sustained erosion of their profitability.

Table 2.2: PUBLIC SECTOR CURRENT ACCOUNT SURPLUS
(as percent of GDP)

Year	Central Government[a]/	Public Enterprises[a]/	Total Current Account Surplus
1971	7.7	1.1	8.0
1972	7.4	1.4	8.0
1973	7.3	2.1	8.7
1974	8.5	0.4	8.0
1975	11.1	2.5	13.1
1976	7.4	3.3	9.9
1977	5.6	1.7	7.3
1978	3.0	0.4	3.5
1979	1.3	-0.8	0.5
1980	2.5	-1.0	1.5
1981	2.1	-1.5	0.4
1982	-0.4	-0.7	-1.1
1983 [b]/	0.2	-0.3	0.1

a/ Nonconsolidated results.
b/ Estimated.

Source: Statistical Appendix Tables 2.1.

A. Declining Public Revenues

2.5 Public revenues fell from 19.8 percent of GDP in 1971 to 10.6 percent in 1982 (Chart 2.1). Revenues have coincided almost exactly with the movements of those taxes that have a direct relationship with changes

in exports and imports.[1]/ The decline was not solely a consequence of short term exogenous factors. The continuous erosion of the tax base stemmed from a faltering administration and increased exonerations.

2.6 The fall in receipts from import duties is the single most important contributor to the fiscal crisis. Table 2.3 shows that the share of import taxes declined from 6.7 percent of GDP in 1971 to 2.2 percent of GDP in 1982, while imports remained relatively constant as a fraction of GDP[2]/. If the 1971 level of import duties had applied to the 1982 GDP, the resulting import duty revenues would have been DR$528 million, three times the size of the actual 1982 current account deficit of the consolidated public sector. The fall in import duties is a result of a rising share of (exempted) food and oil in the import content, a reliance on specific rather than ad valorem taxes, an increasing use of import prohibitions, and the existence of a system of exonerations which became increasingly discretionary and lenient due to the lack of clear regulations. This by itself does not necessarily bring about a decline in import duty revenues. The slight improvement in 1983 is due to recent revenue and collection efforts.

Table 2.3: IMPORT TAXES, 1971-1983

Year	Imports a/ (as % of GDP)	Import Duties (as % of GDP)	Implicit Tax Rate on Imports	
			Total	Net of Food and Oil
1971	18.7	6.7	35.8	n.a.
1972	17.0	5.9	34.7	39.6
1973	18.0	5.7	31.7	39.8
1974	23.2	5.7	24.6	32.9
1975	21.4	4.9	22.9	30.8
1976	19.3	4.7	24.3	34.4
1977	18.5	4.5	24.3	34.9
1978	18.2	4.5	24.7	36.1
1979	19.1	4.0	20.9	32.2
1980	21.4	3.4	15.9	25.0
1981	20.1	2.5	12.4	23.1
1982	16.0	2.2	13.8	n.a.
1983b/	14.7	2.7	18.2	n.a.

a/ Merchandise imports
b/ Estimated

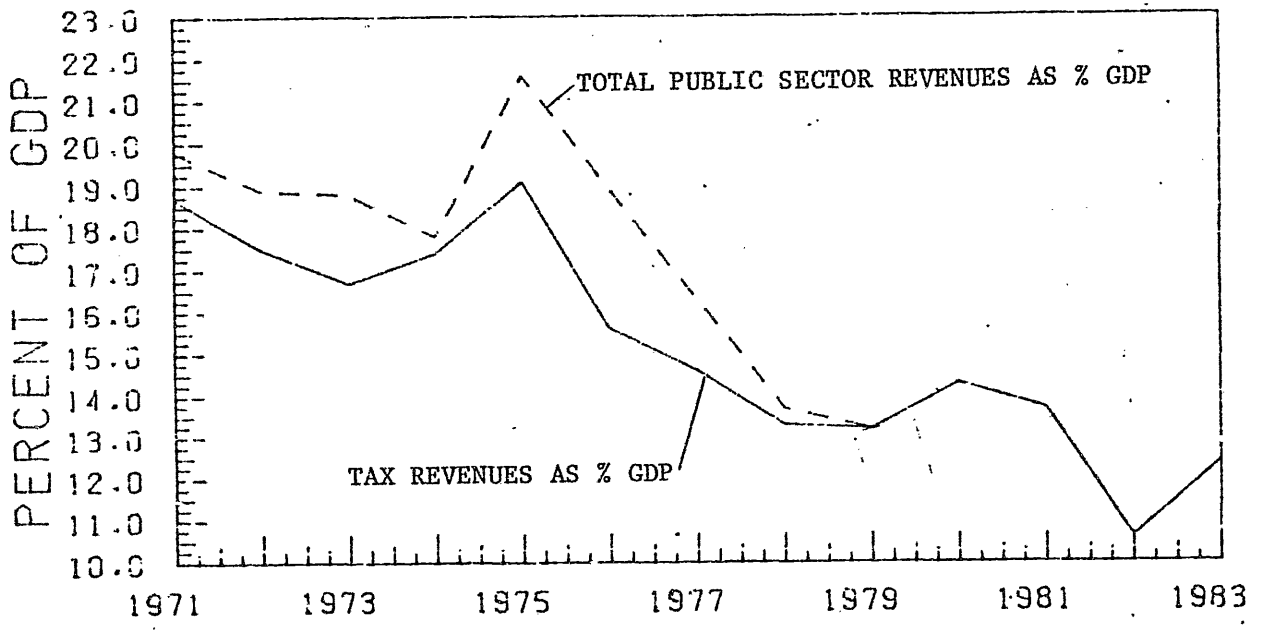
Source: National Budget Office, Ejecucion del Presupuesto, several years.

1/ The abnormally good export years of 1975 (due to high sugar prices) and 1980 (due to record gold and silver prices) accounted for unusually high revenues in those years.

2/ 1982 and 1983 are exceptions due to the sharp reduction in growth rates.

Chart 2.1: TOTAL PUBLIC AND TAX REVENUES

(as percent of GDP)



Source: Statistical Appendix tables 5.3 and 5.5.

2.7 Export taxes fell in 1982 due to the 1981 elimination of the sugar export tax, a response to its lower international price and export volumes. This was replaced by a surtax on the income tax liability of the sugar companies. The combined effect of lower import and export taxes was to lower public revenues from international trade by DR$86 million between 1981 and 1982 (Table 2.4); more than half the entire drop in total public revenues.

Table 2.4: REVENUES OF THE CENTRAL GOVERNMENT
(DR$ million)

	1979	1980	1981	1982	Estimated 1983
Total Revenue	690.8	890.8	926.0	754.4	921.8
Current revenue	681.5	879.8	909.2	745.1	914.6
Tax revenue	606.5	696.4	734.4	661.3	784.3
Taxes on income and profits	(131.5)	(182.1)	(186.2)	(181.4)	(196.5)
Taxes on property	(5.3)	(7.0)	(7.1)	(8.7)	(9.9)
Taxes on goods and services	(183.4)	(207.8)	(256.4)	(273.9)	(331.8)
Taxes on internt'l trade	(275.0)	(255.9)	(270.8)	(185.2)	(232.8)
Other taxes	(11.3)	(13.6)	(13.9)	(12.1)	(13.3)
Nontax revenue	75.0	183.4	174.8	83.8	130.3
Capital revenue	9.3	11.0	16.8	9.5	7.2

Source: Statistical Appendix Table 5.5.

2.8 The other half of revenue losses stemmed from a drop in non-tax revenue of DR$87 million. Most of these losses came from shrunken earnings of the state-owned Rosario Dominicana gold and silver mine.

2.9 Another important factor contributing to the decline of fiscal revenue has been the inability of the Government to extract revenues from sources of income that increase with national wealth and are not trade-related. Property taxes are virtually nonexistent. Income tax revenues are low and a recently approved value-added tax will probably render well below its potential yield dto a large number of exonerations. The country's total tax burden, 8.5 percent GDP in 1982, is also among the lowest of the Hemisphere (Table 2.5).

Table 2.5: TAX BURDEN OF SELECTED LATIN AMERICAN COUNTRIES, 1982

(Tax Revenue as percent of GDP)

Country	Tax Burden
Jamaica	28.8
Venezuela	26.2
Nicaragua	24.5
Chile	23.3
Uruguay	21.7
Brazil	21.2
Ecuador	21.1
Panama	20.5
Peru	18.0
Mexico	15.3
Honduras	14.8
Costa Rica	13.2
El Salvador	12.1
Argentina	10.0
Haiti	9.2
Paraguay	9.1
Dominican Republic	8.5
Colombia	8.3
Guatemala	8.2

Source: The World Bank

2.10 The absence of property taxes is unusual for a country that has well advanced rural and urban cadasters. In addition, there is no capital gains tax on real estate sales. A proposal to impose a 1 percent tax on the value of property and 2 percent on empty land was rejected by Congress in 1980.

2.11 Income taxes in the Dominican Republic are also low in terms of the Western Hemisphere average. Years for which comparable figures exist (1977-79) show that the Dominican Republic ranks 14th out of 22 countries in terms of income tax burden (measured as a percentage of GDP extracted in the form of income taxes).[3/] The treasury collects more from taxes on alcoholic beverages than from personal income taxes.

2.12 The decline of income taxes as a percentage of GDP stems from the many exemptions granted to individuals and corporations through incentive laws. This burdens those who pay taxes with extremely high rates and also

3/ Mission estimates based on the Yearbook of National Accounts Statistics, 1981, NY: United Nations, 1983.

diminishes tax collections by increasing the gains from evasion. The major tax exemptions are granted by the Industrial Promotion Law (Law 299) and by corporate reinvestment incentives. Both incentives together practically exonerate corporations from income taxes.

2.13 A new value-added tax (VAT) on industrial transfers of 6 percent became effective on November 24, 1983. The base of the new VAT tax covered less than one-fifth of GNP since only industrial transactions are included. Even within that sector, several sub-sectors (particularly processed food) are excluded. In September 1983, however, the Administration reduced the coverage of the law further by excluding most small commercial establishments, citing administrative difficulties. This tax replaced a 10 percent temporary surcharge on imports that was expected to yield about DR$50 million in 1983. The total yield of the new VAT is unlikely to surpass DR$65-70 million in 1984.

2.14 In summary, the sustained fall in public revenues had several causes: reduced import taxes due primarily to exonerations, a decline in export-related revenues from sugar and mining, and a failure to construct a modern tax system based on income, property, and commercial transactions. To these causes must be added the failure of public enterprises to contribute to national savings; instead, public enterprises became part of the problem of rising expenditures.

B. Public Expenditures

2.15 While revenues were falling during the 1970s, public sector expenditures began to increase sharply after 1978, further squeezing public savings. The total public sector expenditures for the 1979-82 period as a percent of GDP was nearly 40 percent higher than the 1975-78 period, 12.6 percent compared to 9.1 percent (Table 2.6).

2.16 Increases occurred in all expenditure categories, but three were especially important, accounting for more than 80 percent of the total increase. Central Government wages and salaries increased their share of GDP about 30 percent relative to the 1975-78 period. Interest payments of the Government account for the large increase in the "other" category of Table 2.6; these increased their share of total public sector expenditure threefold after 1978, reflecting the upward pressure on interest rates from worldwide capital markets. Most significant, however, is the deterioration in the performance of the public enterprises. Transfers from the Central Government to the rest of the public sector rose and the surpluses of the public enterprises during the 1975-78 period turned into operating deficits after 1979, adding 1.4 pecent of GDP to expenditures. Given its weight in revenue and expenditure performance of the overall public sector, the financial role of public enterprises merits more detailed consideration.

Table 2.6: CONSOLIDATED PUBLIC SECTOR CURRENT EXPENDITURES, 1975-83
(as a Percent of GDP)

	1975-1978 Average	1979-1982 Average	1983
Total public sector	9.2	12.6	12.3
Central Government	7.0	9.1	9.2
Wages and salaries	4.3	5.6	5.3
Goods and services	1.6	1.8	2.2
Other	1.1	1.6	1.7
Transfer to rest of public sector	1.3	1.5	1.4
Public enterprises a/	(0.0)	(1.2)	(0.4)
Rest of Public Sector	2.2	2.4	2.7

a/ Includes current account deficit of public enterprises only. Operating surpluses are recorded as current revenue and not shown in expenditure account.

Source: Statistical Appendix Table 5.4.

C. Public Enterprises

2.17 The savings of public enterprises eroded over the 1970s and became negative beginning in 1979. This drain reached almost 2 percent of GDP in 1982 (Table 2.7). This deterioration can be explained only partly by external factors such as higher petroleum prices and lower sugar prices. It is also attributable to improper pricing policies and poor management. Initially, the low operating profits of the public enterprises were masked by the extraordinarily high savings of the Central Government, which financed virtually all the investments of the enterprises and even directly subsidized their operations. As fiscal savings deteriorated, the public enterprises increasingly financed their growing deficits through direct foreign loans and relatively easy access to Central Bank credit.

Table 2.7: PUBLIC ENTERPRISES: CURRENT ACCOUNT SURPLUS
(as percent of GDP)

Year	INESPRE	CDE	CEA	Other	Total
1971	0.0	0.6	0.4	0.1	1.1
1972	0.0	0.7	0.7	0.0	1.4
1973	0.5	0.9	0.7	0.0	2.1
1974	-0.3	0.6	1.2	0.1	0.4
1975	0.1	0.3	2.2	-0.1	2.5
1976	n.a.	n.a.	n.a.	n.a.	3,3
1977	-0.4	0.0	2.0	0.1	1.7
1978	-0.1	0.2	0.3	0.0	0.4
1979	0.1	-0.6	0.4	-0.7	-0.8
1980	0.2	-0.7	-0.5	0.0	-1.0
1981	-0.8	-0.6	-0.2	0.0	-1.5
1982	-0.2	-0.2	-1.2	0.9	-0.7
1983	-0.4	-0.6	-0.2	0.9	-0.3

Source: Statistical Appendix Table 5.2 and IMF.

2.18 The new Administration quickly took several measures to improve the finances and efficiency of the public enterprises. The State Sugar Council (CEA) has been able to improve the sucrose content of its cane; it is undertaking a series of studies to improve its management practices; its internal and external debt is being rescheduled; and it is beginning a program of rehabilitation of its mills and transport systems with the assistance of a World Bank loan. The Dominican State Enterprise Corporation (CORDE) has also begun a review of its companies, and has already taken strong action on the staffing and wages of the unprofitable cement company. The Dominican Electricity Corporation (CDE) now has relatively high tariffs; its improvement will depend on its new management's ability to make long-term reforms. Nonetheless, several long-term issues confront the three major enterprises.

State Sugar Council (CEA)

2.19 Since the late 1960s, CEA has been a major contributor to public savings. During the mid-1970s at the peak of sugar prices, CEA had current account savings of more than two percent of GDP after paying export taxes.

In 1982, however, CEA had net current losses of about one percent of GDP and paid no export taxes.

2.20 Its deficit can be only partially explained by the effect of lower international sugar prices. It has been adversely affected by the high prices paid for cane to outgrowers, the high processing and transport costs for sugar, the very low (controlled) prices in the domestic market and the overvaluation of the official exchange rate.

2.21 The price paid for raw cane to smallholders appears high in comparison with the low price of sugar and their sucrose extraction rate. The average revenue obtained by CEA during 1981/82 was similar to that obtained in 1979/80 (Table 2.8). The price paid for raw cane, however, went up in spite of lower sucrose yields. As a consequence, the price paid to smallholders in 1982 was higher than the maximum price that could be paid without increasing unitary costs above average revenue. CEA's non-cane costs also rose rapidly; 17 percent between 1979/80 and 1981/82, when the consumer price index rose only 12.5 percent. CEA's cost control problem can be solved. While not strictly comparable, the private sugar mills produce raw sugar much more cheaply than CEA.

Table 2.8: CEA: KEY COSTS AND REVENUES

	1977-78	1978-79	1979-80	1980-81	1981-82
Costs of smallholders cane ($/ton)	11.14	10.78	17.26	25.30	17.70
Smallholders average sugar yield (%)	10.31	11.07	10.80	10.30	10.27
Unitary cost of cane (sugar equivalent cents/lb)	5.4	4.9	8.0	12.3	8.6
Unitary (CEA) non-cane operating costs (cents/lb)	5.4	5.9	7.1	7.8	8.3
Average CEA operating costs for sugar from smallholder cane (cents/lb)	10.8	10.8	15.1	20.1	16.9
Average revenue (cents/lb)	9.1	8.8	15.4	25.6	15.6

Source: CEA and IBRD missions.

2.22 CEA's new management is making progress in reducing costs through a lower payroll, better procurement practices, and a higher sucrose extraction rate in the factories (up from 10.3 percent in 1981/82 to 10.8 percent in

1982/83). These measures are not enough, however. At an average selling price, including molasses income, of about 15 cents/lb., no more than 6.7 cents/lb. can be paid for cane to outgrowers if all other operating costs are kept constant at about 8.3 cents/lb. And this excludes financial (i.e., interest) costs, which will be rising. The 6.7 cents/lb. can be obtained by reducing the price paid for cane to smallholders and/or by increasing the average sucrose extraction rate. As an example, the price paid to smallholders would have to be reduced to DR$16 per ton and the average sucrose extraction rate would have to be increased to 12 percent in order to break even. Alternatively, if the average sugar yield is maintained at its 1982/83 average (10.8 percent), the price paid to smallholders would have to be reduced further, to DR$14.5 per ton of cane.

2.23 The low prices paid for sugar and molasses in the local market represent another source of CEA's deficit. Domestic prices were well below their export prices; the price of brown sugar is only 60 percent of the export price at the parallel market rate. Molasses is sold at only 30 percent of the export price. By maintaining abnormally low domestic prices of raw sugar and molasses, CEA is subsidizing the refining, animal feed, alcohol and beverages industries. It has been estimated that these industries would have attained reasonable returns on investment even if they had paid the export prices for molasses. An adjustment of the domestic prices toward the international prices would not only improve economic efficiency but also help solve the critical situation of the public finances.

2.24 The situation became acute in the summer of 1983 when CEA was forced to reschedule much of its external and internal debt. The Government is, therefore, considering raising its domestic refined sugar prices from RD$0.2065 per pound to DR$.2460. Domestic crude sugar prices could be raised from DR$0.1145 per pound to DR$0.1345 per pound shortly thereafter. Furthermore, a new product,"blanco directo", will be added and priced slightly lower than refined sugar at DR$0.2065 per pound. These measures, together with conversion of some internal public debt to equity and higher international prices, will apparently ensure an operating surplus for CEA in 1984. Nevertheless, internal pricing distortions remain; they are particularly acute in the case of molasses and merit eventual adjustment. As international prices rise, the external distortions caused by the continued sale of sugar at the official exchange rate will eventually have to be addressed.

Dominican Electricity Corporation (CDE)

2.25 CDE has had serious cash flow problems since 1974. By the end of 1982, CDE had a current account deficit of about DR$30 million and a total deficit of about DR$105 million, financed mainly from the Central Bank. CDE's deficit can be explained by a rigid tariff policy and excessive generation and distributional inefficiencies.

2.26 CDE's tariffs remained unchanged from 1955 to 1979. As a result, in real terms the tariff fell yearly between 1972 and 1980; since 1974, CDE has had negative rates of return on revalued assets. In 1979, CDE was allowed to increase and adjust its tariff levels as well as impose a new fuel surcharge formula. In December 1980, CDE established new rates with a monthly increase across the board of 2 percent for 16 months over and above monthly fuel cost adjustments. The new fuel surcharge formula and the monthly rate increase caused CDE's average tariff to increase by 93 percent in real terms from 1981 through May 1983. This increase enabled CDE to have an operating profit of DR$10.6 million in 1982, equivalent to a rate of return on revalued assets of 2.7 percent.

2.27 Also, generation and distribution losses have cut into CDE's profits. With normal thermal plants efficiency and distribution losses, CDE's current tariffs would have produced in 1982 about 11 percent rate of return on revalued assets and some 45 percent contribution to investment. According to studies carried out by its consultants, CDE's excessive operational costs in 1982 due to poor thermal generation efficiency, excess technical losses, losses due to theft and underbilling, and excess employment costs was three times the current account deficit of CDE (Table 2.9).

Table 2.9: ESTIMATED WASTE FROM ABNORMAL INEFFICIENCIES
(DR$ million)

Year	Inefficient Thermal Generation [a/]	Excess Technical Losses [b/]	Thefts and Under-Billing [c/]	Excess Employment [d/]	Total Excess Expenditures
1974	8.22	2.51	4.57	3.54	18.84
1975	13.90	3.17	5.77	3.48	26.32
1976	9.79	3.04	6.93	3.76	23.52
1977	2.91	4.02	8.28	6.32	21.53
1978	3.34	4.35	10.53	7.20	25.42
1979	5.55	4.84	14.14	9.22	33.75
1980	15.24	7.19	17.40	8.27	48.10
1981	21.13	10.87	21.97	9.73	63.70
1982	22.81	12.24	45.51	11.12	91.68

a/ Assumes that on average CDE's thermal plants should use no more than 1.8375 barrels of fuel oil per MWH generated (i.e., 5 percent less efficient than Falconbridge).
b/ Assumes excess technical losses at 5 percent.
c/ Estimated as the total percent of losses in the system minus 15 percent due to the estimated technical losses.
d/ Assumes one-third annual payroll is for redundant staff.

Source: World Bank missions.

2.28 Part of CDE's cash deficit was a consequence of the overall difficult situation of the public sector. Up to September 1982, Government-owned institutions, which absorb some 25 percent of total CDE's sales, had not paid their bills. Since then, however, they have begun to pay CDE within 60 days. CDE's current average tariff is now quite high in comparison with those prevailing in other countries in Latin America, and no further significant tariff increases are expected other than fuel clause adjustments. Therefore, most of the effort to improve CDE's finances will have to be made through cost reductions. With determined and effective management and the strong support of the Government, CDE may be able to overcome these relative inefficiencies in four to five years. These would be markedly aided by the investment-related measures suggested in the final section of this chapter.

Dominican State Enterprises Corporation (CORDE)

2.29 CORDE administers and develops the companies expropriated from the Trujillo family during 1961-62. Until very recently, political interests have prevailed over internal economic goals, which partly explains their present precarious financial situation. In 1982 only 5 of 25 enterprises reported operating profits.

2.30 CORDE's new management has begun a reactivation program. Some Government debt has been rescheduled; excess employment has been reduced; and prices have been raised to cover costs in many enterprises. In 1983, the authorities claim the new measures could make 15 enterprises profitable. The holding company as a whole is now projected to run a DR$6.4 million profit in 1983 as compared to a DR$750,000 loss in 1982. Nonetheless, to be fully successful, CORDE's enterprises will require further, longer-term actions: (a) Capitalizing some debt owed to the state-owned Reserve Bank and Government-owned suppliers, a process already under discussion with probable adoption in early 1984. (b) Where private buyers are available, some firms could be divested after restructuring. Companies such as Fabrica de Clavos Enriquillo, Distribuidora de Sal, Sociedad Inmobiliaria, and Pinturas Dominicanas, with relatively small assets and workforce, could be included in such a divestiture program. (c) Since private interests would likely not invest in companies with oversized or low productivity workforces, workers' lay-offs could be negotiated by continuing to pay a full salary for one year to each worker. This measure could be applied even to those enterprises which have no potential buyers nor potential for regaining profitability before closing them permanantly since it would be only equal to a single year's loss. (d) A divestiture program for the larger, possibly profitable companies, would not be necessary if the Government were willing to make permanent legal arrangements to enable the operation and management of these enterprises to be well run. To this end, CORDE recently transferred the management of three small mines, producing salt, marble, and gypsium, to the well-managed Rosario Gold Mine.

2.31 The public enterprise sector, therefore, has undergone some important changes--from being a net contributor to public savings in the 1970s, to a large net drain during 1979-82. During 1983, their current

account deficits diminished; several long-term issues, however, remain to be addressed to convert this trend into renewed savings.

D. Declining Public Savings: Consequences and Recommendations

2.32 The failure to mobilize sufficient public savings through the tax system and public enterprises has severely weakened the capacity of the Government to fund its activities, especially its public investment program. Not only does the absence of public savings diminish the capacity of the Government to invest, it reduces its capacity to absorb foreign savings in the form of new project loans. Foreign donors are generally unwilling to provide project funds without some matching contribution from the public sector. The scarcity of domestic resources to match foreign resources thus limits the amount of foreign savings that can be absorbed. The absence of public savings also reduces the attractiveness of the Dominican Republic to private commercial lenders, which might otherwise provide funds to bridge periods of cyclical downturns or offer more generous long-term lending. The economic deterioration culminating in the recent post-1982 crisis has raised severe doubts about the creditworthiness of the country in the minds of the private commercial banks, reflected in the virtual end to new lending.

2.33 As new foreign savings have dried up, the Government has increasingly been forced to finance its public investments through increased credit from the Central Bank. In the early 1970s, most of the public investment program was funded through domestic savings and foreign savings accounted for about half the borrowed financing. By 1982, foreign savings were cut to less than one-quarter and almost all of the domestic financing of the increasingly large public sector deficits came from the Central Bank. Even assuming the Government can reduce the operating losses of public enterprises, the Government must still choose between moderate tax increases with a relatively stagnant public investment program or substantial tax increases to fund a more active investment program.

2.34 One major priority of the Government should be to turn the current deficits of state enterprises into operating surpluses. The measures suggested above would help eliminate enterprise deficits and thus any additional increased tax revenues could be devoted to financing investment. Three sources of additional taxation have considerable potential: import taxes, increasing the coverage and efficiency in applying the new value added tax, and a one percent property tax.

2.35 Present import tax revenues amount to DR$177 million. They come from two types of import tax regimes. First, imports covered by Law 299, which grants to registered firms substantial exonerations on tariffs on imported inputs. In 1982 these imports amounted to DR$307 million, yielding tax revenues of DR$37 million, with an implicit duty of 12 percent. Second, non-exonerated imports (other than food and petroleum) amounted to DR$449 million and yielded DR$140 million; an implicit duty of 31 percent. One way

to improve tariff collections would be to value all those imports at the parallel exchange rate in order to compute their import duty. At present many imports come through the parallel market but their duty is always computed at the official rate. One other reform would be to charge presently exonerated imports an across-the-board 20 percent import duty.

2.36 The new value added tax (VAT) was originally expected to yield, corrected for evasion, around DR$95 million and replace the present 10 percent surcharge on imports yielding DR$50 million, a DR$45 million increase. The present legislation exempts some activities in manufacturing and commerce (processed and canned foods, beverages, petroleum and derivatives, fertilizers). The future revenue was expected to be DR$67 million, assuming the same evasion rates. Obviously, substantially higher revenues can be derived by further lowering evasion rates. This will take time. Most countries that have implemented a VAT benefitted from the experience of administering a previous general sales tax; the Dominican Republic does not have such experience. The law includes several broadly defined exemptions, making its implementation quite difficult and facilitating evasion. Recognizing the administrative difficulties, the Government has coordinated the VAT collection effort closely with its ongoing income tax collection efforts, added some staff, and mounted an educational program for private sector accountants.

2.37 Property taxes are urgently needed for revenue and equity reasons. A one percent property tax would also increase tax revenues by between DR$40 and DR$80 million, uncorrected by evasion. This rough estimate assumes that the base of this tax would be the stock of housing being used by the upper 20 percent of households in the nation's income distribution. This tax would help ease the adjustment burden now shouldered by lower income groups in a regressive tax system.

2.38 Even if all collections from a possible property tax were omitted from the short-run revenue increases, the other two tax reforms could produce DR$150 million more. In three years or so, all these reforms could produce DR$200-300 million in incremental revenues.

2.39 Without additional tax measures, the public investment program will be stunted. Recent borrowings to compensate for the lack of public savings have already placed a heavy burden of debt repayment on the not-too-distant future. Moreover, foreign funds that had been relatively abundant, especially from private sources, are no longer available. This will hamper the public investment program, the subject of the next section.

E. The Public Investment Program

Scope of Public Investment

2.40 The Government and its autonomous agencies and enterprises accounted for 20-40 percent of all investment in the 1960s and 1970s. This public share of domestic investment fell steadily from an average of 32 percent in the early 1970s to 19 percent in the early 1980s (Table 2.10). In 1982, public investment dropped to just 16 percent of an already contracted total domestic investment, reflecting the fall in public savings discussed above.

Table 2.10: PUBLIC SHARE OF INVESTMENT AND SAVINGS
(percent)

	1970-75	1976-78	1979-82
Public Share of Gross Domestic Investment	31.9	28.6	19.1
Public Share of Total Savings a/	41.5	32.1	-1.6

a/ Includes foreign savings

Source: Statistical Appendix Table 2.7.

The 1983-85 Plan

2.41 As the new Administration took office in mid-1982, it encountered a greatly reduced public investment program--capital outlays were less than half the relative size of a decade earlier. The new Administration in its first plan,[4/] accorded specific priority to projects that are in progress with foreign finance. It also gave first priority to other projects that (i) consolidate economic and social infrastructure; (ii) develop agricultural potential; (iii) reorient production for structural change; (iv) expand supply of local goods and exports; and (v) promote resource exploration and exploitation.

2.42 The new plan would significantly change the prevailing allocation of public investment. Agriculture, housing, and potable water are programmed to receive far more in the next triennium than their 1980-82 levels, and energy is to receive significant increases in the years beyond (Table 2.11).

4/ ONAPLAN Programa de Inversiones Publicas, (August 1983).

Transportation and Communication would receive proportionately less. The agricultural investments are largely in irrigation. Two large housing projects in Santo Domingo and Santiago account for most of the increases in housing. A major water project for Santo Domingo explains most of the increase in potable water. The expansion of the electricity network combined with its conversion to non-oil energy sources account for the increases in energy.

Table 2.11: VOLUME AND SECTORAL ALLOCATION OF FUNDS
Past and Future
(percent of total)

Sector	Executed 1980-82	Planned for 1983-85	Planned for 1983 & Beyond
Agriculture	15.1	22.4	21.1
Industry & Commerce	3.6	4.4	4.0
Energy	32.7	22.0	29.7
Transport and Communication	21.8	14.4	13.8
Housing	12.6	18.3	9.6
Education	3.5	3.1	3.9
Public Health	3.1	4.5	2.7
Potable Water	4.0	8.5	13.3
Other	3.6	2.4	1.9
Total	100.0%	100.0%	100.0%
Amount (DR$ Millions)	DR$967.6	DR$1,666	DR$3,196.5

Source: ONAPLAN, Plan 1983-86; National Budgets 1981-83.

F. Main Problems of the Investment Program

2.43 The current program faces several sets of problems, including the large gap between current plans and financial possibilities, distortions induced by the financial shortages, and institutional problems. These problems contribute to sectoral misallocations, discussed in a final section.

Financial Gaps

2.44 The 1983-85 Plan contains expenditure levels for investment that will be exceedingly difficult to achieve without major new increases in taxes. The plan contains projects requiring about DR$1.9 billion in

expenditures in the 1984-86 period.[5]/ Nonetheless, even the most optimistic assumptions would not place total available financing above DR$850-900 million. On an annual basis, public savings will probably be between DR$50-100 million; net foreign borrowing will probably range from DR$150-200; and net domestic financing, including funds from the domestic banking system, can be expected to be DR$25-50 million. Realistic levels of financing would be about DR$250 million for 1984; DR$300 million in 1985, and DR$350 million in 1986. These compare to annual expenditures in the plan of DR$564 million, DR$615 million, and DR$677 million. This leaves a gap of about DR$300 million per year (table 2.12).

Table 2.12: PUBLIC INVESTMENT PROGRAM, 1984-86
(DR$ million)

	1984	1985	1986
Planned	563.8	615.2	677.0 a/
Available Financing	250.0	300.0	350.0
Gap	313.8	315.2	327.0

a/ Estimated on basis of projects begun and ongoing in the 1983-85 Plan.

Source: ONAPLAN, Programa de Inversiones 1983 - 1985 and mission estimates.

Crisis-induced Distortions

2.45 The shortage of domestic resources has forced the Government to halt virtually all investment projects other than those with foreign financing, and slow even these quite drastically. The fiscal and balance of payments crises effectively drive the public investment program. This creates two types of distortions.

2.46 First, the immediacy of the financial crisis compels the Government to focus on near-term adjustments rather than adequately plan for long-term development. As a result, decisions which are taken as short-term, stop-gap measures may conflict with long term objectives. The Government's decision in 1983 to invest heavily in a massive housing program to stimulate construction employment at the cost of other investment projects is one example. The absence of long-term programming also means that some meritorious projects will not be fully considered. For example, most

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5/ The 1983-85 plan does not present figures for 1986; nonetheless, projects begun in the triennium will continue into 1986, some at increased levels. Therefore, it is assumed that 1986 expenditures will be about 10 percent higher than those programmed for 1985.

authorities agree that agricultural and export diversification should be a prime goal for the country and that near-term investment decisions should be directed at that goal. But because this objective is not clearly stated, public agencies and ministries do not design and implement their investment programs accordingly.

2.47 A second distortion stemming from the crisis is the implicit dependence of the entire investment program on foreign sources of finance. This means that some projects with high economic rates of return are underfunded because they have a low foreign exchange component or are of minimal interest to international donors, such as road rehabilitation projects and some public health projects.

2.48 The dependence on foreign financing also appears to be a major reason why government agencies and decentralized institutions eagerly seek new projects while delaying ongoing projects, even though the economic returns to completion of ongoing projects with large sunk costs is usually higher than for new ones. An agency with an ongoing project which has a ratio of counterpart-to foreign-financing of 50:50 has an incentive to delay the ongoing project when foreign donors appear with offers for two projects of the same value with ratios of 25:75. By shifting internal resources, the agency can buy two projects at the price of completing the ongoing project. This also complies with the needs of the Central Bank because it uses domestic funds to double access to foreign exchange. Even if a large proportion of the additional foreign exchange is spent on direct imports for the project, the Central Bank receives at least some new foreign exchange, augmenting its import capacity.

Institutional Problems

2.49 Institutional problems have compounded the distortions imposed by the financial crisis. First, executing agencies are not accustomed to ranking projects based upon economic rates of return, and contend that all their projects are equally vital. The institutional capability to supervise or conduct economic feasibility studies is limited at nearly all levels of planning. Since the administering agencies are reluctant to rank projects and adamantly refuse cuts, when the central authorities are forced to delete projects, they do so with far less knowledge.

2.50 Second, planning and budgeting are limited tools to guide public expenditures because the systems permit too much flexibility in the course of the year. As new projects appear, they can be readily undertaken. Thus the plan and budget bear limited relation to what eventually is spent. In 1980, a typical year, planned real investment was projected at DR$820 million; budgeted investment at DR$580 million; and executed investments only DR$333 million. In 1981, 1982, and 1983, the budget exceeded the plan. Wide disparities were present for all years since 1980 and for the major decentralized agencies.[6/] To address this problem, the new Technical Secretary and Director of Planning created a Project Monitoring Unit whose

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6/ See Statistical Appendix Tables 5.8, and 5.9 which present comparisons for the years 1979-83.

task it is to track the implementation of projects and publish monthly reports. Nonetheless, both the budgeting and planning systems should be strengthened to better guide resource allocation.

2.51 A third institutional problem is the fragmentation of decision-making within sectors. This hampers the implementation of any long term investment strategy. In agriculture for example, the Secretary of Agriculture is nominally responsible for the sector, but INDRHI, IAD, CEA, and the Agricultural Ministry itself all design and implement separate investment programs. Decisions concerning investment are quite decentralized. CEA is completely outside the administrative purview of the Secretariat. Thus, for example, if agricultural diversification were to be a national goal and public investment were to support such a strategy, it would be difficult for the Secretary of Agriculture to implement the program. Much the same could be said for decision-making in the generation of electricity. The burden of sectoral coordination in agriculture and electricity is thrown on the Office of the President.

Costs of the Current Situation

2.52 Several specific costs are attributable to the current financial and institutional problems. First, the current system generates enormous pressure on the Office of the Presidency to expand investment and begin new projects regardless of resource constraints and national economic strategy. Since both the planning and budgeting levels tend to be unrealistic, Ministers and decentralized agencies are not forced to administer cuts in their total activities at the outset of the year and expectations at the executing level remain unjustifiably ambitious.

2.53 The most frequent outcome, therefore is, to permit all projects to continue but with inadequate financing. Consequently, most ongoing, foreign-financed projects are delayed because of the unavailability of counterpart funds to match proffered foreign resources. According to ONAPLAN, almost two-thirds of the projects for which information was available were reported to be well behind schedule.7/ Of the $206 million of foreign funds originally programmed for disbursement in 1983, only 41 percent had been disbursed by end-September. The situation was worse for the domestic resources programmed: only 24 percent of these had been disbursed. It is unlikely that total disbursements will reach 45 percent of that originally planned by the end of the year.

2.54 Project delays of up to three years imply substantial additional costs for the economy, particularly since the project loan must be repaid regardless of whether the project itself is producing a real economic return. The country has often begun amortizing loans before they are fully disbursed. The net payment associated with such anomolous projects could actually be negative. Delays also cause cost overruns. ONAPLAN estimates for 9 projects show average cost additions to be 37 percent of the initial

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7/ See Statistical Appendix Tables 5.10 and 5.11.

value of the project.[8]/In addition, delays cause valuable human experience to be lost and fees on undisbursed debt to accumulate. These clearly lower the rate of return on a large segment of the public investment program.

2.55 In not planning, the Government is more likely to incur the costs of delay than if administrators adequately foresee delay. If one segment of a road is completed, it is usable even if the rest of the road is not completed; on the other hand, if the whole road is partially graded and then funds run out or if the almost completed segment is out of order because of poor planning, the agencies forego the use of the already spent funds and the productivity of investment is reduced. Perhaps the greatest cost of the current situation is the sectoral and project misallocation that occurs because project choices have not been made. Thus, too much has been spent on housing recently and there is a risk that too much may be invested on potable water in the future. These costs can be illustrated by presenting an alternative vision of sectoral and project allocations over the long term, a task undertaken in the final section. Institutional improvements, however, are also vital to raising the productivity of public investment.

Institutional Recommendations

2.56 Several institutional recommendations flow from the foregoing analysis. First the Office of the President should continue to exercise a strong leadership role encouraging the executing agencies to establish clearer rankings for projects on the basis of economic rate of return criteria. The Technical Secretariat of the Presidency, however, must finally select the projects that are to proceed, consistent with the Executive desires and resource availability.

2.57 Two corollaries stem from this principle. First, it is essential that executing levels develop techniques to analyze and rank projects in a systematic fashion according to pre-determined criteria. The criteria in the plan are sensible but leave the weighting of each separate criterion to the individual agencies. This means one agency can justify its projects on employment-creation ground and another on grounds of export expansion. The criteria as a group operate as *ex post* rationales for all projects, rather than as *a priori* standards for project selection and resource allocation. Second, information on the projected rates of return must flow upwards in a systematic fashion to ensure that decision-making will be informed at all levels. This implies that standard formats for each project should be adopted and reviewed regularly by ONAPLAN.

2.58 A second set of recommendations are procedural. Better coordination between the planning and budgeting procedures must be adopted for both to exercise allocation and control functions. Several mundane but important steps could be taker immediately. First, the exact scope of a project should be clearly defined. Some implementing agencies tend to conceive of a project as being identical to a foreign loan; in fact, several loans may go into what should logically be seen as one project; or a loan may fund only a portion of

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8 / See Statistical Appendix Table 5.10.

what should be conceived of as a discrete project. Also, the costs of administering a project should also be included in its definition. Second, coordination would be enhanced markedly by adopting a national codification system for projects; as it stands, a project is identified only by its foreign loan number if it is funded externally. Domestic projects appear to have no numbers and all projects have no number during the pre-solicitation stage. This failing also prevents the coordination and control by the supervising agencies at the early stages of all projects and for all projects that are not identical to a foreign loan.

2.59 Finally, two long-term issues must be addressed: Management continuity and fragmentation of decision-making within sectors. Both will require fundamental changes in the way the public sector staffs and coordinates its decentralized functions. The Office of the Presidency must begin to develop proposals to treat these major problems. These changes would markedly improve implementation of a more realistic investment program.

G. An Alternative Investment Program

Levels of Priorities

2.60 In the three-year period 1984-86, the Dominican Government will probably be able to afford an investment program of about DR$900 million. Since programmed projects are well over double that amount, the Government must therefore cut projects that, however important and worthy, are of lesser priority. ONAPLAN's stated principles for project selection are generally well-founded: First, ongoing projects with considerable sunk investment and nearer to completion will generally yield a higher marginal return than new projects with longer gestation periods. Second, given the constraints on domestic financing, the Government will, of necessity, have to relay on foreign-financed projects; it should apply the strictest possible rate of return criterion to project selection to ensure maximum benefits. However, it would be a mistake to assume that all foreign-financed projects necessarily provide a higher rate of return to the country than all domestically funded projects. Some essential projects can only be funded domestically, and other projects with front-end loaded foreign exchange components may be in their final phases and require only domestic counterpart to complete. 9/ Third, those that stimulate production and structural adjustment should be of highest priority. These criteria would exclude new heavy investments in housing, water supply, education, and public health. To be sure, these sectors produce an economic return and urgently require

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9/ Planning and budgeting must therefore recognize this principle and incorporate a certain portion of investment funds, perhaps 10 - 15 percent, for purely domestic projects. In practice, a large segment of domestic funds are spent on purely domestic projects, either through the budgets of the decentralized agencies--which do not appear in the plan and budget--or through special programs, such as housing.

investment; but, under present circumstances, raising the economy's growth rate in the near-term requires adjusting the investment program to projects with relatively short pay-off periods.

2.61 Other criteria for project selection should be clearly relegated to a secondary priority, a distinction not made in the current plan.[10]/ Making this distinction would permit planners to use the stated criteria as standards against which to judge projects and the overall pattern of resource allocation.

A Revised Program

2.62 The mission has presented a revised, illustrative investment program consistent with these priorities and financial resources. This is only a first approximation, but may prove useful to the Government as it revises its own program. The suggested public investment program shown in Table 2.13 totals slightly more than DR$265 million in 1984. [11]/ Approximately 25 percent of the 1984 value of these projects are in agriculture, 12 percent in transportation, and 38 percent in energy. In 1985 and 1986, the share of energy would drop to about one-quarter of the investment plan and the total allocated to transportation and communication would rise slightly to one-fifth. Agriculture is programmed to receive between one-fifth and one-quarter of investment in the three years. Housing and potable water are reduced to levels, reflecting their traditional levels of about 3 percent and one percent, respectively. In future fiscal years of the program, funds allocated to sectors, but not specific projects, would become more important and give planners greater flexibility to select the highest return projects in specific sectors. In 1986, for example, these discretionary funds would amount to more than DR$130 million.

10/ See paragraph 2.41 for a list of current criteria.

11/ The total program is based upon the projects listed in Statistical Appendix Table 5.14. The initial list of projects was taken from the ONAPLAN 1984 list of projects to be funded. It should be noted that this list of projects contained in the 1984 plan is not identical to that contained in the 1984 budget; the mission decided to work with the plan list because it was more comprehensive and contains projections beyond 1984. For a more elaborate explanation of the methodology used andproject breakdown, see Statistical Appendix Table 5.12

Table 2.13: ALTERNATIVE INVESTMENT BUDGET BY SECTOR, 1984-86

	1984		1985		1986	
	DR$	%	DR$	%	DR$	%
Agriculture:						
Priority I	65.0		37.9		20.5	
Priority II	-	-	25.2		17.7	
Funds to be allocated	-	-	-	-	38.0	
Total	65.0	24.5	63.1	21.0	76.2	21.8
Industry and Commerce:						
Priority I	10.0		7.0		9.3	
Priority II	-		-		-	
Funds to be allocated	-	-	-	-	8.0	
Total	10.0	3.8	7.0	2.3	17.3	4.9
Education:						
Priority I	3.6		2.5		2.5	
Priority II	-	-	4.0	-	3.0	
Funds to be allocated	-	-	5.2	-	8.0	
Total	3.6	1.4	11.7	3.9	13.5	3.9
Transport:						
Priority I	31.8	-	36.4	-	11.5	
Priority II	-	-	22.7	-	17.0	
Funds to be allocated	-	-	-	-	35.0	
Total	31.8	12.0	59.1	19.7	63.5	18.1
Public Health:						
Priority I	6.3	-	7.9	-	10.0	
Priority II	-	-	10.5	-	5.8	
Funds to be allocated	-	-	-	-	8.0	
Total	6.3	2.4	18.4	6.1	23.8	6.8
Energy:						
Priority I	100.4	-	59.2	-	60.6	
Priority II	-	-	20.1	-	7.0	
Funds to be allocated	-	-	-	-	15.0	
Total	100.4	37.8	79.3	26.5	82.6	23.6
Housing:						
Priority I	8.9	-	-	-	-	-
Priority II	-	-	8.8	-	12.0	
Funds to be allocated	-	-	-	-	-	
Total	8.9	3.4	8.9	3.0	12.0	3.4
Potable Water:						
Priority I	2.6	-	-	-	-	-
Priority II	-	-	-	-	-	-
Funds to be allocated	-	-	6.0	-	8.0	
Total	2.6	1.0	6.0	2.0	8.0	2.3
Other: Priority I	37.0	-	41.0	-	41.0	
Priority II	-	-	5.6	-	3.0	
Funds to be allocated	-	-	-	-	9.1	
Total	37.0	13.9	46.6	15.6	53.1	15.2
Total: Priority I	265.6	-	200.7	-	155.4	
Priority II	-		88.1	-	53.5	
Funds to be allocated	-	-	11.2	-	141.1	
Total	265.6	100.0	300.0	100.0	350.0	100.0

Source: Table 5.12 statistical appendix.

2.63 This program obviously would entail difficult choices. It would mean that several important projects would have to be delayed one year, such as the expansion of some major highway projects, several new irrigation projects of INDRHI, and some education projects. Expenditures on other very large projects in housing and potable water would be delayed until after 1986. These projects are so large that they would distort the entire investment program in favor of housing and potable water at the inevitable cost of delaying projects of higher national priority. 12/ If the public investment program is reduced in scope, the efficiency of the public sector investment program will be markedly enhanced and the Goverment may once again become a leading sector in the country's growth.

12/ Problems affecting individual sectors as a whole and their project priorities are discussed in detail in Annex II for five sectors representing the bulk of public investment--housing, electricity, agriculture, potable water and transportation.

III: FOOD PRICING AND POLICY

3.1 Many analyses have been done on the Dominican Republic's export crops, their problems and prospects. Indeed, this report discusses them throughout, because they are vital to the country's recovery process. This chapter concentrates on the price incentives for nonexport crops, particularly foodcrops, because of their importance to domestic living standards and potential for export and import-substitution.

3.2 The Government intervenes in the pricing of food commodities primarily through the Institute for Price Stabilization (INESPRE). INESPRE was created in 1969, although state intervention in agricultural marketing dates back to the 1930s. INESPRE's statutory objectives are to regulate the prices of agricultural products in domestic markets to protect consumption levels in this food-importing country. Its main function was to smooth wide cyclical fluctuations in food prices, especially rice. INESPRE's interventions in recent years have grown beyond rice into edible oils, maize, sugar and other products (Table 3.1).

3.3 INESPRE now controls nearly all the domestic market for rice, half the domestic maize market, and less than a fourth of the domestic market for beans. It has an import monopoly on basic food commodities, including maize, edible oils, nonfat dry milk, and some processed foods. INESPRE sets prices at different points in the marketing chain and buys and sells food products in domestic and international markets. Its dominant-firm pricing powers are enhanced by powers to control prices of other commodities directly.

3.4 INESPRE has tried to achieve several, sometimes conflicting, objectives: keeping prices down to mitigate inflation, providing incentives to producers to keep production up, and creating buffer stocks of key commodities to dampen the swings in production cycles. In recent years, the interaction between the dual exchange rate and administered pricing has created a series of price distortions in several important food markets. The resulting price incentives may inadvertently dampen domestic production and even exports of rice, peanuts and oil seed; they may promote the uneconomic expansion of corn. The combined effect of these activities reduces efficient import substitution, deters exports of food crops, and probably makes income distribution more unequal. A first section of this chapter presents an overview of INESPRE's pricing behavior, and subsequent sections review pricing policy in the main lines of INESPRE activity.

Table 3.1: INESPRE'S COMMODITY TRANSACTIONS, 1983

Commodity	Total Sales (DR$ millions)	Total Purchases (DR$ millions)	Share of Imports %
Polished rice	158.1	142.2	0.0
Black beans	2.8	2.0	0.0
Soybean oil	20.2	19.4	100.0
Cotton seed oil	14.8	13.2	100.0
Sugar (various types)	80.9	75.5	0.0
Onions	1.2	0.7	0.0
Maize	31.4	27.6	88.0
Wheat bran	3.6	3.0	100.0
Sorghum	3.2	3.3	0.0
Potatoes	0.5	0.3	0.0
Eggs	0.6	0.5	0.0
Poultry meat	3.1	2.9	0.0
Nonfat dry milk	5.1	4.7	100.0
Butter oil	4.3	3.3	100.0
Animal fats	0.5	0.5	100.0
Soybean meal	3.1	3.0	100.0
Pigeon peas	1.1	0.0	0.0
Other products	2.1	2.2	0.0
Total	336.6	304.3	
Gross Operating Margin	DR$32.3 million		

Source: INESPRE, Plan Operativo, 1983.

A. Pricing Policy

3.5 INESPRE has traditionally sought to provide cheap food to urban consumers. At first it sought to smooth the fluctuations in the domestic rice harvest by buying stocks in the harvest season and then releasing them slowly to coincide with the off-season scarcities. Gradually, its goals shifted to controlling 100 percent of the rice supply. By 1983 it had accumulated stocks valued at about one-third an entire year's production and intended to add stocks of US$14 million to stocks of maize, oils, and soybean meal. To pay for the cost of these stocks as well as keep prices low for rice consumers, INESPRE has cross-subsidized rice sales from high mark-ups on other imported products, such as vegetable oils. It has kept its own profit in these products high by using its price control powers to keep prices low on inputs going into domestically produced substitutes, such as peanuts, which could otherwise be used to produce peanut oil at a competitive price.

3.6 One indication of the degree of cross-subsidization is the wide variance on mark-ups charged across its several product lines. Its mark-up over procurement prices ranged from 7 percent on rice to 70 percent on soy oil (Table 3.2). The simple average mark-up has risen slightly between 1982 and 1983 because of financial needs. Its rice margin averaged less than one percent during the 1970s, but rose to an average of 2.3 percent in the 1978-82 period, about one third of which was required for interest payments on its rice stocks. It rose to seven percent in 1983.

3.7 These mark-up differentials form only part of the distortion. In the product review below, two others are elaborated: the effects of pricing imports at the official rate and the uses of its price control powers to control entry of domestic producers into food markets INESPRE now controls.

B. Rice Production

3.8 INESPRE has consolidated its control over the rice trade and expanded vertically into milling. INESPRE is now purchasing paddy directly from farmers and milling it in its own mills. A recent law [1]/ prevents the transport of rice outside of the producing region unless specifically authorized by INESPRE. The law was designed to prevent farmers from selling directly to urban markets or to exporters on the parallel market, some of whom were selling rice to Haiti. The effect of the law, however, is to confer monopsonistic power on rice millers since they are the only buyers for the rice.

3.9 Rice represents nearly half of the value of INESPRE's sales and purchase operations. Rice consumption averages 50 kg. per person per year and absorbs 13 percent of the total expenditures of households. Rice also represents approximately 10 percent of the value added in agriculture, with three-fourths of the output coming from over 25,000 farms of less than 5

1/ Decree No. 273 of September 21, 1982.

hectares. [2]/ The labor share in the farmgate cost of rice has been estimated at 55 percent; accordingly, rice production is an important source of employment and income for small farms and rural labor. Rice price policy has a dual role: it affects the cost of living of rice consumers and significantly influences the level of rural incomes and employment.

Table 3.2: INESPRE: GROSS MARGINS [a]/

(percent mark-up over costs)

Product	1982	1983
Rice	4.3	7.0
Corn	5.7	9.1
Sorghum	6.4	5.4
Black beans	34.6	25.0
Red beans	38.9	25.0
Wheat bran	21.4	25.0
Onions	22.8	22.8
Potatoes	31.2	31.2
Milk [b]/	48.8	62.2
Butter Oil	18.7	43.0
Sugar [b]/	7.4	7.4
Chicken/poultry meat	36.4	45.4
Eggs	0.0	33.0
Soy flour	56.8	39.5
Cotton seed oil	67.5	62.1
Soy oil	72.6	70.3
Simple average	28.3	31.1

a/ Per unit price minus unit cost as a percent of the latter.
b/ Simple average for multiple grades.

Source: INESPRE

2/ B. Senauer, T. Roe, and D. Greene, "An Analysis of Foodgrain Price and Trade Policy in the Dominican Republic," University of Minnesota, October 1982.

3.10 Rice production increased rapidly between 1973 and 1979, growing at an average annual rate of 6.5% (Table 3.3). Increases were achieved mainly asa result of the introduction of new rice varieties and expanding irrigation systems. Opening new lands to irrigation increased rice acreage 27 percent inthe 1970s. Between 1979 and 1982 production stabilized however, and total imports have fluctuated between 0 and US$72 million. They are expected to be zero in 1983.

Table 3.3: PRODUCTION, CONSUMPTION, AND IMPORTS OF RICE
(thousands of metric tons)

Year	Domestic Production	Consump- tion	INESPRE Sales	INESPRE Domestic Purchases	Imports	Imports as Percent of Consumption	INESPRE Sales as Percent of Consumption
1973	177.3	217.6	88.6	63.6	29.6	13.6	40.7
1974	197.0	244.1	197.4	149.0	72.4	29.7	80.9
1975	210.6	259.5	197.6	138.9	49.4	19.0	76.1
1976	210.8	247.1	203.1	143.6	31.6	12.9	82.2
1977	200.9	251.8	215.1	175.6	64.4	25.6	85.4
1978	227.8	222.3	191.2	188.0	10.4	4.7	86.0
1979	258.1	274.4	252.4	218.4	0.0	0.0	92.0
1980	254.1	291.3	260.8	230.5	40.5	13.9	89.5
1981	258.5	257.7	236.7	221.6	62.9	24.4	91.8
1982	254.4	281.7	223.8	214.1	0.0	0.0	79.4
1983 a/	299.7	283.6	264.0	254.0	0.0	0.0	93.0

a/ Projected for 1983

Source: INESPRE, Plan Operativo, 1983.

3.11 INESPRE has apparently played its intended role in stabilizing rice prices. Time series data for rice prices at various points in the marketing and distribution chain during 1973-82 reveal that nominal domestic prices for rice at the producers', millers' and consumers' levels have been more stable than international prices.[3]/ Marketing margins have also remained rather stable, with the producer price for paddy averaging 56 percent of the mill price for polished rice. INESPRE appears to have achieved significant success in stabilizing inter- and intra-year fluctuations in the domestic prices of rice. Part of this success over the last 10 years is because it has secured imported rice through PL480 and other foreign programs at lower and less fluctuating prices than the world price.

3/ Domestic prices exhibit a coefficient of variation of approximately 21 percent, while the international price series exhibits a coefficient of variation of 36 percent. See Statistical Appendix Table 7.3.

3.12 Nonetheless, the price incentives facing domestic producers were much lower than the world price. Only once during 1973-1982 was the domestic price paid to the millers above the peso import price at the parallel exchange rate. The average negative protection (i.e., tax on producers) during the ten-year period was 16 percent. Even if the first two years of the period (1973-74) are excluded because imports were unusually high, the remaining eight years yield a negative protection of 11 percent compared to import prices at the parallel exchange rate.[4/] Thus, even though production has grown, it might have grown even more rapidly had international prices prevailed, offering a greater stimulus to produce.

3.13 As the gap between the official and parallel rate has widened, pricing distortions are becoming more acute. Two distinct regimes occurred during the last eight years; one ending in 1978 in which prices to millers were higher than INESPRE's purchase price for imports at the parallel market rate and another since 1978 in which miller prices were lower. Beginning in 1979, to assist INESPRE with its financial problems, the agency was allowed to acquire up to US$100 million on the official exchange market for its imports. Since INESPRE establishes its price to the millers at an average mark-up of about 20 percent over its actual import cost, the negative protection of the last four years occurred because INESPRE was allowed into the official foreign exchange market when the peso price was more than 20 percent below the parallel price. An opportunity exists to return INESPRE to more neutral pricing for rice if it operates only on the parallel market. Since world market prices are now quite low, the gap has narrowed and domestic consumer prices would rise very little.

3.14 Several policy actions were taken in 1983, primarily as a response to the continued financial deficits of INESPRE. The prices of most products were raised. The price of rice, for example, rose from DR$0.316 per pound in Santo Domingo in February 1982 to DR$0.349 by April 1983. Second, INESPRE has attempted to cut costs by permitting the millers (with prior authorization) to sell directly to urban markets and to contract out storage; this will reduce INESPRE's transportation and storage costs. Third, the Government has reduced INESPRE's access to foreign exchange from DR$16.9 million (of total nonconcessional imports of DR$18.3 million) in 1983 to DR$4.5 in 1984 and DR$5 million thereafter (see Table 3.4).

4/ Because of concessionary aid, INESPRE was occasionally able to buy rice on the world market at prices below the international price for a number of years; hence the effective protection based on INESPRE's actual costs was about neutral.

Table 3.4: INESPRE: PROJECTION OF IMPORTS ACCORDING TO SOURCES OF FUNDS, 1983-86
(US.$ million a/)

Sources of Finance	1983	Projected 1984	1985	1986
Total	69.3	75.9	65.0	60.0
Commodity Credit Corporation (CCC)	18.8	36.9	30.0	25.0
PL-480	23.0	20.0	20.0	20.0
Argentina	9.2	-	-	-
Own Resources	18.3	19.0	15.0	15.0
Official Market	16.9	4.5	5.0	5.0
Parallel Market	1.4	14.5	10.0	10.0

a/ F.O.B. value

Source: INESPRE

3.15 These measures, however helpful in correcting some price distortions, do not eliminate them. Only a small portion of INESPRE's total imports will be purchased at the parallel rate because all PL480 and CCC imports (half the total) can still be bought at the official rate. Moreover, the monopsonistic powers conferred upon INESPRE and regional mills will probably depress prices below the levels they would be under competitive conditions, and thus discourage production in the long run. Finally, these measures do not appear to be sufficient to end INESPRE's net drain on national savings: INESPRE was projected to finish 1983 with a deficit of more than DR$30 million.

3.16 Perhaps most important, the low domestic price continues to stiffle export potential. Rice production in 1980 could, at the margin, cost only DR$1.02 per US$1 saved or earned, an implicit exchange rate well below the parallel rate. It is thus clear that the Dominican Republic has a significant international comparative advantage in rice production. This calculation is a conservative one, since under present pricing of imported and other inputs there is probably a suboptimal use of imported factors of production. Under more economic pricing of inputs, foreign exchange savings would be even higher. The end result could lead to profitable rice exports.

C. Edible Vegetable Oils

3.17 Imports now constitute more than two-thirds of the Dominican Republic's consumption of edible vegetable oils. Domestic production of these oils declined by 14 percent during the 1970s and imports increased by 233 percent. Peanuts, cottonseeds, and coconuts have been the traditional sources of raw materials for domestic production of edible vegetable oils. Recently, soybeans and African oil palm have been introduced on an experimental basis. INESPRE serves as a monopoly importer that sells its vegetable oil imports to processors and distributors. In the last four years, INESPRE has imported an average of 60,000 metric tons of oil for an import bill of approximately US$40 million per year.

3.18 Profits from the sale of imported oil constitute the bulk of INESPRE's gross profits. For 1983, INESPRE expects to import 41,000 metric tons of soybean oil and 26,000 metric tons of cottonseed oil for a total import bill of US$34 million; half of INESPRE's planned value of imports for 1983. Its mark-up for vegetable oils is over 60 percent, compared to 7.4 percent for rice. INESPRE expects DR$14 million in gross profits from the sale of soy and cottonseed oil in 1983, 42 percent of its net revenues.

3.19 INESPRE, therefore, has a large incentive to maintain the level of vegetable oil imports high and domestic production of oilseed down. It has used its monopoly power to depress prices for domestic producers and, hence, to provide revenues for its operations. For example, the producer's price for peanuts has averaged 55 percent of import prices--even at the official exchange rate--throughout the 1970s. Cost calculations indicate that the country has a strong advantage in peanut production; irrigated peanut production could convert 0.73 Dominican pesos into US$1; for rainfed peanut production this conversion would be equal in value to only 0.38 pesos. There seems to be no economic justification to continue the strong disincentive to domestic production of vegetable oils.

D. Maize and Animal Feeds

3.20 Maize, bought and sold by INESPRE, is mostly used for poultry feeds. INESPRE captures approximately 15 percent of the domestic production of maize, and nearly 90 percent of INESPRE sales are from imported maize. For 1983, the cost of planned maize imports exceeds US$24 million, of which US$16 million are expected to be purchased on concessionary credit terms from the United States. Soybean meal is also imported by INESPRE for the poultry industry. Together with maize, these imports constitute 40 percent of INESPRE's planned 1983 imports. In addition, the Institute imports processed poultry meat in an effort to keep poultry prices stable.

3.21 INESPRE has consistently maintained the producer price of maize above import costs, even at the parallel exchange rate; over the last eight years the producer price has averaged 10 percent over the import price at the parallel exchange rate. Nevertheless, the Dominican Republic does not appear to have a comparative advantage in producing maize, at least under irrigated conditions. Domestic cost coefficients show it would require an exchange of 1.32 pesos per U.S. dollar or higher for maize production under rainfed conditions, and 1.70 pesos per dollar for maize production under irrigated conditions. The recent rise in the parallel rate, however, may indicate that some corn imports could be substituted with domestic production under rainfed conditions where the exchange rate required is 1.32 pesos per dollar.

3.22 High maize prices together with subsidized water charges create an incentive for maize production on irrigated lands. An alternative feed grain, sorghum, would be a more efficient use of water and domestic resources; but its production receives negative incentives under the current pricing for maize. The only motivation for high prices seems to be that maize (from commercial and concessional) imports can then contribute significantly to INESPRE's cash flow and financial needs.

E. Other Commodities.

3.23 Sugar, beans, and nonfat dry milk represent the other commodities for which INESPRE attempts to control the market. INESPRE also intervenes in the market for some semi-perishables such as onions and potatoes, but the Institute's role is minor in those markets although they contribute to its financial losses.

3.24 INESPRE buys sugar of three different qualities from CEA and monopolizes its distribution. Sales of sugar products account for a fourth of INESPRE's sale volumes. INESPRE's role is limited to maintaining price controls in the sugar retail market; prices have been well below export prices, even at the official exchange rate, although recent decisions to increase prices may reduce this distortion.

3.25 Beans are an important staple in the diet of consumers; they absorb approximately 5 percent of the budget of households at the urban poverty levels and provide 6 percent of daily calorie requirements and a far higher percent of protein needs. INESPRE's role in the marketing of domestic production is minor, but if INESPRE's imports are taken into account, it handles approximately 20 percent of total consumption of beans. The open market price for red beans--the preferred product--is consistently and substantially above the INESPRE support price. Attempts to encourage production of black beans by setting relatively high prices led to surpluses, but exports to Venezuela became impossible since Dominican farmgate prices are higher than international prices. INESPRE currently holds and continues to acquire stocks of black beans. Similar experiences have been realized for pigeon peas.

3.26 The price of pasteurized milk is controlled at DR$0.45 a quart, and milk producers are not selling their raw milk to the processor because they can sell raw milk directly to consumers for DR$0.65 per quart. This has created a shortage of processed milk in urban areas. INESPRE is importing 5,000 metric tons of nonfat dry milk and butter oil to supply reconstituted milk to urban areas at a foreign exchange cost of US$8.2 million.

3.27 INESPRE's expansion into other products has required cold storage facilities (for onions and potatoes) and expansion of staff and operating facilities, but these products represent less than 7 percent of INESPRE's sales volume. Unfortunately, they are being heavily subsidized even without accounting for operating expenses. This subsidy element alone amounts to DR$13.8 million, and operating losses could amount to another DR$5 million.

F. INESPRE's Role and Recommendations

3.28 The pricing policies of INESPRE have probably hindered efficient import substitution and discouraged exports. However well motivated, they have probably worsened income distribution and hurt both the rural and urban poor. For example, rice prices could have averaged 10 percent higher during the last eight years. This would have reduced the incomes of the poorest 30 percent of consumers only by an estimated 1.3 percent; most people could have shifted their purchase into alternative, cheaper food staples. On the other hand, higher rice prices probably would have had an increased impact on rural wages and employment, and therefore income, by substantially more. By depressing incomes of rural producers these policies have removed an incentive for the rural population to stay on the land and inadvertantly stimulated rural-urban migration.

3.29 Until 1979, INESPRE was generating cash surpluses; it is now generating deficits. While gross margins have increased four-fold from 1978 to 1981, the Institute has experienced losses because of higher storage costs, higher administrative expense, and financial expenses required in holding inventories and increasing the physical plant. Reductions in INESPRE's quota of foreign exchange at the official rate will place even greater financial stress on the Institute's financial position unless it undertakes significant modification of its pricing operations.

3.30 The recommendations that follow are designed to improve the performance of agriculture but are also consistent with improving equity. The suggested measures should also improve rural incomes and the balance of payments. The use of "cheap" food policies and "cheap" imported inputs to agriculture is not a viable long term vehicle to improve income distribution. Their negative effect on rural income and rural employment can be more significant in worsening income distribution than their possible positive effects on urban consumers. The problems of urban poverty can be better attacked by policies other than food pricing.

3.31 INESPRE should be encouraged to specialize in stabilization activities in rice. It can control the intra-year price variance by acquiring about a quarter of the harvest (in milled form) in each month from June to January, and selling off its stocks in February through May. Inter-year variance could be dampened by holding stocks no greater than one-fifth of consumption. Domestic prices could be allowed to follow the trend of import prices, without transmitting the short-run volatility of international prices. During the 1970s a pricing rule that would have kept nominal prices within a 10 percent band of a moving average of import costs at the parallel rate would have achieved the same inter-year stability at a lower fiscal, foreign exchange, and social cost. With 130 private mills, INESPRE could leave the milling process entirely, selling its mills to private companies or cooperatives.

3.32 The Government should take affirmative action to reduce the monopsonistic powers that flow from the current organization of rice distribution and marketing. Serious consideration should be given to revising Decree No. 273 which effectively reduces the number of buyers to whom farmers can sell their produce. Consideration should also be given to revising those rules which now impede the export of rice. This includes making rice eligible for sale on the international market at the parallel rate, adjusting domestic prices to reflect international prices, and reorganizing distribution and marketing channels to ensure that producers receive their share of international price incentives.

3.33 INESPRE should also divest itself of stocks of oil and other commodities and forego further stock accumulation, particularly of vegetable oils. Price controls on oilseeds should be lifted, and its storage facilities such as tanks and cold rooms sold. Revenues from this sale could be used to repay INESPRE's debts. INESPRE's role in handling semi-perishables (onions and potatoes) is also questionable. Even if the market for these commodities becomes "unstable", the welfare impacts would be minor. Some price stability could be enhanced through unimpeded imports and a system of variable levies on imports.

IV. INCENTIVE POLICIES IN MANUFACTURING

4.1 The contribution of the manufacturing sector[1/] to GDP has increased only slightly during the last decade. In the 1960s and early 1970s, industrial output grew rapidly but began to stagnate in the late 1970s (Table 4.1). The industrial share in GDP has not increased appreciably since the mid-1970s, apparently betraying the promise industry once held for diversifying the sugar-based economy.

Table 4.1: KEY INDUSTRIAL INDICATORS
(percent)

	Real Growth Rates		
	1968-75	1975-80	1980-82
Industrial Value Added a/	12.1	5.6	3.3
Industrial Output a/	12.4	5.7	2.7 b/

	Shares				
	1968	1972	1975	1980	1981
Industrial Output/GDP	12.7	13.5	14.7	15.5	15.1
Industrial Exports/Industrial Output	n.a.	3.6	3.0	3.2	2.8

a/ Excludes processed sugar, furfural, and roasted coffee.
b/ 1980-81.

Source: Central Bank and CEDOPEX.

4.2 Industrial production has been directed at serving a protected domestic market for consumer goods with an increasing use of imported intermediate inputs. The declining growth of value-added in relation to the growth of gross output reflects the import-substitution policy framework. Industrial exports outside the Export Processing Zones (EPZ) remain low, roughly 3 percent of total industrial output. EPZ exports, however, have experienced a substantially higher growth, although from a rather low base. This chapter analyzes the policy environment that has led to this pattern of growth and subsequent stagnation.

1/ Throughout this report, "manufacturing" or "industry" excludes sugar mills.

A. The Incentives for Import Substitution

4.3 The import substitution bias in manufacturing is rooted in the import tariff system, import exonerations and prohibitions, as well as the dual foreign exchange market. The current system of tariffs is based on many complicated laws which operate in a cumulative manner: in addition to Law 170 of 1971 (the main tariff law) and Law 173 of 1964 (unifying several previous tariff laws), import duties are also established by (a) Law 361 of 1964 which added a 20 percent ad valorem tax on all imports, excluding exonerated imports; (b) Law 136 which established a 4 percent surcharge; (c) Law 346 of 1972 extablishing a minimum tariff of 10 percent; (d) Law 597 of 1977, raising the tariff rate on machinery, equipment, and spare parts to 20 percent; and finally, (e) Law 48 of 1982, which established a one-year additional 10 percent import tax.

4.4 The resulting tariff system is extremely complex to administer. Additive tariff laws have specific and ad-valorem tariffs requiring that each product be calculated individually. Also many cases of total or partial exonerations arising from special contracts between particular enterprises and the Government create special laws granting specific tariff exonerations. The most important source of tariff exoneration is Law 299, which grants to registered import-substitution firms (categories "B" and "C") substantial exonerations--up to 95 percent--on import tariffs on raw materials and intermediate inputs, as well as significant tax exemptions for reinvestments.

4.5 Import prohibitions and other non-tariff barriers were introduced in 1979 to stem a worsening balance of payments. Import prohibitions were imposed on several consumer goods such as certain garments, furniture and other light industrial products. During 1982, about 200 imports were prohibited, increasing the number of prohibited import items to 357. The value of these imports amounted to DR$109 millions in 1981 or 11.5 percent of total non-oil imports.

4.6 There are no data on actual tariff collection at a disaggregated level. Nevertheless, a pattern emerges from Table 4.2. Of DR$756 million of imports in 1982 (excluding food and oil), 40 percent were exonerated from tariffs through Law 299. While the legal average tariff was 76 percent, exonerations produced an effective tariff of only 12.2 percent. Non-exonerated imports paid an average tariff of 31.2 percent. While details are sparse, non-exonerated capital goods tended to pay a flat 20 percent duty, while collected duties for consumer imports were in the 50 to 100 percent range.

4.7 This tariff structure favors imports of goods not produced domestically, but it also heavily protects final consumption goods produced

domestically. The foreign exchange regime reinforced this bias by allowing tax-exonerated imports to come through the official exchange market, 56 percent of total imports in 1983.

Table 4.2: STRUCTURE OF TRADE RESTRICTIONS ON IMPORTS, 1982
(excluding food and petroleum)

Import Categories	Tariff Rates On:	
	Exonerated Imports (Law 299)	Non-Exonerated Imports
Capital Goods	11.0%	20%
Intermediate Inputs	10.8%	n.a.
Raw Materials	13.2%	n.a.
Consumer Goods		Between 50 and 100%
Average Rate Tariff	12.2%	31.2%
Total Imports	DR$307 million	DR$449 million
Total Tariff Revenues	DR$37.4 million	DR$140 million
% at official exchange rate	56%	0%

Source: Mission estimates based on data from the Ministry of Finance.

4.8 The mission estimated effective rates of industrial protection resulting from these tariff and exchange rate policies. The information used was the 1977 manufacturing sector input-output matrix; data on levels of nominal import tariffs estimated in a forthcoming study on effective protection 2/; and estimated levels of nominal tariffs on exonerated input imports collected by the Ministry of Finance. These estimates are clearly only illustrative; the quality of the data, the use of different sources, the aggregation of inputs (and of exonerations), and the assumption that domestic prices equal international prices plus the ad valorem import tariff all call for caution in the use of the data.

4.9 Even without exonerations, the level of protection is high and extremely variable across products (Table 4.3). Exonerations produce not onl a substantive increase in the average level of protection (from 125 percent t

2/ INCAT, "Estudio sobre Proteccion Efectiva en la Republica Dominicana", Draft 1981.

232 percent), but also in an increased protection variance (from 153 percent t226 percent). The highest increase in protection takes place in electrical machinery, the sector with the lowest value added per unit of output. In this sector, imported inputs amount to 90 percent of the gross value of production. The allocation of foreign exchange reinforces the pattern of industrial protection. The third column of the table adds the effect of forcing final goods into a parallel market while permitting inputs in the official market. The massive protection offered by this step and the equally massive distortion and inefficiencies it causes fully highlight the problems caused by the dual foreign exchange rate system.

B. The Incentive Structure for Non-traditional Exports

4.10 The Export Incentives Law (Law 69), implemented in mid-1980, grants incentives to non-traditional exports by providing both foreign exchange and fiscal incentives. The former partially exempts exporters from the surrender requirements of currencies obtained from non-traditional exports. The latter included a tax certificate credit (Certificado de Abono Tributario - CAT) until October 1983 and a drawback system to admit imported inputs to export production.

Table 4.3: ESTIMATES OF EFFECTIVE PROTECTION TO DOMESTIC INDUSTRY [a]/
(percentages)

ISIC Code		Policies Regarding Imported Inputs		
		Without Exoneration	With Exoneration	Effect of Official Exchange Rate
311-2	Processed foods	-9.3	96.3	159.9
313	Beverage	626.1	699.4	732.7
314	Tobacco	63.0	104.1	128.7
322	Clothing	321.7	655.1	814.3
323	Leather products	124.3	224.4	287.4
324	Footwear	54.2	88.2	107.6
332	Furniture	80.4	115.9	136.2
341	Paper & paper products	69.8	149.6	194.1
351	Industrial chemicals	60.9	120.1	176.2
352	Other chemicals	-14.2	81.0	128.1
355	Rubber products	0.7	95.0	160.7
356	Plastic product	119.8	197.0	239.6
362	Glass & glass products	133.0	200.4	245.9
369	Non-metallic minerals	116.0	118.0	175.4
372	Other metals	-3.9	120.5	182.1
381	Metal products	42.6	149.5	201.5
383	Electrical machinery	122.8	739.7	1091.1

a/ As of December 1982.

Source: See text.

Foreign Exchange Incentive

4.11 The foreign exchange incentive scheme permits exporters of non-traditional products to keep a fixed portion of their foreign exchange earnings by exempting these exporters from the requirement that they surrender all foreign exchange earnings to the Central Bank. The percentage exemption varies between 20 percent and 100 percent according to several factors. The most important seems to be the domestic value added, which also establishes the eligibility criteria for granting the incentive. To be eligible, exports have to have a domestic component of at least 30 percent of their f.o.b. price. Other factors include the development of new products and new markets for exports, the net foreign exchange earned, and the region where the product is produced. The returned portion can be sold on the parallel market, thus increasing the peso receipts of the exporter.

4.12 The number of products granted the foreign exchange incentive increased from 105 as of December 1981 (22 agricultural products, 18 agro-industrial products, and 65 manufacturing products) to 173 as of December 1982 (40 agricultural products, 32 agro-industrial products, and 101 manufacturing products). The exemption for non-traditional agricultural products was until recently 50 percent, while the incentive for agro-industrial and manufacturing products ranges from 20 percent to 90 percent. As of October 1983, a group of 83 non-traditional agricultural products were granted 100 percent exemption.

4.13 Until recently the actual utilization of the incentive fell substantially short of the potential incentive as indicated above. This was due to a series of administrative barriers, several of which were significantly reduced in October 1983. The amount of documentation necessary to apply for preferential status under Law 69 was reduced; a full application for the incentive for each shipment has been dropped in favor of simply requiring a copy of the invoice; and the disbursement of the incentive is now in the hands of the commercial banks, a function previously held by the Central Bank.

Fiscal Incentives

4.14 The CAT was a negotiable tax credit certificate initially granted to all new export products for up to 15 percent of the export f.o.b. value or up to 25 percent of exports that incorporated a high proportion of domestic

agricultural inputs and proved a need for the additional incentive. As of 1981 the CAT was granted only in cases in which exporter profits (including the foreign exchange incentive) was less than 6 percent of the export value. As a result of this change, the number of CAT approvals decreased from 35 products in 1980 to only about five yearly in 1981-82.

4.15 Because the overall impact of CATs on promoting exports was quite minimal, the program was effectively ended in early October 1983.

The Temporary Import System

4.16 Under this system, import duties are waived for any imports used to manufacture non-traditional products exported within a year. As with CATs, this incentive has had little impact. By the end of 1982, only 26 firms, with imports amounting to only DR$1.5 million, had used this specific provision. The widespread import tariff exonerations provided by Law 299 have made this system redundant. Under Law 299 exporters are granted not only tariff relief on imports of materials, but also avoid the special customs procedures required of beneficiaries of the temporary import scheme.

C. Comparing Import Substitution and Export Promotion Incentives

4.17 The industrial policy framework that dominated the 1970s was established by the institutionalization of a parallel foreign exchange market in 1967 and Law 299 in 1968. This framework encouraged an inward development of the industrial sector, mostly import substitution of consumer goods and also strongly discriminated against the export of industrial products. Throughout the 1970s, availability of foreign exchange at the cheaper official rate for imports of capital goods stimulated their import and promoted the use of capital-intensive technologies. The widespread exonerations of tariffs and other import duties on imported goods encouraged the use of imported inputs in the manufacturing sector. At the same time, however, the production of final consumer products at high cost levels was brought about by prohibitions and high tariffs, and by the need to finance the imports of these goods with foreign exchange from the parallel market.

4.18 Export of manufactured goods were discouraged by the requirement to exchange their proceeds in part or in full at the official rate. Exports of manufactured goods thus remained a low proportion--3 percent--of manufacturing production. Table 4.4 shows nominal protection estimates for production toward the domestic market vis-a-vis the nominal incentive to export; column 3 shows the resulting anti-export bias. The bias index shows the peso/dollar exchange rate that would be needed to balance government-induced price distortions and export prices.

Table 4.4: NOMINAL ANTI-EXPORT BIAS

ISIC Code		Domestic Producer: Peso Cost of Production Compared to US$1 of Import Valued at Parallel Market (DR$) (1)	Export Producer: Peso Cost of Production Compared to US$1 of Export Valued at Parallel Market (DR$) (2)	Relative Anti-Export Bias (1)/(2)
311-12	Processed food	2.10	1.24	1.69
313	Beverages	7.21	1.24	5.81
314	Tobacco	2.42	1.22	1.98
321	Textiles	3.36	1.13	2.97
322	Clothing	3.36	1.15	2.92
323	Leather products	2.79	1.18	2.36
324	Footwear	2.36	1.26	1.87
332	Furniture	2.61	1.22	2.13
341	Paper/paper products	2.55	1.13	2.25
342	Printing/publishing	2.61	1.16	2.25
351	Industrial chemicals	2.26	1.13	2.00
352	Other chemicals	2.07	1.15	1.80
356	Plastic products	2.90	1.10	2.63
362	Glass/glass products	3.05	1.12	2.72
369	Non-metallic minerals	2.36	1.20	1.97
381	Metal products	2.48	1.15	2.16
382	Non-electric machines	2.02	1.12	1.80

Source: Mission estimates as of December 1982.

The Potential for Non-Traditional Exports.

4.19 The potential for expanding non-traditional exports is great in the Dominican Republic. The market for non-traditional agricultural exports, such as tropical fruits, fresh and frozen vegetables, and winter vegetables, is vast. The proximity of the U.S. market provides the country with locational advantages over potential competitors in many products. Also, the exports of agro-industrial products, such as toasted coffee, processed pineapple and coconut products, could be markedly expanded. Altogether, these products account for less than one-fifth of the country's exports.

4.20 Nonetheless, numerous disadvantages hamper the growth of these exports. These include the lack of appropriate packaging at competitive prices and deficient transport and insurance services. Export prohibitions block growth in certain items. For industrial exports outside the Export Processing Zones (EPZs), the major barrier to growth is the lack of appropriate inputs owing to the high protection of local inputs. Within the EPZs firms do not benefit from the depreciation of the price of the peso in the parallel market for the purchase of their domestic inputs (e.g. electricity), and so their costs tend to rise in comparison with EPZs in other countries. In addition, customs operations are still cumbersome and the supply of utility services is unreliable. Many of these problems, analyzed in detail in Annex III, could be overcome at relatively low costs to the Central Government and have a major impact upon the long-term foreign exchange earning capabilities of the country.

D. Main Recommendations

4.21 Recent measures regarding the operation of the parallel market and the promotion of non-traditional exports have undoubtedly lessened some of the past trade distortions. First, there was the transfer to the parallel exchange market of imports of capital goods begun in 1980. The share of capital goods using the official exchange rate declined by about 80 percent, from 15 percent of all official market imports in 1980 to less than 3 percent in 1983. By the beginning of 1983, only 46 percent of total imports remained in the official market, down from 65 percent in 1978. About 90 percent of these were raw materials, nearly all oil and oil-related. Second, the virtual elimination of imported non-oil inputs from the official market in mid-1981 has probably lessened some of the distortions. Third, the recent decision that exports of 83 non-traditional agricultural products be moved totally to the parallel exchange market is an important stimulus to exports. Fourth, the inclusion of many services, particularly credit card transactions, will promote service industries like tourism. Finally, CEDOPEX has taken a series of actions to reduce administrative barriers to export promotion, focusing especially on eliminating delays in giving the export permits and on the elimination of bureacractic discretion in awarding incentives.

4.22 These accomplishments have begun the process of moving the economy away from an inward-oriented strategy toward an outward orientation. Nonetheless, the economy is still dominated by high levels of protection and widening dispersion in effective rate of protection among products. These policies still discourage would-be exporters and encourage inefficient import substition.

4.23 These remaining distortions continue to shackle growth. The resources used by the protected import substitution sector to substitute for one dollar of imports is several times larger than the resources used by the export sector in order to generate one dollar's worth of foreign exchange. Also, the export sector has been subject to substantially higher degrees of discretion and uncertainty than producers for the domestic market. This adds to the regular uncertainty that exporters already face

in the external markets. If exports are to be accelerated, the structure of the remaining incentives should be changed.

4.24 Because of the complexity of the current tariff system, enforcement of revenue collection is cumbersome and highly discretionary. The application of laws depends largely on the interpretation of custom officials. A simplification of the current tariff system, including the conversion of specific tariffs into ad valorem tariffs, would lessen these problems. An effort was made to consolidate all the tariff laws in force in 1980 into a new tariff law proposal. This was presented to Congress in 1980 and its adoption would enormously simplify the tariff system.

4.25 The country, however, clearly needs a new tariff structure which would reduce the present, excessive anti-export bias. One possible measure is an across-the-board tariff of 20 percent for all exonerated imports presently paying less than 20 percent. There would be no exoneration, except for food, petroleum, and the duty-free temporary import system for exports referred to below. The Government should also consider establishing a long-run maximum tariff rate goal in the 30 to 50 percent range, toward which all tariffs in excess of it and all import prohibitions should evolve. This could be complemented with additional sales taxes for "luxury" consumer durables so as to discourage both their import or domestic production. For example, automobiles could have a substantially higher sales tax. In evolving toward this long-run objective, some intermediate steps should be taken, particularly the conversion of quantitative prohibitions and prohibitive tariffs into "high" tariffs therefore allowing a minimum amount of imports. One major step would be the elimination of the distortions in resource allocation introduced by the dual foreign exchange system. This measure would also eliminate the substantial unearned profits currently being appropriated by importers benefiting from foreign exchange quotas. Many of these measures might be achieved, wholly or partly, by issuing regulations to Law 299, which if formulated properly could begin to phase out exonerations and some distortions.

4.26 Many other changes should be considered. The regulations used to implement Law 69 could be liberalized to ensure faster, less costly, and more effective access to the parallel market by non-traditional exporters. CEDOPEX is to be commended for its extensive progress toward this goal already. Moreover, institutional changes could be useful in reorienting industrial and even agroindustrial and non-traditional agricultural investment toward exports. These include phasing out cumbersome customs operations, arranging adequate packaging materials at internationally competitive prices, and overcoming shipping obstacles.

ANNEX I

MACROECONOMIC PROJECTIONS

Introduction

1. In order to evaluate the prospects of the Dominican Republic, the mission developed and applied a macroeconomic projection model. The base year chosen was 1980. Much of the analysis in this Appendix takes as a reference a base run, but two other important runs, an "optimistic" and a "pessimistic" run, were also added. Since the growth prospects of the economy (and the mission's projections) are strongly affected by the debt situation, export prospects and domestic factor prices, these are discussed first.

Key Assumptions

2. Debt. The total medium and long-term external public debt outstanding in 1983 is estimated at US$2,258.2 million (see Statistical Appendix Table 4.1). The distribution of debt outstanding and disbursed as of December 31, 1982 indicates a balanced use of creditor sources, with only 20.1 percent owed to private creditors, 21.5 percent to multilateral institutions and 58.4 percent to bilateral sources. The overall percentage distribution of total commitments by creditor sources for the period 1979-82 shows a clear change of financial sources. The share of bilateral sources increased to 74.1 percent by 1982 while no contracts were made with private banks in the last two years. This contraction in the use of private sources also resulted in improvement in terms. In 1982 the average interest was 5.5 percent; maturity was 16.4 years; and average grace period was 4.4 years.

3. The Dominican Republic has nearly completed renegotiation of most debt owed to private banks. Of the US$660 million being renegotiated, US$342.5 million in overdue letters of credit and US$60 million of CEA's obligations were previously short-term debt and not included in the medium- and long-term debt discussed earlier. These rescheduled arrears will now become part of the total medium- and long-term debt. The projections assume that the CEA loan is to be paid entirely in 1986 and carries an interest rate of 12.8 percent. The balance is assumed to be rescheduled with 11 percent interest and repaid in four equal payments beginning in 1985.

4. The rescheduling eliminates all outstanding amortization on private guaranteed and non-guaranteed debt in 1983, although the sum total in the projections is treated as a new commitment which requires new payments of principal and interest but will not generate any new disbursements. The rescheduling thus provides some reduction in debt service payments on the total (because US$223.7 million of this is included in the rescheduling) for 1983 and 1984. However, by 1985 the rescheduling will result in a sharp increase in debt service payments as amortization and interest on the US$660 million is added to the overall burden.

5. External Prices. Export and import prices are exogenous as provided by the World Bank's Commodity Division.[1]/ The indices for current and constant export prices are given in Technical Appendix Tables 1 and 2. The ratio between the two is a price index for tradeable goods. The World Bank's forecasts seek to incorporate commodity specific prospects for demand, supply and trade and have underlying macro-economic assumptions for the global economy. Thus the overall real GDP growth for the OECD economies is taken at 3.9 percent p.a. between 1983 and 1990 for the forecasts used in this analysis. The sugar price used is the average of the projected world free market price and the U.S. quota price, since the Dominican Republic is expected to sell about half its exports under the quota arrangement. The U.S. quota price is projected to remain at US$400 per ton in 1983 prices. Thus the average sugar export price is projected to rise from US$300 per ton in 1983 to US$621 in 1990 in current dollars.

6. Export Quantum Prospects. The export quantum projections used in this study are summarized below. There are three principal scenarios considered, base, optimistic and pessimistic. For all three the price projections used are those developed by the commodity division of the World Bank. The differences in the projections arise from the assumptions on the quantum indices. The prospects for exports of agricultural commodities are discussed

Table I: EXPORT PROJECTIONS, 1983-1990 QUANTUM GROWTH RATE ASSUMPTIONS
(annual percentage rates)

Commodity	Base	Optimistic	Pessimistic
Sugar	0	2	0
Coffee	6	12	0
Tobacco	5	10	0
Cocoa	0	0	0
Ferronicke a/	0	0	0
Bauxite b/	0	0	0
Gold	0	0	0
Manufactures	5	10	0
Non-factor services	5	10	0

a/ Ten percent growth in 1984; stability thereafter.
b/ Forty-three percent growth in 1984; stability thereafter.

1/ For further details see Price Prospects for Major Primary Commodities (in five volumes), Report No. 814/82, The World Bank, July 1982.

in the main report. For the base case no volume growth is projected for sugar and cocoa; the former principally because global forecasts are pessimistic[2]/ and the Dominican Republic already enjoys the largest share of the U.S. import quota at 17.5 percent--the latter because 1983 exports are already substantially above trend. The base run forecast for coffee at 6 percent is largely influenced by recent improvements in investments in that sector. Tobacco has also shown significant improvement, partially due to increased demand in free zone operations.

7. The optimistic scenario sets sugar quantity growth forecast at 2 percent. This would be predicated on favorable production in the Dominican Republic together with problems in other major producing areas--such as the recent dry weather experienced in Australia, Indonesia, Mexico, Philippines, Fiji, South Africa and Thailand or the untimely rains in Cuba. For the optimistic scenario coffee and tobacco growth rates are projected at 12 and 10 percent p.a. respectively. The pessimistic scenario presumes no volume growth in any export item.

8. For mineral exports, the base and optimistic scenarios assume quantum outputs to remain at 1983 levels for gold,, but a ten percent increase for ferronickel in 1984 and a 43 percent increase for bauxite; both would then be constant thereafter. This is predicated on no new investment coming on line within the analysis period, which in turn does not appear unreasonable given current global situation for demand, stocks, and capacity utilization. For manufactures, the base run projects annual growth rate of 5 percent. This value reflects a compromise between the current (1983) depressed state of manufactured exports and the poor policy climate. The former leaves plenty of room for expansion while the latter exerts a restraining influence. The optimistic forecast of 10 percent annual growth is based on a more buoyant global economy combined with a more encouraging domestic policy environment.

9. Non-factor services include tourism. This sector has shown great promise in recent years. Compared to its competitors the Dominican Republic is still small, but as it grows larger it will become increasingly difficult to maintain strong growth rates. For the base case a growth rate of 5 percent is chosen while the optimistic scenario is set at 10 percent.

10. Domestic Factor Prices. In the model domestic factor prices are assumed to adjust in step with external inflation rates. This has strong implications for employment. Changes in exchange rate policy towards free market levels would raise the relative cost of imported capital and

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2/ Ending world stocks for 1982/83 are estimated at 37 million tons and for 1983/84 are expected to remain well above normal--about 24 million tons. Substitute sweeteners continue to make inroads into the sugar market in the U.S.

intermediate inputs. In certain sectors this would increase employment; for example, higher pesticide costs in agriculture would result in more labor for weeding. However the overall impact on employment depends on the elasticity of substitution between factors. The model does not currently include different types of labor which could be useful in analyzing labor markets, mostly because the data in this area are weak. However it does produce rather crude projections for employment under different scenarios.

The Model

11. Economic Projections. The model was used to develop the three projections for the economy and provide a framework for discussing various policy options. First, a unified data base was developed. This was done as a social accounting structure for 1980. A model was then developed to incorporate most of the important variables and the model tuned using available data for 1981, 1982, and 1983. Finally a set of projections were developed under the assumptions described in the previous section.

12. Social Accounting Structure. The basic data set used in this analysis was based on the principal accounts for 1980. It is then developed into a Social Accounting Matrix (SAM) for 1980. The year 1980 was chosen for a number of reasons. The various statistics for that year are relatively reliable and yet it is not so far back that the general economic structure changed much by 1983. It also affords a few years, 1981-1983 to tune the model.

13. The layout of the SAM required a number of decisions. The projections had to be amenable to investigation for a number of policies. These included the impact of different export scenarios, changes in exchange rate, and the interaction of alternate government budgets on employment. Inevitably there was a trade-off between the complexity needed to analyze a variety of policies and the time available. The structure chosen allows for flexibility so that the model may be enriched as desired and yet it succeeds in producing the basic information.

14. The basic SAM structure is shown in Table II. It has the following principal features.

4 sectors	-	agriculture, manufacturing, construction, and other (principally services)
2 institutions	-	government (central), private (includes all other)
3 capital accounts	-	private, government and depreciation
2 financial accounts	-	domestic, foreign

Table II: MACROECONOMIC BALANCES, 1980
(DR$ Million)

		PRODUCTION ACCOUNT					FACTOR ACCOUNT			INSTIT			ROW	FINAL DEMAND	CAPITAL				FINANCIAL		TOTAL
		SECTORS AG	MAN	CON	OT		W	P	D	PRIV	GOVT				I_P	I_G	DEPR.	S_F	DOM	FOR	
SECTORS	AG	197	565	0	273	1035				507	0	507	424	931	0	0	0	0			1966
	MAN	147	486	225	394	1252				1216	0	1216	539	1962	50	117	40	207			3214
	CON	0	0	103	0	103				0	0	0	0	1031	442	234	355	1031			1134
	OTH	147	331	206	683	1367				3344	519	3863	249	4112	0	0	0	0			5479
		491	1382	534	1350	3757				5067 PC	519 GC	5586 C	1212 XG	8036	492 IPD	351 IG	395 IREP	1238 ID			11793
FACTORS	W	1257 YAGW	935 YINDW	459 YCONW	2900 YOTHW	5551 NDPFC					195 SUB		-210 FSY								5536 NNPFC
	P																				
	D	90 YAGD	66 YINDD	32 YCOND	207 YOTHD	395 DEPR															395 DEPR
		1347 YAG	1001 YIND	491 YCON	3107 YOTH	5946 GDPFC							-210 FSY								5931 GNPFC
INST.	PRIV						5536		5536				188 CTR								5724 HINC
	GOVT		208		208	416				177		177									879
						VATX				DIRTX											GREV
	TRAD	13	66	13	85	177 INDTXI							59 INDIXE		50 INDTXX			50			
						593			5536			177	247					50			6603
ROW		115 MPRA	557 MPRM	96 MPRC	729 MPRO	1497 MPRV									422 MCAP			422			1919 M
DIRECT INPUTS		1475	1832	619	4110	8036				5244	714 GEXD	5958	1249 X		964 IP	351 IG	395 IREP	1710 I			
CAP	PRIV									480 SAVP		480							230 BDBP	404 EX. BFBP	634 1114 SFUNP
	GOV										165 SAVG	165							69 BDBG	117 EX. BFBG	186 351 SFUNG
	DEPR							395 DEPR	395												395 DEPR
	SF												670 SAVF								670 SAVF
								395	395	480	165	645	670						299 BDB	521 EX. BFB	820 BTOR 2530 SFUN
FINANCIAL	DOM.														150 DM			149 EX. DRES 299			299 BDB
	FOR.																	521 EX. BFB 521			521 EX. BFB
																		820 BTOT			820 BTOT
TOTAL		1966	3214	1134	5479	11793	5536 NNPFC		395	5931	5724 HINC	879 GEX	6603	1919	1114	351	395	670	2530 SFUN	299	521 820
EMPLOYMENT (10^3)		561	238	45	451	1295															

The social accounting structure provides a consistent framework for the important economic accounting identities. For example the GDP at market prices (in DR$ million) is given by:

GDPMP	=	C	+	I	+	E		M
6648		5,586		1,710		(1,212 + 59*)		-1,919
		consumption		investment		exports of goods f.o.b.		imports CIF

* indirect taxes on exports

or alternately

GDPMP	=	V.A.	+	DEPR.	+	INDT
6,648		5,551		395		702
		value added		depreciation		indirect taxes

Similarly, most of the other identities may be obtained from the structure.

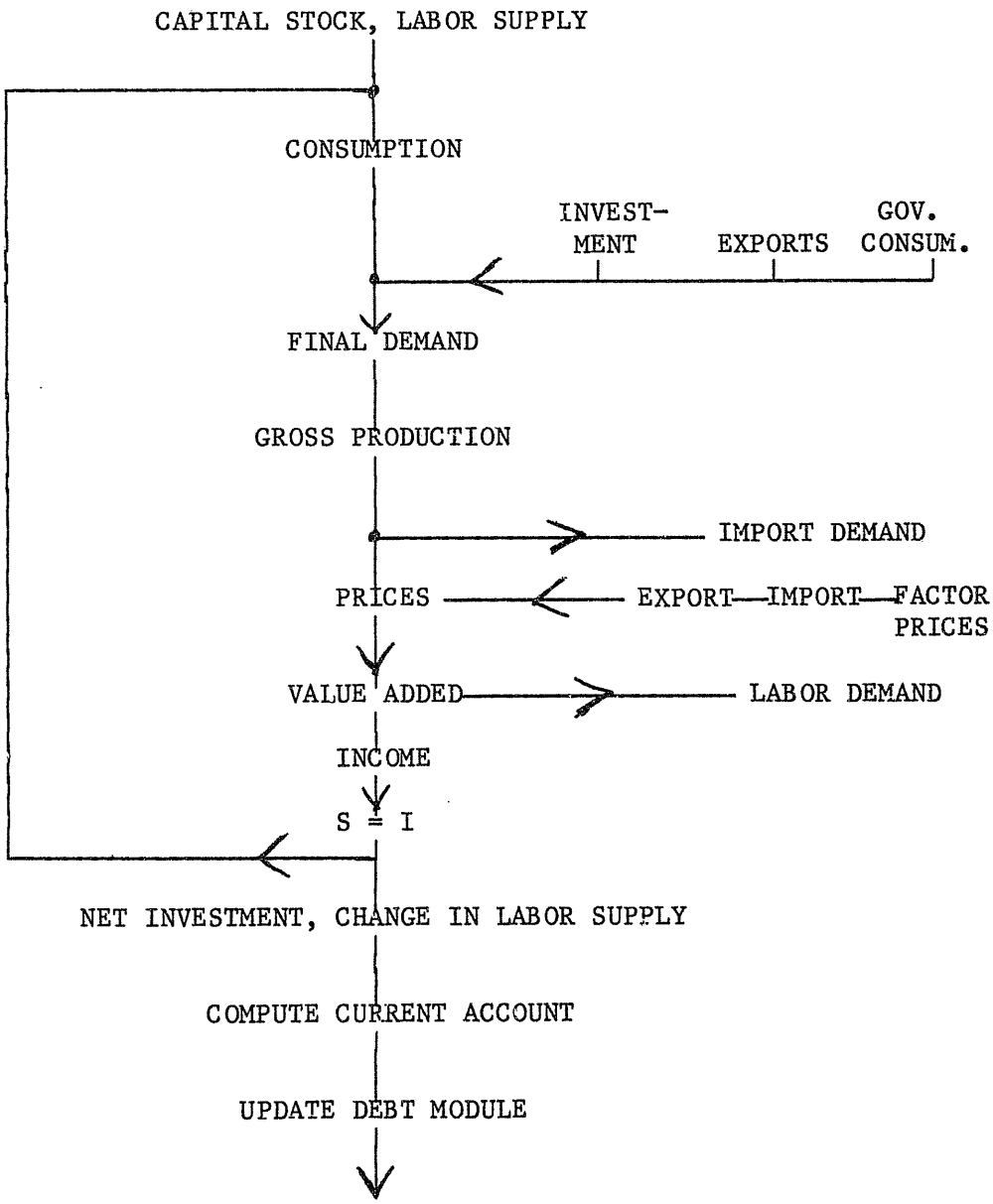
15. The Model in Operation. A simplified model of the economy was next developed. It is shown schematically in Table III and it works along these lines. Consumption (C) is determined endogenously. This combines with exogenously determined investment (I), exports (E) and government consumption (G) to provide final demand. Subject to technological assumptions this provides gross production estimates. Domestic prices are determined by exogenously set export, import and factor prices. The level of value added gives income and labor demand estimates. Total savings (S), has private, government (central) and foreign components. The model iterates until this equals the level of investment. Then the model computes the current account, updates the debt module and estimates the additional capital flows needed.

16. Finally, capital stock and labor supply is adjusted and the model proceeds to the next year. Each year the shortfall in external borrowing is computed to fill the gap and the debt situation is updated.

17. Base Run. The outcome for the base run is summarized in Table IV. Overall GDP is projected to grow by about 0.3 percent in 1983 and 1984, and after a gain of 1.5 percent in 1985 to rise towards annual growth rates of 3.5 percent towards the end of the decade. For the external sector the current account deficit for 1983 is estimated at US$232 million and rises to US$527 million by 1990. This is discussed in more detail in Section IV under policy issues. This in turn would result in debt outstanding (medium and long term) going from US$2.1 billion to close to US$4.1 billion. On the domestic front there would be a steady improvement in central government finances but the unemployment situation could well deteriorate steadily until almost one third of the labor force would be unemployed by 1990.

18. Optimistic Run. The optimistic run assumes annual real growth rates for exports of sugar, manufactures, and non-factor services of

Table III: SIMPLIFIED SCHEMATIC OF MODEL



2 percent, and 10 percent respectively from 1983 to 1990, while the price forecasts used in the base run are retained. The results are given in Table V. Output growth would level off at almost 6 percent by 1990. In this instance the current account balance would be only US$222 million by 1990 while the total debt outstanding would be US$3.2 billion at that time. Government savings are projected to be positive close to US$537 million by 1990. Unemployment levels while high would show signs of moderating at that time; capital utilization would show substantial improvement.

19. Pessimistic Run. The pessimistic run projects zero real growth for all exports. The results are summarized in Table VI. It suggests a disastrous situation: no growth until 1986, and even then growth rates of less than 2 percent until 1990. This would be further compounded by a current account deficit of US$240 million by 1990 and total debt outstanding of almost US$5 billion at that time. Unemployment levels would reach 37 percent and continue rising.

Discussion of the Results

20. A number of policy issues will be crucial to the projections. They can be considered under three broad categories: external balance, domestic balance and employment and prices. Inevitably these are closely interrelated and policy instruments tend to affect all three in varying degrees. In the previous section the analysis chose different external scenarios but did not introduce any major structural changes. Clearly, without significant new initiatives the Government will find it difficult to address major problem areas in balance of payments, employment, price stability. The renegotiation of private debt and the EFF arrangement with the IMF will give a little breathing space to introduce such measures but future borrowing should seek to move overall economic management towards more desirable medium and long-term goals.

21. External Balance. The medium and long-term debt outstanding in 1983 is close to US$2.1 billion. This is now further augmented by US$342.5 million arising from short-term arrears. The implication of the renegotiation is that amortization payments on US$660 million of the total debt will not be made in 1983. Most of this sum is being rescheduled at 11 percent interest and will be repaid in four equal payments beginning in 1985. Thus it is essential that the breathing space even though limited be used effectively to prepare for the heavier repayment burden in coming years.

Table IV: BASE 1980-1990
(unless otherwise stated, real values in 1980 prices, levels in DR$ millions growth percent)

	1980 a/	1983	1984	1985	1986	1990
National Accounts						
GDP real	6651.9	7001.2	7023.8	7131.9	7334.0	8416.7
Consumption real	5588.5	5356.4	5340.1	5547.5	5710.5	6607.9
Investment real	1709.7	1366.7	1371.7	1394.7	1443.9	1643.5
Government (central) real	519.0	513.5	513.5	513.5	534.1	624.8
National Accounts - Growth Rate						
GDP growth rate	0.1	0.4	0.3	1.5	2.8	3.4
Cons. growth rate	--	-0.2	-0.3	3.9	2.9	3.2
Inv. growth rate	--	-11.0	0.4	1.7	3.5	3.5
Government growth rate	0.0	1.0	0.0	0.0	4.0	4.0
GDP deflator	100.0	116.1	120.1	124.2	133.1	184.0
Consumer Price Index	100.0	116.6	120.6	125.0	134.0	185.1
Balance of Payments (U.S. dollars at current prices)						
Exp. goods and NFS	1212.0	1206.9	1392.9	1577.9	1729.3	2514.5
Imp. goods and NFS	1918.2	1385.1	1458.0	1696.9	1885.5	2948.6
Resource balance	-706.2	-178.3	-65.0	-119.0	-156.2	-429.0
Factor Services receipts	102.0	58.5	61.4	64.5	67.7	82.3
Factor Services payments	-312.0	-322.5	-379.7	-383.3	-390.6	-476.1
Net current transfers	183.0	210.0	220.5	231.5	243.1	295.5
Current account balance	-733.2	-232.3	-162.9	-206.3	-236.0	-527.3
Net MLT foreign borrowing	324.4	259.0	287.6	345.4	401.6	763.8
Gross borrowing requirement	0.0	0.0	201.4	394.9	523.6	991.3
Other capital flows b/	410.0	20.8	22.6	24.5	26.7	37.4
Debt service/exports	11.7	19.9	29.6	34.6	38.7	39.9
Debt outstanding	1184.8	2036.4	2176.7	2358.4	2567.7	4147.5
Government						
Government revenue	880.6	779.6	876.8	1008.2	1110.3	1654.7
Government current expenditure	714.1	799.6	819.4	841.1	914.3	1352.3
Government savings	166.5	-20.1	57.3	167.0	196.1	302.4
Factors						
Capital utilization	83.4	78.5	77.1	77.3	78.8	83.6
Marginal output/capital ratio	0.2	0.2	0.2	0.1	-0.1	0.2
Unemployment rate	20.0	24.6	26.6	28.3	29.4	32.4

a/ Growth rates shown are for 1980-81.
b/ Net direct foreign investment, net official transfers, errors and omissions.

Table V: OPTIMISTIC 1980-1990
(unless otherwise stated, real values in 1980 prices,
levels in DR$ millions growth percent)

	1980 a/	1983	1984	1985	1986	1990
National Accounts						
GDP real	6651.9	7001.2	7141.4	7385.5	7743.1	9728.6
Consumption real	5588.5	5356.4	5419.4	5725.2	5999.4	7562.5
Investment real	1709.7	1366.7	1378.3	1408.8	1466.7	1716.7
Government (central) real	519.0	513.5	513.5	513.5	534.1	624.8
National Accounts - Growth Rate						
GDP growth rate	0.0	0.4	2.0	3.4	4.8	6.0
Cons. growth rate	--	-0.2	1.2	5.6	4.8	5.6
Inv. growth rate	--	-11.0	0.8	2.2	4.1	4.3
Government growth rate	0.0	1.0	0.0	0.0	4.0	4.0
GDP deflator	100.0	116.2	120.0	124.2	133.0	183.9
Consumer Price Index	100.0	116.6	120.6	125.0	133.9	185.1
Balance of Payments (U.S. dollars at current prices)						
Exp. goods and NFS	1212.0	1206.9	1434.4	1672.4	1890.1	3138.7
Imp. goods and NFS	1918.2	1385.1	1477.6	1746.4	1972.0	3320.9
Resource balance	-706.2	-178.3	-43.3	-74.1	-81.9	-182.2
Factor Services receipts	102.0	58.5	61.4	64.5	67.7	82.3
Factor Services receipts	-312.0	-322.5	-379.7	-381.3	-384.4	-417.8
Net current transfers	183.0	210.0	220.5	231.5	243.1	295.5
Current account balance	-733.2	-232.3	-141.0	-159.3	-155.4	-222.2
Net MLT foreign borrowing	324.4	213.8	118.5	134.7	128.8	184.8
Gross borrowing requirement	0.0	0.0	179.6	347.9	435.8	536.7
Other capital flows b/	410.0	20.8	22.6	24.5	26.7	37.4
Debt service/exports	11.8	19.9	28.8	32.6	34.9	25.8
Debt outstanding	1184.8	2036.4	2154.9	2289.6	2418.4	3179.1
Government						
Government revenue	880.6	779.6	891.0	1043.3	1170.7	1890.0
Government current expenditure	714.1	799.6	819.4	841.1	914.3	1352.3
Government savings	166.5	-20.1	71.6	202.2	256.4	537.4
Factors						
Capital utilization	83.4	78.5	78.4	79.7	82.3	89.9
Marginal output/capital ratio	0.2	0.2	0.2	0.1	-0.1	0.4
Unemployment rate	20.0	24.6	25.9	26.8	27.1	26.2

a/ Growth rates shown are for 1980-81.
b/ Net direct foreign investment, net official transfers, errors and omissions.

Table VI: PESSIMISTIC 1980-1990
(unless otherwise stated, real values in 1980 prices, levels in DR$ millions growth percent)

	1980a/	1983	1984	1985	1986	1990
National Accounts						
GDP real	6651.9	7001.2	6888.3	6886.7	6973.1	7493.8
Consumption real	5588.5	5356.4	5248.8	5374.8	5454.1	5932.9
Investment real	1709.7	1366.7	1364.2	1381.1	1423.9	1592.0
Government (central) real	519.0	513.5	513.5	513.5	534.1	624.8
National Accounts - Growth Rate						
GDP growth rate	0.1	-0.4	-1.6	-0.0	1.3	1.7
Cons. growth rate	n.a.	-0.2	-2.0	2.4	1.5	1.6
Inv. growth rate	n.a.	-11.0	0.2	1.2	3.1	3.0
Government growth rate	0.0	1.0	0.0	0.0	4.0	4.0
GDP deflator	100.0	116.2	120.0	124.3	133.1	184.1
Consumer Price Index	100.0	116.6	120.6	125.3	134.0	185.0
Balance of Payments (U.S. dollars at current prices)						
Exp. goods and NFS	1212.0	1206.9	1338.8	1480.5	1582.4	2078.9
Imp. goods and NFS	1918.2	1385.1	1433.7	1646.8	1806.5	2672.4
Resource balance	-706.2	-178.3	-94.9	-166.3	-224.2	-593.5
Factor Services receipts	102.0	58.5	61.4	64.5	67.7	82.3
Factor Services payments	-312.0	-322.5	-379.7	-386.1	-397.8	-524.9
Net current transfers	183.0	210.0	220.5	231.5	243.1	295.5
Current account balance	-733.2	-232.3	-192.7	-256.4	-311.2	-740.5
Net MLT foreign borrowing	324.4	213.8	170.1	231.8	284.5	703.2
Other capital flows b/	410.0	20.8	22.6	24.5	26.7	37.4
Gross borrowing requirements	0.0	0.0	231.2	445.0	608.7	1337.7
Debt service/exports	11.7	19.9	30.7	37.0	43.2	56.4
Debt outstanding	1184.8	2036.4	2206.5	2438.3	2722.8	4918.0
Government						
Government revenue	880.6	779.6	858.0	971.3	1054.0	1488.2
Government current expenditure	714.1	799.6	819.4	841.4	914.3	1352.3
Government savings	166.5	-20.1	38.5	130.1	139.7	135.8
Factors						
Capital utilization	83.4	78.5	75.7	74.9	75.8	79.4
Marginal output/capital ratio	0.2	0.2	0.2	0.1	0.0	0.1
Unemployment rate	20.0	24.6	27.5	29.8	31.5	36.9

a/ Growth rates shown are for 1980-81.
b/ Net direct foreign investment, net official transfers, errors and omissions.

22. One of the major constraints to growth in the Dominican Republic will be its expected limited access to foreign, commercial borrowing. In Table VII the capital account situation is summarized. In line I best estimates are given for expected, reasonably sure net flows much of it from official multilateral sources (e.g., IDB, IBRD, USAID). In 1984 for instance, net official capital flows are estimated at US$49 million (disbursements are estimated at US$191 million with amortization payments at US$142 million). The "other" category at US$22.6 million includes grants of US$6.1 million and net direct foreign investment of US$16.5 million. These expected net flows are projected to reach US$195 million by 1990. One could argue that the figure is on the low side but it is based on best information currently available from lending agencies.

23. In line II the base case situation is summarized. Note that in 1983 the current account balance is estimated at only US$232 million. This is partly a reflection of the scarcity of net private medium- and long-term funds. While all private amortization is rolled over, no fresh funds are expected. In 1984 the current balance is estimated at only US$163 million. This is because net official flows are expected to drop in 1984. As oil facilities and other extraordinary assistance drops and only a modest amount of net private borrowing (US$90 million) can be expected. The effect of this private capital constraint is to constrain import growth and ultimately GDP. If anything, the mission's "pessimistic" scenario may be too optimistic; it is difficult to see how commercial banks would lend $1.3 billion gross to a stagnant economy. On the other hand, the "optimistic" scenario may be too pessimistic; surely the more rapid export growth would permit more borrowing than envisaged in the model if the authorities so desired. More net funds, if well invested, would accelerate growth even more.

24. Changes in Exchange Rate. The main text of the report suggests a number of sectors which could benefit from more attractive price incentives through movement towards a unified exchange rate. On the export side, these are primarily for manufactured goods, non-factor services and certain non-traditional agriculture commodities. On the import-substitution side, a unified exchange rate would stimulate domestic production in food, some intermediate goods and to a lesser extent other consumer goods and capital goods. One may surmise the effect of a unified market clearing exchange rate. In the medium term one could expect increases, especially for manufactures and non-traditional agriculture exports. However, to capitalize on these gains any change in the exchange rate would need to be accompanied by a comprehensive pro-export commercial policy, i.e., a freeing up of export prohibitions on various product categories and in general removal of most exchange controls.

25. Domestic Balance. The base case scenario suggests that the Central Government current accounts will move into surplus in the near future. Central Government expenditure is projected to rise from DR$800 million in 1983 to DR$1,350 million by 1990. This is in line with providing a steady

Table VII: THE CAPITAL ACCOUNT
(US$ million current)

		1980	1983	1984	1985	1986	1990
I.	Expected sure Net Flow	283.7	234.6	71.6	46.0	-8.0	194.9
	Net Official	(278.7)	(213.8)	(49.0)	(21.5)	(-34.7)	(157.5)
	Other	(5.0)	(20.8)	(22.6)	(24.5)	(26.7)	(37.4)
II.	Base Case						
	Current Account	-733.1	-232.3	-162.9	-206.3	-236.0	-527.3
	Amortization, MLT Private	-31.9	-	-110.1	-234.7	-280.6	-658.8
	Gross M+LT Private Borrowing	77.6	-	201.4	294.9	523.6	991.3
	Average Maturity		8.9	12.9	9.9	9.2	8.4
III.	Optimistic Case						
	Current Account	-733.1	-232.3	-141.0	-159.3	-155.4	-222.2
	Amortization MLT, Private	-31.9	-	-110.1	-234.7	-272.4	-536.7
	Gross M+LT Private Borrowing	77.6	-	179.6	347.9	435.8	509.4
	Average Maturity		8.9	13.5	10.4	9.9	9.7
IV.	Pessimistic Case						
	Current Account	-733.1	-279.8	-337.5	-416.4	-497.7	-1008.5
	Amortization MLT, Private	-31.9	-	-110.1	-234.7	-289.5	-792.0
	Gross M+LT Private Borrowing	77.6	-	231.2	445.0	608.7	1337.7
	Average Maturity		8.9	12.3	9.5	8.7	7.6

increase in public expenditures, particularly in the social sectors. It will also contribute to a tolerable level of effective demand. Revenues are projected to increase from DR$780 million in 1983 to DR$1655 million by 1990. While revenue from exports and imports and direct taxes are expected to rise slightly, the main extra factor would be increased receipts from value added taxes. It is essential that the administration of this taxation be improved and various "leakages" and special exemptions be minimized.

26. If a unified exchange rate policy is pursued it is essential that government revenues from exports of sugar and minerals be sustained by export or revised income taxes. Import trade data suggest that average rates actually paid fall well below legal nominal tariff ranges. It might be more effective to have a broad based tax on all imports but at a considerably lower rate, in the region of 20 percent. An exception could be lower rates for various basic foodstuff (in the short term) and higher rates for various consumer goods. The higher revenues expected in the base and optimistic scenarios would provide greater savings for investment. In current prices, the pessimistic projection has fiscal savings below the 1980 level.

27. Various public organizations outside the Central Government would also have to review their pricing policies. This is discussed in detail in the main text.

28. Employment and Prices. While it always is difficult to define unemployment in a country such as Dominican Republic, the general estimates tend to assess it at about 20 percent.[3/] In this particular analysis, information on population, labor force and unemployment was collected from various sources (see references in Table VIII) in an attempt to estimate employment structures and sectoral elasticities. Because appropriate employment data are not readily available, estimates were made by (1) obtaining labor force estimates for 1960, 1970 and 1980; (2) applying gross unemployment rates to these estimates; and (3) distributing the resulting unemployment figures by sectors under the assumption that the employed were distributed in the same manner as the labor force. The analysis did not adequately take into consideration a number of relevant factors affecting the labor market, such as Haitian laborers who do much of the cane cutting, female participation, and the large but poorly understood informal sector.

29. A final set of estimates are given in Table VIII. The historic figures are deemed to be reasonable based on comparisons with other sources, while the projections are derived from the base case scenario. Certainly one

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3/ For example in the labor force survey of urban areas in June 1980, unemployed were defined as those who had not worked during the week in question but were actively seeking employment.

may argue about the historic numbers used--that perhaps 20 percent unemployment is too high--and that the definition of unemployment fails to take into account many considerations about the informal sector. But in the end it seems evident that without major new policy initiatives there can be little improvement under any reasonably plausible set of assumptions about the external situation.

ANNEX I

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Table VIII: EMPLOYMENT ESTIMATES UNDER BASE CASE ASSUMPTIONS
(thousands)

	1980	1983	1985	1990
Employment Sector				
Agriculture	561	580	588	622
Manufacturing	238	244	257	288
Construction	45	44	44	46
Others	451	478	476	545
Total	1,295	1,346	1,364	1,501
Population, Economically Active	1,619	1,784	1,904	2,218
Unemployment Rate (%)	20.0	24.6	28.3	32.4
Elasticity				
Agriculture	.394			
Manufacturing	.817			
Construction	.373			
Others	.712			
Total	.474			

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Table IX: EXPORTS: INDEX OF CURRENT PRICES (1980 = 100)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Sugar	100	167.5	88.1	82.8	95.8	110.4	120.1	131.2	143.1	156.6	171.5
Coffee	100	88.0	96.8	97.7	99.7	101.7	107.8	114.2	121.1	128.4	136.1
Tobacco	100	105.0	112.0	118.7	118.7	118.7	126.3	134.4	143.0	152.1	161.8
Cocoa	100	71.0	63.0	66.7	66.1	65.4	69.3	73.5	77.9	82.6	87.5
Ferronickel	100	103.0	92.0	92.0	105.8	121.6	131.4	141.9	153.2	165.5	178.7
Bauxite	100	112.0	122.0	129.3	140.9	153.6	164.4	175.9	188.2	201.3	215.4
Dore	100	65.0	48.0	58.0	69.6	83.6	88.6	93.9	99.6	105.5	111.9
Manuf.	100	95.0	95.4	101.6	110.8	119.1	126.2	133.8	141.9	150.4	159.4
International Price Index	100	95.0	95.4	101.6	110.8	119.1	126.2	133.8	141.9	150.4	159.4

Source: IBRD/EPD Commodities Division.

Table X: EXPORTS: CONSTANT PRICE INDEXES:
PRICES DEFLATED BY THE INTERNATIONAL PRICE INDEX

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Sugar	100	176.3	92.3	81.5	86.5	92.7	95.2	98.1	100.8	104.1	107.6
Coffee	100	92.6	101.5	96.2	90.0	85.4	85.4	85.4	85.3	85.4	85.4
Tobacco	100	110.5	117.4	116.8	107.1	99.7	100.1	100.4	100.8	101.1	101.5
Cocoa	100	74.7	66.0	65.6	59.7	54.9	54.9	54.9	54.9	54.9	54.9
Ferronickel	100	108.4	96.4	90.6	95.5	102.1	104.1	106.1	108.0	110.0	112.1
Bauxite	100	117.9	127.9	127.0	127.2	129.0	130.3	131.5	132.6	133.8	135.1
Dore	100	68.4	50.3	57.1	62.8	70.2	70.2	70.2	70.2	70.1	70.2
Manuf.	100	100.0	100.0	100.06	100.0	100.0	100.0	100.0	100.0	100.0	100.0
International Price Index	100	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: IBRD/EPD Commodities Division.

ANNEX II

SECTORAL ISSUES IN THE PUBLIC INVESTMENT PROGRAM

SECTORAL ISSUES IN THE PUBLIC INVESTMENT PROGRAM

Housing

1. A major component of the present 1983-86 investment program is housing construction. It is programmed to account for 18 percent of that investment over the three year period, 50 percent more than its share of fixed expenditures in the prior triennum (see Table 2.11). In August 1982 the new Administration unveiled "a gigantic plan, without precedents in the republic's construction history" with a production target of 25,000 dwelling units per year, mostly to be carried out by INVI. INVI's capital budget increased from DR$17 million in 1982 to DR$69 million in 1983. In actuality, it may have spent considerably more. After a presidential guarantee of payment in March 1983, some suppliers agreed to make available on credit ample stocks of construction materials, equipment and fixtures. Thousands of new dwelling units mushroomed on raw land sites in Santo Domingo and Santiago. The construction sector, which had stagnated in 1981, and declined 5 percent in 1982, suddenly grew by 7 percent in 1983.

2. Two sets of problems now afflict the housing program: financial deficits and misdirected priorities. INVI's resources were direct transfers from the Government. The new Government has supplied funds to INVI at the rate of more than DR$7 million per month. In June 1983, a Special Housing Fund was created, financed by issuance of DR$60 million in state bonds guaranteed by collections from the new Value Added Tax during 1984. To raise some liquidity and prepare itself to meet the first payments to contractors in March 1984, INVI has undertaken advance sale of the units under construction, raising initial downpayments from the traditional 5 percent to 10-20 percent. However, these deposits are pegged to a quoted average price of DR$15,000 per apartment, which understates real cost of dwellings by at least 40 percent since it does not include physical and price contingencies, interest during construction, design, supervision and administrative costs, nor the value of land, infrastructure and community facilities. INVI's effective interest rates on mortgage operations (5 to 8.5 percent) have also required subsidies; and cursory methods of estimating construction costs did not fully reflect steep increases in the price of materials and labor. Arrears in payment collections have produced progressive decapitalization of the agency.

3. Its investment priorities may be inconsistent with its founding mandate. Less than 12 percent of INVI's investments have gone into housing affordable to the poor in 1982 and 1983 (Table I). INVI's program has passed the threshold of low income housing (DR$10,000 per unit); the real average cost of its current production would be above DR$20,000 per unit. In addition, the Housing and Welfare Institute (INAVI) has also resumed housing

construction with an unspecified number of new middle class projects. These projects are highly concentrated in the wealthiest part of the country. Two projects, one in Santo Domingo and another in Santiago, absorb a disproportionate share of all housing investments; according to the Investment Program, they will receive most of INVI's 1984 and 1985 budget.

Table I: INVI: PLAN OF OPERATIONS

(DR$ Thousands and percent)

Category	Number of Units	Total Program 1982-1985		August to Dec. 1982		1983		1984 - 1985	
		$	%	$	%	$	%	$	%
Low Income Housing	9201	49916	19.3	2651	21.7	10,176	11.8	37089	23.2
Basic	837	4576	1.8	982	8.0	2,771	3.2	823	0.5
Rural	481	3600	1.4	496	4.1	2,657	3.1	447	0.3
Sites and Services[a]/	7883	41740	16.1	1173	9.6	4,748	5.5	35819	22.4
Middle Class Housing	17,704	207,609	80.2	9,435	77.3	76,163	88.0	122,101	76.2
Middle Class	13,661	177,570	68.6	9,412	77.1	74,561	86.1	93,597	58.4
Municipal Housing	4,043	30,129	11.6	23	0.2	1,602	1.8	28,504	17.8
Other	1,192	1,330	0.5	120	1.0	259	0.3	951	0.6
Total	28,097	258,954	100.0	12,206	100.0	86,598	100.0	160,141	100.0

a/ World Bank project.

Sources: INVI and USAID

Recommendations for Future Housing Investments

4. Housing projects now absorb far too much of the total public investment budget; INVI is now highly constrained by management and technical limitations; and the public sector may not be able to meet its near-term financial and building obligations. These factors suggest that the housing program should be scaled back, an action the Government is apparently considering since it has recently suspended investments pending a full review of the program.

5. INVI could accomplish its mandate of constructing houses of less than DR$7,000 in cost by relying mainly on foreign financing provided the World Bank's Sites and Services Project and a possible Housing Investment Guarantee Program of AID, perhaps as much as DR$25 million in 1984. This would maximize foreign financing as well as focus more intensively on lower income housing.

6. These measures would mean that several specific projects will be delayed, especially the large housing projects in Santo Domingo and Santiago financed from the national budget. This would require selling the partially constructed middle class houses at a discount to the private sector, perhaps with the intermediation of the National Housing Bank. These cuts would reduce the 1984 programmed and unprogrammed outlays by several million pesos in 1984.

Energy and Electrical Power

7. The single largest component of the public investment program is energy. In the most recent 3-year plan, energy will absorb 22 percent of all public investment; somewhat more if the years beyond 1985 are considered. In 1982 the CDE accounted for 40 percent of autonomous-agency public investment. INDRHI and CEA also had projects to produce energy, mainly as a by-product of irrigation and sugar production activity.

8. Inadequate power supply is an obstacle to growth and international competitiveness: costly black-outs in major industrial areas are frequent; many private users have been forced to install their own high-cost generation facilities; transmission and distribution losses keep prices to consumers among the highest in the Caribbean; and only 33 percent of the total population has access to electric service--50 percent of city dwellers and 14 percent of those in rural areas.

9. Four sets of issues reduce the efficiency of the investment program in the power sector: sector organization; problems of generation; problems of distribution; and investment financing. Sector organization is still hampered by inadequately formulated institutional mandates and destabilizing

politicization. The President of the Republic appoints and dismisses Boards members and General Manager of all Government-owned autonomous entities such as CDE and INDRHI. This appointment and dismissal power has been exercised frequently so that these agencies lack the minimum stability required for efficient organization. The President also approves utility tariffs, and thus shoulders the political responsibility for all rate increases. This has been one major reason for the freeze on electricity tariff rates from 1955 to 1979.

10. Clear lines of responsibility are not defined within the sector. Although a National Commission of Energy Policy (CONAPE)[1/] was established as an advisory board to the President and to prepare long-term plans, it does not seem to have played a central coordinating function. CDE is the sole producer and vendor of public electric service. However, CONAPE has a mandate to advise the President on the planning and policies for electricity generation and for rational use of the country's energy resources and related technology; this seems to duplicate the responsibility of the Ministry of Industry and Commerce for all matters related to energy and hydrocarbons. In fact, it appears that effective decision-making is overly centralized in the Presidency.

11. Problems in electrical generation also afflict the sector. CDE suffers from inadequate installed capacity, technical inefficiency and an inappropriate mix between petroleum, coal and hydropower technologies. CDE's installed generating capacity by the end of 1982 was 880.5 MW, it generated 56 percent of energy in fuel-oil thermal plants; 21 percent in gas turbine plants using diesel oil; two percent in various diesel plants; and 21 percent in hydropower plants. Because of lack of spare parts and maintenance, two thermal units are out of service and all thermal units, except two, are operating well below their potential capacity. CDE must therefore purchase surplus power and energy from CEA and Falconbridge, a private producer of ferronickel.

12. CDE's investment strategy is designed to increase efficiency of existing capacity, increase installed capacity to meet forecast demand, and switch from high-cost petroleum-fired plants to lower-cost coal and hydro-electric generation. The evolution of power and electric energy supply in the last decade was erratic due to lack of planning, financial constraints and damages in 1979 caused by Hurricane David. Inadequate planning delayed

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1/ Chaired by the Secretary of Industry and Commerce and composed of the Technical Secretary to the Presidency (ONAPLAN), CDE's General Manager, the President of the Dominican Oil Refinery, INDRHI's Managing Director, the Director of the Dominican Institute of Industrial Technology, the President of the Association of Engineers, Architects, and Surveyors, one representative of the country's universities appointed by the President, two representatives of the private sector, and one electrical engineer appointed by the President who acts as Executive Secretary of the Commission.

the timely installation of major primary generation plants. Thus, expensive gas turbines had to be installed to cope with the emergency. CDE's financial problems resulted in deficient plant maintenance, inefficiency, and low capacity utilization in CDE's thermal plants.

13. CDE's generating requirements in the future are difficult to project because: (i) repressed demand produces sudden spurts of sales when new generating capacity is installed; (ii) the national recession has made it difficult to project the economy's growth; and (iii) the growing system losses, 38.5 percent of net generation in 1983. Nevertheless, the net energy produced is projected to grow at about 4 - 5 percent in 1983 and 1984. CDE then projects growth of about 2.5 percent yearly from 1985 to 1987. Because of decreased distribution losses, however, CDE's sales are expected to grow at an average rate of 9 percent during the period 1984-87. Lighting, commercial and industrial sales are expected to grow at an average yearly rate of 10 percent. It is expected that oil-based electricity will fall from 89 percent of total supply in 1982 to only 36 percent by 1987, as oil is replaced by hydropower and imported coal.

14. The CDE also suffers from the severe transmission and distribution losses discussed Chapter II. Distribution losses grew at 11.3 percent per year in terms of GWH in the early 1980s. Losses in generation jumped from 27 percent of net generation in 1978 to 34 percent in 1982. By the end of June 1983, losses increased to 38.5 percent, is among the highest in the world. Eighteen percent are technical losses and 20 percent are other losses (thefts, meter control mismanagement, deficient meter reading, and unsound billing practices).

15. The principal causes of energy thefts are: (i) CDE's inability to expand its distribution system due to financial constraints; groups of consumers install their own inexpensive service lines creating two additional problems: overloaded distribution transformers which frequently burn out, and additional technical losses because service lines are installed without any standards; (ii) CDE's inability to control energy sales is a second problem. Meters installed to measure both energy produced and energy sent throughout most of the feeders are neither read nor contrasted because CDE does not have mobil equipment to contrast meters on-site; (iii) consumers fraudulently reduce their monthly electricity bills.

Energy: Recommendations

16. The energy sector is programmed to receive nearly one-quarter of the investment budget over the next three years. To ensur that this money is invested wisely and efficiently, the CDE and the Central Government must act to resolve some of the major organization, efficiency and financing problems. Costs will have to be cut domestically if CDE is to meet its goal of financing 30 percent of its capital outlays, even by 1987.

17. The CDE has 17 projects in the National Plan for 1984 with foreign financing for a total value of DR$104.3 million, including generating stations, rehabilitation programs, distribution projects, minihydro development, and consultant studies. The program is generally well-conceived and the projects are of the highest priority. Nonetheless, more resources should be channelled into eliminating the exceptionally high generation losses and measures designed to end theft losses. Such investments have a high marginal return with short gestation periods. Second, the CDE is investing considerable amounts on expanding distribution networks. These investments make little sense when current generating capacity cannot adequately serve consumers presently linked into the system. These programs could be reduced by as much as DR$10 million, an amount equal to the counterpart that CDE is expected to require from the Central Bank in 1984.

18. In addition, among the several hydro projects administered by INDRHI, two projects should be postponed on the grounds that they are new projects and can be delayed: Los Toros I and II and Tres Saltos del Pryn. These projects produce only small additions to the national supply of electricity. Finally, portions of two projects funded by the Venezuelan Investment Fund (a series of consultant studies and minihydro projects) could probably be cut since they appear to be budgeted at far greater amounts than is listed in their loan documents. The savings in these two projects imply a reduction in 1984 expenditures of DR$7 million in total, and DR$2 million of domestic budgeted funds.

Agriculture

19. The agricultural sector is high on the Government's investment priority list--up from 15.1 percent of expenditures in 1980-82 to 22.4 percent in the 1983-85 plan. Actual expenditure amounted to DR$122.6 million in 1983, 51 percent of which was disbursed by autonomous agencies. The Ministry of Agriculture (SEA) is responsible for overall agricultural policies as well as research and extension; land reform is the responsibility of the Agrarian Reform Institute (IAD); irrigation is implemented and managed by the National Water Resource Institute (INDRHI); and agricultural credit is channeled mainly through the Agricultural Bank. Other institutions having a direct effect on the agricultural sector are the Office of Price Control (DGCP), and the Price Stabilization Institute (INESPRE).

Ministry of Agriculture (SEA)

20. The Ministry of Agriculture administers its own projects and theoretically coordinates the decentralized agencies INDRHI and IAD. Under

its own administration, it has four foreign financed projects programmed to receive funds in 1984. Two are on-schedule: "PIDAGRO III" which is designed to strengthen the Ministry itself, administer a National Cadastre, and execute 9 small agricultural projects; roughly one third of its total amount has been disbursed. The other is the two-year old "Cafe and Cacao" project, designed to rehabilitate plantations and infrastructure in the export agricultural sector. Two other projects, however, are relatively new and postponable: The "Manejo de Recursos Naturales" project is designed to establish a national system of resource planning and implement erosion control pilot projects. With less than one percent of its total amount disbursed, it can be probably postponed at relatively low cost. Another project, "Desarrollo Pequenos Productores de Alimentos," had not recorded any disbursements of its DR$14 million total as of October 1983. Postponing these projects would reduce DR$9.2 million in total 1984 investment expenditures and free up DR$2.6 million in local counterpart.

21. Eventually, the Ministry of Agriculture should take the lead in developing a long term agricultural development strategy that could guide diversification in production and exports of the sector. Financial limitations and institutional fragmentation currently prevent this project, but it should be addressed in the relatively near future.

INDRHI

22. INDRHI administers a network of four irrigation districts covering 135,000 hectares. Created in 1965 as a decentralized agency under the Ministry of Agriculture, INDRHI has suffered from frequent changes of management. From between 1977 and 1983 about 10 different managers and their group of departmental heads have changed, producing discontinuities in planning and budgeting while weakening administrative systems.

23. Partly because of these changes, INDRHI suffers from several institutional difficulties. Planning is predominantly technical and done with inadequate integration into the financial situation of the agency. Yearly budgets generally overestimate resource availabilities. Calculations of project costs are sometimes inaccurate. Central management has not developed sufficient controls over project units based on detailed information. Financial record-keeping procedures, improved in recent years, are still poorly developed. Domestic and external funds are not distinguished in the financial management. Foreign lenders have found that external funds disbursed for the purpose of a specific project in fact are used for a different purpose. To improve control, the administration has recently established a central committee responsible for implementation of INDRHI's projects. The committee is independent of INDRHI, but the manager is a member.

24. The rapid proliferation since 1973 of INDRHI's projects has dramatically accentuated these managerial problems. In the period 1973-79, projects with foreign participation at a total cost of DR$232.4 million were

initiated; DR$126.9 million were foreign financed. But by August 1981 less than a quarter of these foreign funds had been disbursed. As a result, five of INDRHI's eight ongoing projects are behind schedule and four have substantial cost overruns. 2/ The agency recorded disbursements of less than 5 percent of its programmed expenditures in 1983, compared to an average of 36 percent for all other agencies. Yet it is also one of the most vigorous solicitors of new projects. Four of the new eight projects emphasized by the Government are for INDRHI.

25. INDRHI could usefully concentrate its resources on investments already underway. INDRHI has seven irrigation projects listed in ONAPLAN's inventory of projects to receive budgetary support in 1984. Of these four new ones should be considered for deferral. These include "Sabana Yegua" (a study of irrigation potential), the "Area Presa de Sabaneta" project (a project that is already 4 years behind, less than 3 percent of its total amount disbursed), the "Aglipo" project, a new irrigation system, and the water control system "Manejo de Agua a Nivel de Fincas," a new project currently before Congress. The resources saved by these deferrals, DR$15 million in total and DR$3.3 million in counterpart, could be channelled into the completion of the other, much delayed irrigation and canal projects, such as "Bajo Yaque del Norte," "Maguay Chaquey", and "Alto Yaque del Norte", and "Agropampa-Yaguela."

State Sugar Council (CEA)

26. CEA is slated to invest DR$20 million in 1984 in the form a rehabilitation project of its main sugar activities. The project, funded by the World Bank, forms the backbone of the entire CEA investment program over the next four years. 3/ In addition, it will invest in a biogas energy project with DR$1.9 million in a feasibility study. This investment program is limited and prudent given the constraints on CEA's resources.

Potable Water

27. Potable water projects are slated to more than double its share of public investment compared to 1980-1982. The total value of the projects included in the plan are US$350 million, about equal to an entire year's investment budget.

28. Two agencies account for most of the expenditures on potable water, the Institute for Potable Water (INAPA) and the Water and Sewage Corporation of Santo Domingo (CAASD). While many of the small ongoing projects should be

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2/ See Statistical Appendix Tables 5.10 and 5.11.

3/ This project, although included in ONAPLAN's 1984 list for funding, was deleted from the 1984 budget as sent to Congress in January 1984.

continued, new, large projects that are not yet begun in this sector should be deferred until after 1986. One of the new projects would absorb nearly 15 percent of all public investment in the future years and thus squeeze out other investments. The return of this project is in the distant future and it does not contribute directly to enhancing the near-term productive capacity of the country. In short, new large projects in this sector risk doing to future public investment programs what INVI's housing program has already done to the present program: badly distort the investment program away from higher national priorities. If currently planned but not begun projects were scaled down and begun after 1986, the action could free-up considerable funds for the future.

Transportation and Communication

29. The transportation sector comprises about 14 percent of the public investment program, slightly less than the 1980-82 real expenditure level. Of the eight projects with a total value of DR$54 million designed for implementation in 1984, six are ongoing road rehabilitation programs, communications projects, or ports. Projects that are new or hardly begun can be postponed. Even though neither require local counterpart funds in the first year, they will need them in subsequent years and this will bias the projects against completion. Postponing the two new projects will reduce the 1984 budget by DR$22 million.

30. Meanwhile, several road rehabilitation projects merit local resources, even though they have no foreign component. For example, the road rehabilitation program financed purely with domestic resources is now several years behind. Because of the lack of maintenance, roads throughout the country have fallen into such disrepair that their repair now are capital projects. These investments should be made soon to prevent further deterioration and the Ministry should allocate additional resources to current expenditures for road maintenance.

ANNEX III

NON TRADITIONAL EXPORTS: THE POTENTIAL

NON-TRADITIONAL EXPORTS: THE POTENTIAL

1. The main text analyzed the effects of government policies on the price incentives facing producers. Often, however, the effect of government policies is not always what the theory claims it should be. Also, it is difficult to assess the priority with which policy changes should be considered without discussing directly with producers their own plans and judgments. For these reasons, the mission interviewed about 30 non-traditional exporters or producers during April 1983. During 1978-81, non-traditional exports accounted for approximately 15 percent of total commodity exports. In 1982 this figure reached 19 percent, but only because of the strong decline in earnings of traditional exports.

A. Nontraditional Agricultural/Agroindustrial Exports[1]/

2. The prospects for increases in agricultural and agro-industrial exports are good in several different categories of these products. The main potential market is the United States, and for some (especially tropical) products, there may be good prospects in Europe as well. The main advantages that underlie these good export prospects in agricultural and agro-industrial exports are natural ones: good soil, moderate temperatures, an appropriate range of altitudes, reliable rainfall, and a geographical location close to the United States.

3. In 1982 exports of fresh and frozen fruits and vegetables amounted to about US$25 million, approximately 40 percent of all agricultural and agro-industrial non-traditional exports. These items, produced expecially for the Hispanic population living on the US East Coast, include traditional Latin-Caribbean vegetables like yautia, pigeon peas, cassava, yams, plantains, and sweet potatoes, and traditional Latin-Caribbean tropical fruits such as tamarind, guayaba, guanabana, papaya, and passion-fruit. Both the vegetables and the tropical fruits may be exported fresh, frozen, or pulped. For example, Dominican frozen pulp of guanabana, tamarind and papaya in attractive see-through packages is currently sold in selected markets in the United States and used to make juices and milk shakes.

4. The second category in which export prospects appear promising would be for a much larger market. These are off-season or fresh winter vegetables and fruits for the U.S. East Coast and Midwest. Vegetables in this category include tomatoes, cucumbers, onions, peppers, cherry tomatoes,

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1/ Non-traditional exports are defined as (a) agricultural exports other than sugar, coffee, cocoa, and tobacco, (b) agroindustries, which basically includes toasted coffee, processed and canned food, and (c) other industrial exports produced both inside and outside the Export Processing Zones (EPZs). This section does not consider EPZ exports because they are analyzed in a subsequent section.

eggplants, avocados, pumpkins, beans, and snow peas. Fruits include cantaloupe and honeydew. Mexico currently supplies fresh winter produce to the coastal areas of Texas and California, but the Dominican Republic is better located geographically to supply the East Coast and parts of the Midwest. There is a precedent for such trade. Before 1960, Cuba used to supply winter vegetables to this market; a Cuban ferry arrived at the Florida Keys every 24 hours and the goods were distributed by rail from there to other parts of the United States. The potential of this market may be up to US$80 million worth of exports, whereas current exports are less than US$4 million a year.

5. A third category, year-round exports of tropical fruits such as pineapples (especially fresh but also processed), coconut products (grated coconut, coconut milk, coconut cream), bananas, and mangoes, also has good export prospects, again to the U.S. East Coast and Midwest. A fourth category is a wide range of frozen vegetables and fruits of many of the above varieties. Canned vegetables and fruits look promising too, but only if the can problem (see below) can be solved. A fifth, miscellaneous products category with good prospects includes cocoa butter, cut flowers (e.g., carnations), and goods like okra that are favored by particular segments of the United States market. Finally, in a related area, it might be feasible to increase exports of beef substantially (only US$8.8 million in 1982) not only to the USA, but also to those Caribbean nations with a developed tourism industry.

B. Non-EPZ Industrial Exports

6. In contrast to agriculture and agroindustry, the potential for exports of industrial goods that are not produced in EPZs appears less promising, at least in the short to medium term. The gross value of exports of such goods amounted to US$33 million in 1982, compared with an average of US$42 million a year during 1980-81. 2/

7. The case of exports of chemical fertilizers is a special one. The gross value of these exports rose dramatically from less than US$2 million a year during 1972-77 to US$19 million in 1980, but then fell to US$8 million in 1982. Net exports are much less than these figures, however, since the value of imported raw materials is about 60 percent of the value of the final product; the fertilizer export operation is essentially one of assembly. The main reason for the decline in exports since 1980 has been increasing protectionism, especially in Central America, Venezuela, and Martinique. Since the domestic market for fertilizer is saturated and the prospects for exports are not good, one of the largest Dominican fertilizer companies has now begun to diversify its activities into exporting cucumbers, cantaloupes, and other off-season produce to the United States.

2/ The main export products in 1982 were chemical fertilizers (US$8.4 million), leather handbags (US$6.0 million), and cigars (US$1.4 million); these were the only three items in which exports of as much as US$1 million were recorded in 1981 and 1982.

8. In the case of ceramic tiles, one firm with a government-protected domestic monopoly produces first-rate products. Its main advantages are low labor and transport costs: a container from Santo Domingo to Miami costs US$800 compared with US$2,800 from Italy to Miami. In 1981, this firm exported US$1.5 million of floor and wall tiles to the United States. However, by 1982, exports had fallen to US$0.3 million. the main reasons for this decline were the significant rise in the cost of electricity during 1981-82 (electricity and liquid gas are about one-third of total costs), the cost of imported inputs, and the U.S. recession. The fact that this industry is quite intensive in electricity and imported inputs--both likely to be relatively more costly--makes it a less likely candidate for future exports.

9. Despite apparent labor and transport cost advantages, yearly non-EPZ exports of footwear from the Dominican Republic have never reached a million dollars, and were close to nil in 1981 and 1982. Their main problems are the lack of good quality raw materials and the lack of marketing know-how. The situation for non-EPZ clothing appears to be similar; both export volumes and values are insignificant, and there was a lack of good quality raw materials at world prices (here timing and customs problems seem to be important) as well as a lack of marketing expertise.

10. In summary, given the present level of development and sophistication of Dominican industry and the difficulties associated with importing inputs, the best short-and medium-term export prospects for non-EPZ manufactured goods are for those products that use predominantly or solely local raw materials, and in which a detailed understanding of the international market is not essential. An example of such goods might be industrial oils that are made from agricultural products and used in the food and pharmaceutical industries. In the long-run, continued transfer of export goods to the parallel exchange market as well as the development of a draw-back system to facilitate and to decrease the cost of imported intermediate goods could prove instrumental for continued growth of this segment of the export sector.

C. Export Problems

11. Whether the goods being exported are industrial, agroindustrial, or agricultural, however, the three basic requisites of export success are price, quality, and timely delivery. All of the following problems affect one or more of these three requirements. After listing the problems, possible solutions will be suggested.

Packaging Materials

12. A wide range of agroindustrial exports are severely hampered by the relatively high price of tin cans. The can-making company in the Dominican Republic is a monopoly; importing empty cans is far too costly since their bulk is high but value is very low. In spite of importing tinplate almost free of import duties, virtually all exporters claimed the local company sells cans at prices far higher than the world price. Whether this difference reflects monopoly rent or a true higher cost of production must be investigated further, but its importance can be appreciated by the following examples.

13. Canned pina colada mix has three basic ingredients: pineapple juice, coconut cream, and the can. At present, Puerto Rico purchases coconut cream from the Dominican Republic, buys pineappele juice on the world market (including some from the Dominican Republic), and exports canned pina colada mix to the Dominican Republic. The best-known Puerto Rican brand of pina colada mix is priced at US$10.75 f.o.b. San Juan for a carton of twenty-four 15 oz. cans. By comparison, the Dominican price f.o.b. Santo Domingo is US$12.75, of which the cost of the cans is US$4.75. The cost differential --according to a Dominican producer--is solely in the cans. Another example is pineapple juice. Last year, significant amounts of pineapple were thrown down a ravine to rot. These pineapples were not good enough to sell fresh but were ideal for juicing--except that the cost of the cans made exporting uneconomic.

14. Cardboard cartons made in the Dominican Republic not only cost two to three times more than imported cartons, they are of too low a quality for most exports. Domestic producers of cardboard cartons are forced to use domestically produced recycled raw materials instead of using the better quality imported liner, which is subject to import restrictions. The result is that the export potential of some goods--especially of fresh produce--cannot be realized because the currently produced local cartons are not acceptable.

15. Unlike the case of cans, it is currently possible to import cartons, but only the largest firms do this. This is partly because transport and handling costs are too high for a relatively small volume. It is necessary to import at least a container load, which in turn means that special storage facilities must be built for the large volume of cartons. Partly, too, it is for bureaucratic reasons. In at least one case, an exporter of frozen vegetables established itself as a Special EPZ apparently solely so that he could import cardboard cartons free of duty and customs red-tape. The authorities recently permitted carton manufacturers to import, virtually free of duty, high quality paperboard for the construction of cartons for exporters. CEDOPEX believes this step, combined with less demanding regulatory procedures, will go a long way in solving the carton problem.

Table I: COST OF CARDBOARD CARTONS, 1983
(DR$)

Carton used in export of:	Costs per Cardboard Carton (1) Local	(2) Imported (at the parallel rate)	Ratio (1)/(2)
Handbags	1.85	0.97	1.9
Pigeon Peas	0.65	0.33	2.0
Coconut Cream	0.75	0.33	2.3
Frozen Vegetables	0.90	0.30	3.0

Source: Mission interviews.

16. A predominantly government-owned firm has a monopoly on bottles, and domestic prices are well above world prices. In a shipment of ketchup, the value of the bottles is as great as, if not greater than, the value of the tomatoes; thus if bottles are significantly overpriced, exports are not feasible. Not surprisingly, very few Dominican exports are bottled.

Other Inputs

17. One of the key problems hampering the export of non-EPZ industrial goods is the high cost and variable quality of other key inputs. In the production of footwear and handbags, leather is the principal problem. Not only is local leather of poorer quality than that from the United States and Argentina, but the price of local leather is 30-60 percent greater. The high cost and variable quality of local leather is probably important in creating considerable indirect unemployment in the footwear industry. Santiago, in particular, is known for its shoemaking expertise. Yet outside the EPZs, footwear exports are negligible. Similar situations exist in other important intermediate inputs. The regular tariff exemptions on raw materials, that usually lower import tariffs from 70 to 15 percent, are often refused when a domestic producer of a related material complains to the Ministry of Commerce. This generates uncertainty and delays for any industrialist interested in using such inputs.

Customs

18. Many non-EPZ exporters complain of significant delays and uncertainties in getting imported inputs out of customs. These delays may be one of the most important costs of using imported inputs and, conversely, one of the main sources of protection to local producers of these same products. In general, it takes at least two or three weeks to get goods out; in some cases it takes months. Inputs that are being imported under "internacion

temporal" rules (duty-free import for re-export) have to pass through no fewer than eight steps within the customs department. At each step, illness or temporary absence of the relevant officer can increase the delay. Even the standard delay of 2-3 weeks is enough to significantly reduce the main advantage (short delivery time) that the Dominican Republic has in the United States market for clothing and footwear over Taiwan and other East Asian producers. Another problem is the bond the exporter must post to guarantee that he will pay tariffs on the imported materials if they are not re-exported. One exporter reported that he had still not had his bond returned a full year after he had exported the final product.

19. Unfortunately, many importers complain that customs laws are unclear and require much interpretation. Further, there are frequent changes in customs personnel, which means that exporters have to devote much time to reclarifying or renegotiating their positions when officials change. One way, but an expensive way, for firms to avoid these customs problems is to establish themselves as Special EPZs.

Transport

20. In exporting fresh fruit and vegetables, transport costs and availability are crucial. It cost US$1,800 to ship a single refrigerated container from Santo Domingo to Miami. For some vegetables (e.g., cucumbers) this amounts to 100 percent of the cost of the produce itself. Via air freight, the cost is double the value of the produce. If fresh produce is to be shipped in large volumes to the United States, transport frequencies will need to be increased significantly. At present, there is only one direct ship from Santo Domingo to Miami every 10 days. The journey lasts 3-1/2 days. All other shipping goes via Puerto Rico or elsewhere, with the goods trans-shipped at the intermediate port. These journeys last 8-1/2 days, but refrigerated fresh fruit and vegetables generally last only 7 to 12 days. Thus, with the indirect shipping route, the risk of spoilage is great.

21. Shipments by air encounter several problems. First, existing planes have small and irregularly available space for cargo--they are neither big enough nor reliable enough for the sorts of volumes to be expected. A simple solution would be to allow exporters to charter jumbo jets, especially during December-February when there are small amounts of production in California and Florida; but the Dominican airlines have objected. Second, the facilities at the airports need to be improved. There are currently too few pallets, so cartons have to be handled by hand, which damages produce like tomatoes and melons. And cartons at the airport are sometimes left in the sun for a couple of hours; long enough to destroy much of the produce.

Export Prohibitions and Taxes

22. Apparently as a carryover from the past, there remain a number of prohibitions and taxes on exports; other prohibitions are occasionally

applied depending on local supply and demand. 3/ A number of exporters complained that these on-and-off prohibitions lost them clients. Exports of beef would presumably have been significantly higher if exports had not been prohibited a few years earlier, causing clients to be lost. Exports of fertilizer were suddenly prohibited for a while in the mid-1970s. An exporter of cassava lost his U.S. client two years ago when exports were suddenly prohibited. The export of onions was prohibited in April 1983; plantains, coconuts, shellfish, and other products have also been prohibited in recent years. All of this damages the Dominican Republic's image as a reliable export supplier, seriously hampering its access to markets where a sustained supply is demanded.

Central Bank Delays

23. Two different delays at the Central Bank hampered exports. Until recently, it could take up to three months before an exporter received back from the Central Bank the dollars that he was permitted to change on the parallel market. He thus lost the interest on this money for the period of the delay. This operation is now in the hands of the commercial banks, eliminating delays. An exporter who used imported inputs, however, must still wait up to 14-15 months for the Central Bank to release the dollars to honor the letter of credit. The exporter is charged interest for the period of the delay. In the case of fertilizer exports, this interest charge eliminates the value of the parallel-market export incentive. Not surprisingly, as a result of the delays in honoring letters of credit, foreign suppliers and banks are wary of dealing in letters of credit with Dominican purchasers.

Shipping risk

24. Another important issue is the burden of shipping risk. In traditional Dominican exports of primary products (sugar, cocoa, coffee, and tobacco), goods are sold f.o.b. against an irrevocable letter of credit and there is no risk to the exporter. For exports of perishable fresh fruits and vegetables, however, the shipping risk is significant. Whereas Dominican exporters of these goods tend to want to sell f.o.b., standard U.S. practice is for sales to be made on consignment. Under this practice, the U.S. importer receives the goods, sells them, and takes a 13-15 percent comission on the selling price, paying the balance to the exporter. Of course, if the goods are damaged in transit, the exporter receives less, and in the extreme case, nothing. At present, many thousands of dollars in export sales are lost because exporters do not understand or accept the consignment system.

The Need for an Export Mentality and Quality Control

25. Some problems confronting exporters stem from a general lack of knowledge of the many and difficult actions required of an investor to make

3/ See Statistical Appendix Table 3.5

an export-oriented project a success. Most non-EPZ exports of non-traditional products from the Dominican Republic have been surpluses; leftovers available for export. This strategy causes two problems. First, overseas clients cannot count on their Dominican source of supply; in lean years they must find alternative suppliers. If these alternatives prove reliable, the clients are likely to continue purchasing from them. Second, this strategy assumes the same goods that are sold domestically can be sold in the United States and Europe. This is not the case in manufactured goods: styles are different, quality-control requirements are more stringent, and timing is vital.

26. Perhaps surprisingly, this also applies to non-traditional agricultural exports. For most such goods, it is simply not possible to have long run success by exporting the same product sold in the Dominican Republic; production devoted specifically to export is needed. Two examples support this conclusion. In each case, a foreign-owned firm growing agricultural products for export has given a good demonstration of the many things needed if such operations are to be a success. The first example, frozen okra, illustrates a model in which the exporter purchases the produce from small farmers. The second example, fresh pineapple, illustrates an alternative model in which the exporter maintains total control over the growing operation. In each case, measures taken to increase productivity and to raise and control quality were crucial.

27. Okra has good market prospects in the United States. Dominican exports of pre-cooked frozen okra to the U.S. rose from close to zero in 1979 to US$3.6 million in 1982, and there appears to be considerable potential for further growth. By 1982, among Dominican non-traditional exports of agricultural and agro-industrial products, exports of okra were exceeded only by coconut cream, canned pigeon peas, and yautia. The source of these exports was a U.S.-owned firm. The manager of this firm's Dominican operation has lived in the Dominican Republic for five years, and is the only foreigner employed by the firm. Okra is bought from 2,442 small farmers, and a further 350 Dominicans are employed full time; 280 as operators of the processing plant and 70 as mechanics and field workers. Okra is a very labor-intensive crop, as every piece has to be picked by hand.

28. To illustrate how to grow okra and the advantages of applying many small but important changes in cultivating methods, many demonstration plots were set up to illustrate both high and low yields. Yields on land of similar quality vary from 800 to 3,300 pounds per tarea. There is one field extension officer for each eighty growers and he sees each grower twice a week. The company provides credit to farmers for the purchase of inputs, ploughs, and working capital, and guarantees the price to the growers. As quality has improved, the price received by farmers has increased from 4 cents a pound to 9 cents a pound.

29. Quality is not a minor matter to the company. The U.S. Department of Agriculture issues regulations concerning the quality of okra. Size,

toughness, and color must be right, and it must be insect-free. Of course, similar quality control standards exist for most vegetables and fruits. 4/

30. One of the most difficult challenges the company has faced is conveying these detailed quality control requirements to its 2,440 small farmers, since there are no such quality restrictions on local sales. A second part of the problem is that since classification and sorting is done only at the processing plant, located far from the growers, it takes time to give growers feedback on the sizes and qualities they are sending in. The quality problem is made more difficult by the fact that many growers are illiterate. The manager of the company estimates that in three more years (i.e. a total of eight) the quality control problem will have been solved.

31. The company has found Dominican workers to be very trainable. Compared with some other Latin American countries in which it has worked, there is less absenteeism and a greater sense of responsibility. Several workers have been trained in the United States. Since okra cannot be grown all year round, current plans are to grow okra for 7 months and in the off season plant other crops that replace the nitrogen used intensively by okra. These vegetables could be frozen and exported using essentially the same equipment and infrastructure that is used for okra.

32. The second example is provided by a transnational corporation currently growing fresh pineapples for export in the Villa Altagracia Valley. Because of the many problems involved in purchasing produce for small holders that were illustrated in the okra case, this company prefers to retain full control of the growing operation itself. The company's current aim is to lease 2,500 acres (it originally wanted 5,000) and enter a joint venture with the State Sugar Company (CEA) which owns the land. A total of 700 people will be employed; 500 working in agriculture and packaging the fresh fruit and 200 working in the central plant. Export of 1.5 million boxes of fresh fruit are expected to amount to US$6 million a year, with a further US$1.25 million in concentrated juice exported in wooden bins.

33. The company has taken many costly steps to ensure export success. First, an in-depth market survey was done. This indicated that the market is likely to bear exports of 5-6 million boxes a year, each box containing 6-14 pineapples weighing a total of about 40 pounds. Hawaii is currently the main supplier to the U.S. but because of transport cost differentials, the Dominican Republic can land pineapples on the east coast and truck them to the south and midwest cheaper. In Europe, there seems to be a good chance of opening up a year-round market. Overhead costs include the purchase of equipment, training of people to plant and pack pineapples and to drive

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4/ For honeydew melons, for example, the 17 specifications relate to size, shape, color, ripeness, sugar content, cleanliness, cracks, bruising, sunburn, liquid content, damage caused by hailstorms, and so forth.

tractors, trucks and forklifts; and planting of a 100-acre seedbed used to plant 100 acres a month. Extensive and costly research determined how best to plant the seedlings (number per acre, conditions); how best to feed the plants and with what; how best to control flowering; how and when to harvest; and how best to control quality before, during and after harvest, during packing, during transport and on arrival in the United States.

34. The company has been hampered throughout its Dominican operations by an inability to obtain leased land. In the Villa Altagracia area, where the company is currently operating only 700 of the requested 5,000 acres, the problem appears to have been with CEA. While pineapples are far more labor-intensive than sugar, CEA's mill employees have objected to increasing the size of the pineapple operations. In the Azua area, the company had well worked-out plans to lease 2,000 acres from the Government and use it in a large-scale project for the export of melons, peppers, okra, cucumbers and eggplant; four years later, the land has not yet been made available. The result is that the company's exports of fresh pineapples are currently not the 2 million boxes a year as originally planned for 1983 but 0.3 million boxes, and exports of fresh melons and vegetables are zero. The company claims that if it had known that the land availability problems would drag on for 3-4 years it would never have begun the project.

35. The demand for pineapples is substantial. In addition to the market prospects for fresh fruit delineated in the market survey, the firm has received a request to supply 20,000 tons of processed pineapples a year, for which 30,000 tons of fresh pineapples would need to be grown. This would require a second project almost as big as the existing one. Of course, this order is not likely to be filled if no more land is made available. By comparison with this pineapple project, a small local firm that intends to begin exporting fruit juices, has never produced juices before, and has done no market survey but thinks that "there might be a market in Puerto Rico." The firm's quality control consists of a taste test carried out by the chief production engineer. Of course, other larger local firms are more professional--but none approaches the sophistication of the two foreign firms described above.

D. Non-Traditional Exports: Recommendations

Packaging Materials

36. There are several possible solutions to the can problem. First is the question of fact. In spite of complaints of users, the Dominican can company insists its cans are of similar quality and price (at the parallel exchange rate) as cans on the world market. However, If the price differential is indeed significant and reflects monopoly rent, the Government could fix the supply price of cans to exporters at the world market price.

Alternatively, the Government could allow a second can-making plant to be set up, possibly solely to service the agro-export industry. If exporting fresh winter produce to the United States is to be feasible, a solution has to be found to the cardboard carton problem. The quality of existing Dominican cartons was not good enough to protect the goods, and the price mechanisms for importing cartons were too cumbersome for all but the largest firms. Recent changes in import regulations may ameliorate this problem.

Other Inputs and Effective Protection

37. A move from the present regime of quantitative import restrictions and high variation in effective protection to a unified ad valorem duty has been advocated earlier in this report. Fundamental for the success of traditional exports is to lower to this level all tariffs on imported intermediate inputs and raw materials presently not included in the list of exonerated imports. All these import restrictions could be replaced by the 20 percent ad valorem tariff suggested earlier in the report, irrespective of whether a similar commodity is produced domestically.

Reforms in the Administrative System

38. It is crucial that some way be found to increase the predictability of customs department decisions (perhaps by clearer regulations) and accelerate the operation of the "internacion temporal" process. It ought to take 2-3 days to get imported inputs out of customs, not 2-3 weeks or months. CEDOPEX has taken some recent steps designed to reduce export procedures; the effect of these steps may be apparent soon. While administrative reforms (document simplification, reducion of approvals, training courses, etc.) can help, the fundamental problem of administrative delays and uncertainty stems from the many discretionary programs of the Government. The goal should be to reduce them and depend on more automatic price signals and clearer regulations as more stable incentives.

Transport and Insurance

39. The idea of exporting large volumes of fresh produce to the United States from the Dominican Republic is relatively new, so it is quite understandable that existing transport facilities are inadequate. Because of the high risk of spoilage if fresh produce is shipped on the longer route via Puerto Rico, more shipping is needed on the direct Dominican Republic-U.S. route.[5/] What is needed, at least during the peak produce-exporting season, is one ship every 3 days. Although the Government could offer such a service itself, it would probably be more efficient if it simply offered a sliding-scale subsidy to an existing carrier to increase its frequency of operation. The subsidy would fall as the volume of produce shipped rose. The subsidy could be withdrawn completely as soon as the volume of produce shipped fully justified the service.

5/ Probably to Miami from either Haina, Puerto Plata or Azua.

40. In addition, exporters of fresh produce who wish to charter jumbo jets to transport their goods to the United States should be allowed to do so, and an arrangement made with the Dominican airlines to ensure that these planes are allowed to land. If necessary, it might be stipulated that such jumbos be used for fresh produce only. Further, refrigerated storage and palleting facilities at Dominican ports and airports need to be expanded and improved. The Government might consider encouraging a private firm to sell insurance for the shipping risk for fresh fruits and vegetables. Such insurance could help smaller operators adjust to the idea that they have to sell fresh fruit and vegetables on consignment rather than f.o.b. It is important that quality control and shipping improvements be made sooner rather than later. It will take only a few large shipments of fresh produce to arrive spoiled or damaged for the country to get a bad name as an unreliable supplier.

Clarifying Rules for Foreign Investors

41. It seems most unlikely that the 2,800 Dominicans who earn a living from growing, processing and exporting frozen okra could have made a success of this activity without the detailed knowledge of the U.S. market and optimal growing practices that the foreign company has provided. Similarly, knowledge of the U.S. market and optimal growing practices, and the ability and willingness to spend large sums on infrastructure and research seems to have been crucial to success in the pineapple exporting project. At least initially, it may be necessary to encourage foreign firms to provide these sorts of expertise. The problems faced by the pineapple exporting company in obtaining leased land suggest that the Government may have been ambivalent about this in the past. To remedy this situation the Government has recently revised the foreign investment law to clarify the legal status of investors.

E. The Potential for Export Processing Zones

42. Three Export Processing Zones (EPZs) are currently in operation in the Dominican Republic: Santiago, La Romana, and San Pedro de Macoris. A fourth zone in Puerto Plata is expected to be in operation by the end of 1983. In addition, 9 enterprises, mostly agro-industrial, have been classified as Special Free Zones (SFZs) and are located in different parts of the country. 6/

43. The number of firms located in the EPZs and SPZs grew from 8 in 1970 to about 100 in 1982 and is projected to be 112 by the end of 1983. This growth was not even, either by zone or by time period. In Santiago,

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6/ These enterprises enjoy the same duty-free import benefits of EPZ firms and receive the same (official) exchange rate for their exports, but do not enjoy the common facilities of the EPZ industrial estates.

growth was rapid from 1974 to 1981, when there were 38 firms, but there has been little net increase (by end-1983, the number of firms was 42) in the number of firms since then. In San Pedro de Macoris growth continued through 1982, when there were 33 firms. In La Romana, the number of firms in early 1983 (19) was only three greater than it had been in 1976, and the same as in 1979. The low post-1976 growth rate in La Romana compared with the other two EPZs may be due partly to higher rents and a deliberate policy effort to limit the expansion of La Romana's industrial Park. On average, the firms in La Romana are considerably larger (average employment is 435 persons per firm) than those in Santiago (166), San Pedro de Macoris (109), and the SFZs (112). In 1982, 62 percent of EPZ firms produced garments and textiles, 12 percent produced footwear and leather products, 8 percent produced cigars and processed tobacco, 2 percent produced electronic and electrical goods, and the remaining 16 percent produced miscellaneous items.

44. The value of the net exports from EPZs and SFZs increased from US$1 million in 1970 to US$62 million in 1982. (The value of net exports is the quantity of foreign exchange surrendered to the Central Bank; alternatively, it can be seen in theory as the gross value of exports less the value of imports used to produce them.) In the three EPZs, the annual growth of the net value of exports was consistently 20 percent or better during 1970-1980, and averaged 33 percent a year during 1975-1980. By contrast, during 1980-1982 the annual growth rate in the three EPZs ranged from minus 5 percent to a positive 20 percent. In the SFZs, the nominal net value of dollars earned was barely greater in 1982 than it had been in 1976; in real terms it had returned to its 1974-1975 level. Nevertheless, even in 1982 the net value of EPZ exports was considerably greater than the gross value of exports of non-traditional agricultural goods, agro-industrial goods and other non-EPZ industrial goods.

45. Total direct employment in the EPZs and SFZs rose from about 500 in 1970 to about 20,000 in 1982. The largest zone in terms of employment provided was Santiago (7,700 in early 1983). This was followed by La Romana (7,000), San Pedro de Macoris (4,000) and the SFZs (1,600). The annual rate of growth of direct employment in the three EPZs was consistently greater than 20 percent through 1979, before falling below zero in 1982. For each person employed directly in an EPZ probably another 2 are employed indirectly in trade and commerce, transport, services, and provision of goods to the employed persons who now have higher incomes.7/ Thus, taking the more conservative estimate, directly and indirectly, the EPZs were probably responsible in 1982 for some 50,000 jobs. If it is assumed conservatively that each person employed provides at least partial income support for at

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7/ The Consejo Nacional de Zonas Francas Industriales estimates 1.5. See "Programa de Trabajo y Presupuesto Operativo, 1983," mimeo, Santo Domingo, September 1982. Nauel Dominguez estimates about 3; Vide, "Consideraciones sobre las Zonas Francas Industriales en la Republica Dominicana," mimeo, Central Bank, 1982.

least 3 others,[8] some 200,000 people (or 4 percent of the country's population) benefit directly or indirectly from the creation of jobs in the EPZs. Because of low wage-skill ratio and lower propensity for labor relations problems, a large proportion of the jobs created directly by EPZs are occupied by women. In Santiago in 1982, the proportion was 68 percent; in La Romana it was 82 percent. In jobs created indirectly, the ratio of females to males is probably somewhat lower.

Benefits and Costs of EPZ

46. Besides the considerable net foreign exchange generated, the main benefit of the EPZs is the direct and indirect creation of at least 50,000 jobs and some form of support to at least 4 percent of the population.[9] They have also helped to decentralize industry and employment. Almost equally important is the role of EPZs in providing a first-rate training ground for workers and mid-level managers. Almost all EPZ firms have trained the workers, supervisors and mid-level managers who they employ. Because plants are well laid-out, quality control is stringent, and the operations are well run, workers and mid-level personnel are getting an excellent education in what is needed to export labor-intensive products; a training that is not available elsewhere in the Dominican Republic.

47. The above benefits from the existence of the EPZs are derived by the Dominican Republic at minimal cost:

(a) In the Santiago EPZ, the only cost incurred by the Government was the DR$6 to 7 million initial investment. One of the aims of the non-profitmaking local body that runs the EPZ has been to pay for all services provided to EPZ firms (improvements to roads and buildings, provision of electricity, etc.) from fees charged to these firms--and this has been achieved. Although institutional arrangements at the other two EPZs are different, Government costs are minimal.

(b) The on-the-job labor training provided in the EPZs is provided entirely at the EPZ firm's expense.

(c) The cost to the economy of creating a job in the EPZs is far lower than the cost of creating a job outside the EPZs. According to a recent study,[10] the cost of creating a job in the Santiago EPZ is RD$3,250 or about one fourth of the cost of a job in import-substitution industries established under law 299.[11]

8/ Dominguez, op cit., assumes that the figure is five rather than three.

9/ In the town of La Romana it has been estimated that the wages and salaries paid by EPZ firms benefit about 50 percent of the local population. See M. Dominguez, op. cit..

10/ M. Dominguez, op.cit..

11/ This estimate of the cost of one job is based upon data from applications for law 299 status.

(d) Firms locating in EPZ may be footloose, and may leave the country with only short notice, leaving much unemployment behind them. However, if the Dominican Republic is able to keep the EPZs attractive, this turnover will be of the desirable and natural kind: firms specializing in assembling garments, for example, will gradually be replaced by firms using (and training) labor that is more skilled. The continued existence and prosperity of EPZs in East Asia over a period when real wages have more than trebled is testimony to the fact that rising wages need not signal the end of the EPZs.

Attractions of Dominican Republic EPZs to Foreign Firms

48. The firms located in the three EPZs are predominantly foreign owned. Most have only one foreign employee, the manager, who is not only an expert but has worked in several different countries. They were unanimous regarding the advantages the Dominican Republic offered to them. These included: (a) Political stability and good personal safety relative to other host countries. (b) A good labor force; workers learn fast, and once trained, productivity is high, with effective quality control procedures.12/ (c) Good administration; the EPZs are relatively efficiently run and bureaucratic problems, while not entirely absent, are not overwhelming. (d) Nearness makes possible more re-orders of a fast-selling item. Re-orders tend to be particularly profitable because they require no new plant organization.

F. EPZ: Problems and Recommendations

49. Although the Dominican EPZs have had significant success, a number of problems remain. The important ones appear to be quite solvable.

Cost, Profitability,and Competitiveness

50. During the past several years, some 42 companies have closed operations in the three Dominican EPZs. In addition, two EPZs have noted that at least 102 companies have enquired about investing in an EPZ in the Dominican Republic but have failed to do so. Further, of the 100 or so companies currently operating in Dominican EPZs, at least 21 have already opened similar operations in other countries; and the trend is continuing.

12/ The high quality of EPZ-produced goods can be seen from the fact that EPZ firms have been able to export goods bearing labels like La Coste, Florsheim and Partagaz (cigars), among many others.

51. If the former rate of growth is to be recaptured and if decline is to be averted, it is almost certainly going to be necessary to allow EPZ firms partial and eventually full access to the parallel foreign exchange market. At present, EPZ firms have to exchange the dollars they earn at the official exchange rate in order to pay local costs (wages, electricity,, rent, etc.). Table II presents the Ministry of Industry and Commerce's evaluation of the relative competitive position of Dominican EPZs, using the official exchange rate for peso costs. The analysis concludes that costs of the Dominican EPZs compare quite favorably with other EPZs in the Caribbean. It was prepared in response to a study sponsored by the EPZ firms that concluded that costs in Dominican EPZs are higher than in several other countries in the region. The comparison is made difficult by volatile and temporary exchange rate conditions, but the evidence together with the record of slow growth of the Dominican EPZs in recent years seems to support the gradual transfer of EPZ exports to the parallel market in conformity with the medium-term plans for a unification of the foreign exchange market.

Table II: COMPARISON OF TOTAL US$ COST ESTIMATES FOR FACTORY OPERATIONS IN SEVEN COUNTRIES OF THE CARIBBEAN AREA, 1983[a]/
(US$ thousand)

Country	Direct Salaries and Benefits	Electricity Cost	Rental on Factory Building	Total Cost
Haiti	479.0	41.3	48.0	568.3
Costa Rica	667.2	25.6	77.0	769.8
Dominican Republic	818.7	65.0	36.0	919.7
Colombia	932.2	27.3	87.0	1,046.5
Mexico	942.4	25.2	90.0	1,057.6
Panama	1,015.7	42.0	99.0	1,156.7
Jamaica	1,737.6	54.6	36.0	1,828.2

a/ Cost comparison based on a textile factory employing 500 people in a 30,000 square foot building using 420,000 kilowatts of electricity annually.

Source: Central Bank

Domestic inputs

52. Most EPZ firms use a small amount of domestically-produced inputs. Managers generally felt that the inputs that are available are not of the appropriate quality, price, and dependability of delivery, and this accords with the mission's findings. To date, the Dominican Government has resisted suggestions that it should require EPZ firms to buy a certain proportion of their inputs locally. This resistance has been wise; it seems certain that

any such rule would cause many firms to move out. If and when local goods improve in quality and reliability of delivery, and if EPZ firms are allowed to exchange export earnings in the parallel market EPZ firms will use them of their own accord.

Customs

53. All customs papers for imported goods, inputs and machinery, are processed by Government offices in Santo Domingo. This is true even if the imports arrive at Puerto Plata. The delay is only a few days; yet in exporting clothing, for example, even a few days can be important. Within the Santiago EPZ, there were a number of complaints that the hours of the local customs office were inappropriate and that too much overtime was charged to ensure customs clearance of urgently-needed goods and materials. Finally, all goods being imported to the Dominican Republic must have a consular invoice signed by the Dominican Consul in the country of origin. This requirement may be unique to the Dominican Republic. If the Consul is absent from his office for a few days, urgently needed merchandise can be delayed, and entire plants can be stopped. If consular invoices could be dropped and customs paperwork processed in Santiago or Puerto Plato, these problems could be ended.

Electricity and Telephone

54. EPZ firms suffer from the same problems with the cost and irregularity of supply of electricity as non-EPZ firms. The Dominican telephone system is not adequate for an exporter. For example, it is not possible to dial direct from Santiago to Santo Domingo, let alone to the United States. All calls must go through operators, often with some delay.

EPZ Administration

55. On the whole, Dominican EPZs appear to be well and efficiently run. However, it seems that the two privately-run zones (Santiago and La Romana) are run more efficiently than the government-run zone at San Pedro de Macoris. It might be useful, then, if any future zones that are set up follow the Santiago or La Romana models, rather than that of San Pedro de Macoris. One United States businessman who has managed firms in the United States, Mexico, Central and South America, and Taiwan (several of these in EPZs) was full of praise for the administration of the Santiago EPZ. The one change suggested was a one-stop initiating office. In the Taiwan EPZs, a firm setting itself up only has to go to one office to organize buildings, power supply, telephone, visas, housing for personnel, schooling for children, translators, tariff exemptions to import an automobile, and to recruit personnel. Perhaps some such concentration of services might be considered for existing and future Dominican EPZs.

United States Quota

56. In a few lines (pyjamas, some kinds of pants) expansion of Dominican clothing exports is blocked by the limited United States quota. However, unlike in many developing countries, there are still a large number of clothing items in which there is yet no U.S. quota restriction. Thus, the prospects for export expansion in the industry are good.

STATISTICAL APPENDIX

STATISTICAL APPENDIX

STATISTICAL APPENDIX

STATISTICAL APPENDIX

The following Symbols are used for all tables:

Zero: -
Not Available: -- (also n.a. and blank)
Negligible: ...

Standard Table 1: NATIONAL ACCOUNTS SUMMARY

(US$ millions) [a]/

	1978	1979	1980	1981	1982	1983
GDP	4,728.4	5,525.4	6,649.0	7,227.0	7,877.0	8,527.0
Resource Gap	326.0	349.4	647.4	305.8	392.8	300.0
Imports (GNFS)	1,154.0	1,484.3	1,918.7	1,818.4	1,534.6	1,550.0
Exports (GNFS)	828.0	1,134.9	1,271.3	1,512.6	1,141.8	1,250.0
Total Expenditures	5,054.4	5,874.8	7,296.4	7,532.8	8,269.8	8,827.0
Consumption	3,924.2	4,480.6	5,586.3	5,774.0	6,633.0	7,007.0
General Government	271.1	420.4	519.5	693.0	776.0	750.0
Private	3,653.1	4,060.2	5,066.8	5,081.0	5,857.0	6,257.0
Gross Domestic Investment	1,130.2	1,394.2	1,710.1	1,758.0	1,637.0	1,845.0
Fixed Investment [b]/	1,031.9	1,335.0	1,628.3	1,694.0	1,557.0	1,769.0
Changes in Stock	98.3	59.2	81.8	64.0	80.0	76.0
Domestic Saving	804.1	1,045.1	1,063.1	1,453.1	1,244.1	1,545.0
Net Factor Income	135.7	187.7	210.2	293.1	254.1	289.0
Net Current Transfers	149.8	205.8	187.8	193.0	205.0	215.0
National Saving	818.2	1,063.2	1,040.7	1,353.0	1,195.0	1,471.0
Average Exchange Rate (Peso per US$)	1.0	1.0	1.0	1.0	1.0	1.0

[a]/ Dominican currency.
[b]/ Estimated.
Source: Statistical Appendix Tables 2.1, 2.3, 2.5, 2.7 and 3.1

Standard Table 2: NATIONAL ACCOUNTS SUMMARY

(1978 US$ millions)[a/]

	1978	1979	1980	1981	1982	Est. 1983
GDP	4,728.4	4,951.1	5,235.4	5,433.8	5,520.0	5,688.5
Terms of Trade Effect	0.0	18.8	227.4	318.8	-1.3	36.9
Gross Domestic Income	4,728.4	4,969.9	5,462.8	5,752.6	5,518.7	5,725.4
Resource Gap	326.0	321.8	543.1	236.0	299.2	220.5
Imports (GNFS)	1,154.0	1,366.8	1,609.6	1,403.1	1,168.8	1,138.9
Capacity to import	828.0	1,045.0	1,066.5	1,167.1	869.6	918.4
(Exports (GNFS)	828.0	1,026.1	839.1	848.3	870.9	881.5
Total Expenditures	5,054.4	5,272.9	6,005.9	5,988.6	5,817.9	5,945.9
Consumption	3,924.2	4,029.3	4,754.3	4,568.0	4,852.2	4,886.3
General Government	271.1	378.0	442.1	548.2	567.6	523.0
Private	3,653.1	3,651.3	4,312.2	4,019.8	4,284.6	4,363.3
Gross Domestic Investment	1,130.2	1,243.6	1,251.6	1,420.6	965.7	1,059.6
Fixed Investment [b/]	1,031.9	1,172.1	1,221.5	1,082.4	910.0	950.3
Changes in Stocks	98.3	71.5	30.1	338.2	55.7	109.3
Domestic Saving	804.2	940.6	708.5	1,184.6	666.5	839.1
Net Factor Income	135.7	168.5	173.0	233.0	178.8	174.6
Current Transfers	149.8	184.7	154.6	153.4	144.3	144.9
National Saving	818.3	956.8	690.1	1,105.0	632.0	809.4
Deflators:						
GDP	100.0	111.5	127.0	133.0	142.7	149.9
Imports	100.0	108.6	119.2	129.6	131.3	136.1
Exports	100.0	110.6	151.5	178.3	131.1	141.8
Total Expenditures	100.0	111.4	121.5	125.8	142.1	148.4
Consumption	100.0	111.2	117.5	126.4	136.7	143.4
Investment	100.0	113.9	133.3	156.5	171.1	183.1

[a/] Dominican currency.
[b/] Estimates.
Source: Statistical Appendix Tables 2.1, 2.3, 2.5, 2.7 and 3.1
January 1984

Standard Table 3: BALANCE OF PAYMENTS SUMMARY

(US$ millions)

	1978	1979	1980	1981	1982	Est. 1983
Exports	828.0	1,134.9	1,271.3	1,512.6	1,141.8	1,250.0
Merchandise	675.5	868.6	961.9	1,188.0	767.7	816.0
Non-factor Services	152.5	266.3	309.4	324.6	374.1	434.0
Imports	1,154.0	1,484.3	1,918.7	1,818.4	1,534.6	1,550.0
Merchandise	862.4	1137.5[c]/	1,519.7[d]/	1,451.7[e]/	1,257.3	1,275.0
Non-factor Services	291.6	346.8	399.0	366.7	277.3	275.0
Resource Balance (x-m)	-326.0	-349.4	-647.4	-305.8	-392.8	-300.0
Net Factor Income (Credit)	-135.7	-187.7	-210.2	-293.1	-254.1	-289.0
Factor Receipts	20.8	31.9	41.8	11.8	4.4	5.0
Factor Payments	-156.5	-219.6	-252.0	-304.9	-258.5	-294.0
(Medium and Long-Term Interest Paid [a]/	47.2	78.5	109.4	132.0	113.3	--
Net Current Tranfers	149.8	205.8	187.8	193.0	205.0	215.0
Transfer Receipts	150.6	206.5	189.9	194.4	206.5	216.5
Transfer Payments	0.8	0.7	2.1	1.4	1.5	1.5
Current Balance	-311.9	-331.3	-669.8	-405.9	-441.9	-374.0
Direct Investment	39.6	-13.4	62.7	79.7	-1.4	35.0
Official Grant Aid [b]/						
Net Medium and Long-Term Loans	-20.4	-25.7	-9.6	-58.9	-22.0	-51.2
Disbursements	50.2	42.6	78.9	9.3	2.1	8.0
Repayments	70.6	68.3	88.5	68.2	24.1	59.2
Other Medium and Long-Term (Net)	142.5	288.9	355.7	279.8	172.5	56.5
Net Credit from IMF	-	74.2	-64.8	-25.3	40.6	178.4
Disbursements	-	88.2	-	-3.8	51.4	--
Repayments	-	14.0	64.8	21.5	10.8	--
Net Short-Term Capital	39.3	-41.0	103.2	-38.4	-2.8	-6.7
Capital Flows net and Errors and Omissions	-15.8	39.2	-104.8	-18.1	-55.5	-154.0
Change in Net Reserves	95.1	87.5	117.8	150.9	310.5	8.0

[a]/ Does not include interest on IMF loans and non-guaranteed medium and long-term loans.
[b]/ Included in current transfers.
[c]/ Includes US$16.9 million of donations on account of hurricanes, US$22.5 million corresponding to imports of merchant vessels not covered by customs data, and US$17.7 million of other coverage adjustments.
[d]/ Includes US$21.3 million of coverage adjustments.
[e]/ Includes US$1.5 million of coverage adjustments.

Table 1.1: PAST AND PROJECTED POPULATION, 1950-2000

YEAR	Annual Growth Rate[a]/ (percent)	Total	Male	Female	Aged 15-64	Percent Urban	Labor Force in: Agric.	Indust.	Services
				(thousands)				(Percent)	
1950	--	2,136	—	—	—	23.7	70.6	11.6	17.7
1960	3.62	3,047	—	—	—	30.2	66.5	12.2	21.3
1970	2.78	4,006	—	—	—	40.3	61.2	14.0	24.8
1980	3.09	5,431	2,746	2,685	2,845	51.0	49.0	18	33
1985[b]/	2.80	6,234	3,149	3,085	3,449	—	—	—	—
1990[b]/	2.62	7,096	3,582	3,514	4,087	—	—	—	—
1995[b]/	2.41	7,994	4,033	3,961	4,724	—	—	—	—
2000[b]/	2.12	8,880	4,478	4,402	5,443	—	—	—	—

a/ Average Annual Growth Rate for period ending in year shown.
b/ Projections.
Source: World Bank

Table 1.2: DEMOGRAPHIC INDICATORS, 1950-2000

Year	Crude Birth Rate[a]/	Crude Death Rate[a]/	Total Fertility Rate[b]/	Life expectancy at Birth (years)	
				Male	Female
1950	51.4	20.6	7.5	43.6	46.7
1960	49.8	14.7	7.5	50.9	54.4
1970	42.0	10.6	6.2	56.1	59.8
1980	34.0	7.9	4.2	60.7	64.6
1985	32.6	6.7	3.9	62.8	66.6
1990	29.8	5.9	3.5	64.6	68.6
1995	26.4	5.4	3.1	66.3	70.3
2000	23.2	5.1	2.7	67.7	71.7

a/ per thousand of population.
b/ children per woman.
Source: World Bank

Table 2.1: ORIGIN OF GROSS DOMESTIC PRODUCT, 1978-83
(DR$ Million)

	1978	1979	1980	1981	1982	Est. 1983
GDP at market prices	4,728.4	5,525.4	6,649.0	7,227.0	7,877.0	8,527.0
Primary Production	1,004.3	1,287.7	1,681.7	1604.0	1,609.2[a]/	1,704.8[a]/
Crops	621.4	680.0	927.3	951.6	819.7	845.2
Livestock	244.1	339.9	420.4	335.0	489.7	307.1
Forestry and fishing	20.8	35.0	42.3	45.0	52.8	54.4
Mining	118.0	227.8	291.7	272.4	247.0	292.1
Secondary Production	1,265.3	1,370.3	1,546.1	1754.7	2,087.9	2,169.8
Manufacturing	873.7	920.0	1,005.1	1,124.4	1,475.6	1,522.7
Construction	349.0	419.0	509.7	563.5	487.6	522.2
Electricity	42.6	31.3	31.3	66.8	124.7	124.9
Services	2,458.8	2,872.4	3,421.2	3,868.3	4,179.9	4,245.8
Commerce	732.8	861.0	1,048.7	1,173.6	1,319.4	1,335.7
Transport and communications	322.2	354.9	362.3	390.8	654.3	661.0
Financial services	154.9	191.0	237.8	286.8	197.1	207.6
Housing	402.8	456.3	557.2	681.2	507.5	515.2
Public administration	326.3	469.1	553.2	607.9	810.2	820.0
Other	519.8	540.0	662.0	728.0	691.4	706.3

a/ Estimates.
Source: Central Bank

Table 2.2: ORIGIN OF GROSS DOMESTIC PRODUCT, 1978-83

(1970 DR$ Million)

	1978	1979	1980	1981	1982	Est. 1983
GDP at Market Prices	2,619.5	2,741.6	2,899.5	3,010.0	3,057.8	3,152.3
Primary Production	571.1	608.2	608.1	644.3	624.7	661.8
Crops	293.8	287.9	296.6	312.1	318.2	328.1
Livestock	151.8	156.4	168.2	179.1	190.1	199.2
Forestry and fishing	11.2	17.4	18.5	19.6	20.5	21.1
Mining	114.3	146.5	124.8	133.5	95.9	113.4
Secondary Production	700.0	732.0	775.7	797.0	810.5	842.3
Manufacturing	482.5	504.8	530.2	544.5	572.8	591.1
Construction	174.5	183.5	196.5	199.1	189.3	202.7
Electricity	42.9	43.7	49.0	53.4	48.4	48.5
Services	1,348.4	1,401.4	1,515.7	1,568.7	1,622.6	1,648.2
Commerce	438.6	451.5	473.6	494.9	512.2	518.5
Transport and communications	218.9	225.4	230.5	242.7	254.0	256.6
Financial services	66.4	67.9	70.4	73.3	76.5	80.6
Housing	177.2	186.0	198.1	198.8	197.0	200.0
Public administration	200.4	236.1	277.7	300.1	314.5	318.3
Other	246.9	234.5	265.4	258.9	268.4	174.2

Source: Central Bank

Table 2.3: GROSS DOMESTIC EXPENDITURE, 1978-83
(DR$ Million)

	1978	1979	1980	1981	1982	1983
GDP at Market Prices	4,728.4	5,525.4	6,649.0	7,227.0	7,877.0	8,527.0
Resource balance	-326.0	-349.4	-647.4	-305.8	-392.8	-300.0
Exports a/	(828.0)	(1,134.9)	(1,271.3)	(1,512.6)	(1,141.8)	(1,250.0)
Imports a/	(-1,154.0)	(-1,484.3)	(-1,918.7)	(-1,818.4)	(-1,534.6)	(1,550.0)
Consumption and Investment Expenditure	5,054.4	5,874.8	7,296.4	7,532.0	8,270.0	8,823.0
Consumption	3,924.2	4,480.6	5,586.3	5,774.0	6,633.0	7,007.0
Private	(3,653.1)	(4,060.2)	(5,066.8)	(5,081.0)	(5,857.0)	(6,257.0)
Public	(271.1)	(420.4)	(519.5)	(693.0)	(776.0)	(750.0)
Gross capital formation	1,031.9	1,335.0	1,628.3	1,694.0	1,557.0	1,740.0
Private	(699.1)	(1,036.1)	(1,296.1)	(1,349.0)	(1,264.0)	(1,388.0)
Public	(332.8)	(298.9)	(332.2)	(345.0)	(293.0)	(352.0)
Change in inventories	98.3	59.2	81.8	64	80	76

a/ Exports and Imports of Goods and Non-Factor Services.

Source: Central Bank

Table 2.4: GROSS DOMESTIC EXPENDITURE, 1978-83
(1970 DR$ Million)

	1978	1979	1980	1981	1982	Est. 1983
GDP at Market Prices	2,619.5	2,741.6	2,899.6	3,010.0	3,057.8	3,152.3
Foreign balance	-78.4	-63.5	-316.3	-199.2	-58.3	-35.3
Exports	(542.7)	(672.4)	(549.9)	(555.9)	(570.9)	(577.6)
Imports	(-621.1)	(-735.9)	(-866.2)	(-755.1)	(-629.2)	(-612.9)
Consumption and Investment Expenditure	2,697.9	2,805.1	3,231.6	3,209.2	3,116.1	3,187.6
Consumption	2,062.3	2,117.9	2,498.7	2,400.8	2,550.2	2,568.5
Private	(1,887.1)	(1,902.2)	(2,233.0)	(2,113.6)	(2,251.8)	(2,293.6)
Public	(175.2)	(215.7)	(265.7)	(288.2)	(298.4)	(274.9)
Gross capital formation	574.8	653.2	680.6	603.3	507.2	566.8
Private	(412.6)	(519.4)	(529.4)	(480.4)	(411.8)	(452.1)
Public	(162.2)	(133.8)	(151.2)	(122.9)	(95.4)	(114.7)
Change in inventories	60.8	34.0	52.3	205.1	58.7	52.3

Sources: Central Bank and IMF.

Table 2.5: SAVINGS AND INVESTMENT, 1978-83
(DR$ Million)

	1978	1979	1980	1981	1982	Est. 1983
Gross Domestic Investment	1,130.2	1,394.2	1,710.1	1,758.4	1,637.0	1,845.0
Public sector	332.8	298.9	332.2	345.4	293.0	--
Private sector	797.4	1,095.3	1,377.9	1,413.0	1,344.0	--
Gross National Saving	818.2	1,063.2	1,040.7	1,353.0	1,195.0	1,471.0
Public sector [a/]	165.0	27.0	98.0	32.0	-170.0	5.6
Central government	(144.0)	(69.0)	(165.0)	(154.0)	(-33.0)	18.3
Rest of public sector	(21.0)	(-42.0)	(-67.0)	(-122.0)	(-137.0)	-12.7
Private sector	653.2	1,036.2	942.7	1,321.0	1,365.0)	1,465.0
Foreign Saving	312.0	331.0	670.0	406.0	442.0	374.0
Public sector capital	157.4	195.4	365.5	174.0	--	289.8
Private sector capital	43.6	13.4	155.5	89.0	--	42.2
Change in net international reserves (increase -) [b/]	111.0	122.2	149.0	143.0	--	42.0

[a/] These are not equal to values in Table 2.7 which were calculated on a different basis.

[b/] Includes gold valuation adjustment and SDR allocation.

Source: Central Bank and IMF.

Table 2.6: COMPOSITION OF PRIVATE AND PUBLIC INVESTMENT, 1974-81
(in percent of 1970 DR$)

	Private Investment				Public Investment		
Year	Construction	Equipment	Change in Stocks	TOTAL	Construction	Equipment	TOTAL
1974	37.8	47.6	14.6	100	78.4	21.6	100
1975	38.2	52.0	9.8	100	75.8	24.2	100
1976	40.7	48.0	11.3	100	88.2	11.8	100
1977	43.0	47.8	9.2	100	86.3	13.7	100
1978	44.3	42.9	12.8	100	88.5	11.5	100
1979	49.0	44.9	6.1	100	74.7	25.3	100
1980	50.6	40.4	9.0	100	68.2	31.8	100
1981	57.1	37.4	5.5	100	76.7	23.3	100

Sources: ONAPLAN, Lineamientos de politica economica y programa de inversiones publicas, Enero de 1983; Central Bank, Inversion Bruta Interna segun tipo comprador; Boletin Mensual, Abril de 1983, Diciembre de 1982 y Diciembre de 1978.

Table 2.7: PUBLIC AND PRIVATE SHARE OF INVESTMENT AND SAVINGS, 1970-82

YEAR	INVESTMENT			SAVINGS			
	Gross Domestic Investment (DR$ million)	Public Share (%)	Private Share (%)	Total (%)	Domestic		Foreign Share (%)
					Public Share (%)	Private Share (%)	
1970	284.4	26.7	73.3	100	36.6	16.1	47.3
1971	297.6	30.7	69.3	100	44.8	6.0	49.2
1972	391.7	38.3	61.7	100	40.7	39.4	20.0
1973	518.1	31.9	68.1	100	39.1	36.1	24.8
1974	683.1	31.0	68.1	100	34.2	25.2	40.6
1975	882.2	32.6	67.4	100	53.7	33.5	12.9
1976	881.7	28.3	71.7	100	45.5	21.8	32.7
1977	999.5	28.2	71.8	100	36.1	33.2	31.4
1978	1130.2	29.4	70.6	100	14.6	57.8	27.6
1979	1394.2	21.4	78.6	100	1.9	74.3	23.7
1980	1710.1	19.4	80.6	100	5.7	55.1	39.2
1981	1758.0	19.3	80.7	100	1.8	75.5	22.7
1982	1637.0	16.3	83.7	100	-15.9	58.8	26.1
1983	1816.0	19.4	76.4	—	—	—	—

Source: Central Bank, ONAPLAN, World Bank, and IMF.

Table 2.8: INDICATORS OF EXTERNAL SHOCKS AND STRUCTURAL ADJUSIMENT 1976-82
(percent)

	Average 1976-78	1979	1980	1981	Average 1979-81	1982	Average 1979-82
I. POLICY VARIABLES							
1. Real Effective Exchange Rate	100	104.7	100.9	99.7	101.8	95.2	100.1
2. Money Supply/GDP (M1/GDP)	9.6	9.6	8.9	8.2	8.9	8.7	8.9
3. Domestic Credit/GDP	28.2	27.6	27.1	28.4	27.7	31.8	28.7
4. Credit to Government/GDP	6.8	7.3	7.5	9.2	8.0	12.1	9.0
5. Government Budget Balance/GDP	-3.4 a/	-5.7	-6.0	-5.8	-5.8	-5.4	-5.7
6. Real Discount Rate	—	—	—	—	—	—	—
7. Domestic Energy Price/International Energy Price (at official prices)	55.0	80.5	91.2	91.0	87.6	103.5	91.6
II. BALANCE OF PAYMENTS EFFECTS OF EXTERNAL SHOCKS							
1. External Shocks/GNP		9.2	11.0	6.4	8.8		
2. Terms of Trade Effects/External Shocks		81	69	-53	42		
3. Export Volume Effects/External Shocks		10	21	90	35		
4. Interest Rate Effects/External Shocks		9	10	64	23		
III. PERFORMANCE INDICATORS							
A. Balance of Payments Effects of Policy Responses (expressed as a % of Balance of Payments Effects of External Shocks)							
1. Additional Net External Financing		-40	14	-106	-34		
2. Export Promotion		36	-5	-13	6		
3. Import Substitution: Fuel		-4	13	27	11		
Non Fuel		51	12	27	29		
4. Import Effects of Macro-economic Policies		57	66	166	88		
B. Policy Response Ratios							
1. Export Promotion/Exports		10	-2	-4	2		
2. Import Substitution/Imports		12	8	9	10		
of which: Fuel/Fuel Imports		-5	24	29	15		
Non Fuel/Non Fuel Imports		17	4	6	9		

a/ Mission Estimate.

Note: See Bela Belassa and Desmond McCarthy "Adjustment Policies in Developing Countries 1979-82" World Bank, April 15, 1983.

Source: Calculations based on data from World Bank and IMF data banks.

Table 3.1: BALANCE OF PAYMENTS, 1978-83
(US$ Million)

	1978			1979			1980			1981			1982			Est. 1983		
	Credit	Debit	Balance	Credit	Debit	Balance	Credit	Debit	Balance	Credit	Debit	Balance	Credit	Debit	Balance	Credit	Debit	Balance
Current Account	999.4	1,311.3	-311.9	1,373.3	1,704.6	-331.3	1,503.0	2,172.8	-669.8	1,718.8	2,124.7	-405.9	1,352.7	1,794.5	-441.9	1,471.5	1,845.5	-374.0
Merchandise and services	848.8	1,310.5	-461.7	1,166.8	1,703.9	-537.1	1,313.1	2,170.7	-857.6	1,524.4	2,123.3	-598.9	1,146.2	1,793.1	-646.9	1,255.0	1,844.0	-589.0
Merchandise f.o.b.	675.5	862.4	-186.9	868.6	1,137.5	a/-268.9	961.9	1,519.7	b/-557.8	1,188.0	1,451.7	c/-263.7	767.7	1,257.3	-489.6	816.0	1,275.0	-459.0
Services	173.3	448.1	-274.8	298.2	566.4	-268.2	351.2	651.0	-299.8	336.4	671.6	-335.2	378.5	535.8	-157.2	439.0	569.0	-130.0
Freight and insurance	11.2	102.0	-90.8	13.0	123.9	-110.9	14.4	163.9	-149.5	17.8	141.7	-123.9	11.5	125.0	-113.5	12.0	128.0	-116.0
Other transport	8.4	8.9	-0.5	9.2	7.6	1.6	11.3	10.6	0.7	13.6	12.4	1.2	9.7	12.6	-2.9	10.0	13.0	-3.0
Travel	92.3	126.3	-34.0	123.9	158.2	-34.3	172.6	165.8	6.8	206.3	127.8	78.5	266.1	87.0	179.1	326.0	74.0	252.0
Investment income	20.8	156.5	-135.7	31.9	219.6	-187.7	41.8	252.0	-210.2	11.8	304.9	-293.1	4.4	258.5	-254.1	5.0	294.0	-289.0
Government, n.i.e.	2.1	2.2	-0.1	4.1	3.5	0.6	4.5	3.7	0.8	7.3	5.2	2.1	6.4	5.0	1.4	4.0	9.0	-5.0
Other services	38.5	52.2	-13.7	116.1	53.6	62.5	106.6	55.0	51.6	79.6	79.6	-	80.4	47.7	32.7	82.0	51.0	31.0
Transfers	150.6	0.8	149.8	206.5	0.7	205.8	189.9	2.1	187.8	194.4	1.4	193.0	206.5	1.5	205.0	216.5	1.5	215.0
Private	146.6	0.3	146.3	177.3	0.3	177.0	183.8	0.7	183.1	176.4	0.1	176.3	190.5	0.5	190.0	195.5	0.5	195.0
Official	4.0	0.5	3.5	29.2	0.4	28.8	6.1	1.4	4.7	18.0	1.3	16.7	16.0	1.0	15.0	21.0	1.0	20.0
Capital account	330.9	129.9	201.0	459.2	250.4	208.8	672.3	151.3	521.0	613.5	351.0	262.5	423.4	277.1	146.3	409.3	375.7	33.6
Private capital	114.2	70.6	43.6	95.1	81.7	13.4	244.0	88.5	155.5	156.6	68.2	88.4	2.1	67.8	-65.7	101.4	59.2	42.2
Direct investment	39.6	-	39.6	—	13.4	-13.4	62.7	-	62.7	79.7	-	79.7	-	1.4	-1.4	35.0	-	35.0
Long- & medium-term loans d/	50.2	70.6	-20.4	42.6	68.3	-25.7	78.9	88.5	-9.6	9.3	68.2	-58.9	2.1	24.1	-22.0	8.0	59.2	-51.2
Other (net) e/	24.4	-	24.4	52.5	-	52.5	102.4	-	102.4	67.6	-	67.6	-	42.3	-42.3	58.4	-	58.4
Official capital	216.7	59.3	157.4	364.1	168.7	195.4	428.3	62.8	365.5	456.9	282.8	174.1	421.3	209.3	212.0	307.9	316.5	-8.6
Central Government	90.6	10.8	79.8	155.3	13.8	141.5	92.6	12.7	79.9	133.8	14.1	119.7	103.7	41.7	61.9	81.6	49.9	31.7
Dec. gov. agencies	11.9	2.0	9.9	11.2	4.6	6.6	5.0	1.9	3.1	1.5	1.7	-0.2	-	3.0	-3.0	-	7.6	-7.6
Local governments	—	0.8	-0.8	—	0.7	-0.7	—	0.5	-0.5	—	0.1	-0.1	—	—	—	-	-	-
Public enterprises	21.7	7.8	13.9	132.7	57.0	75.7	105.4	18.3	87.1	82.9	55.2	27.7	117.7	65.2	52.5	80.3	152.7	-72.4
Public financial institutions	18.3	3.0	15.3	19.9	6.6	13.3	100.3	7.6	92.7	92.7	27.3	65.4	132.4	29.0	103.4	95.1	48.7	46.4
Short term	74.2	34.9	39.3	45.0	86.0	-41.0	125.0	21.8	103.2	146.0	184.4	-38.4	67.6	70.4	-2.8	50.9	57.6	-6.7

Table 3.1: BALANCE OF PAYMENTS
(US$ Million)

	1978 Balance	1979 Balance	1980 Balance	1981 Balance	1982 Balance	Est. 1983 Balance
SDR allocation	-	7.2	7.3	6.6	-	-
Gold monetization	-	-	-	5.1	-16.4	-
Gold revaluation	15.8	27.8	23.7	-19.2	1.4	-
Net monetary movements (-increase)	95.1	87.5	117.8	150.9	310.6	-
Central Bank	77.3	124.0	107.3	109.6	357.6	—
Assets	22.7	-108.2	7.0	-8.3	111.1	—
Liabilities	54.6	232.2	100.3	117.9	246.5	—
Commercial banks	17.8	-36.5	10.5	41.3	-46.7	-
Assets	15.1	-31.6	-70.4	-145.2	-19.5	-
Liabilities	2.7	-4.9	80.9	186.5	-27.2	-

a/ Includes US$16.9 million of donations on account of hurricanes; US$22.5 million corresponding to imports of merchant vessels not covered by customs data; and US$17.7 million of other coverage adjustments.

b/ Includes US$21.3 million of coverage adjustments.

c/ Includes US$1.5 million of coverage adjustments.

d/ Includes publicly guaranteed private debt.

e/ Includes private short-term capital and errors and omissions.

Sources: Central Bank and IMF.

Table 3.2: EXPORTS BY PRINCIPAL COMMODITY GROUP

(Value in millions of U.S. dollars; volume in thousands of metric tons or troy ounces; and unit values in U.S. dollars per metric ton and per 100 lbs.)

	1978	1979	1980	1981	1982	1983a/
Total exports, f.o.b.	675.5	868.6	961.9	1,188.0	767.5	792.0
Major agricultural exports	442.1	525.1	498.9	753.6	487.2	—
Raw sugar						
Value	172.0	190.9	290.2	513.2	265.5	280.1
Volume	904.7	992.4	802.0	847.5	833.3	984.9
Unit value (m. tons)	190.2	192.4	361.9	605.5	318.6	284.4
Unit value (100 lbs.)	8.6	8.7	16.4	27.5	14.4	12.9
Refined sugar and by-products						
Value	39.1	42.6	40.5	47.2	43.1	—
Unprocessed coffee						
Value	86.2	142.9	51.8	62.2	90.6	76.2
Volume	24.3	38.8	19.7	26.8	34.0	29.5
Unit value (m. tons)	3,342.9	3,686.0	2,636.5	2,320.9	2,664.1	—
Unit value (100 lbs.)	160.7	167.1	119.6	105.3	120.8	117.0
Processed coffee						
Value	10.7	14.8	25.0	13.6	5.0	—
Raw cocoa						
Value	85.5	73.1	51.1	44.8	52.9	54.2
Volume	27.8	25.1	23.5	27.2	38.7	34.0
Unit value (m. tons)	3,073.9	2,913.6	2,176.5	1,647.1	1,366.2	1,594.1
Unit value (100 lbs.)	139.4	132.1	98.7	74.7	61.9	72.3
Processed cocoa						
Value	2.2	5.3	4.7	5.3	6.1	—
Tobacco leaf						
Value	45.8	54.9	34.8	65.6	21.4	40.2
Volume	37.3	42.5	21.8	39.2	12.0	22.0
Unit value (m. tons)	1,227.9	1,291.1	1,596.5	1,673.5	1,777.5	1,827.3
Unit value (100 lbs.)	55.7	58.6	72.4	75.9	80.6	82.8
Tobacco products						
Value	0.6	0.6	0.8	1.7	2.6	—
Major mineral products	168.6	272.1	379.4	334.1	193.0	246.2
Bauxite						
Value	23.1	20.9	18.5	15.7	5.2	0.0
Volume	756.7	634.7	605.8	457.2	140.5	0.0
Unit value (m. tons)	30.6	32.9	30.6	34.3	37.3	—
Ferronickel						
Value	72.7	123.5	101.3	110.5	24.2	76.3
Volume	50.0	65.4	46.6	49.1	14.1	53.7
Unit value (m. tons)	1,453.2	1,885.9	2,172.2	2,250.5	1,709.6	1420.5
Gold alloy						
Value	63.4	104.9	225.5	186.4	146.6	154.8
Volume (troy ounces)	342.8	353.0	369.6	407.8	386.3	364.0
Silver alloy						
Value	9.4	22.8	34.0	21.5	17.0	15.1
Volume (troy ounces)	1,844.3	2,276.2	1,622.5	2,033.6	2,197.0	1300.0
Other exports	64.8	71.4	83.7	100.3	87.3	95.1

a/ Projection.

Sources: Central Bank and IMF.

Table 3.3: MANUFACTURED EXPORTS 1975-82
(DR$ thousand)

	1975	1976	1977	1978	1979	1980	1981	1982
Food products [a/]	12,557	11,404	11,743	13,489	14,521	17,232	18,784	22,147
Beverages	78	110	99	102	98	251	228	193
Tobacco	1,100	589	538	631	515	804	1,670	1,431
Textiles	18	50	103	190	36	70	22	8
Leather products	2,898	3,329	6,691	7,414	7,746	6,395	5,868	6,281
Footwear	84	148	160	828	580	413	64	352
Furniture	108	134	134	129	123	179	154	288
Paper and paper products	541	769	603	207	121	...	2	70
Printing and publishing	682	571	259	299	221	328	291	453
Chemicals	813	729	2,270	4,533	10,561	19,730	14,940	25,484
Plastic products	262	117	244	336	410	174	220	518
Glass and glass products	...	7	29	3	7	140	54	189
Non-metal products	75	63	47	46	402	1,022	773	706
Metal products	1,063	1,353	2,747	1,870	1,127	1,127	1,931	3,420
Electrical appliances	297	428	340	560	614	601	542	--
Other manufactures	763	3,720	1,554	5,508	11,955	10,740	16,738	--
TOTAL	21,339	23,521	27,561	36,145	49,037	59,206	62,281	--

[a/] Excludes roasted coffee and meat.

Source: Central Bank.

Table 3.4: EXPORTS BY DESTINATION, 1978-83

(US$ Million)

	1978	1979	1980	1981	1982	Jan - May 1982	Jan - May 1983
Total exports, f.o.b.	675.5	868.6	961.9	1,188.0	767.7	351.6	363.9
North America	409.5	511.5	505.5	810.2	437.2	200.4	257.9
United States (excluding Puerto Rico)	363.4	459.1	444.6	741.3	385.4	172.6	233.2
Puerto Rico	40.6	49.9	58.0	54.0	44.0	23.5	14.2
Canada	5.5	2.5	2.9	14.9	7.8	4.3	10.5
LAFTA	54.7	49.5	88.5	79.5	19.8	7.5	0.1
Venezuela	54.5	49.0	87.1	71.4	19.3	7.2	0.1
Other	0.2	0.5	1.4	8.1	0.5	0.3	0.0
Other South America and Caribbean	11.9	17.8	24.6	30.1	52.8	10.5	6.6
EEC	78.7	86.4	79.8	73.6	53.0	26.0	32.0
Belgium	24.0	22.7	21.6	25.5	23.4	9.8	10.6
France	7.7	4.2	3.2	4.5	3.5	0.7	0.5
The Netherlands	37.0	47.0	48.1	26.9	21.5	12.6	16.2
United Kingdom	4.2	6.4	1.2	12.7	0.9	0.9	3.0
Other	5.8	6.1	5.7	4.0	3.7	2.0	1.7
Other Europe	103.8	167.6	229.3	161.8	182.8	95.1	61.7
Spain	21.5	38.2	15.1	43.2	11.1	2.7	4.6
Sweden	0.1	...	...	3.4	0.0	0.0	0.0
Switzerland	72.8	127.7	204.5	103.0	89.9	37.1	30.8
Other	9.4	1.9	9.7	12.2	81.8	55.3	26.3
Asia	8.3	28.9	8.7	15.2	6.0	0.0	3.0
Japan	8.3	28.8	8.7	15.1	5.9	0.0	3.0
Other	...	0.1	...	0.1	0.1	0.0	0.0
Africa	8.6	6.7	25.5	17.6	16.1	12.0	2.6
Algeria	2.2	2.0	7.0	10.7	0.0	12.0	1.5
Morocco	3.7	2.5	1.7	2.5	12.9	0.0	0.0
Other	2.7	2.2	16.8	4.4	3.2	0.1	1.1

Sources: Central Bank and General Directorate of Customs and Ports.

Table 3.5: LIST OF PROHIBITED EXPORTS
(as of April, 1982)

1. Vegetable oils
2. Amber
3. Rice
4. Shrimp
5. Charcoal
6. Coconut
7. Turtleshell (unprocessed)
8. Copra
9. Raw beans (except black beans)
10. Propane gas
11. Soybeans
12. Lobsters
13. Wood
14. Dried corn
15. Peanuts
16. Tomato paste
17. Animal blood and derivatives
18. Soybeans
19. Derivatives of soybeans, peanuts, copra and cotton (except margarine).

II. PRODUCTS FOR WHICH EXPORT IS SUBJECT TO LICENSING a/
(as of April, 1982)

1. Garlic
2. Sugar and molasses
3. Cotton
4. Cattle feeds
5. Brass and derivatives
6. Empty bottles
7. Bulbs and rhizome of native species
8. Raw cocoa and derivatives
9. Coffee
10. Cattle meat
11. Chicken meat
12. Pork meat
13. Beer and malt
14. Dried coconut and derivatives
15. Corals
16. Raw leather
17. Scrap metals (copper, lead, zinc, aluminum)
18. Scrap paper
19. Marmalades and candy
20. Bovine cattle
21. Buayacan and Almacigo
22. Canned raw beans
23. Black raw beans
24. Raw materials for cattle feed
25. Corn flour
26. Eggs
27. Fresh milk
28. Butter
29. Domestic coins
30. Potatoes
31. Dried leather
32. Cut hides
33. Seeds or stems for reproduction
34. Seeds of "hierba de Guinea"
35. Sugar solutions
36. Textiles under export quotas for the United States market

a/ This list does not includes 186 other products for which export, as of April, 1982, was subject to licensing, as they were benefiting from Export Promotion Law 69 of November, 1979.

Source: CEDOPEX

Table 3.6: IMPORTS BY ECONOMIC CLASSIFICATION [a/]

	1978	1979	1980	1981	1982	1983 [b/]
	I. US$ million					
Total imports, f.o.b.	859.7	1,080.4	1,498.4	1,450.2	1,257.3	1,250.0
Consumer goods	207.3	228.2	312.4	312.4	—	—
Foodstuffs	(57.5)	(67.6)	(116.0)	(125.7)	(--)	(--)
Tobacco and beverages	(8.8)	(11.0)	(6.3)	(2.6)	(--)	(--)
Durable goods	(43.9)	(46.0)	(69.4)	(60.6)	(--)	(--)
Other	(97.1)	(103.6)	(120.8)	(128.6)	(--)	(--)
Fuels (petroleum and derivatives)	199.0	314.9	448.8	497.4	449.5	458.0
Intermediate goods	252.0	330.7	412.1	346.1	—	—
Capital goods	201.4	206.6	325.1	294.2	—	—
	II. In percent					
Total imports, f.o.b.	100.0	100.0	100.0	100.0	100.0	100.0
Consumer goods	24.1	21.2	20.8	21.5	—	—
Foodstuffs	(6.7)	(6.3)	(7.7)	(8.3)	(--)	(--)
Tobacco and beverages	(1.0)	(1.0)	(0.4)	(0.2)	(--)	(--)
Durable goods	(5.1)	(4.3)	(4.6)	(4.2)	(--)	(--)
Other	(11.3)	(9.6)	(8.1)	(8.8)	(--)	(--)
Fuels (petroleum and derivatives)	23.2	29.1	30.0	34.3	35.6	36.6
Intermediate goods	29.3	30.6	27.5	23.9	—	—
Capital goods	23.4	19.1	21.7	20.3	—	—

[a/] Based on customs data, without balance of payments adjustment.

[b/] Projection

Source: Central Bank.

Table 3.7: IMPORTS PAID WITH OFFICIAL FOREIGN EXCHANGE AS A SHARE OF TOTAL IMPORTS, 1980-83
(DR$ million and percent)

Type of Product	1980			1981			1982			Jan. - April 1983		
	Official	Total Imports	Percent[a/]	Official	Total Imports	Percent[a/]	Official	Total Imports	Percent[a/]	Official	Total Imports	Percent[a/]
Petroleum	370.0	448.8	82.4	421.1	497.4	84.7	356.4	449.5	79.3	137.6	—	—
Capital goods	161.2	325.1	49.6	65.0	294.2	22.1	45.4	—	—	5.4	—	—
Raw materials[b/]	377.2	412.1	91.5	219.0	324.6	67.5	228.5	—	—	36.3	—	—
Consumer goods	196.7	312.4	63.0	130.5	312.4	41.8	103.5	—	—	13.9	—	—
Foods	79.4	116.0	68.4	64.3	125.7	51.2	44.9	—	—	3.9	—	—
Others	117.3	196.4	59.7	66.2	186.7	35.5	58.6	—	—	10.0	—	—
TOTAL	1,105.1	1,498.4	73.8	835.6	1,428.6	58.5	733.8	1,255.8	58.4	193.2	414.6	46.6

a/ Official as a percent of Total Imports.
b/ Excludes petroleum.

Source: Central Bank.

Table 3.8: LIST OF PROHIBITED IMPORTS
(as of April, 1982)

Product	Decree	Law	Date
Telescopic sights of fireams	-	416	03/21/69
Cigarettes	-	372	08/20/64
Garlic	313	-	10/22/70
Onion	313	-	10/22/70
Flowers	Resolution of Min. of Agriculture		06/03/76
Agric. products during harvest time	-	5946	06/09/62
Table and bed linens	-	458	01/03/73
Men's and boys' underwear	792	-	04/03/79
Men's and boys' suits	792	-	04/03/79
Men's and boys' footwear	792	-	04/03/79
Noodles, spaghetti, macaroni and pasta	792	-	04/03/79
Fresh and frozen fish and seafood	792	-	04/03/79
Cocoa and cocoa by-products (excluding confectinary and chocolate)	792	-	04/03/79
Detergents	841	-	04/24/79
Trousers	841	-	04/24/79
Boys' and girls' garments	841	-	04/24/79
Furniture (excluding surgical)	841	-	04/24/79
Calendars including their base	841	-	04/24/79
Sanitary napkins	841	-	04/24/79
Vehicles of 2400 cc engine (including station wagons (during 2 years))	2,191	-	01/20/81
Self-propelled machinery for extracting, levelling, excavating and other groundworks (during 1 year)	2,496	-	06/11/81
Tractors (during 1 year)	2,496	-	06/11/81
Cheeses	Resolution No. 170 Ministry of Agriculture		11/03/81
Sinks, bidets and commodes	2,836	-	10/30/81

Source: Central Bank.

Table 3.9: NET INTERNATIONAL RESERVES, 1978-83
(US$ million)

	December 31					April 30		Est.[a]
	1978	1979	1980	1981	1982	1982	1983	1983
Total	-34.9	-122.4	-240.2	-391.1	-701.8	-425.6	-773.5	--
Central Bank	18.6	-105.4	-212.7	-322.3	-678.6	-421.1	-740.8	-693.0
Assets	174.0	282.2	275.2	283.4	172.4	236.1	214.2	--
Gold	(20.2)	(48.4)	(72.8)	(58.6)	(43.7)	(51.0)	(38.7)	(--)
Sight deposits and currency	(118.6)	(59.8)	(157.7)	(142.4)	(103.5)	(111.9)	(59.3)	(--)
Time deposits	(0.5)	(130.6)	(16.2)	(49.0)	(4.0)	(9.6)	(89.0)	(--)
IDB bonds	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(--)
U.S. AID letters of credit	(0.4)	(2.1)	(1.6)	(0.6)	(-)	(0.6)	(-)	(--)
Items in transit	(25.6)	(29.9)	(24.5)	(28.5)	(17.7)	(57.4)	(17.5)	(--)
SDR holdings	(6.1)	(9.5)	(-)	(1.9)	(0.6)	(2.3)	(5.9)	(--)
IMF reserve tranche	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(--)
Bilateral agreements	(0.8)	(0.1)	(0.6)	(0.6)	(1.1)	(1.5)	(2.0)	(--)
Liabilities	-155.4	-387.7	-487.9	-605.7	-851.0	-657.2	-955.0	--
Arrears	(-)	(-22.4)	(-47.5)	(-62.7)	(-182.2)	(-91.6)	(-139.1)	(--)
Letters of credit b/	(-)	(-21.0)	(-102.1)	(-253.7)	(-254.1)	(-313.5)	(-294.3)	(--)
Bilateral agreements	(-50.9)	(-59.4)	(-105.7)	(-116.8)	(-142.4)	(-111.3)	(-157.5)	(--)
Use of IMF resources	(-47.5)	(-124.3)	(-48.5)	(-23.0)	(-71.6)	(21.5)	(-202.1)	(--)
IDB deposit c/	(-)	(-50.0)	(-15.8)	(-)	(-)	(-)	(--)	(--)
Central banks	(-)	(-32.8)	(-64.2)	(-61.0)	(-51.7)	(-57.2)	(-42.0)	(--)
Foreign commercial banks	(-57.0)	(-77.8)	(-104.1)	(-88.7)	(-65.0)	(-62.1)	(-50.0)	(--)
Other	(-)	(-)	(-)	(-)	(-84.0)	(-)	(-70.0)	(--)
Commercial banks	-53.5	-17.0	-27.5	-68.8	-22.2	-4.5	-32.7	--
Assets d/	25.3	56.9	127.3	272.4	291.9	352.4	337.3	--
Liabilities	-78.8	-73.9	-154.8	-341.2	-314.1	-356.9	-370.0	--

a/ Assumes no rescheduling of commercial bank debt in 1983.
b/ Amounts owed to local commercial banks by the Central Bank for letters of credit which have been paid by head offices or correspondent banks abroad.
c/ Advance deposit made from the Venezuelan Special Fund.
d/ Includes amounts due to the banks by the Central Bank, as explained in footnote b/.

Source: Central Bank.

Table 4.1: EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DECEMBER 31, 1982

(US$ thousand)

TYPE OF CREDITOR / CREDITOR COUNTRY	DEBT OUTSTANDING: DISBURSED	DEBT OUTSTANDING: UNDISBURSED	DEBT OUTSTANDING: TOTAL	IN ARREARS: PRINCIPAL	IN ARREARS: INTEREST
SUPPLIERS CREDITS					
MEXICO	535	-	535	535	-
SWEDEN	84	-	84	84	-
UNITED STATES	17	-	17	17	1
TOTAL SUPPLIERS CREDITS	636	-	636	636	1
FINANCIAL INSTITUTIONS					
BAHAMAS	31,072	-	31,072	4,448	3,201
CANADA	6,076	-	6,076	851	115
FRANCE	7,809	40	7,849	460	292
NETHERLANDS	1,500	-	1,500	148	40
UNITED KINGDOM	17,000	-	17,000	1,273	1,441
UNITED STATES	261,968	-	261,968	6,701	2,371
TOTAL FINANCIAL INSTITUTIONS	325,425	40	325,465	13,881	7,460
MULTILATERAL LOANS					
BIA AHORROS Y PREST.	500	-	500	.250	34
IBRD	115,698	148,919	264,617	-	-
IDA	21,900	-	21,900	-	-
IDB	190,225	284,011	474,236	-	-
INTL FUND ARG(IFAD)	1,770	20,158	21,928	-	-
OPEC SPECIAL FUND	17,766	-	17,766	57	-
TOTAL MULTILATERAL LOANS	347,859	453,088	800,947	307	34
BILATERAL LOANS					
BRAZIL	20,653	1,079	21,732	-	-
CANADA	8,850	4,820	13,670	-	-
FRANCE	3,332	-	3,332	-	18
GERMANY, FED.REP. OF	10,514	5,266	15,780	-	-
JAPAN	10,723	3,706	14,429	-	-
MEXICO	61,372	44,497	105,869	-	-
SPAIN	115,044	41,290	156,334	4,835	4,132
SWITZERLAND	-	731	731	-	-
UNITED STATES	469,798	52,425	522,223	9,205	4,534
VENEZUELA	245,575	31,456	277,031	-	-
TOTAL BILATERAL LOANS	945,861	185,270	1,131,131	14,040	8,684
TOTAL EXTERNAL PUBLIC DEBT	1,619,781	638,398	2,258,179	28,864	16,179

NOTES: (1) ONLY DEBTS WITH AN ORIGINAL OR EXTENDED MATURITY OF OVER ONE YEAR ARE INCLUDED IN THIS TABLE.
(2) DEBT OUTSTANDING INCLUDES PRINCIPAL IN ARREARS BUT EXCLUDES INTEREST IN ARREARS.

Source: IBRD Debt Reporting System

Table 4.2: SERVICE PAYMENTS, COMMITMENTS, DISBURSEMENTS AND OUTSTANDING AMOUNTS OF EXTERNAL PUBLIC DEBT

PROJECTIONS BASED ON DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DECEMBER 31, 1982

(US$ thousand)

TYPE OF CREDITOR: SUPPLIERS CREDITS

YEAR	DEBT OUTSTANDING AT BEGINNING OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER CHANGES	
					SERVICE PAYMENTS				
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMIT-MENTS	DISBURSE-MENTS	PRINCIPAL	INTEREST	TOTAL	CANCEL-LATIONS	ADJUST-MENT *
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1973	19,165	25,501	560	2,852	3,600	575	4,175	1,608	-114
1974	18,246	20,739	1,040	2,775	1,898	867	2,765	60	-495
1975	18,898	19,326	617	1,045	2,901	767	3,668	-	-277
1976	16,765	16,765	-	-	2,868	771	3,639	32	-1,163
1977	12,702	12,702	299	299	2,922	907	3,829	-	9
1978	10,088	10,088	-	-	2,571	484	3,055	56	173
1979	7,634	7,634	200	164	3,284	632	3,916	-	61
1980	4,575	4,611	-	34	1,316	251	1,567	-	-238
1981	3,055	3,057	12,174	376	1,574	132	1,706	-	-277
1982	1,580	13,380	-	-	891	48	939	11,800	-53
1983	636	636							
	* * * * * * THE FOLLOWING FIGURES ARE PROJECTED * * * * * *								
1983	636	636	-	-	-	-	-	-	-636

* THIS COLUMN SHOWS THE AMOUNT OF ARITHMETIC IMBALANCE IN THE AMOUNT OUTSTANDING INCLUDING UNDISBURSED FROM ONE YEAR TO THE NEXT. THE MOST COMMON CAUSES OF IMBALANCES ARE CHANGES IN EXCHANGE RATES AND TRANSFER OF DEBTS FROM ONE CATEGORY TO ANOTHER IN THE TABLE.

Source: IBRD Debt Reporting Service.

Table 4.2: SERVICE PAYMENTS, COMMITMENTS, DISBURSEMENTS AND OUTSTANDING AMOUNTS OF EXTERNAL PUBLIC DEBT

PROJECTIONS BASED ON DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DECEMBER 31, 1982

(US$ thousand)

TYPE OF CREDITOR: FINANCIAL INSTITUTIONS

YEAR	DEBT OUTSTANDING AT BEGINNING OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER CHANGES	
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMITMENTS	DISBURSEMENTS	SERVICE PAYMENTS: PRINCIPAL	SERVICE PAYMENTS: INTEREST	SERVICE PAYMENTS: TOTAL	CANCELLATIONS	ADJUSTMENT *
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1973	22,738	34,718	48,989	37,310	8,053	2,990	11,043	-	605
1974	52,600	76,259	63,211	41,244	10,485	4,155	14,640	3	-639
1975	82,720	128,343	22,604	43,616	18,158	8,694	26,852	3	3
1976	108,178	132,789	57,500	61,460	16,891	7,848	24,739	-	-
1977	152,747	173,398	89,813	68,333	14,055	10,069	24,124	405	1
1978	206,747	248,752	93,300	103,800	22,692	21,758	44,450	1,500	2
1979	287,857	317,862	206,877	222,246	161,827	34,473	196,300	-	12,583
1980	360,845	375,495	84,239	77,544	30,580	65,870	96,450	85	-1,084
1981	407,791	427,985	-	8,170	33,408	69,928	103,336	-	-3,740
1982	381,214	390,837	-	8,655	64,028	58,099	122,127	-	-1,344
1983	325,425	325,465							
	* * * * * * THE FOLLOWING FIGURES ARE PROJECTED * * * * * *								
1983	325,425	325,465	-	40	88,077	30,962	119,039	-	-13,880
1984	223,508	223,508	-	-	77,051	21,800	98,851	-	-2
1985	146,455	146,455	-	-	60,644	13,662	74,306	-	-
1986	85,811	85,811	-	-	43,230	7,865	51,095	-	-1
1987	42,580	42,580	-	-	33,135	3,506	36,641	-	-2
1988	9,443	9,443	-	-	2,856	798	3,654	-	-
1989	6,587	6,587	-	-	2,886	530	3,416	-	-2
1990	3,699	3,699	-	-	2,918	260	3,178	-	-
1991	781	781	-	-	500	48	548	-	-
1992	281	281	-	-	281	11	292	-	-

* THIS COLUMN SHOWS THE AMOUNT OF ARITHMETIC IMBALANCE IN THE AMOUNT OUTSTANDING INCLUDING UNDISBURSED FROM ONE YEAR TO THE NEXT. THE MOST COMMON CAUSES OF IMBALANCES ARE CHANGES IN EXCHANGE RATES AND TRANSFER OF DEBTS FROM ONE CATEGORY TO ANOTHER IN THE TABLE.

Source: IBRD Debt Reporting Service

Table 4.2: SERVICE PAYMENTS, COMMITMENTS DISBURSEMENTS AND OUTSTANDING AMOUNTS OF EXTERNAL PUBLIC DEBT

PROJECTIONS BASED ON DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DECEMBER 31, 1982

(US$ thousand)

TYPE OF CREDITOR MULTILATERAL LOANS

YEAR	DEBT OUTSTANDING AT BEGINNING OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER CHANGES	
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMITMENTS	DISBURSEMENTS	SERVICE PAYMENTS PRINCIPAL	SERVICE PAYMENTS INTEREST	SERVICE PAYMENTS TOTAL	CANCELLATIONS	ADJUSTMENT *
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1973	27,658	36,374	31,020	1,972	1,862	2,177	4,039	-	82
1974	27,850	65,614	65,000	4,012	2,607	2,116	4,723	-	-
1975	29,255	128,007	40,470	3,148	3,339	2,041	5,380	-	-
1976	29,064	165,138	16,000	8,290	2,174	2,272	4,446	98	-1
1977	35,180	178,865	24,713	20,791	2,174	2,515	4,689	-	-2
1978	53,795	201,402	4,585	35,809	2,174	3,241	5,415	-	91
1979	87,430	203,904	276,450	32,162	2,424	3,829	6,253	67	-469
1980	117,128	477,394	109,500	90,053	2,677	4,465	7,142	-	-
1981	204,505	584,217	119,000	75,715	2,878	8,860	11,738	-	-2
1982	277,345	700,337	105,078	73,042	2,622	11,840	14,462	1,966	120
1983	347,859	800,947							
* * * * * * THE FOLLOWING FIGURES ARE PROJECTED * * * * * *									
1983	347,859	800,947	-	88,795	6,392	14,383	20,775	-	-307
1984	429,955	794,248	-	95,063	17,986	17,644	35,630	-	4
1985	507,034	776,266	-	84,794	19,773	20,930	40,703	-	1
1986	572,058	756,494	-	66,535	24,995	22,973	47,968	-	2
1987	613,600	731,501	-	47,760	26,175	23,627	49,802	-	-
1988	635,183	705,326	-	32,949	27,186	23,294	50,480	-	-1
1989	640,945	678,139	-	20,939	28,774	22,801	51,575	-	3
1990	633,114	649,368	-	12,067	34,211	23,166	57,377	-	1
1991	610,969	615,158	-	3,238	34,627	21,761	56,388	-	-
1992	579,580	580,531	-	786	35,486	20,320	55,806	-	2
1993	544,882	545,047	-	161	37,405	18,787	56,192	-	-1
1994	507,637	507,641	-	4	37,530	16,703	54,233	-	-3
1995	470,108	470,108	-	-	37,210	14,610	51,820	-	-1
1996	432,897	432,897	-	-	37,416	12,520	49,936	-	1
1997	395,482	395,482	-	-	31,010	10,541	41,551	-	-3

* THIS COLUMN SHOWS THE AMOUNT OF ARITHMETIC IMBALANCE IN THE AMOUNT OUTSTANDING INCLUDING UNDISBURSED FROM ONE YEAR TO THE NEXT. THE MOST COMMON CAUSES OF IMBALANCES ARE CHANGES IN EXCHANGE RATES AND TRANSFER OF DEBTS FROM ONE CATEGORY TO ANOTHER IN THE TABLE.

Source: IBRD Debt Reporting Service

Table 4.2: SERVICE PAYMENTS, COMMITMENTS, DISBURSEMENTS AND OUTSTANDING AMOUNTS OF EXTERNAL PUBLIC DEBT

PROJECTIONS BASED ON DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DECEMBER 31, 1982

(US$ thousand)

TYPE OF CREDITOR: BILATERAL LOANS

YEAR	DEBT OUTSTANDING AT BEGINNING OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER CHANGES	
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMITMENTS	DISBURSEMENTS	SERVICE PAYMENTS: PRINCIPAL	SERVICE PAYMENTS: INTEREST	SERVICE PAYMENTS: TOTAL	CANCELLATIONS	ADJUSTMENT *
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1973	208,356	239,659	32,682	12,825	6,214	3,449	9,663	236	-1
1974	214,971	265,890	55,087	15,061	6,795	3,452	10,247	5,029	35
1975	223,010	309,188	38,761	40,949	6,662	6,334	12,996	240	-186
1976	257,222	340,861	98,072	61,590	14,883	7,415	22,298	4,992	308
1977	303,912	419,366	29,139	61,199	26,215	10,082	36,297	3,385	-116
1978	338,332	418,789	43,009	34,715	20,031	14,452	34,483	3,797	-796
1979	351,807	437,174	133,372	55,878	23,044	16,552	39,596	6,069	-4,830
1980	378,962	536,603	322,985	218,288	26,975	21,436	48,411	4,128	-690
1981	569,459	827,795	166,216	210,031	70,868	41,934	112,802	12,325	10,460
1982	707,531	921,278	300,984	313,095	73,480	39,228	112,708	258	-17,393
1983	945,861	1,131,131							
	* * * * * * THE FOLLOWING FIGURES ARE PROJECTED * * * * * *								
1983	945,861	1,131,131	-	137,903	124,630	54,690	179,320	-	-14,038
1984	945,096	992,463	-	23,291	105,849	49,151	155,000	-	-9
1985	862,529	886,605	-	11,338	113,633	40,995	154,628	-	2
1986	760,234	772,974	-	7,374	123,071	34,716	157,787	-	-6
1987	644,530	649,897	-	4,386	112,685	27,566	140,251	-	-3
1988	536,227	537,209	-	602	55,184	22,829	78,013	-	-1
1989	481,644	482,024	-	268	35,787	20,306	56,093	-	-3
1990	446,122	446,234	-	112	39,733	18,443	58,176	-	1
1991	406,502	406,502	-	-	37,138	16,163	53,301	-	-
1992	369,364	369,364	-	-	38,315	14,437	52,752	-	-1
1993	331,048	331,048	-	-	37,352	12,386	49,738	-	1
1994	293,697	293,697	-	-	26,848	10,549	37,397	-	-4
1995	266,845	266,845	-	-	26,742	9,389	36,131	-	-4
1996	240,099	240,099	-	-	23,401	8,279	31,680	-	-1
1997	216,697	216,697	-	-	22,505	7,458	29,963	-	1

* THIS COLUMN SHOWS THE AMOUNT OF ARITHMETIC IMBALANCE IN THE AMOUNT OUTSTANDING INCLUDING UNDISBURSED FROM ONE YEAR TO THE NEXT. THE MOST COMMON CAUSES OF IMBALANCES ARE CHANGES IN EXCHANGE RATES AND TRANSFER OF DEBTS FROM ONE CATEGORY TO ANOTHER IN THE TABLE.

Source: IBRD Debt Reporting Service.

Table 4.2: SERVICE PAYMENTS, COMMITMENTS, DISBURSEMENTS AND OUTSTANDING AMOUNTS OF EXTERNAL PUBLIC DEBT

PROJECTIONS BASED ON DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DECEMBER 31, 1982

(US$ thousand)

TOTAL

YEAR	DEBT OUTSTANDING AT BEGINNING OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER CHANGES	
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMITMENTS	DISBURSEMENTS	SERVICE PAYMENTS: PRINCIPAL	SERVICE PAYMENTS: INTEREST	SERVICE PAYMENTS: TOTAL	CANCELLATIONS	ADJUSTMENT *
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1973	277,917	336,252	113,251	54,959	19,729	9,191	28,920	1,844	572
1974	313,667	428,502	184,338	63,092	21,785	10,590	32,375	5,092	-1,099
1975	353,883	584,864	102,452	88,758	31,060	17,836	48,896	243	-460
1976	411,229	655,553	171,572	131,340	36,816	18,306	55,122	5,122	-856
1977	504,541	784,331	143,964	150,622	45,366	23,573	68,939	3,790	-108
1978	608,962	879,031	140,894	174,324	47,468	39,935	87,403	5,353	-530
1979	734,728	966,574	616,899	310,450	190,579	55,486	246,065	6,136	7,345
1980	861,510	1,394,103	516,724	385,919	61,548	92,022	153,570	4,213	-2,012
1981	1,184,810	1,843,054	297,390	294,292	108,728	120,854	229,582	12,325	6,441
1982	1,367,650	2,025,832	406,062	394,792	141,021	109,215	250,236	14,024	-18,670
1983	1,619,781	2,258,179							
	* * * * * * THE FOLLOWING FIGURES ARE PROJECTED * * * * * *								
1983	1,619,781	2,258,179	-	226,738	219,099	100,035	319,134	-	-28,861
1984	1,598,559	2,010,219	-	118,354	200,886	88,595	289,481	-	-7
1985	1,816,018	1,809,326	-	96,132	194,050	75,587	269,637	-	3
1986	1,418,103	1,615,279	-	73,909	191,296	65,554	256,850	-	-5
1987	1,300,710	1,423,978	-	52,146	171,995	54,699	226,694	-	-5
1988	1,180,853	1,251,978	-	33,551	85,226	46,921	132,147	-	-2
1989	1,129,176	1,166,750	-	21,207	67,447	43,637	111,084	-	-2
1990	1,082,935	1,099,301	-	12,179	76,862	41,869	118,731	-	2
1991	1,018,252	1,022,441	-	3,238	72,265	37,972	110,237	-	-
1992	949,225	950,176	-	786	74,082	34,768	108,850	-	1
1993	875,930	876,095	-	161	74,757	31,173	105,930	-	-
1994	801,334	801,338	-	4	64,378	27,252	91,630	-	-7
1995	736,953	736,953	-	-	63,952	23,999	87,951	-	-5
1996	672,996	672,996	-	-	60,817	20,799	81,616	-	-
1997	612,179	612,179	-	-	53,515	17,999	71,514	-	-2

* THIS COLUMN SHOWS THE AMOUNT OF ARITHMETIC IMBALANCE IN THE AMOUNT OUTSTANDING INCLUDING UNDISBURSED FROM ONE YEAR TO THE NEXT. THE MOST COMMON CAUSES OF IMBALANCES ARE CHANGES IN EXCHANGE RATES AND TRANSFER OF DEBTS FROM ONE CATEGORY TO ANOTHER IN THE TABLE.

Source: IBRD Debt Reporting Service

Table 5.1: OPERATIONS OF THE CENTRAL GOVERNMENT, 1978-83
(DR$ million)

	1978	1979	1980	1981	1982	Est. 1983
Current revenue	591.3	681.5	879.8	909.9	745.1	914.6
Taxes on income and profits	111.0	131.5	182.1	186.2	181.4	196.5
Taxes on property	5.1	5.3	7.0	7.1	8.7	9.9
Taxes on production and transactions	160.4	183.4	207.8	256.4	273.9	331.8
Taxes on exports and imports	250.6	275.0	285.9	270.8	185.2	232.8
Other revenue	64.2	86.3	197.0	189.4	95.9	143.6
Current expenditure	447.3	612.2	715.2	756.2	778.5	896.3
Wages and salaries	228.4	319.2	375.2	402.2	430.0	448.2
Purchases of goods and services	88.9	112.8	111.8	138.7	133.3	185.0
Transfers to private sector	43.3	62.4	58.5	66.5	68.8	73.4
Transfers abroad	1.8	1.2	1.5	1.0	0.6	1.3
Transfers to rest of public sector	77.3	94.7	110.5	99.2	94.7	115.6
Interest payments	6.9	21.9	45.6	45.9	48.3	72.8
Other	0.7	...	12.1	2.7	2.8	..
Surplus on current account	144.0	69.3	164.6	153.7	-33.4	18.3
Capital revenue	4.6	9.3	11.0	16.8	9.5	7.2
Capital expenditure	251.2	382.1	362.3	324.7	194.4	320.6
Capital formation	170.8	140.3	134.9	151.8	110.7	--
Registered in Treasury accounts	(150.5)	(121.4)	(134.9)	(151.8)	(110.7)	(--)
Not registered in Treasury accounts	(20.3)	(18.9)	(...)	(...)	(...)	(--)
Transfers to rest of public sector	73.7	237.3	187.6	163.0	80.3	--
Registered in Treasury accounts	(68.4)	(212.0)[a]	(187.6)	(163.0)	(80.3)	(--)
Not registered in Treasury accounts	(5.3)	(25.3)[b]	(...)	(...)	(...)	(--)
Other	6.7	4.5[c]	39.8[c]	9.9	3.4	--
Overall surplus or deficit (-)	-102.6	-303.5	-186.7	-154.2	-218.3	-295.1

Table 5.1: OPERATIONS OF THE CENTRAL GOVERNMENT, 1978-83
(DR$ million)

	1978	1979	1980	1981	1982	Est. 1983
Financing	102.6	303.5	186.7	154.2	218.3	295.1
External (net)	79.6	134.1	117.6	60.2	48.4	--
Drawings	(90.6)	(150.8)	(127.9)	(75.8)	(91.1)	(--)
Commercial borrowing	/65.0/	/120.0/	/.../	/.../	/.../	/--/
Project borrowing	/25.6/	/30.8/[d]	/127.9/	/75.8/	/91.1/	/--/
Amortization	(-11.0)	(-16.7)	(-10.3)	(-15.6)	(-42.7)	(--)
Domestic	23.0	169.4	69.1	94.0	169.9	--
Central Bank (net)	(53.6)	(31.5)	(70.0)	(118.2)	(148.5)	(--)
Credit (net)	/16.4/	/31.5/[e]	/70.0/	/118.2/	/148.5/	/--/
Budgetary reserve	/37.2/	/.../	/.../	/.../	/.../	/--/
Reserve Bank	(-26.7)	(79.6)	(32.7)	(13.9)	(3.4)	(--)
Credit (net)	/-2.5/	/27.8/	/29.7/	/-1.6/	/22.2/	/--/
Deposits	/-24.1/	/51.8/	/3.0/	/15.5/	/-18.8/	/--/
Private commercial banks (net)	(-4.7)	(-3.6)	(1.4)	(0.5)	(-1.7)	(--)
Other	(0.8)	(61.9)[f]	(-35.0)	(-38.6)	(19.7)	(--)

[a] A total of DR$58.2 million registered in Treasury accounts as financial investment is included here in capital transfers (DR$12.7 million for CORDE, DR$25.5 million for CDE, and DR$20 million for CEA).
[b] Debt amortization abroad on behalf of CDE out of US$185 million foreign loan.
[c] The disbursement of DR$25 million from IDB, registered in Treasury accounts in 1979, is included in 1980.
[d] Includes DR$5 million for drawing from Central Bank account of P.L. 480 funds.
[e] Includes DR$3.1 million in Central Bank coin issue on behalf of the Treasury.
[f] Mostly DR$50 million Hurricane David bond issue, bought by Central Bank and later transferred to Rosario Mining Corporation.

Sources: National Budget Office, Central Bank of the Dominican Republic and IMF.

Table 5.2: CONSOLIDATED OPERATIONS OF THE PUBLIC SECTOR, 1977-83
(DR$ million)

	1977	1978	1979	1980	1981	1982	Est. 1983
I. Central Government							
Current revenue	625.7	591.3	681.5	879.8	909.9	745.1	914.6
Of which: consolidated transfers	(21.7)	(18.8)	(19.0)	(6.8)	(...)	(...)	(...)
Current expenditure	368.2	447.3	612.2	715.2	756.2	778.5	896.3
Of which: consolidated transfers	(77.3)	(94.7)	(94.7)	(110.5)	(99.2)	(97.9)	(115.6)
Current account surplus	257.5	144.0	69.3	164.6	153.7	-33.4	18.3
Capital revenue	3.6	4.6	9.3	11.0	16.8	9.5	7.2
Of which: consolidated transfers	(...)	(...)	(...)	(...)	(...)	(...)	(...)
Capital expenditure	288.5	251.2	382.1	362.3	324.7	194.4	320.6
Of which: consolidated transfers	(84.8)	(73.7)	(237.3)	(187.6)	(163.0)	(75.6)	(171.6)
Overall surplus or deficit (-)	-27.4	-102.6	-303.5	-186.7	-154.2	-218.3	-295.1
Financing							
External (net)	8.2	79.6	134.1	117.6	60.2	48.4	126.3
Internal (net)	19.2	23.0	169.4	69.1	94.0	169.9	168.8
II. Dominican Social Security Institute (IDSS)							
Current revenue	29.2	33.2	39.1	47.6	46.6	51.2	63.9
Of which: consolidated transfers	(...)	(...)	(0.3)	(0.5)	(...)	(0.6)	(...)
Current expenditure	27.7	30.4	37.3	43.2	46.3	48.5	57.0
Of which: consolidated transfers	(...)	(...)	(...)	(...)	(...)	(...)	(...)
Current account surplus	1.5	2.8	1.8	4.4	0.3	2.7	6.9
Capital revenue	...	...	...	...	0.7	...	...
Of which: consolidated transfers	(...)	(...)	(...)	(...)	(0.7)	(...)	(...)
Capital expenditure	1.1	3.8	1.6	3.5	1.6	0.9	5.0
Of which: consolidated transfers	(...)	(...)	(...)	(...)	(...)	(...)	(...)
Overall surplus or deficit (-)	0.4	-1.0	0.2	0.9	-0.6	1.8	1.9

Table 5.2: CONSOLIDATED OPERATIONS OF THE PUBLIC SECTOR, 1977-83
(DR$ million)

	1977	1978	1979	1980	1981	1982	Est. 1983
III. Decentralized Government Agencies [a]							
Current revenue	44.2	48.6	63.8	69.5	75.7	77.6	100.6
Of which: conslidated transfers	(22.1)	(26.3)	(45.1)	(46.9)	(52.0)	(52.1)	(51.9)
Current expenditure	44.0	47.8	66.0	72.4	87.9	77.3	96.3
Of which: consolidated transfer	(...)	(...)	(...)	(...)	(...)	(...)	(...)
Current account surplus or deficit (-)	0.2	0.8	-2.2	-2.9	-12.2	0.3	4.3
Capital revenue	37.0	32.2	62.5	43.3	63.2	42.6	104.6
Of which: conslidated transfers	(25.6)	(23.1)	(52.1)	(37.8)	(63.2)	(31.3)	(89.8)
Capital expenditure	48.5	67.6	67.8	50.2	74.9	49.7	169.3
Of which: consolidated transfers	(...)	(...)	(...)	(...)	(...)	(...)	(...)
Capital formation	(39.0)	(54.0)	(54.0)	(36.5)	(59.8)	(44.1)	--
Overall surplus or deficit (-)	-11.3	-34.6	-7.5	-9.8	-23.9	-6.8	-60.4
IV. Local Governments [b]							
Current revenue	28.2	30.2	34.8	35.8	36.9	41.6	45.3
Of which: consolidated transfers	(11.6)	(18.2)	(25.7)	(26.7)	(27.8)	(27.8)	(20.4)
Current expenditure	28.6	30.2	31.3	35.4	36.5	38.2	42.5
Of which: consolidated transfers	(...)	(...)	(...)	(...)	(...)	(0.2)	(0.2)
Current account surplus or deficit (-)	-0.4	...	3.5	0.4	0.4	3.4	2.8
Capital revenue	4.9	3.2	2.6	3.6	4.9	2.3	1.2
Of which: consolidated transfers	(2.2)	(1.8)	(1.3)	(2.1)	(1.8)	(0.5)	(...)
Capital expenditure	5.1	9.7	6.2	3.8	4.8	3.8	7.8
Of which: consolidated transfers	(...)	(...)	(...)	(...)	(...)	(1.8)	(1.9)
Overall surplus or deficit (-)	-0.6	-6.5	-0.1	0.2	0.5	1.9	-3.8

Table 5.2: CONSOLIDATED OPERATIONS OF THE PUBLIC SECTOR, 1977-83
(DR$ million)

	1977	1978	1979	1980	1981	1982	Est. 1983
			V. General Government				
Current revenue	693.6	658.8	748.1	958.6	989.3	835.0	1052.1
Of which: conslidated transfers	(21.7)	(18.8)	(19.0)	(6.8)	(...)	(...)	(...)
Current expenditure	434.8	511.2	675.7	792.1	847.1	862.0	1019.8
Of which: conslidated transfers	(43.7)	(50.2)	(23.6)	(36.4)	(19.4)	(17.4)	(43.3)
Current account surplus	258.8	147.6	72.4	166.5	142.2	-27.0	32.3
Capital revenue	17.7	15.1	21.0	18.0	19.9	22.6	23.1
Of which: consolidated transfers	(...)	(...)	(...)	(...)	(...)	(...)	(...)
Capital expenditure	315.4	307.4	404.3	379.9	340.3	217.0	343.2
Of which:							
consolidated transfers	(57.0)	(48.8)	(183.9)	(147.7)	(97.3)	(43.8)	(81.8)
capital formation	(238.7)	(238.3)	(202.1)	(178.7)	(218.0)	(157.7)	(239.0)
Overall surplus or deficit (-)	-38.9	-144.7	-310.9	-195.4	-178.2	-221.4	-287.8
			VI. Public Enterprises [c/]				
Current revenue	503.7	484.4	573.9	747.6	843.3	817.8	952.6
Of which: consolidated transfers	(24.2)	(30.4)	(21.8)	(21.4)	(11.3)	(11.6)	(13.3)
Current expenditure	426.7	467.0	618.9	816.3	953.9	875.8	979.3
Of which: consolidated transfers	(21.7)	(18.8)	(19.0)	(6.8)	(...)	(...)	(4.6)
Current account surplus	77.0	17.4	-45.0	-68.7	-110.6	-58.0	-26.7
Capital revenue	43.1	31.2	168.8	134.5	80.5	65.2	32.8
Of which: consolidated transfers	(43.0)	(31.2)	(168.8)	(134.5)	(80.5)	(44.3)	(34.1)
Capital expenditure	158.1	145.3	126.8	272.5	210.2	214.9	(106.1)
Of which:							
consolidated transfers	(...)	(...)	(...)	(...)	(...)	(12.7)	(...)
capital formation	(104.1)	(94.5)	(96.8)	(153.5)	(127.4)	(127.2)	(106.1)
Overall surplus or deficit (-)	-38.0	-96.7	-3.0	-206.7	-240.3	-207.7	-100.0

Table 5.2: CONSOLIDATED OPERATIONS OF THE PUBLIC SECTOR, 1977-83
(DR$ million)

	1977	1978	1979	1980	1981	1982	Est. 1983
VII. Consolidated Public Sector							
Current revenue	746.4	645.8	729.1	951.8	989.3	835.0	1052.1
Current expenditure	410.6	480.8	701.7	854.0	957.7	920.0	1046.5
Current account surplus or deficit (-)	335.8	165.0	27.4	97.8	31.6	-85.0	5.6
Capital revenue	17.8	15.1	21.0	18.0	19.9	43.5	23.1
Capital expenditure	430.5	421.5	362.3	517.9	470.0	387.6	484.9
Of which: capital formation	(342.8)	(332.8)	(298.9)	(332.2)	(345.4)	(284.9)	414.8
Overall surplus or deficit (-)	-76.9	-241.4	-313.9	-402.1	-418.5	-429.1	-456.2
Residual surplus or deficit (-)	--	-12.5	32.1	5.1	-29.9	-23.1	--
Financing d/	--	253.9	281.8	397.0	448.4	452.2	--
External (net)	--	130.0	155.7	297.0	105.6	98.6	--
Internal (net)	--	123.9	126.1	100.0	342.8	353.6	--

a/ Includes Export Promotion Center (CEDOPEX); Population and Family Council; Hotel Promotion and Tourist Trade Development; Corporation of State Enterprises (CORDE); Red Cross; Civil Defense; National Bureau of Parks; Agrarian Institute; Sugar Institute; Welfare and Housing Institute; Housing Institute; Southwest Development Institute; Water Resources Institute; Community Development Office; Botanical Garden; National Zoo; Royal Houses Museum; Malaria Eradication Service; Superintendency of Banks; Superintendency of Insurance; and the University.

b/ Includes the local governments and the Municipal League. Data for 1978 are partially estimated.

c/ Includes Port Authority; Agricultural [illegible]; Airport Commission; Workers Savings Bank; State Sugar Council (CEA); Water and Sewerage Commission for Santo Domingo; Water and Sewerage Commission for Santiago; Corporations of Hatillo, Sabaneta, Rincon, and Sabana Yegua; Cooperative Development and Credit Institute; Dominican Electricity Corporation (CDE); Industrial Development Corporation; Price Stabilization Institute (INESPRE); National Water Institute (INAPA); Cotton institute; and Dominican Radio and Television. The National Lottery is excluded.

d/ Includes all nonfinancial public sector. Therefore, in addition to the autonomous and decentralized entities listed in this table and in footnotes a/, b/, and c/ the financing includes the CORDE enterprises in which the Government is a majority shareholder, the Rosario Mining Company and the oil refinery. The Central Bank, the Reserve Bank, and the National Housing Bank are considered financial public sector.

Sources: National Budget Office; Central Bank; and IMF/Bank mission estimates.

Table 5.3: CONSOLIDATED CURRENT ACCOUNT PUBLIC REVENUES, 1971-83

I. (DR$ Million)

Year	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	Est. 1983
Total Public Sector	330.3	376.1	439.9	517.1	778.1	746.6	746.4	645.8	729.1	951.8	989.3	835.0	1052.1
Central Government	271.9	306.5	349.3	462.0	636.5	564.4	625.7	591.3	681.5	879.8	909.9	745.1	914.6
Tax Revenues	243.9	274.2	315.4	422.0	579.2	524.0	577.7	537.0	606.5	686.4	734.4	661.3	784.3
Income Taxes	53.1	62.4	72.9	99.6	126.9	123.9	108.3	111.0	131.5	182.1	186.2	181.4	196.5
Property Taxes	8.4	9.0	10.4	12.2	14.7	16.3	5.6	5.1	5.3	7.0	7.1	8.7	9.9
Sales and Production Taxes	52.7	57.5	58.6	70.2	94.9	118.5	156.3	160.4	183.4	207.8	256.4	273.9	331.8
Taxes on Foreign Trade	124.0	138.3	164.1	230.1	332.4	254.7	295.6	250.6	275.0	285.9	270.8	185.2	232.8
Import Duties	(111.3)	(118.6)	(133.7)	(165.3)	(178.9)	(186.8)	(205.3)	(211.1)	(220.8)	(226.7)	(182.8)	(174.9)	(227.1)
Export Duties	(12.7)	(19.7)	(30.4)	(64.8)	(153.5)	(67.9)	(90.3)	(39.5)	(54.2)	(59.2)	(88.0)	(10.3)	(5.7)
Other Taxes	5.7	7.0	9.4	9.9	10.3	10.6	11.9	9.9	11.3	13.6	13.9	12.1	13.3
Non-tax Revenues	28.0	32.3	33.8	40.0	57.3	40.4	48.0	54.3	75.0	183.4	174.8	83.8	130.3
Public Enterprises a/	18.4	27.6	48.5	10.9	91.2	129.0	77.0	17.4	-	-	-	-	-
Rest of General Government b/	40.0	42.0	42.1	44.2	50.4	53.2	43.7	37.1	47.6	72.0	79.4	89.9	137.4

Table 5.3: CONSOLIDATED CURRENT ACCOUNT PUBLIC REVENUES, 1971-83

II. (As Percentage of GDP)

Year	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	Est. 1983
Total Public Sector	19.8	18.9	18.8	17.8	21.6	18.9	16.3	13.7	13.2	14.3	13.7	10.6	12.3
Central Government	16.3	15.4	14.9	15.9	17.6	14.3	13.6	12.5	12.3	13.2	12.6	9.5	10.7
Tax Revenues	14.6	13.8	13.5	14.5	16.0	13.3	12.6	11.4	11.0	10.5	10.2	8.4	9.2
Income Taxes	3.2	3.1	3.1	3.4	3.5	3.1	2.4	2.4	2.4	2.8	2.6	2.3	2.3
Property Taxes	0.5	0.5	0.5	0.4	0.4	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Sales and Production Taxes	3.2	2.9	2.5	2.4	2.6	3.0	3.4	3.4	3.3	3.1	3.6	3.5	3.9
Taxes on Foreign Trade	7.4	6.9	7.0	7.9	9.2	6.4	6.4	5.3	5.0	4.3	3.8	2.4	2.7
Import Duties	(6.7)	(5.9)	(5.7)	(5.7)	(4.9)	(4.7)	(4.5)	(4.5)	(4.0)	(3.4)	(2.5)	(2.2)	(2.6)
Export Duties	(0.7)	(1.0)	(1.3)	(2.2)	(4.3)	(1.7)	(1.9)	(0.9)	(1.0)	(0.9)	(1.2)	(0.1)	(0.1)
Other Taxes	0.3	0.4	0.4	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Non-tax Revenues	1.7	1.6	1.4	1.4	1.6	1.0	1.0	1.1	1.3	2.7	2.4	1.1	1.5
Public Enterprises [a/]	1.1	1.4	2.1	0.4	2.5	3.3	1.7	0.4	-	-	-	-	-
Rest of General Government [b/]	2.4	2.1	1.8	1.5	1.5	1.3	1.0	0.8	0.9	1.1	1.1	1.2	1.6

a/ Includes current account surplus of public enterprises (deficits appear as expenditures).
b/ Includes Dominican Social Security Institute, Decentralized Government Agencies and local Governments.

Sources: National Budget Office, Central Bank, Ministry of Finance and IMF.

Table 5.4: CONSOLIDATED CURRENT ACCOUNT PUBLIC EXPENDITURES, 1971-83

I. (DR$ Million)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	Est. 1983
Total Public Sector	197.1	216.8	237.1	283.3	304.8	354.4	410.6	480.8	701.7	854.0	957.7	920.0	1046.5
Central Government	143.9	159.8	178.0	212.9	234.0	270.9	304.1	370.0	517.5	604.7	657.0	680.6	780.7
Wages and Salaries	110.4	117.3	124.3	142.9	154.6	164.5	182.1	228.4	319.2	375.2	402.2	430.0	448.2
Goods and Services	19.9	21.2	26.4	48.1	44.1	62.4	74.5	88.9	112.8	111.8	138.7	133.3	185.0
Interest	2.1	2.3	4.0	5.7	5.0	6.5	7.2	6.9	21.9	45.6	45.9	48.3	72.8
Transfers to private sector	11.5	19.0	23.2	16.2	30.3	37.5	39.5	43.3	62.4	58.5	66.5	68.8	73.4
Other	-	-	-	-	-	-	0.8	2.5	1.2	13.6	3.7	0.2	1.3
Transfers to rest of public sector[a/]	(34.2)	(27.5)	(28.1)	(44.9)	(33.7)	(46.9)	(64.1)	(77.3)	(94.7)	(110.5)	(99.2)	(97.9)	(115.6)
Public Enterprises [b/]	-	-	-	-	-	-	-	-	47.8	83.3	121.9	69.6	35.4
Rest of General Government [c/]	53.2	57.0	59.1	70.4	70.8	83.5	106.5	110.8	136.4	166.0	178.8	169.8	230.2

Table 5.4: CONSOLIDATED CURRENT ACCOUNT PUBLIC EXPENDITURES, 1971-83

II. (As Percentage of GDP)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	Est. 1983
Total Public Sector	11.8	10.9	10.1	9.8	8.4	9.0	8.9	10.2	12.7	12.8	13.3	11.7	12.3
Central Government	8.6	8.0	7.6	7.4	6.5	6.9	6.7	7.8	9.4	9.1	9.1	8.6	9.2
Wages and Salaries	6.6	5.9	5.3	4.9	4.3	4.2	4.0	4.8	5.8	5.6	5.6	5.5	5.3
Goods and Services	1.2	1.1	1.1	1.7	1.2	1.6	1.6	1.9	2.0	1.7	1.9	1.7	2.2
Interest	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.4	0.7	0.6	0.6	0.9
Transfers to private sector	0.7	0.9	1.0	0.6	0.8	0.9	0.9	0.9	1.1	0.9	0.9	0.9	0.9
Other	-	-	-	-	-	-	-	0.1	-	0.2	0.1	-	
Transfers to rest of public sector[a/]	(2.1)	(1.4)	(1.2)	(1.5)	(0.9)	(1.2)	(1.4)	(1.6)	(1.7)	((1.7)	(1.4)	(1.2)	(1.4)
Public Enterprises [b/]	-	-	-	-	-	-	-	-	0.9	1.3	1.7	0.9	0.4
Rest of General Government [c/]	3.2	2.9	2.5	2.4	2.0	2.1	2.2	2.3	2.5	2.5	2.5	2.2	2.7

a/ Transfers not included in Total Central Government Expenditures.
b/ Includes current account deficit of public enterprises only. (Surpluses appear as revenues.)
c/ Includes Dominican Social Security Institute, Decentralized Government Agencies and Local Governments.
Transfers from the Central Government to the non-consolidated public sector are included here.

Sources: World Bank, Main Problems in the Economic Development of the Dominican Republic, November 23, 1977.
International Monetary Fund, Recent Economic Developments, December 28, 1982.
Central Bank Boletin Mensual, December, 1982.
IBRD mission estimates.

Table 5.5: CENTRAL GOVERNMENT REVENUE 1978-1983
(DR$ million)

	1978	1979	1980	1981	1982	Est. 1983
Total revenue	595.9	690.8	890.8	926.0	754.6	921.8
Tax revenue	537.0	606.5	696.4	734.4	661.3	784.3
Taxes on net income and profits	111.0	131.5	182.1	186.2	181.4	196.5
Company, corporate, or enterprise	(60.5)	(78.0)	(131.6)	(112.5)	(112.5)	(119.0)
Of which: Rosario Mining	/14.3/	/22.3/	/60.7/	/29.0/	/---/	/35.2/
Individuals	(47.3)	(52.3)	(49.5)	(72.6)	(63.6)	(75.0)
Other	(3.2)	(1.2)	(1.0)	(1.1)	(5.3)	(2.5)
Taxes on property	5.1	5.3	7.0	7.1	8.7	9.9
Death and gift taxes	(0.8)	(1.2)	(1.8)	(1.7)	(1.6)	(2.0)
Property transfers	(4.2)	(4.0)	(5.0)	(5.2)	(6.4)	(6.7)
Other	(0.1)	(0.1)	(0.2)	(0.2)	(0.7)	(1.2)
Taxes on goods and services	160.4	183.4	207.8	256.4	273.9	331.8
Selective excises on goods	(128.7)	(147.7)	(167.3)	(213.3)	(224.9)	(276.4)
Cigarettes	/23.1/	/24.4/	/24.9/	/27.1/	/28.2/	/34.0/
Beer, alcoholic beverages	/57.0/	/64.2/	/77.5/	/81.1/	/86.5/	/94.9/
Gasoline, petroleum products	/28.1/	/37.8/	/55.6/	/104.0/	/106.7/	/41.1/
Sugar	/18.2/	/19.0/	/6.7/	/---/	/---/	/---/
Other	/2.3/	/2.3/	/2.6/	/1.1/	/3.5/	/6.0/ [a]
Selective excises on services	(13.7)	(16.8)	(19.9)	(21.6)	(28.4)	(35.0)
Taxes on use of goods or property or permission to perform activities	(18.0)	(18.9)	(20.6)	(21.5)	(20.6)	(20.8)
Business or professional licenses	/5.5/	/6.2/	/7.1/	/7.2/	/5.3/	/5.2/
Motor vehicle taxes	/12.5/	/12.7/	/13.5/	/14.3/	/15.3/	/15.6/
Taxes on international trade and transactions	250.6	275.0	285.9	270.8	185.2	232.8
Import duties	(211.1)	(220.8)	(226.7)	(182.8)	(174.9)	(227.1)
Custom duties	/68.9/	/69.3/	/67.9/	/48.6/	/48.0/	/56.8/
Other charges	/142.2/	/151.5/	/158.8/	/134.2/	/126.9/	/170.3/
Export duties	(39.5)	(54.2)	(59.2)	(88.0)	(10.3)	(5.7)
Sugar	/10.7/	/12.2/	/40.5/	/83.0/	/2.2/	/---/
Coffee and cocoa	/27.7/	/40.8/	/17.6/	/4.2/	/7.4/	/5.0/
Other	/1.1/	/1.2/	/1.1/	/0.8/	/0.7/	/0.7/
Other taxes	9.9	11.3	13.6	13.9	12.1	13.3
Stamp taxes	(5.8)	(6.4)	(7.2)	(7.6)	(8.1)	(8.8)
Other	(4.1)	(4.9)	(6.4)	(6.3)	(4.0)	(4.5)
Nontax revenue	54.3	75.0	183.4	174.8	83.8	130.3
Property income	35.6	52.4	161.6	152.8	65.6	109.7
Of which: Rosario Mining	(10.7)	(27.7)	(125.2)	(131.0)	(41.1)	(78.7) [b]
From nonfinancial public enterprises and public financial institutions	(20.0)	(25.9)	(126.9)	(129.1)	(52.9)	(90.2)
Other	(16.6)	(26.5)	(35.7)	(23.7)	(12.7)	(9.5)
Fees and charges	15.8	17.3	17.4	18.3 [c]	15.0 [c]	15.2
Fines and forfeits	0.7	0.8	0.9	0.8	0.8	2.2
Other	1.2	4.5	3.5	2.9	2.4	3.2
Capital revenue: sale of assets & grants	4.6	9.3	11.0	16.8	9.5	7.2

[a] Includes DR$7.5 million for ITBI collected at import in 1983.

[b] Includes DR$10.0 million of extra ordinary transfer of profits accumulated in previous years.

[c] Includes revenue for the sale of minibus tickets. Minibuses began to be operated by a government owned company (ONATRATE) in 1980. Revenue and expenditure are included in the central government budget until the organization of the company as a separate entity is legally completed.

Sources: National Budget Office, Central Bank, Ministry of Finance, and IMF.

Table 5.6: GOVERNMENT REVENUES FROM TARIFFS AND OTHER IMPORT DUTIES, 1977-83
(DR$ million)

	1977	1978	1979	1980	1981	1982	Est. 1983
Tariff Law 171/71 (Annual)	69.8	68.9	69.3	67.9	48.6	48.0	56.8
Unified Import Taxes (Law 173)	77.8	79.6	81.9	81.2	71.4	--	--
Additional 20% Tax (Law 361)	22.3	22.2	23.7	28.0	23.2	--	--
Additional 4% on Import Duties (Law 136)	5.4	4.8	4.8	6.7	5.6	--	--
Taxes on free and exonerated imports (Laws 346 and 597)	11.9	15.2	17.3	25.6	22.2	--	--
Other import duties	18.7	20.4	23.8	17.3	11.8	--	--
Total tariffs and Import duties	205.9	211.1	220.8	226.7	182.8	174.9	227.1
Total current fiscal revenues	625.7	591.3	681.5	879.8	909.9	745.1	914.6

Source: Ministry of Finance, Central Bank and IMF.

Table 5.7: FIXED INVESTMENT OF THE PUBLIC SECTOR, 1979-82
(DR$ million)

Executing Agency	1979	1980	1981	1982
Total Public Sector [a]	273.4	332.8	346.7	289.0
Central Government	127.5	137.2	155.7	112.4
The Presidency	50.4	20.3	32.8	22.2
Armed Forces	4.0	2.8	3.7	3.2
Education	1.7	9.9	10.3	11.9
Public Health	5.0	8.1	6.7	2.0
Agriculture	9.7	21.2	12.9	8.3
Public Works	50.5	68.7	74.2	61.5
Finance	1.3	3.1	7.6	2.9
Other	4.9	3.1	7.5	1.3
Public non-financial autonomous and decentralized agencies [b]	145.9	196.6	190.8	176.6
CEA	9.0	29.6	18.4	10.2
CDE	34.2	80.2	60.5	83.6
Corp. de Hatillo	15.3	11.9	26.6	15.1
IAD	3.4	2.5	13.3	5.5
INESPRE	1.9	3.0	3.3	6.4
INAPA	16.1	11.8	7.3	5.8
INDRHI	11.4	12.6	33.0	18.6
INVI	18.4	13.3	7.3	16.5
Other	36.2	30.7	21.1	14.9

[a] These amounts differ slightly with IMF figures for capital formation due to difference in accounting procedures.
[b] Includes all autonomous and decentralized agencies except Central Bank, Reserve Bank and National Housing Bank.
Source: National Office of the Budget.

Table 5.8: PUBLIC SECTOR FIXED INVESTMENT: PLAN, BUDGET AND EXECUTED, 1979-83

(DR$ million)

	1979	1980	1981	1982	1983
Plan					
Total real investment	--	820.1 a/	480.9 b/	302.6 c/	462.7 d/
Central Government	--	411.9 a/	205.7 b/	136.9 c/	167.6 d/
Public non-financial decentralized agencies e/	--	408.2 a/	275.2 b/	165.7 c/	295.1 d/
Budget					
Total real investment	470.7	579.8	683.4	616.6	649.4
Central Government	128.5	107.2	167.3	146.2	142.3
Public non-financial decentralized agencies e/	342.2	472.6	516.1	470.4	507.1
Executed					
Total real investment	273.4	332.8	346.5	289.0	380.3 f/
Central Government	127.5	137.2	155.7	112.4	121.2 f/
Public non-financial decentralized agencies e/	145.9	195.6	190.8	176.6	259.1 f/

a/ From plan 1980-82
b/ From plan 1981-83
c/ From plan 1982-84
d/ From plan 1983-85
e/ All decentralized and autonomous agencies except Central Bank, National Housing Bank, and Reserve Bank.
f/ Estimate.

Source: National Budget Office; ONAPLAN; IMF estimates; Mission estimates.

Table 5.9: FIXED INVESTMENT BY SELECTED AGENCIES: PLAN, BUDGET, AND EXECUTED 1982-83

(DR$ million)

	1982			1983		
	Plan 82-84	Budget	Executed	Plan 83-85	Budget	Estimate [a]
Total non-financial decentralized agencies [b]	165.7	470.4	176.6	295.1	507.1	259.1
CEA	1.0	25.4	10.2	24.4	17.1	10.5
CDE	79.5	135.6	83.6	65.3	109.8	47.8
IAD	8.7	35.2	5.5	26.7	52.0	--
INESPRE	1.5	12.2	6.3	0.4	3.5	3.9
INDRHI	41.1	103.4	18.6	44.5	133.7	16.0
INVI	4.4	18.7	16.6	85.1	68.5	85.0
Other	29.5	139.9	35.8	48.7	122.5	--

a/ Central Bank and IMF estimates.
b/ All decentralized agencies except The Central Bank, National Housing Bank and Reserve Bank.

Source: National Budget Office; ONAPLAN.

Table 5.10: COST OVERRUNS FOR SELECTED PROJECTS

(Status as of October 1983)

	Agency	Project	Total Value (DR$ million)	Overruns (DR$ million)	No. Years Behind	% Overrun a/
1.	INDRHI	Yaque del Norte	92.0	54.0	3.0	60.0
2.	INDRHI	Presa Sabaneta	76.2	40.0	4.0	53.0
3.	INDRHI	Nizao	51.8	6.0	3.0	12.0
4.	SEOPC	Puerto Haina	59.5	24.0	4.0	40.0
5.	SEOPC	Rehabil. Roads	37.0	18.6	1.0	50.0
6.	SEOPC	Roads II	49.0	3.3	1.7	7.0
7.	SEOPC	Rural Roads	32.4	3.0	1.5	9.0
8.	SESPAS	Hospitex	26.5	10.0	1.5	38.0
9.	SEEBAC	Pide	17.9	3.0	1.5	17.0
			442.3	161.9	2.4 b/	36.6

a/ Overruns as a percent of Total Value.
b/ Average.

Source: Informe de Proyectos con Financimiento Externo, October 26, 1983, Depto Proyectos, ONAPLAN.

Table 5.11: STATUS OF EXTERNALLY FINANCED PROJECTS, OCTOBER 1983

Agency	Number of Projects			Disbursement Program for 1983			Percent of Programmed Disbursements Realized Jan - Sept 1983		
	Total	Behind Schedule	With Cost Overruns	Foreign	Domestic [a/] (DR$)	Total	Foreign (%)	Domestic (%)	Total (%)
Dominican Electricity Corp.	6	n.a.[b/]	n.a. [b/]	35.9	13.0	48.9	55	18	45
INDRHI (Water Resources)	8	5	4	19.0	11.0	30.0	3	-	2
Public Works	7	6	4	38.7	32.3	71.0	46	25	36
Central Bank	6	2	n.a.	38.5	0.4	38.9	50	25	49
Agriculture	4	3	n.a.	14.8	8.6	23.4	30	88	52
Public Health	3	3	1	9.9	9.1	19.0	10	4	7
Education, art and culture	3	3	1	4.7	5.6	10.3	38	23	30
Technical Secretary of President	2	1	n.a.	0.7	1.5	2.2	57	7	23
State Sugar Council	1	1	1	11.4	6.8	18.2	7	25	14
Housing Institute	1	0	n.a.	5.8	3.0	8.8	35	-	23
Water & Sewer - Sto. Dom.	1	0	0	-	-	-	-	-	-
Domin. Agrarian Institute	1	1	n.a.	9.6	10.0	10.6	22	17	36
Agriculture Bank	1	0	n.a.	2.0	--	2.0	130	-	130
Natl. Drinking Water & Sewer Inst.	1	1	n.a.	2.1	0.8	2.9	10	-	7
Others	4	1	n.a.	13.0	2.6	15.6	90	69	87
TOTAL	49	27	11	206.1	104.7	301.8	41	24	36

[a/] Represents the amount programmed by ONAPLAN as minimum counterpart necessary for disbursement of external funds.

[b/] n.a. means that it was not known whether or not a project was behind schedule or had cost overruns.

Source: ONAPLAN

Table 5.12: ALTERNATIVE INVESTMENT BUDGET 1984-1986 [a]/
(DR$ million)

Executing Institution	Loan Number	Project Name	Lender	Priority	1984			1985	1986
					External Funds	Domestic Funds	Total		
Ministry of Agriculture	585/SF	Pidagro III	IDB	I	5.0	3.0	8.0	7.3	—
	517-T-035	Manejo de Recursos Naturales	AID	II	-	-	-	5.0	5.1
	2023-DO	Cafe y cacao	IBRD	I	7.0	4.0	11.0	8.4	3.7
	98-DO	Desarrollo Peq. Productores	IFAD	II	-	-	-	2.2	5.7
					12.0	7.0	19.0	22.9	14.5
Ministry of Public Works	517-T-033	Rehab. Caminos Vecinales	AID	I	0.5	3.0	3.5	2.0	3.0
	431/SF	Puerto Haina	IDB	I	8.0	5.0	13.0	11.0	-
	590/SF	Rehab. de puentes, etc.	IDB	I	1.0	0.6	1.6	5.4	2.2
	1784-DO	Carretera II	IBRD	I	8.0	5.0	13.0	12.9	-
	DO-PI	Telecom. Rurales	Japan	II	-	-	-	0.7	-
	391y627-SF	Amplificacion Duarte	IDB	II	-	-	-	14.0	11.0
	C2-RD-09-114	Carretera Azua-San Juan	FIV	II	-	-	-	8.0	6.0
	517-T-045	Rehab.Caminos Vecinales II	AID	I	0.5	0.2	0.7	5.1	6.3
					18.0	13.8	31.8	59.1	28.5
Ministry of Public Health	517-T-030	Salud II	AID	I	2.0	1.0	3.0	1.0	-
	680/SF	Fortalecimiento Serv. Salud	IDB	II	-	-	-	10.0	4.2
	76-012-1518	Hospitex	France	I	-	3.3	3.3	6.9	10.0
	28-DO	Fortalecimiento Serv. Salud	IFAD	II	-	-	-	0.5	1.6
Ministry of Education	517-T-032	PIDE	AID	I	1.0	1.0	2.0	-	-
	647/SF	Creacion de Escuelas Tec.	IDB	I	1.0	0.6	1.6	2.5	2.5
		PREA	IDB	II	-	-	-	4.0	3.0
					2.0	1.6	3.6	6.5	5.5
Ministry of Planning	517-T-43	Adiestramiento de Personal	AID	II	-	-	-	1.6	-
	566/SF	Pre-inversion	IDB	II	-	-	-	1.0	-
	PL-480	Varios	AID	I	27.0	-	27.0	30.0	30.0
	1655-DO	Nizao	IBRD	I	7.0	5.0	12.0	-	-
	517-T-037	Conservacion Recursos Energeticos	AID	II	-	-	-	2.1	-
					34.0	5.0	39.0	34.7	30.0
Institute of Nacional Water Resources (INDRHI)[a]/	21/CD-SF	Sabana Yegua	IDB	I	-	-	-	0.5	1.1
	570/SF	Sabaneta	IDB	I	-	-	-	7.0	-
	590/SF	Rehab. de Riego	IDB	I	2.0	1.0	3.0	-	-
	BE-Espana	Los Toros I y II		II	-	-	-	14.7	3.0
	1862/SF-DR	PLANIACA	IDB	I	0.2	1.2	1.4	-	-
	517-T-042	Manejo Agua nivel fincas	AID	II	-	-	-	5.4	3.0
	Japon	Desarollo AGLIPO	Japan	II	-	-	-	2.1	3.8
	CEE(Don.)	Juancho	EC	I	0.8	0.1	0.9	2.6	3.5
		Los Tres Saltos de Priju		II	-	-	-	6.3	3.0
	BE-Espana	Presa Rio Mijo	Spain	I	0.6	0.1	0.7	-	-
					3.6	2.4	6.0	38.6	17.4

Table 5.12: ALTERNATIVE INVESTMENT BUDGET 1984-1986 a/ (cont'd)
(DR$ Million)

Executing Institution	Loan Number	Project Name	Lender	Priority	1984 External Funds	1984 Domestic Funds	1984 Total	1985	1986
Santo Domingo Water and Sewerage Company (CAASD)	702/SF and 112-IC	Madrigal	IDB FIV	-	-	-	-	-	-
Dominican Agricultural Institute (IAD)	536/SF y 28-DO	Asentamientos Campesinos	IDB	I	8.0	4.0	12.0	11.4	5.5
Agriculture Bank (Bagricola0	679/SF-DR	Credito Agric. Pequeno y Medianos Agricultores	IDB	I	9.0	2.0	11.0	9.5	9.5
		Compromisos Contractuales 679/SF	ONAPRES	I	-	-	-	-	-
					9.0	2.0	11.0	9.5	9.5
The National Housing Institute (INVI)	Haina-Sabana Perdida	Haina-Sabana Perdida	IBRD	I	5.5	3.4	8.9	8.0	-
Dominican Electricity Corporation (CDE)	646/SF y 74/IC	Lopez-Angostura	IDB	I	13.3	0.6	13.9	12.4	11.6
		ITABO I	Spain	I	15.3	-	15.3	-	-
		ITABO II	Spain	I	26.6	-	26.6	10.0	10.0
	517-T-037	Minihydroelectric	AID	I	0.4	-	0.4	-	-
		Rehab. Distrito Santo Domingo	FIV	I	2.0	-	2.0	10.5	10.0
		Construcion de 9 sub-estaciones	BEI-KfW	I	1.7	1.5	3.2	-	-
		Rio Blanco	FIV-France	I	12.0	1.7	13.7	5.0	5.0
		Aumento Capacidad Tavera	BE-Spain	I	1.9	0.3	2.2	7.0	7.0
		Various projects	KfW	I	5.6	0.5	6.1	6.0	6.0
	C2-RD-07-92	Small projects	FIV	I	2.4	0.5	2.9	-	-
	C2-RD-06-91	Alto Yaque del Sur	FIV	I	0.8	0.3	1.1	-	-
National Institute for Water and Sewerage (INAPA)	654/SF-450	PLANAR III	IDB	I	1.6	1.0	2.6	-	-
State Sugar Council a/ (CEA)	1760-DO	Rehabilitacion Ingenios del Estado	IBRD	I	12.0	8.0	20.0	14.0	18.6
Municipality Santo Domingo (ADN)		Desarrollo Institutional del Ayuntamiento	IBRD	II	-	-	-	3.0	3.0
Central Bank		Segundo Proyecto Turismo, Costa Norte	IBRD	I	6.0	4.0	10.0	11.0	11.0
SUMMARY:									
Priority I					195.7	69.9	265.6	200.7	155.4
Priority II					-	-	-	88.1	53.5
Funds to be allocated					-	-	-	11.2	141.1
Total investment budget					195.7	69.9	265.6	300.0	350.0

a/ Text Table 2.17 restructures the individual agency data presented here and restructures it into economic sectors. To derive the value for each sector in Text Table 2.17 the following procedure was used: 50 percent of INDRHI's total was assigned to the energy sector while 50 percent was assigned to the agriculture sector. In the case of CEA, 50 percent was assigned to the energy sector while 50 percent was assigned to the industrial sector. The values for all other agencies were assigned 100 percent to the appropriate sector.

NOTE: Project investment data for priority I projects 1984, and priority II projects 1985 are obtained from ONAPLAN estimates of the 1984 project investment budget. Estimates of priority I 1985 and 1986 and priority II 1986 figures are based on data in the project inventory of the 1983-85 investment plan.

Sources: ONAPLAN and Bank mission estimates.

Table 5.13: DOMINICAN ELECTRICITY CORPORATION (CDE):

Capacity and Energy Balance 1978-87

	Historic					Projected				
	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Energy Sales (Gwh)	1,674.0	1,706.8	1,943.7	2,083.7	1,880.5	1,832.0	1,942.0	2,084.0	2,300.0	2,551.0
Lighting	639.4	636.0	723.9	817.8	723.3	714.0	789.0	868.0	961.0	1,080.0
Commercial	214.1	214.2	260.7	256.4	228.4	220.0	225.0	236.0	282.0	332.0
Industrial	617.5	661.9	719.5	757.9	673.2	660.0	673.0	705.0	765.0	830.0
Government and Municipalities	182.1	173.9	215.0	226.6	231.4	202.0	215.0	230.0	245.0	260.0
Public Lighting	20.9	20.8	24.6	25.0	24.2	36.0	40.0	45.0	47.0	49.0
Losses (Gwh)	626.0	551.2	686.2	702.9	967.8	1,123.0	1,188.0	1,122.0	985.0	850.0
% of Net Energy	27	24	26	25	34	38	38	35	30	25
Net Energy Produced (Gwh)	2,300.0	2,258.0	2,628.5	2,786.6	2,848.3	2,955.0	3,130.0	3,206.0	3,285.0	3,375.0
Haina (Bunker)	1,267	1,209	1,461	1,384	1,456	1,620	1,620	1,546	1,500	799
Santa Domingo (Bunker C)	207	215	269	294	278	280	280	241	186	175
Puerto Plata (Bunker C)	161	140	153	123	43	205	200	200	190	180
Carbon	-	-	-	-	-	-	270	654	654	1,300
Gas (Diesel Oil)	311	220	245	274	280	140	140	50	50	50
Diesel (Diesel Oil)	7	7	11	7	6	6	6	6	4	2
Hydro Power Plants	279	310	208	512	318	343 a/	484 b/	509	701	809
Purchases c/	68	159	282	193	466	361	130	-	-	-
Non-conventional (Bagasse)	-	-	-	-	-	-	-	-	-	60
Load Factor %	64	63	65	67	64	62	62	62	62	62
Maximum Demand (MW)	411	412	462	475	504	540	580	590	610	630
Installed Capacity (MW)	640	640	738	722	910	930	1,077	1,083	1,112	1,282
Hydro	150	150	150	150	186	186	219	285	314	341
Steam (Bunker C)	357	357	357	357	443 d/	480	480	480	480	480
Steam (Coal)	-	-	-	-	-	-	115	115	115	230
Gas Turbines	116	116	116	116	186	186	186	186	186	186
Diesel	17	17	17	17	17	17	17	17	17	17
Purchases	-	-	98	82	78	60	60	-	-	-
Non-conventional (Bagasse)	-	-	-	-	-	-	-	-	-	28

a/ Estimated on the basis of accumulated hydropower production until May.
b/ Includes increase of Tavera's energy production due to operation of Bao reservoir.
c/ From 1980 figures include mainly purchases from Falconbridge.
d/ 1982 maximum steam (Bunker C) capacity generated was only 322 MW or about 73% of installed capacity.

Source: CDE and World Bank.

Table 5.14: DOMINICAN ELECTRICITY CORPORATION (CDE):

Power Least-Cost Program 1983-90

Plant	Type	Year of Operation	Project Status [a]	Execution and Ownership	Capacity MW	Yearly Firm Generation GWh
Puerto Plata II	Thermal (oil)	1983	C	CDE	36	- [b]
Itabo I	Thermal (coal)	1984	C	CDE	115	- [b]
Tavera-Bao	Hydro	1984	C	CDE	33	286
Ampliacion Tavera-Bao	Hydro	1985	C	CDE	63	- [c]
Pequenos Proyectos [d]	Hydro	1985	C	CDE	5	25
Los Toros	Hydro	1986	F	CDE	11	68
Lopez-Angostura	Hydro	1986	C	CDE	18	124
Barbojo-San Pedro	Bagasse	1987	F	CDE	28	-
Rio-Blanco	Hydro	1987	P	CDE	27	108
Itabo II	Thermal (coal)	1987	P	CDE	115	- [b]
Manabao-Bejucal	Hydro	1988	F	CDE	19	70
La Hilguera	Hydro	1988	F	CDE	11	54
El Torito	Hydro	1988	F	CDE	13	38
Los Veganos	Hydro	1988	F	CDE	21	61
Mao	Hydro	1988	F	INDRHI	45	140
Amina	Hydro	1988	F	INDRHI	30	89
Barbojo-Barahona	Bagasse	1988	F	CDE	28	- [b]
Bejucal Tavera	Hydro	1989	PRE	CDE	74	215
Sabaneta-Bao	Hydro	1989	PRE	CDE	87	333
Los Jaimenez	Hydro	1989	PRE	CDE	5	26
Alto Yuna	Hydro	1989	PRE	INDRHI	32	113
Termica	Thermal (coal)	1990	- [e]	CDE	115	- [b]

[a] Project Status: C - under construction; F - feasibility completed; P - procurement (equipment and civil works); PRE - prefeasibility.

[b] Thermal Generation depends on hydroelectric production.

[c] Increases capacity at Tavera Plant.

[d] Includes El Salto-Constanza, Gurabo and San Rafael - Magiiabal.

[e] CDE should study the best Thermal A location from the point of view of system stability, coal feeding and environmental impact.

Source: CDE and World Bank.

Table 5.15: STATE SUGAR COUNCIL (CEA):

Investment Program[a]/

(1982 DR$ thousand)

	1st. Year [b]/			2nd Year			3rd. Year			4th Year[d]/			
	Equipment	Labor [c]/	Total	Equip.	Labor	Total	Equip.	Labor	Total	Equip.	Labor	Total	Total
TOTAL INVESTMENTS	36,384	9,904	46,288	28,536	7,854	36,390	14,172	3,279	17,451	691	2,373	3,064	103,193
Breakdown													
Factories & States Rehabilitation	20,375	3,630	24,005	20,671	3,476	24,147	7,438	1,600	9,038	-	-	-	57,190
Transport	15,335	2,140	17,475	5,833	1,003	6,836	6,034	1,192	7,226	691	2,373	3,064	34,601
Irrigation and Drainage	110	2,010	2,120	330	2,040	2,370	700	100	800	-	-	-	5,290
Cane Area Reduction	-	583	583	-	308	308	-	387	387	-	-	-	1,278
Admin., Reorg. & Studies	564	1,541	2,105	1,702	1,027	2,729	-	-	-	-	-	-	4,834
Divided in two Components													
World Bank Rehabilitation Project	16,142	5,460	21,602	17,074	5,366	22,440	2,861	1,144	4,005	691	2,373	3,064	51,111
Investment by CEA's own resources	20,242	4,444	24,686	11,462	2,448	13,950	11,311	2,135	13,446	-	-	-	52,082
	36,384	9,904	46,288	28,536	7,854	36,390	14,172	3,279	17,451	691	2,373	3,064	103,193
World Bank Component:													
Factories and Estate Rehabilitation	9,685	961	10,646	11,979	1,765	13,744	148	101	249	-	-	-	24,639
Transport	5,893	537	6,430	3,393	652	4,045	2,713	656	3,369	691	2,373	3,064	16,908
Irrigation and Drainage	-	1,950	1,950	-	1,950	1,950	-	-	-	-	-	-	3,900
Cane Area Reduction Prog.	-	583	583	-	308	308	-	387	387	-	-	-	1,278
Admin., Reorganization & Studies	564	1,429	1,993	1,702	691	2,393	-	-	-	-	-	-	4,386
	16,142	5,460	21,602	17,074	5,366	22,440	2,861	1,144	4,005	691	2,373	3,064	51,111
Investments from CEA's Resources:													
Factories & Estates Rehabilitation	10,690	2,669	13,359	8,692	1,711	10,403	7,290	1,499	8,789	-	-	-	32,551
Transport	9,442	1,603	11,045	2,440	351	2,791	3,321	536	3,857	-	-	-	17,693
Irrigation and Drainage	110	60	170	330	90	420	700	100	800	-	-	-	1,390
Admin., Reorganization and Studies	-	112	112	-	336	336	-	-	-	-	-	-	448
	20,242	4,444	24,686	11,462	2,488	13,950	11,311	2,135	13,446				52,082

Notes:

a/ All figures are in middle 1982 prices; contingencies are not shown.

b/ The first year of the program is intended to be 1984, pending approval and disbursement of foreign loan.

c/ Consultant fees and studies are included in labor.

d/ The total investment plan is for three years only, a 4th year has been added to show the balance of the Transport Component which could be completed during that year.

Table 6.1: BANKING SYSTEM: SUMMARY ACCOUNTS
(DR$ million)

I. Central Bank

	December 31						Est.[a]	August 31	
	1977 [r]	1978	1979	1980	1981	1982	1983	1982	1983
Net international reserves	95.9	18.6	-105.4	-212.7	-322.3	-678.6	-693.0	-560.1	-645.9
Assets	196.7	174.0	282.2	275.2	283.5	172.4	--	--	--
Liabilities	-100.8	-155.4	-387.6	-487.9	-605.8	-852.0	--	--	--
Arrears	(--)	(--)	(-22.4)	(-47.5)	(-62.7)	(-182.2)	(--)	(--)	(--)
Letters of credit in arrears to local banks	(--)	(--)	(-21.0)	(-102.1)	(-253.7)	(-254.1)	(--)	(--)	(--)
Other	(-100.8)	(-155.4)	(-344.2)	(-338.3)	(-289.4)	(-414.7)	(--)	(--)	(--)
Net domestic assets	507.1	658.4	878.4	1,063.8	1,375.9	1,817.2	2,154.0	1,603.0	1,942.1
Net claims on the public sector	305.6	374.3	423.8	525.3	688.0	970.5	1,653.7	880.3	1,073.8
Central government budget (net)	(169.6)	(223.2)	(254.8)	(324.7)	(442.9)	(--)	(--)	(--)	(--)
Claims	/206.8/	/223.2/	/254.8/	/324.7/	/442.9/	/--/	/--/	/--/	/--/
Deposits (budgetary reserve)	/-37.2/	/--/	/--/	/--/	/--/	/--/	/--/	/--/	/--/
Other central government (net)	(63.2)	(67.0)	(80.2)	(89.5)	(99.6)	(--)	(--)	(--)	(--)
Counterpart funds	(-2.2)	(-3.9)	(-6.1)	(-10.2)	(-6.4)	(--)	(--)	(--)	(--)
Public financial institutions	(73.2)	(86.1)	(92.9)	(124.0)	(146.5)	(--)	(--)	(--)	(--)
Rest of public sector (net)	(1.8)	(1.9)	(2.0)	(-2.7)	(5.4)	(--)	(--)	(--)	(--)
Credit to commercial banks	163.7	222.7	269.5	326.0	444.5	530.2	--	--	--
Credit to the rest of the financial system	49.0	55.8	83.0	115.4	133.0	157.9	210	153.6	197.3
Net unclassified assets [c]	-11.2	5.6	102.1	97.1	110.4	158.6	--	--	--
Counterpart unrequited foreign exchange [d]	15.2	31.5	65.0	96.9	81.9	80.5	80.0	76.0	81.1
Of which: revaluation of gold	--	15.8	43.6	62.6	43.4	--	--	--	--
Medium- and long-term foreign liabilities	90.7	106.6	120.6	188.2	259.0	359.1	545.7	297.4	374.8
Liabilities to commercial banks	292.7	314.1	311.8	286.8	387.8	335.1	449.3	372.6	528.1
Cash in vaults	49.7	49.0	68.8	74.6	72.1	74.1	70.0	68.6	60.8
Reserve deposits	209.6	232.3	221.0	274.6	484.3	329.0	360.0	343.2	374.0
Special deposits [e]	33.2	32.6	65.3	87.0	147.7	368.3	395.6	315.6	433.7
Other liabilities	0.2	0.2	0.1	0.2	0.1	--	--	10.0	74.0
Arrears and letters of credit in arrears to local banks	--	--	-43.4	-149.6	-316.4	-436.3	-376.3	-364.8	-414.4
Liabilities to the private sector	204.4	224.8	275.6	279.2	324.9	363.9	386.0	296.9	312.2
Currency in circulation	203.2	223.9	273.5	274.9	323.8	357.9	380.0	292.6	310.9
Demand deposits	1.2	0.9	2.1	4.3	1.1	6.0	6.0	4.3	1.3
Other liabilities	--	--	--	--	--	--	--	--	--

Table 6.1: BANKING SYSTEM: SUMMARY ACCOUNTS
(DR$ million)

II. Reserve Bank

	December 31						August 31	
	1977 f/	1978	1979	1980	1981	1982	1982	1983
Net international reserves	2.8	-35.0	-5.2	-7.2	-12.5	-0.2	-34.3	2.9
Assets g/	32.4	10.5	19.6	12.3	51.6	52.4	22.1	68.9
Liabilities	-29.6	-45.5	-24.8	-19.5	-64.1	-52.6	-56.4	-66.0
Monetary reserves and currency holdings	64.5	111.8	96.3	66.3	21.1	13.2	54.4	76.7
Cash in vaults	19.3	18.3	24.6	29.0	26.9	23.7	21.6	20.7
Reserve deposits	29.3	66.7	76.6	41.6	27.8	6.0	23.5	22.2
Special deposits e/	15.9	26.8	5.8	6.7	19.8	54.0	41.4	109.1
Arrears and letters of credit in arrears	...	...	-10.7	-11.0	-53.4	-70.5	-32.1	-75.1
Net domestic assets	199.9	256.2	403.0	488.0	685.8	747.1	678.9	746.6
Net claims on the public sector	-15.3	52.8	123.3	124.1	302.4	410.4	349.1	448.8
Central Government								
budget (net)	(-16.6)	(-43.3)	(36.3)	(69.0)	(83.0)	(86.4)	(104.7)	(87.4)
Claims	/68.2/	/65.6/	/93.4/	/123.1/	/121.6/	/143.9/	/133.9/	/131.7/
Deposits	/-84.8/	/-108.9/	/-57.1/	/-54.1/	/-38.6/	/-57.5/	/-29.2/	/-44.3/
State and local governments (net)	(3.9)	(10.6)	(11.8)	(13.2)	(14.9)	(13.7)	(14.6)	(14.9)
Public financial institutions (net)	(17.1)	(21.6)	(20.8)	(27.0)	(44.0)	(46.8)	(47.9)	(43.9)
Rest of public sector	(-19.7)	(63.9)	(54.4)	(14.9)	(160.5)	(263.5)	(181.9)	(302.6)
Official capital and surplus	-53.6	-53.9	-56.8	-60.7	-76.7	-81.2	-76.5	-81.3
Credit to rest of the financial system	1.8	5.6	5.3	8.1	8.1	9.9	9.1	15.0
Credit to private sector	257.7	249.8	298.9g/	373.0	380.6	365.9	361.4	368.2
Net unclassified assets	9.3	2.1	32.6	46.6	71.7	42.3	35.8	-4.1
Net interbank float	...	-0.2	-0.3	-3.1	-0.3	...	...	...
Liabilities to monetary authorities	104.2	143.1	205.2	257.8	364.4	446.4	365.2	469.4
Liabilities to the rest of the financial system	6.0	5.3	14.7	11.3	23.8	33.4	29.0	36.2
Liabilities to the private sector	157.0	184.6	274.2	278.0	306.2	280.3	304.8	320.6
Demand deposits	55.4	41.5	69.5	70.2	61.3	50.6	55.2	46.7
Time and savings deposits	47.1	83.8	101.3	105.3	116.6	131.7	127.3	140.9
Other liabilities i/	54.5	59.3	103.4g/	102.5	128.3	98.0	122.3	133.0

Table 6.1: BANKING SYSTEM - SUMMARY ACCOUNTS
(DR$ million)

III. Private Commercial Banks

	December 31						August 31	
	1977f/	1978	1979	1980	1981	1982	1982	1983
Net international reserves	-38.5	-18.5	-11.8	-20.3	-56.3	-21.9	-13.7	-37.9
Assets d/	8.0	14.8	37.3	115.0	220.9	239.5	208.9	275.7
Liabilities	-46.5	-33.3	-49.1	-135.3	-277.2	-261.4	-222.6	-313.6
Monetary reserves and currency holdings	238.4	201.0	227.2	201.9	366.8	317.2	315.3	432.5
Cash in vaults	30.4	30.7	44.5	44.4	46.0	56.8	47.0	40.1
Reserve deposits	176.8	142.4	173.3	210.8	429.3	304.3	321.1	348.9
Special deposits e/	31.2	27.9	42.1	85.3	154.4	325.8	280.0	382.6
Arrears and letters of credit in arrears	...	...	-32.7	-138.6	-262.9	-369.7	332.8	-339.1
Net domestic assets	635.0	692.6	709.9	785.7	757.5	883.5	833.4	933.4
Net claims on the public sector	14.4	-0.4	5.7	3.4	5.2	-1.8	18.1	4.8
Central government budget (net)	(17.3)	(12.6)	(9.0)	(10.4)	(10.7)	(8.9)	(14.4)	(12.0)
Claims	/17.3/	/12.6/	/9.0/	/10.4/	/10.9/	/9.8/	/14.4/	(12.7)
Deposits	/.../	/.../	/.../	/.../	-0.2	/-0.9/	/.../	/-0.7/
State and local governments (net)	/.../	(-0.2)	(0.1)	(-0.2)	(-0.2)	(-0.2)	(-0.1)	(-0.2)
Public financial institutions (net)	(-2.0)	(-3.6)	(-6.1)	(-6.1)	(-6.5)	(-11.5)	(-3.2)	(-4.3)
Rest of public sector	(-0.9)	(-9.2)	(2.7)	(-0.7)	(1.2)	(1.0)	(7.0)	(-2.8)
Credit to rest of the financial system	22.0	33.2	22.5	43.3	34.4	30.0	32.8	40.2
Credit to private sector	521.5	579.1	594.2	671.5	639.3	747.8	714.8	796.8
Net unclassified assets	77.1	85.7	101.5	89.1	94.4	110.5	84.1	93.1
Net interbank float	...	-5.0	-14.0	-21.6	-15.8	-3.0	-16.4	-1.5
Liabilities to monetary authorities	62.2	80.0	65.8	69.6	83.1	85.6	79.8	87.2
Liabilities to the rest of the financial system	16.2	14.8	23.2	25.6	28.3	48.3	68.4	91.4
Liabilities to the private sector	756.5	780.3	836.3	872.1	956.6	1044.8	986.8	1149.4
Demand deposits	155.9	166.8	220.8	205.7	240.1	289.3	248.0	277.7
Time and savings deposits j/	391.5	394.9	380.1	393.4	436.5	531.1	498.0	564.4
Other liabilities i/	126.4	124.5	129.1	150.9	144.9	86.9	106.7	143.3
Private capital and surplus	82.7	94.1	106.3	122.1	135.1	137.5	134.1	164.0

Table 6.1: BANKING SYSTEM - SUMMARY ACCOUNTS
(DR$ million)

IV. Consolidated Banking System

	December 31						August 31	
	1977f/	1978	1979	1980	1981	1982	1982	1983
Net international reserves of the banking system	60.2	-34.9	-122.4	-240.2	-391.2	-700.7	-608.0	-680.9
Assets	237.1	199.3	318.1	300.4	302.1	210.3	141.0	313.8
Liabilities	-176.9	-234.2	-440.5	-540.6	-693.3	-911.0	-749.0	-994.7
Net domestic assets	1,185.8	1,382.7	1,732.1	1,991.5	2,371.9	2,911.0	2,667.4	3,046.6
Net claims on the public sector	302.8	426.7	552.8	652.8	995.6	1,379.1	1,247.5	1,527.4
Central government budget (net)	(170.3)	(192.5)	(300.1)	(404.1)	(536.7)	(716.7)	(669.8)	(784.3)
Claims	/292.3/	/301.4/	/357.3/	/458.2/	/575.5/	/775.1/	/699.0/	/829.3/
Deposits	/-122.0/	/-108.9/	/-57.2/	/-54.1/	/-38.8/	/-58.4/	/-29.2/	/-45.0/
Other central government (net)	(63.2)	(67.0)	(80.2)	(89.5)	(99.6)	(118.3)	(110.8)	(137.1)
Counterpart funds	(-2.2)	(-3.9)	(-6.1)	(-10.2)	(-6.4)	(-7.7)	(-7.2)	(-23.6)
State and local governments (net)	(3.9)	(10.4)	(11.9)	(13.0)	(14.7)	(13.5)	(14.5)	(14.8)
Public financial institutions (net)	(88.3)	(104.1)	(107.6)	(144.9)	(184.0)	(186.5)	(194.7)	(195.5)
Rest of public sector	(-20.7)	(56.6)	(59.1)	(11.5)	(167.1)	(-351.8)	(264.9)	(419.3)
Credit to rest of the financial system	74.8	94.7	110.8	166.8	175.5	197.8	195.5	252.2
Credit to the private sector	779.2	828.9	893.1	1,044.5	1,019.9	1,113.5	1,076.2	1,165.1
Net unclassified assets	29.0	32.4	175.4	127.4	180.9	220.6	148.2	101.9
Counterpart unrequited foreign exchange	15.2	31.5	65.0	96.9	81.9	80.5	76.0	81.1
Of which: revaluation of gold	--	15.8	43.6	62.6	43.4	43.1	37.3	38.8
Medium- and long-term foreign liabilities	90.7	106.6	120.6	188.2	259.0	359.1	297.4	374.8
Liabilities to the rest of the financial system	22.2	20.1	37.9	36.9	52.1	81.7	97.4	127.6
Liabilities to private sector	1,117.9	1,189.6	1,386.2	1,429.3	1,587.7	1,689.0	1,588.6	1,782.2
Currency in circulation	203.2	223.9	273.5	274.9	323.6	357.9	292.6	310.8
Demand deposits	212.5	209.1	292.4	280.1	302.5	345.8	307.6	325.7
Time and savings deposits	438.6	478.7	481.5	498.7	553.3	662.7	625.3	705.3
Other liabilities	180.9	183.8	232.5	253.5	273.2	185.1	229.0	276.4
Private capital and surplus	82.7	94.1	106.3	122.1	135.1	137.5	134.1	164.0

a/ Assumes no rescheduling of commercial bank debt in 1983.
b/ A total of DR$30 million was advanced to the Government for use as counterpart funds, in anticipation of the transfer of funds under the San Jose Agreement. The advance was not registered as credit to the Central Government. It is included in unclassified assets.
c/ Starting in 1979, includes DR$70 million investment in shares of the Rosario Mining Company.
d/ Includes allocation of SDRs and valuation adjustment of gold and foreign exchange.
e/ Deposits for overdue drafts, collections and direct payments awaiting delivery of foreign exchange by the Central Bank; plus deposits corresponding to letters of credit subject to prepayment (including letters of credit not yet matured and letters of credit in arrears to local banks).
f/ A change in the reporting of banking system accounts occurred in 1978. These 1977 figures are estimates of the accounts on the new basis.
g/ Includes foreign exchange claims on the Central Bank to reimburse head offices or correspondent banks for payments on commercial letters of credit made by them abroad.
h/ Includes about DR$ 25 million corresponding to the contingent liabilities and claims arising from guarantees granted by the Reserve Bank to acceptances issued by INESPRE and Molinos Dominicanos in the period September-December 1979.
i/ Includes deposits corresponding to letters of credit subject to prepayment.
j/ Prior to January 1978, includes some deposits of the decentralized agencies.

Sources: Central Bank and IMF.

Table 6.2: COMMERCIAL BANK CREDIT TO THE PUBLIC SECTOR AND TO THE PRIVATE SECTOR BY ECONOMIC ACTIVITY, 1978-83

	December 31					April 30
	1978	1979	1980	1981	1982	1983
I. DR$ million						
Total public sector	161.8	201.2	235.7	402.4	496.7	547.7
Total private sector	793.0	847.6	990.1	966.8	1,045.2	1,065.5
Productive Sectors	516.5	554.3	667.6	65[illegible]1	700.9	711.5
Agriculture	41.6	50.2	59.1	64.4	68.9	81.6
Manufacturing	271.3	282.2	375.7	383.6	354.9	376.1
Construction	69.2	70.4	72.3	58.3	62.3	62.7
Other	134.4	151.5	160.5	151.8	214.8	191.1
Other	276.5	293.3	322.5	308.7	344.3	354.0
Trade	223.5	237.8	254.7	244.9	283.9	281.6
Installment credit	2.1	1.6	2.4	3.1	2.8	9.7
Miscellaneous	50.9	53.9	65.4	60.7	57.6	62.7
II. In percent						
Total public sector	16.9	19.2	19.2	29.4	32.2	34.0
Total private sector	83.1	80.8	80.8	70.6	67.8	66.0
Productive Sectors	54.1	52.9	54.5	48.1	45.5	44.1
Agriculture	4.4	4.8	4.8	4.7	4.5	5.1
Manufacturing	28.4	26.9	30.6	28.0	23.0	23.3
Construction	7.2	6.7	5.9	4.3	4.0	3.9
Other	14.1	14.4	13.1	11.1	13.9	1.2
Other	29.0	28.0	26.3	22.5	22.3	21.9
Trade	23.4	22.7	20.8	17.9	18.4	17.5
Installment credit	0.2	0.2	0.2	0.2	0.2	0.6
Miscellaneous	5.3	5.1	5.3	4.4	3.7	3.9

Source: Central Bank.

Table 7.1: AVERAGE ANNUAL GROWTH RATE FOR OUTPUT OF SELECTED COMMODITIES IN THE DOMINICAN REPUBLIC 1971-82

Commodity	Average Annual Growth Rate 1971-81	1981-82
Rice	8.99	11.6
Milk	2.72	--
Poultry	9.54	--
Maize	4.67	--
Sorghum	18.36	--
Beans	7.60	10.9
Plantains	-0.05	--
Coffee	5.51	21.6
Cacao	-0.99	9.4
Tobacco	12.02	-17.5
Beef	5.15	--
Sugar	-0.10	13.4

Sources: Central Bank and Donald W. Larson "The Effect of Price and Credit Policies on Dominican Republic Agriculture", Consultants Report to USAID, September, 1982.

Table 7.2: IMPORTS OF FOOD COMMODITIES CONTROLLED BY INESPRE a/
1972-83

Year	Value in Current US$ Million	Volume in Thousand of Metric Tons	Food Grain Self-Sufficiency Index
1972	25.8	168.9	0.60
1973	49.1	205.3	0.56
1974	99.3	251.6	0.54
1975	50.4	118.5	0.50
1976	45.8	132.9	0.56
1977	68.2	172.6	0.55
1978	40.5	111.8	0.61
1979	73.1	174.7	0.68
1980	107.0	287.5	0.60
1981	122.8	329.3	0.59
1982	64.4	236.7	0.67
1983	69.1	--	--

Source: INESPRE

a/ Includes imports under PL480 and CCC

Table 7.3: RICE PRICES IN THE DOMINICAN REPUBLIC, 1973-82

Year	Producer Price for Paddy DR$/MT (a) (1)	INESPRE Import Price c.i.f. US$/MT (2)	Int'l. price c.i.f. US$/MT (b) (3)	INESPRE's Import Price at Parallel Exchange Rate (4)	Int'l. Price at Parallel Exchange Rate DR$/MT (5)	INESPRE Price to Millers DR$/MT (6)	Ratio of INESPRE Miller Price to: INESPRE Import Price at Parallel Exchange Rate 7=(6)/(4)	Ratio of INESPRE Miller Price to: Int'l. Price at Parallel Exchange Rate 8=(6)/(5)	Consumer Price DR$/MT (9)	Index of Real Consumer Price (1973=100) (10)
1973	187	662.4	624.1	749.8	706.5	315	0.42	0.44	375.0	100
1974	198	446.0	458.7	508.4	522.9	458	0.90	0.87	464.0	109
1975	253	352.8	402.1	416.3	474.5	458	1.10	0.97	568.8	117
1976	248	291.1	321.3	349.0	385.2	452	1.29	1.17	564.4	108
1977	269	291.1	480.4	355.1	586.1	452	1.27	0.77	573.2	97
1978	276	320.8	379.5	401.6	475.1	452	1.13	0.95	564.4	92
1979	242	453.6	498.1	554.9	610.2	452	0.81	0.74	557.7	84
1980	282	473.6	527.4	597.7	665.6	529	0.89	0.79	665.8	85
1981	318	450.9	560.2	578.9	719.3	566	0.98	0.79	720.0	86
1982	318	416.7	406.1	605.3	589.9	566	0.94	0.96	720.0	80
AVERAGE							0.97	0.84		

Sources: (a) INESPRE, "Plan Operativo, 1983".
(b) World Bank, "Commodity and Price Trends, 1983 Edition", U.S. Gulf-Port Price, plus $20/ton for Insurance and Freight.

Table 8.1: MANUFACTURING OUTPUT 1962-80

(1970 DR$ Million)

ISIC	Subsector	1962	1972	1975	1976	1977	1978[a]/	1979[a]/	1980[a]/	1981[a]/
311-12	Processed Food (exc. sugar)	131.0	239.4	293.2	331.5	356.8	363.9	423.1	484.0	496.0
313	Beverages	43.5	82.3	103.8	118.4	137.1	138.2	104.6	110.2	113.2
314	Tobacco	24.8	38.3	53.1	56.6	54.4	54.2	47.8	55.5	57.0
321	Textiles	9.3	16.6	26.2	33.0	32.4	31.9	24.2	19.3	19.9
322	Clothing	5.8	9.0	15.1	17.9	16.5	17.6	12.2	11.8	12.1
323	Leather products	2.4	3.8	6.4	7.5	8.3	9.7	8.8	9.3	9.5
324	Footwear	3.1	4.4	7.8	9.5	12.3	11.5	8.1	11.8	12.1
331	Wood products	5.5	1.0	1.0	1.3	1.2	1.4	1.5	2.1	2.1
332	Furniture	3.0	7.2	9.6	12.0	12.8	14.6	15.9	13.8	14.2
341	Paper and paper products	5.6	17.7	19.8	20.7	24.0	22.7	26.9	25.5	26.2
342	Printing and publishing	4.5	7.6	8.6	9.2	10.2	10.6	12.0	13.4	13.7
351	Chemicals	8.0	20.5	23.0	30.0	32.0	29.7	35.5	22.7	23.7
352	Other chemicals	10.5	28.2	37.1	46.6	50.0	48.8	42.8	50.9	52.3
353	Oil refining	-	-	37.5	39.0	39.1	38.9	80.8	78.1	80.4
354	Petroleum and coal products	-	-	-	-	-	-	-	-	-
355	Rubber	1.6	7.2	7.6	8.0	8.1	9.5	8.7	8.5	8.8
356	Plastic products	0.7	7.7	14.4	13.8	16.1	18.2	13.7	19.6	20.0
361	Ceramic and porcelain	-	-	-	-	-	-	-	-	-
362	Glass and glass products	1.1	3.3	4.9	3.7	3.8	6.0	6.3	3.8	3.7
369	Non-metallic minerals	8.0	28.5	58.8	35.5	39.0	36.1	34.3	40.8	41.9
371	Iron and steel	-	8.0	23.1	14.2	20.0	20.8	28.1	25.1	25.8
372	Other metals	-	0.4	0.4	0.9	1.3	1.1	0.8	0.8	0.8
381	Metal products	3.0	21.3	29.6	27.3	34.1	35.7	30.9	28.4	29.2
382	Non-elec. machinery	0.0	3.4	7.3	7.1	10.1	10.2	5.9	6.9	7.0
383	Elec. machinery	0.4	4.2	8.3	8.9	9.6	10.0	11.0	10.7	10.9
384	Transport equipment	-	-	0.1	0.0	0.0	0.1	0.1	0.1	0.1
385	Scientific equipment	-	0.3	1.2	1.2	2.0	1.8	0.8	0.8	0.8
390	Other manufacturing	0.1	0.8	1.7	1.2	1.3	1.6	1.2	1.2	1.3
	Total	272.9	561.1	799.6	855.0	932.5	944.8	986.0	1,055.1	1,082.3

a/ Preliminary figures.

Source: Central Bank.

Table 8.2: VALUE ADDED IN MANUFACTURING, 1962-80
(1970 DR$ Million)

ISIC	Subsector	1962	1972	1975	1976	1977	1978[a]/	1979[a]/	1980[a]/	1981[a]/
311-12	Processed Food (exc. sugar)	42.4	69.9	87.4	113.3	115.0	118.4	147.1	169.1	173.6
313	Beverages	37.5	52.2	63.0	69.5	87.9	84.7	66.8	68.6	70.4
314	Tobacco	21.5	24.5	32.0	34.0	29.5	28.7	25.8	27.0	27.7
321	Textiles	5.5	8.3	17.1	23.5	19.6	21.2	14.6	11.7	12.0
322	Clothing	2.1	5.0	4.6	8.2	5.3	5.7	3.9	3.8	3.9
323	Leather products	1.3	1.1	3.6	3.3	3.5	4.2	3.7	3.9	4.0
324	Footwear	1.5	2.7	5.2	6.3	8.7	8.2	5.7	8.3	8.6
331	Wood products	4.2	0.8	0.8	1.0	1.0	1.1	1.2	1.7	1.7
332	Furniture	1.6	4.0	5.5	7.3	9.6	11.0	11.3	10.4	10.7
341	Paper and paper products	2.2	5.5	7.2	5.1	7.9	7.6	10.8	10.6	10.9
342	Printing and publishing	2.6	5.3	4.7	5.7	6.2	6.5	7.2	8.2	8.5
351	Chemicals	9.2	8.1	7.5	8.5	9.4	9.0	10.3	6.7	6.8
352	Other chemicals	4.8	13.2	17.3	23.1	23.1	22.7	19.6	23.5	24.1
353	Oil refining	-	-	2.8	7.5	10.0	9.8	20.5	20.0	20.5
354	Petroleum and coal products	-	-	-	-	0.01	0.6	0.4	0.1	0.1
355	Rubber	0.8	3.8	3.8	2.4	1.3	1.4	1.3	1.3	1.4
356	Plastic products	0.0	4.7	10.2	8.2	9.8	10.5	8.3	11.9	12.3
361	Ceramic and porcelain	-	-	-	-	-	-	-	-	-
362	Glass and glass products	0.5	1.9	2.8	1.5	1.7	2.7	2.7	1.7	1.7
369	Non-metallic minerals	5.1	18.7	41.4	16.4	16.4	14.6	22.0	26.5	27.4
371	Iron and steel	-	4.3	5.2	3.8	6.8	7.1	9.1	8.2	8.3
372	Other metals	-	0.1	0.04	0.1	0.5	0.4	0.4	0.3	0.3
381	Metal products	1.0	9.6	10.4	9.5	13.3	13.2	12.2	11.1	11.4
382	Non-elec. machinery	-	1.9	5.1	4.4	6.3	6.4	3.8	4.3	4.4
383	Elect. machinery	0.2	1.3	1.5	4.2	1.9	2.1	2.4	2.3	2.4
384	Transport equipment	-	-	0.03	0.02	0.02	-	-	-	0.02
385	Scientific equipment	-	0.05	0.8	0.8	1.5	1.3	0.6	0.6	0.6
390	Other manufacturing	0.1	0.7	0.9	0.1	0.3	-	-	-	0.5
	Total	44.1	247.4	341.1	367.7	396.6	399.1	411.7	441.8	454.2

a/ Preliminary figures.
Source: Central Bank.

Table 8.3: STRUCTURE OF FOREIGN EXCHANGE INCENTIVES FOR INDUSTRIAL PRODUCTS

ISIC	Activity	Parallel Market Exports in Percent	Effective Exchange Rate Dec. 1, 1982	Effective Exchange Rate Oct. 20, 1983
311-2	Processed foods	54	1.24	1.40
313	Beverages	55	1.24	1.40
314	Tobacco	50	1.22	1.38
321	Textiles	30	1.13	1.22
322	Clothing	33	1.15	1.25
323	Leather products	40	1.18	1.30
324	Footwear	58	1.26	1.43
332	Furniture	50	1.22	1.38
341	Paper and paper products	30	1.13	1.22
342	Printing and publishing	35	1.16	1.26
351	Industrial chemicals	30	1.13	1.22
352	Other chemicals	34	1.15	1.26
356	Plastic products	23	1.10	1.17
361	Ceramic and porcelain	38	1.17	1.23
362	Glass and glass products	27	1.12	1.20
369	Non-metallic minerals	44	1.20	1.33
371	Iron and steel	20	1.09	1.15
381	Metal products	35	1.15	1.26
382	Non-industrial machinery	28	1.12	1.21
390	Other manufactures	40	1.18	1.30
	Simple Average	37.7	1.17	1.34
	Parallel Market Exchange Rate		1.46	1.75

Source: Mission estimates.

Table 8.4: MANUFACTURED EXPORTS RECEIVING FOREIGN EXCHANGE INCENTIVE, 1981-82
(DR$ thousand)

		1981			1982		
		Actual Exports Receiving Incentive	Exports Eligible for Incentive	Percent with Incentive	Actual Exports Receiving Incentive	Exports Eligible for Incentive	Percent with Incentive
311-12	Processed Food	2,206.7	30,982.9	(7.1)	6,265.8	33,062.9	(19.0)
313	Beverages	115.5	306.0	(37.7)	32.9	189.9	(17.3)
314	Tobacco	243.5	1,739.3	(14.0)	1,933.1	2,155.7	(89.7)
321	Textiles	6.0	96.8	(6.2)	-	183.3	-
322	Clothing	156.7	1,378.1	(11.4)	305.9	1,761.4	(17.4)
323	Leather products	4.9	6,691.7	(0.0)	6.0	6,378.9	(0.0)
324	Footwear	263.7	610.8	(43.2)	61.2	592.5	(10.3)
331	Wood products	-	38.5	-	-	70.1	-
332	Furniture	70.9	186.7	(38.0)	16.3	283.9	(5.7)
341	Paper and paper products	-	230.1	-	41.7	268.4	(15.5)
342	Printing and publishing	-	378.8	-	15.7	444.5	(3.5)
351	Industrial chemicals	14,224.7	16,153.8	(88.0)	7,605.2	8,135.7	(93.5)
352	Other chemicals	127.4	832.6	(15.3)	517.6	1,378.1	(37.6)
355	Rubber products	-	245.8	-	-	320.9	-
356	Plastic products	23.1	545.4	(4.2)	354.8	524.2	(67.7)
361	Ceramic and porcelain	398.8	475.4	(83.9)	688.0	884.5	(77.8)
362	Glass and glass products	2.2	64.2	(3.4)	71.6	144.3	(49.6)
369	Non-metallic minerals	6,132.5	6,147.1	(99.8)	4,326.5	4,571.3	(94.6)
371	Iron and steel	-	130.0	-	3.3	20.5	(16.1)
372	Other metals	-	-	-	-	-	-
381	Metal products	517.4	2,781.2	(18.6)	1,485.6	2,680.5	(55.4)
382	Non-elec. machinery	95.7	396.3	(24.1)	197.6	352.1	(56.1)
383	Elect. machinery	-	261.8	-	-	38.7	-
385	Scientific equipment	-	773.8	-	-	401.7	-
390	Other industries	-	64.8	-	12.3	52.4	(23.5)
	Total	24,589.7	71,511.9	(34.4)	23,941.1	64,896.4	(36.9)

Source: Mission estimates based on CEDOPEX data.

Table 9.1: IMPLICIT PRICE DEFLATORS, 1978-83
(1970 = 100)

	1978	1979	1980	1981	1982	Est. 1983
GDP	180.5	201.3	229.1	240.1	257.6	270.5
Imports	185.8	201.7	221.5	240.8	243.9	252.9[a]/
Exports	152.6	168.8	231.2	272.1	200.0	216.4[a]/
Terms of trade	82.1	83.7	104.4	113.0	82.0	85.6[a]/
Consumption and investment expenditures	187.3	209.4	225.8	234.7	265.4	276.8

a/ IBRD estimate

Sources: Central Bank and IMF.

Table 9.2: CONSUMER PRICE INDEX, 1978-83

(May 1976-April 1977 = 100)

	Weights	1978	1979	1980	1981	1982	Jan. - April 1982	Jan. - April 1983
I. End of the Period								
General index	100.0	108.8	136.8	143.0	153.5	164.5	155.9	162.2
Food, beverages, and tobacco	51.7	111.2	147.5	141.1	145.5	159.4	149.1	156.0
Housing	23.9	110.6	123.7	142.3	168.8	176.7	167.7	176.0
Clothing, shoes, and accessories	6.0	104.9	122.5	142.2	150.6	168.1	152.7	171.8
Other	18.4	101.2	128.1	149.4	157.0	161.6	157.9	158.7
II. Period Average								
General index	100.0	107.1	116.9	136.3	146.8	158.0	155.8	162.8
Food, beverages, and tobacco	51.7	109.2	121.1	139.7	140.3	151.4	148.8	156.5
Housing	23.9	107.7	116.1	127.2	156.0	170.7	168.8	176.3
Clothing, shoes, and accessories	6.0	102.6	111.2	133.9	144.8	158.8	154.4	167.3
Other	18.4	101.9	108.23	139.82	153.8	160.0	158.2	161.2

Source: Central Bank.

Table 9.3: RETAIL PRICES OF PETROLEUM DERIVATIVES, 1976-82

	Dec. 31 1976	Jan. 23 1979	Apr. 4 1979	July 31 1979	May 26 1980	Sept. 16 1980	Jan. 8 1981 a/
			(In DR$ per gallon)				
Gasoline	0.99	1.09	1.25	1.85	2.39	2.39	2.57
Diesel	0.53	0.59	0.67	0.86	0.86	0.97	1.15
Kerosene	0.76	0.76	0.76	0.86	0.86	0.86	0.97
LP gas	0.67	0.67	0.76	0.86	0.86	0.90	1.05
Fuel oil	0.47	0.47	0.47	0.47	0.47	0.47	0.65
		(Percentage increase from previous level					
Gasoline		10.1	14.7	48.0	29.2	--	7.5
Diesel		11.3	13.6	28.4	--	12.8	18.6
Kerosene		--	--	13.2	--	--	12.8
LP gas		--	13.4	13.2	--	4.6	16.7
Fuel oil		--	--	--	--	--	38.3

a/ Prices still effective in October, 1982.

Sources: Ministry of Commerce and Industry, and Central Bank.

Table 9.4: AVERAGE SELLING PRICE OF ELECTRICITY, 1976-83

	1976	1977	1978	1979	1980	1981	1982	May 1983
				(In DR cents per kilowatt-hour; end of year)				
All users	5.0	5.2	5.2	5.7	7.6	11.2	13.7	13.3
Residential	4.6	4.6	4.6	5.1	5.6	8.7	10.5	9.7
Commercial	6.1	6.3	6.3	6.9	9.6	13.4	16.9	16.5
Industrial	4.8	5.1	5.1	5.6	8.4	12.4	15.6	15.1
Public sector	5.7	5.8	5.8	6.4	8.9	13.1	15.0	15.1
				(Percent change from previous year)				
All users		4.0	-	9.6	33.3	47.4	22.3	-2.9[a/]
Residential		-	-	10.9	9.8	55.4	20.7	-7.6
Commercial		3.3	-	9.5	39.1	39.6	26.1	-2.4
Industrial		6.2	-	9.8	50.0	47.6	25.8	-3.2
Public sector		1.8	-	10.3	39.1	47.2	14.5	0.7

[a/] -percent change from December 1982 to May 1983.

Sources: Dominican Electric Corporation and Central Bank.

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Alexander G. Nowicki, chief of mission, and others

Reviews the country's main socioeconomic sectors and focuses on the traditional quality of Ecuador's economy which makes it difficult to bring the benefits of modern development to a majority of the poor. Discusses the expected shortfall in foreign exchange and fiscal revenues compared to the country's needs, which can be alleviated if aided by a vigorous effort in petroleum exploration and a revision of the domestic price policy for petroleum derivatives.

1979. 660 pages (including 4 technical annexes, statistical appendix). English and Spanish.

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Egypt: Economic Management in a Period of Transition

Khalid Ikram and others

The most detailed examination of the Egyptian economy to appear since the 1960s and the first to lay heavy emphasis on economic management and policies.

The Johns Hopkins University Press, 1980. 464 pages (including statistical appendix, index).

LC 80-552. ISBN 0-8018-2418-4, Stock No. JH 2418, $32.50 hardcover; ISBN 0-8018-2419-2, Stock No. JH 2419, $11.50 paperback.

The Gambia: Basic Needs in The Gambia

Heinz B. Bachmann, mission chief and coordinating author, Rene Vandendries, and Ann MacNamara

This report outlines a basic needs strategy designed to guide the Gambian government and the World Bank in making policy decisions that will increase the chances of base survival for that country's people. The Gambia is extremely poor; the rural population is worse off than those living in urban areas; and women and children, who make up 30 to 40 percent of the population, are the most disadvantaged group and suffer most from poor health and malnutrition. A strategy is proposed that is aimed at improving the health and nutritional status of pregnant women and lactating mothers by combating endemic disease, improving the supply and distribution of food, improving eating habits, and supplying clean water in rural areas.

1981. 153 pages (including 2 annexes).

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Ishrat Husain, chief of mission, and others

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1984. 224 pages.

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Guatemala: Economic and Social Position and Prospects

John R. Hansen, chief of mission, and others

Concludes that, despite current problems due to the decline in coffee prices, the economy is financially sound and has good future growth prospects.

1978. 181 pages (including statistical annex, map annex).

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Hungary: Economic Developments and Reforms

The World Bank's first analysis of the economy of the Hungarian People's Republic. Examines aspects of the economic structure of Hungary and the nature and evolution of its economic management system. Reviews principal sectors — agriculture, industry, energy. Discusses policy issues and indicates medium-term perspectives for the economy.

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C. Taylor

Reviewing the country's demand for electricity, points out that economic growth in India depends critically on the development of the power sector and suggests that public funds be supplemented by increased tariffs to augment the internal cash generation of the State Electricity Boards, as well as provide for a more efficient use of power resources.

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Mark Leiserson, mission chief and coordinating author

Examines demographic, employment, wage, and income trends; analyzes the functioning of rural and urban labor markets; and formulates employment and income policy issues that are important in addressing Indonesia's longer-term development strategy.

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Ivory Coast: The Challenge of Success

Bastiaan A. den Tuinder and others

Investigates the so-called "Ivorian Miracle" and ways to maintain growth while reducing or eliminating gaps in income levels and opportunities for advancement.

The Johns Hopkins University Press, 1978. 464 pages (including appendixes, statistical appendix, index).

LC 76-47395. ISBN 0-8018-1939-3, Stock No. JH 1939, $28.50 hardcover; ISBN 0-8018-2099-5, Stock No. JH 2099, $12.95 paperback.

Kenya: Population and Development

Rashid Faruqee, chief of mission, and others

States that fertility in Kenya is high, appears to be increasing, and shows considerable variation by region, tribal group, and socioeconomic status. Recognizes that rapid population growth is resulting in the need for increased public expenditure for basic needs services, such as education, health, water, and housing. Argues that a rapid decline in fertility will facilitate the implementation of the government's commitment to the provision of basic needs, but that the satisfaction of basic needs, such as education, is an important instrument for securing lower fertility. Explores the socioeconomic determinants of fertility, the current status of the country's family planning program, the social status of women and fertility, and makes recommendations for a comprehensive population policy.

1980. 226 pages (including bibliography).

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Korea: Policy Issues for Long-Term Development

Parvez Hasan and D. C. Rao

Can Korea's growth rate continue with greater considerations of equity, structural changes to maintain the comparative advantages of Korean exports, the new roles for government in response to changing domestic and external conditions?

The Johns Hopkins University Press, 1979. 558 pages (including map, appendixes, index).

LC 78-21399. ISBN 0-8018-2228-9, Stock No. JH 2228, $35 hardcover; ISBN 0-8018-2229-7, Stock No. JH 2229, $15 paperback.

Madagascar: Recent Economic Development and Future Prospects

P.C. Joshi, mission chief, and others

Examines, in the light of recent economic developments and the government's objectives, the strategy underlying both the 1978-80 Development Plan and those plans to be implemented subsequently. Points out that the overall performance of the economy has been disappointing in recent years, but that the government has been able to focus on certain important social objectives; the satisfaction of basic needs, reduction of urban-rural income disparities, and the protection of living standards of low-income urban groups. Proposes a policy framework characterized by increased reliance on external assistance, vigorous export promotion, and a general relaxation of economic controls, and considers the feasibility and appropriateness of this strategy in relation to the resources of the economy and long-term development goals of the country.

1980. 307 pages (including 6 annexes, 4 appendixes). English and French.

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Malaysia: Growth and Equity in a Multiracial Society

Kevin Young, Willem Bussink, and Parvez Hasan

Rapid growth is essential to achieving Malaysia's economic and social objectives; favorable resource prospects are conducive to such growth.

The Johns Hopkins University Press, 1980. 364 pages (including appendixes, index).

LC 79-3677. ISBN 0-8018-2384-6, Stock No. JH 2384, $25 hardcover; ISBN 0-8018-2385-4, Stock No. JH 2385, $12.95 paperback.

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K. Sarwar Lateef, chief of mission, and others

Provides a brief introduction to the Maldives, a nation that is among the twenty poorest countries in the world, and points out that the fisheries sector accounts for 44 percent of employment and nearly all visible export earnings and discusses other important sectors—agriculture, tourism, cottage industries, health, and education. Outlines the development priorities for the country in the 1980s and the role of external assistance.

1980. 178 pages (including 5 annexes, statistical appendix).

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Mauritius. Economic Memorandum: Recent Developments and Prospects

Michel J. C. Devaux, mission chief, and others

Report of a November-December 1981 mission to review the economic situation of Mauritius and to assess progress under the structural adjustment loan approved by the World Bank in 1981.

1983. 122 pages.

ISBN 0-8213-0122-5.Stock No. BK 0122. $5.

Morocco: Economic and Social Development Report

Christian Merat, coordinating author, and others

This study examines the growth and structural changes the Moroccan economy has experienced during the ten-year period, 1968-77. It seeks to determine the results that can be expected from the annual plans of financial adjustment that dominate the period 1978-80 and looks ahead to the overall prospects for the economy during the period 1981-90. Considers growth problems at the sector level and outlines the general employment situation and the social development strategy the country is pursuing.

1981. 454 pages (including statistical appendix). English and French.

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Nepal: Development Performance and Prospects

Yukon Huang, chief of mission, and others

Reviews Nepal's achievements during the Fifth Development Plan and its strategy options for the Sixth Plan for key sectors such as agriculture, industry, tourism, energy, and transportation, as well as human resource development.

1979. 134 pages (including map, 2 annexes, statistical appendix).

Stock No. BK 9123. $5.

Papua New Guinea: Its Economic Situation and Prospects for Development

George B. Baldwin and others

Assesses prospects for increasing economic self-reliance and financial creditworthiness by developing considerable natural resources.

The Johns Hopkins University Press, 1978. 38 pages (including appendixes, statistical appendix, bibliography).

LC 77-17242. ISBN 0-8018-2091-X, Stock No. JH 2091, $6.50 paperback.

Papua New Guinea: Selected Development Issues

Alice Galenson, chief of mission, and others

This report constitutes part of a continuing dialogue between the World Bank and the government of Papua New Guinea on a wide range of economic and sector issues. It focuses on a few specific areas that were agreed to be among the most important for the country's development during the 1980s. Points out that the major goal facing the country in the 1980s will be to provide rising incomes for its people and productive livelihood for its growing labor force. Discusses, in particular, the employment, agriculture, forestry, fisheries, and industry sectors.

280 pages (including 4 annexes).

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Alfredo Gutierrez, chief of mission, and others

Reviews recent economic developments and provides a framework for policy actions and investment projects designed to make maximum use of development possibilities, and suggests the need to coordinate public-sector activities in a geographic and sectoral dimension to exploit the eastern region's natural resources.

1978. 58 pages (including maps, statistical appendix). English.

Stock No. BK 9103 (English) and BK 9152 (Spanish). $3.

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The Philippines: Housing Finance

Madhusudan Joshi, mission chief, and others

Reports the findings of a 1981 study requested by the government of the Philippines focusing on resource mobilization and its macroeconomic implications, the development of appropriate institutions and instruments, and access to housing finance.

1983. 137 pages (including appendices).

ISBN 0-8213-0108-X. Stock No. BK 0108. $5.

Philippines: Industrial Development Strategy and Policies

Barend A. de Vries, chief of mission, and others

Outlines the country's industrial development strategy, its major objectives, and industrial investment priorities and determines that the nontraditional manufactured export drive should continue with increased participation by industries, firms, and regions and that policies for the home industries should be reoriented toward better use of capital and domestic resources and more employment creation.

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Analyzes the main issues of agricultural development and identifies investor needs for future World Bank consideration.

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Basil Kavalsky, chief of mission, and Surendra Agarwal

Discusses Portugal's difficult transition after the revolution of 1974/75 and notes that the country has a sound economic base, but will have to come to terms with the serious unemployment problem, increase investment and output in export-oriented manufacturing, and improve agricultural productivity.

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Romania: The Industrialization of an Agrarian Economy under Socialist Planning

Andreas C. Tsantis and Roy Pepper

The first comprehensive study of the Romanian economy, the study contains a data base of the economy and describes the planning and management system.

The Johns Hopkins University Press, 1979. 742 pages (including maps, appendixes, bibliography).

LC 79-84315. ISBN 0-8018-2269-6, Stock No. JH 2269, $35 hardcover; ISBN 0-8018-2262-9, Stock No. JH 2262, $15 paperback.

Seychelles: Economic Memorandum

Robert Maubouche and Naimeh Hadjitarkhani

Traces the development of Seychelles' economy from its primary dependence on the export of copra and cinnamon to service economy with tourism as its major industry. Concludes that the country's management capability is impressive and its development strategy well designed, but that it is likely to be confronted with financial constraints in the near future, and its investment program will require increased domestic efforts, as well as substantial levels of external capital aid.

1980. 73 pages (including statistical appendix).

Stock No. BK 9133. $3.

Thailand: Income Growth and Poverty Alleviation

John Shilling, chief of mission, and others

Synthesizes the results of four special studies on poverty-related issues and discusses some of the determinants of poverty, the impact of socioeconomic and political factors on the poor, and the relationship between basic needs and poverty. Formulates guidelines for policies aimed at alleviating poverty and promoting equitable growth. Companion paper to *Thailand: Toward a Development Strategy of Full Participation*, March 1980.

1980. 64 pages (including 2 annexes, maps).

Stock No. BK 9135. $3.

Thailand: Industrial Development Strategy in Thailand

Bela Balassa, chief of mission, and others

Notes that the country had an outstanding economic record during the postwar period, especially between 1960 and 1973, but points out that there is a slowdown in the growth of Thai exports that will have a negative effect on the economy. Examines the prospects for future exports of processed food and manufactured goods and analyzes the country's comparative advantage in these products. Considers the need for the economic evaluation of large government-sponsored projects; examines measures of import protection and export promotion schemes and questions relating to regional development. Provides recommendations for a coherent industrial development strategy for the country that is aimed at increasing industrial employment, expanding small and

medium-sized firms, and improving the living standards of the poor.

1980. 69 pages.

Stock No. BK 9155. $3.

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Thailand: Rural Growth and Employment

Examines the high rate of economic growth in Thailand with respect to agricultural growth. Concludes that agricultural growth has a great effect on rural development. Supports development of programs to alleviate the pockets of rural poverty. Discusses supply-side factors in rural nonfarm activities and the effect of industrial policies on provincial manufacturing.

1983. 212 pages (including appendixes).

ISBN 0-8213-0203-5. Stock No. BK 0203. $10.

Thailand: Toward a Development Strategy of Full Participation

E.R. Lim, chief of mission, John Shilling, deputy chief, and others

Shows that rapid and sustained growth has helped a substantial proportion of the population, but that, to a large extent, the rural population has not benefited. Stresses that the country should not follow a type of "trickle down" development strategy, but should focus on raising the productivity and incomes of the poorest farmers. This strategy would be a logical continuation of the economic change that began in the middle of the 19th century, with development based primarily on indigenous capital and skills and the gradual assimilation of foreign technology.

1980. 246 pages (including statistical appendix).

Stock No. BK 9125. $10.

Turkey: Industrialization and Trade Strategy

Bela Balassa, mission chief and principal author

Reports the findings of a special economic mission that visited Turkey in May-June 1981. Includes production incentives, financing of economic activity, taxation and investment incentives, industrial development and exports, state economic enterprises in manufacturing agriculture development and exports, and tourism. Concludes with policy recommendations.

1983. vi + 455 pages (including appendices and statistical tables)

ISBN 0-8213-0046-6. Stock No. BK 0046. $20.

Turkey: Policies and Prospects for Growth

Vinod Dubey, mission chief, Shakil Faruqi, deputy mission chief, and others

States that overall economic growth during the 1960s and most of the 1970s was good compared with other developing countries. Concludes, however, that the sharp increase in oil prices had an unfavorable impact on the country and that resumption of sustainable growth depends on the adoption of an export-oriented strategy; on policies aimed at increasing domestic savings and at keeping aggregate demand for resources in line with aggregate supply; and on the support for these policies by various donors and the financial community.

1980. 347 pages (including 6 appendixes, statistical annex).

Stock No. BK 9151. $15.

Uganda: Country Economic Memorandum

Mark Baird, mission leader, and others

This is the first economic report prepared by the World Bank on Uganda since 1969. It reviews events prior to the 1978-79 war and developments since the war, including the government's new financial program. Outlines the priority areas for further action and the implications of the balance-of-payments outlook for aid requirements. A more detailed review of the problems and issues in five major sectors—agriculture, industry, transport, energy, and education—is also discussed.

1982. 166 pages (including statistical appendix).

ISBN 0-8213-0027-X. Stock No. BK 0027. $5.

Yemen Arab Republic: Development of a Traditional Economy

Otto Maiss, chief of mission, and others

Outlines the far-reaching changes in the socioeconomic and political structure of the Yemen Arab Republic since the 1962 revolution and discusses major development issues of the late 1970s and the 1980s.

1979. 333 pages (including 3 maps, 7 annexes, statistical appendix, selected bibliography).

Stock No. BK 9109. $15.

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NEW

Yugoslavia: Adjustment Policies and Development Perspectives

Reviews Yugoslavia's adjustment during the strenuous economic period of 1976-80. Based on the findings of a World Bank economic mission to Yugoslavia in 1981, this report is especially useful to economists, country planners, and those interested in economic trends and institutional change.

The first section of the report deals with issues of adjustment strategy and policy across the economy. The second part explores issues in agriculture, industry, employment, and regional policy. Includes more than 100 tables of statistics from 1965 through estimates for 1985.

1983. 464 pages.

ISBN 0—8213-0189-6. Stock No. BK 0189. $20.

Yugoslavia: Self-Management Socialism and the Challenges of Development

Martin Schrenk, Cyrus Ardalan, and Nawal A. El Tatawy

Describes major development issues and the overall performance of the economy, showing that the new economic framework of the 1970s strengthens decisionmaking at the lowest microeconomic level and at the same time allows greater coordination of economic activity by extending self-management principles to the macroeconomic level.

The Johns Hopkins University Press, 1979. 410 pages (including map, appendix, glossary, index).

LC 79-84316. ISBN 0-8018-2263-7, Stock No. JH 2263, $27.50 hardcover; ISBN 0-8018-2278-5, Stock No. JH 2278, $12.95 paperback.

Zaire: Current Economic Situation and Constraints

Bension Varon, chief of mission, and others

Presents an integrated analysis of the difficulties experienced by the Zairian economy between 1975 and the first half of 1979 and suggests that the country needs to revamp its institutions and its system of incentives and adopt policies that will lay the foundation for a development pattern that will render it less vulnerable to changes in the world economy.

1980. 196 pages (including map, annex, statistical appendix). English and French.

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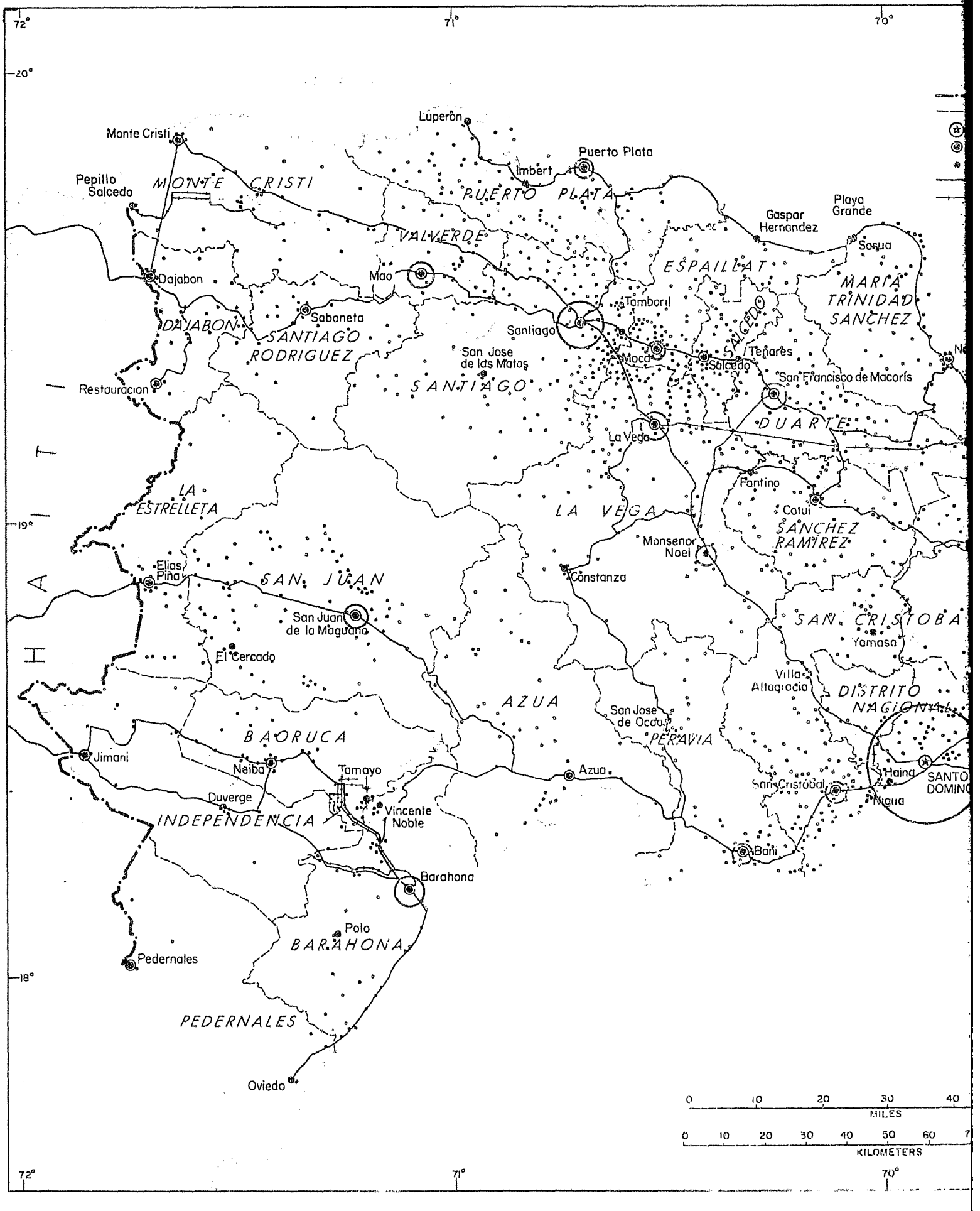
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